

## AUDIT COMMITTEE

25 SEPTEMBER 2012

### REPORT OF HEAD OF RESOURCE MANAGEMENT

#### A.2 - AUDIT COMMISSION'S ANNUAL GOVERNANCE REPORT

(Report prepared by Richard Barrett)

#### PART 1 – KEY INFORMATION

##### PURPOSE OF THE REPORT

To present the Audit Commission's Annual Governance Report including the Letter of Representation for consideration and approval to enable a final opinion on the accounts and value for money arrangements to be formally issued by the Audit Commission.

##### EXECUTIVE SUMMARY

The external auditor has substantially completed the audit of the 2011/12 accounts with their associated Annual Governance Report attached.

The Audit Commission plan on issuing an unqualified audit opinion on both the Council's financial statements and value for money arrangements.

Two amendments primarily relating to presentational issues were identified via the audit process. Overall this is a welcomed outcome from the work of the Audit Commission given the complexity of the accounting and preparation processes involved in the production of the Statement of Accounts.

The Council's audited Statement of Accounts, which reflect the amendments required, are attached and subject to the approval of the Audit Committee are required to be published by the end of September 2012.

##### RECOMMENDATIONS

###### The Audit Committee:

- (a) Considers and notes the contents of the Audit Commission's Annual Governance Report 2011/12 including the required adjustments to the Financial Statements as set out in Appendix 2 to that report.
- (b) Subject to (a) above, approves the Letter of Representation set out as Appendix 3 of the Audit Commission's Annual Governance Report 2011/12.
- (c) Subject to (b) above, authorises the Chief Executive and Head of Financial Services to sign the Letter of Representation for forwarding to the Audit Commission.
- (d) Subject to (b) and (c) above, approves for publication the audited Statement of Accounts for 2011/12, amended for the adjusted items identified in the Annual

## **Governance Report.**

### **PART 2 – IMPLICATIONS OF THE DECISION**

#### **DELIVERING PRIORITIES**

Careful planning to ensure financial stability underpins the Council's capacity and ability to deliver against its objectives and priorities. Both the capital and revenue budgets of the authority are prepared and monitored with the aim of supporting these key objectives. The outturn position and associated Statement of Accounts reflects this process and supports the successful financial planning process which includes communicating and consulting with relevant stakeholders.

#### **FINANCE, OTHER RESOURCES AND RISK**

##### **Finance and other resources**

There are no direct financial implications with the audit being completed within the planned audit fee.

##### **Risk**

The preparation, reporting and publishing of the Statement of Accounts follows a relatively tight timescale with various milestones along the way. Therefore against this backdrop, the production of the accounts is required to be completed to the necessary standards and deadlines with the aim of preventing any significant issues arising from the audit process.

#### **LEGAL**

The Statement of Accounts 2011/12 complies with the requirements of the Account and Audit Regulations 2011 along with other associated legal requirements.

The closure of accounts process, the preparation of the Statement of Accounts and their subsequent audit along with the arrangements to secure value for money reflect the requirements and responsibilities of the Council.

#### **OTHER IMPLICATIONS**

**Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.**

**Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.**

There are no direct implications from this report. However in respect of equality and diversity, the Council ensures that the Statement of Accounts and associated governance reports are accessible to all by advertising their availability and publishing them electronically on the Council's website.

### **PART 3 – SUPPORTING INFORMATION**

#### **BACKGROUND**

The pre-audited Statement of Accounts for 2011/12 were approved for publication by the Council's S151 Officer (Head of Resource Management) at the end of June 2012.

The Audit Commission conduct their audit work under the Audit Commission Act 1998

following which they prepare a comprehensive Annual Governance Report. This Annual Governance Report covers the financial statements and governance arrangements which includes the Council's approach to securing economy, efficiency and effectiveness in its use of resources (value for money).

The Audit Committee is required to consider the contents of the Annual Governance Report and approve for publication the final audited Statement of Accounts.

A draft Letter of Representation which sets out certain management representations is included as **Appendix 3** to the Audit Commission's Annual Governance Report attached. The Audit Committee are also required to separately approve this letter and authorise the Head of Resource Management and Chief Executive to sign it before it is forwarded onto the Audit Commission.

Once the above tasks are completed the Audit Commission can conclude the audit by finalising and formally issuing the audit opinion along with the certification of the accounts.

### **ANNUAL GOVERNANCE REPORT 2011/12**

The auditors have issued the Annual Governance Report for 2011/12, a copy of which is attached. The work of the Audit Commission is now substantially complete and it is planned to issue an unqualified audit opinion in respect of both the Financial Statements and value for money conclusion.

A draft of the formal audit report / opinion is set out in **Appendix 1** of the attached Annual Governance Report.

Following the external audit process two adjustments have been made with further details set out on page 16 of the Annual Governance Report. Primarily these are presentational issues with no net impact on the primary statements.

To conclude the Statement of Accounts process for 2010/11, the Audit Committee is required to consider the Annual Governance Report, approve the Letter of Representation, approve the final Statement of Accounts which include the amendments made. Therefore subject to the approval of the recommendations of this report, the final Statement of Accounts for 2011/12 will be published by the end of September 2012 deadline.

### **BACKGROUND PAPERS FOR THE DECISION**

None

### **APPENDICES**

**Attached** - Audit Commission's Annual Governance Report 2011/12

**Attached** – The Council's Final Audited Statement of Accounts 2011/12 for Publication

# Annual governance report

Tendring District Council

Audit 2011/12



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# Key messages

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**This report summarises the findings from the 2011/12 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.**

## Financial statements

My audit of the financial statements is complete. I expect to issue an unqualified audit opinion before the auditor deadline of 30 September 2012.

Management provided me with high quality, IFRS compliant accounts by the 30 June 2012 deadline and these were supported by good working papers. The level of errors identified was very low.

Management have amended the statement of accounts for those errors which we identified during the course of our work. These amendments are all solely presentational and do not impact on the financial position of the Council.

## Value for money (VFM)

My audit is complete and I expect to issue a conclusion that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources before the 30 September 2012 deadline.

Council management and members provided good leadership to prioritise resources and focus efforts to address their budget gap and any spending reductions.

The Council continues to meet its overall efficiency plan targets and reported and delivered a £0.693 million underspend against its net revenue expenditure budget in 2011/12 after carry forwards and commitments. Based on the Council's planning assumptions, the medium term financial plan from 2011/12 – 2014/15 shows a funding gap which the Council plans to meet through an ongoing programme of savings plans, management and service restructures and increases in its partnership working.

## Certificate

I am currently completing my audit work in relation to the Councils Whole of Government Accounts (WGA) submission, but am expecting this work to be completed before the Audit Committee meeting of the 25 September 2012.

I expect to complete the outstanding work and report my findings to management during September 2012. I plan to issue my certificate alongside my opinion and before the 30 September 2012.

# Before I give my opinion and conclusion

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**My report includes only matters of governance interest that have come to my attention in performing my audit. I have not designed my audit to identify all matters that might be relevant to you.**

## Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence.

I am aware of the following relationship that might constitute a threat to independence and that I am required to report to you. I have therefore put in place the following safeguard to reduce the threat.

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Table 1: **Threats and safeguards**

Threat	Safeguard
Neil Harris, the District Auditor, once sat on the same Audit Commission management team as Ian Davidson, now the Chief Executive of Tendring District Council.	This risk has been communicated to Tendring District Council and to the Audit Commission's Director of Audit. A separate District Auditor, John Cornett, has been appointed to serve as the independent quality control reviewer for this audit.

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The Audit Commission's Audit Practice has not undertaken any non-audit work for the Authority during 2011/12.



### **I ask the Audit Committee to:**

- take note of the adjustments to the financial statements included in this report (appendix 2); and
- approve the letter of representation (appendix 3), on behalf of the Authority before I issue my opinion and conclusion.

# Financial statements

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**The Authority's financial statements and annual governance statement are important means by which the Authority accounts for its stewardship of public funds. As elected Members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.**

## Opinion on the financial statements

Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

## Corrected errors

The Council has made some presentational amendments to its financial statements as a result of my audit. The detail of these is disclosed in appendix 2. We did not identify any additional errors to report to you, the few remaining identified errors were clearly trivial amounts.

## Significant risks and my findings

I reported to you in my March 2012 Audit Plan that I had considered the additional risks relevant to my audit of your financial statements and had not identified any significant risks.

## Significant weaknesses in internal control

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

I have tested the controls of the Authority only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control. I have reviewed the Annual Governance Statement and can confirm that:

- it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and

- it is consistent with other information that I am aware of from my audit of the financial statements.

## Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Authority's financial reporting process including the following.

- Qualitative aspects of your accounting practices.
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest.

I have no matters I wish to report.

## Whole of Government Accounts

Alongside my work on the financial statements, I also review and report to the National Audit Office on your Whole of Government Accounts return. I have not yet completed the procedures specified by the National Audit Office. I expect to complete my report before 30 September 2012.

# Value for money

**I am required to conclude whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion.**

I assess your arrangements against the two criteria specified by the Commission. I have set out below my conclusion on the two criteria, including the findings of my work addressing each of the risks I identified.

I intend to issue an unqualified conclusion stating that the Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in appendix 1.

Table 2: **Value for money conclusion criteria and my findings**

Criteria	Findings
<p><b>1. Financial resilience</b></p> <p><b>The organisation has proper arrangements in place to secure financial resilience.</b></p> <p>Focus for 2011/12:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>Tendring District Council underspent by £0.693 million against its net revenue expenditure budget in 2011/12 after carry forwards and commitments. The Council's earmarked reserves increased by £1.494 million to £14.298 million with general fund balances remaining at £4 million. The Council continues to exercise strong monitoring arrangements for progress against budgets and the impact of savings upon performance.</p> <p>The Council's overall net General Fund budget for 2012/13 is £17.384 million to be met by government support of £9.663 million and £7.721 from local taxpayers.</p> <p>The Council has an reorganisation programme within its services and departments that remains ongoing. To date the programme has seen a reduction in officer posts which has contributed to ongoing savings in future</p>

Criteria	Findings
	<p>years that has already contributed to the £4.4m of savings the Council has identified going into 2012/13.</p> <p>There is good communication with external stakeholders of the medium- to long-term financial strategy, current financial position and likely financial challenges.</p>
<p><b>2. Securing economy efficiency and effectiveness</b></p> <p><b>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</b></p> <p>Focus for 2011/12:</p> <p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p>Members and senior management provide strong leadership to prioritise resources. The Council has set a clear vision for future service delivery and related Council structure.</p> <p>During 2011/12 the Council has actively engaged with staff, stakeholders and the community to communicate plans and strategies.</p> <p>There is a good understanding of costs and how these relate to performance. The Council uses performance and financial monitoring to ensure ongoing efficiency and productivity.</p> <p>The Council routinely benchmark performance to identify performance outliers and take action where appropriate.</p>

As I reported in my March 2012 Audit Plan:

- I am not aware of any relevant work of other relevant regulatory bodies or inspectorates; and
- I have not identified any significant risks requiring specific risk-based work.

I have reviewed your AGS and I have no matters that I need to report.

# Fees

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## I reported my planned audit fee in the March 2012 Audit Plan.

I will complete the audit within the planned fee.

Table 3: Fees

	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Audit	£128,962	£128,962
Claims and returns	£52,126	£52,126
<b>Total</b>	<b>£181,088</b>	<b>£181,088</b>

# Appendix 1 – Draft independent auditor’s report

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## INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF TENDRING DISTRICT COUNCIL

### Opinion on the Authority financial statements

I have audited the financial statements of Tendring District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and 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 Tendring District 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 Resource Management and auditor

As explained more fully in the Statement of the Head of Resource Management Responsibilities, the Head of Resource Management 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. My 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 me 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 Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Resource Management; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the financial position of Tendring District Council 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 my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which I report by exception**

I report to you if:

- in my 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;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I 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 Authority and the auditor**

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority 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 me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority'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**

I have undertaken my 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 Authority 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 me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

## **Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Tendring District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

## **Certificate**

I certify that I have completed the audit of the accounts of Tendring District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

*[Signature]*

Neil Harris  
District Auditor

The Audit Commission's Audit Practice  
3rd Floor, Eastbrook,  
Shaftesbury Road,  
Cambridge,  
CB2 8BF

\_\_\_ September 2012

# Appendix 2 – Corrected errors

I identified the following errors during the audit which management have addressed in the revised financial statements.

Item of account	Nature of error	Statement of comprehensive income and expenditure		Balance sheet	
		Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Current liabilities - bank overdraft	An overdraft balance was disclosed as a reduction in the total value of the Councils cash balances for the year within current liabilities rather than disclosed separately within current liabilities. The bank has reported that there is no right of set off between the Councils separate account holdings and so the separate disclosure is required.				9,131
Current assets - cash and cash equivalents				9,131	
Interest paid (£22,000 overstated)	An error arose from the accounting toolkit used to prepare the note supporting the cash flow statement. Both interest received and interest paid figures have been revised in note 20 of the financial statements. As shown in the table there is no impact on the primary statements.		-		
Interest received (£53,000 overstated)		-			

# Appendix 3 – Draft letter of management representation

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## **Tendring District Council - Audit for the year ended 31 March 2012**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of officers of Tendring District Council, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2012.

### **Compliance with the statutory authorities**

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Authority, for the completeness of the information provided to you, and for making accurate representations to you.

### **Supporting records**

I have made available all relevant information and access to persons within the Authority for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Authority.

### **Irregularities**

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

### **Law, regulations, contractual arrangements and codes of practice**

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

### **Accounting estimates including fair values**

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

### **Related party transactions**

I confirm that I have disclosed the identity of the Authority's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

### **Subsequent events**

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of Tendring District Council

I confirm that this letter has been discussed and agreed by the Audit Committee on \_\_\_ September 2012.

Signed

Name

Position

Date

# Appendix 4 – Glossary

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## **Annual Audit Letter**

Letter issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

## **Annual Governance Report**

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

## **Annual Governance Statement**

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

## **Audit of the accounts**

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

## **Audited body**

A body to which the Audit Commission is responsible for appointing the external auditor.

## **Auditing Practices Board (APB)**

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

## **Auditing standards**

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

**Auditor(s)**

Auditors appointed by the Audit Commission.

**Code (the)**

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

**Commission (the)**

The Audit Commission for Local Authorities and the National Health Service in England.

**Ethical Standards**

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

**Financial statements**

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

**Group accounts**

Consolidated financial statements of an Authority and its subsidiaries, associates and jointly controlled entities.

**Internal control**

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.



## **Materiality**

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

## **Significance**

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the financial statements. Significance has both qualitative and quantitative aspects.

## **Those charged with governance**

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

## **Whole of Government Accounts**

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

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**0844 798 7070**

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



# *Tendring* *District Council*



## **STATEMENT OF ACCOUNTS**

**2011/12**

# TENDRING DISTRICT COUNCIL

## STATEMENT OF ACCOUNTS

2011/12

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25 September 2012

# **SUMMARY FINANCIAL INFORMATION AND EXPLANATORY FOREWORD**

## **INTRODUCTION**

The financial statements are prepared on a 'true and fair view' basis, and continue to provide clear information about the Council's finances, in particular they explain:

- What the cost of the Council's services were for 2011/12;
- Where the Council's funding came from;
- What the Council's assets and liabilities were at the end of 2011/12.

The format and information provided follows the Code of Practice on Local Authority Accounting in the United Kingdom (The Code) 2011/12. This brings together accounting recommendations and best practice based on International Financial Reporting Standards.

## **SUMMARY OF THE 2011/12 FINANCIAL YEAR**

Tendring District Council's expenditure is divided between revenue and capital. Revenue expenditure is on items which are consumed within the year and is financed from the proceeds of council tax, business rates, government grants, rents, fees and charges. Capital expenditure is on items that have value to the Council for longer than one year and is financed from loans, proceeds from the sale of capital assets, capital grants, revenue contributions, external contributions or from the Council's reserves.

### **Revenue Expenditure**

Revenue expenditure is classified as either Housing Revenue Account (HRA) expenditure or General Fund expenditure.

The Housing Revenue Account is a separate account that records the income and expenditure in relation to the provision of council housing. This account is ring fenced and should not be subsidised from the General Fund or vice versa.

The General Fund records all the day-to-day spending on council services (apart from those that must be charged to the HRA).

The table that follows sets out the net revenue spending and financing compared with the estimate for the year.

	Estimate £000	Actual £000
Net Cost of Services	61,097	56,226
Other Operating Expenditure	1,395	1,344
Financing and Investment Income and Expenditure	2,885	1,968
Other Taxation and Non Specific Grants	(3,608)	(3,633)
	<b>61,769</b>	<b>55,905</b>
Contribution to/(from) Reserves	(8,207)	2,156
Other Movements on General Fund and HRA Balances	(33,467)	(37,966)
<b>Movement on Balances</b>	<b>(41,674)</b>	<b>(35,810)</b>
<b>Increase/(Decrease) in General Fund Balance for the year</b>	<b>-</b>	<b>-</b>
	<b>20,095</b>	<b>20,095</b>
<b>Financed by:</b>		
Income from Council Tax Payers	9,154	9,154
Government Grants - Revenue Support Grant	2,583	2,583
National Non-Domestic Rates	8,358	8,358
	<b>20,095</b>	<b>20,095</b>

The income and expenditure relating to the Housing Revenue Account is also included in the 'Net Cost of Services' above. The net increase or decrease is then transferred out as part of the 'Movements on the General Fund and HRA Balances' to arrive at the net general fund expenditure for the year.

### General Fund 2011/12

Due to the size, nature and lead-in times of some revenue and capital schemes (which are part funded by revenue contributions) expenditure can span financial years with some schemes and projects not completed by the 31 March in any one year. In such circumstances it is possible to carry forward the budget to enable projects to be completed. For 2011/12 these items total £8.944 million. There was no increase or decrease in the General Fund balance for the year.

General Fund balances at 31 March 2012 now stand at £18.298 million, of which £14.298 million has been set aside for specific policy purposes within earmarked reserves (an analysis of the earmarked reserves can be found on page 46 note 6 to the Core Financial Statements). The balance of £4.000 million is in the uncommitted reserve and of this sum £1.600 million is required to be maintained as the Council's Minimum Working Balance to support the Council's cash flow requirements during the year.

## **Housing Revenue Account 2011/12**

The Council's revised estimates for 2011/12 planned for an overall surplus for the year of £0.379 million but the final figure was a £0.474 million surplus. This surplus has contributed to HRA Balances which now total £5.829 million at the end of March 2012. When added to the balance of £1.195 million in the Housing Repairs Account, which is held to support the maintenance of the Council's housing stock, the Housing Revenue Account Balances total £7.024 million at 31 March 2012.

## **Capital Investment 2011/12**

Expenditure is capitalised when it is spent on the acquisition, creation or enhancement of assets that have a value to the Council or the community for more than one year. Examples of capital expenditure incurred by the Council during the year were improvements to the Council's housing stock, information technology projects, coastal defence works and regeneration projects within the district.

The Council's capital expenditure in 2011/12 totalled £7.495 million, compared with a budget for the year of £11.164 million. This variance was primarily due to spending on schemes being rescheduled into the 2012/13 Capital Programme as projects can span financial years. Included in the Capital Programme was the sum of £0.337 million for the replacement of vehicles through leasing arrangements/contract hire, of which vehicles to the value of £0.171 million were acquired during the year.

The capital expenditure was financed via a mix of government grants and other external contributions, proceeds from the sale of capital assets and revenue resources.

## **The Prudential Code for Capital Finance in Local Authorities**

The Local Government Act 2003 gives councils the freedom to determine how much they borrow for investment in new capital projects and schemes, subject to a regulation that they have regard to the Prudential Framework developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). This aims to ensure that the capital investment plans of local authorities are affordable, prudent, sustainable, and that treasury management decisions are taken in accordance with good professional practice.

The Council manages its debt portfolio with advice from external consultants. In respect of the General Fund, no new external borrowing was undertaken during 2011/12. However, to fund the statutory debt settlement associated with the move to the new self financing approach, additional borrowing of £35.979 million was undertaken in 2011/12 by the HRA. The total external debt of the Council as at 31 March 2012 stood at £57.907 million compared to its capital financing requirement (which represents the overall borrowing requirement) as at 31 March 2012 of £62.472 million. The difference between external debt and the capital financing requirement is the amount met by internal resources.

## **Current Year**

### ***General Fund***

The Council's overall net General Fund budget for 2012/13 is £17.384 million to be met by government support of £9.663 million and £7.721 million from local taxpayers.

The revised capital budget for the year is £4.322 million. This will be financed by government grants and other government funding (£1.521 million), capital receipts (£1.053 million), revenue (£1.250 million) and other sources including external contributions (£0.498 million).

The Council has General Fund balances of £18.298 million to bring forward into 2012/13. Of this sum, £14.298 million is earmarked in specific reserves.

Within the overall budget figures mentioned above, significant investments in the District which are planned or ongoing into 2012/13 include the following items:

- Disabled Facilities Grants - £1.427 million
- Regeneration Projects - £0.442 million
- Sports Facilities and Recreation Areas - £0.968 million
- Coastal Defence Works - £0.571 million

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

The Housing Revenue Account expenditure budget for 2012/13 is £13.173 million and after allowing for estimated income of £13.362 million, a balance of £0.189 million is forecast for the year.

The revised capital budget for the year is £3.803 million. This will be financed by the Major Repairs Reserve which includes government grant amounts from previous years.

### ***Impact of Current Economic Climate***

The Coalition Government continue to undertake measures to reduce the level of spending in the public sector which follows on from the worst local government funding settlement for many years. The settlement announced for 2011/12 and 2012/13 resulted in average reductions of 15% and 13% across the two years in shire district local authority formula grant funding.

Given the volatility and uncertainty in the economic climate along with the continuing challenges in Europe and elsewhere the grant funding receivable from the Government in 2013/14 and beyond is likely to see further reductions.

This is also set against some wide ranging changes in other important financial areas as set out in the Government's Resource Review. The Secretary of State for Communities and Local Government (CLG) issued a written statement on the Local Government Resource Review in which he set out his view that councils were too dependent on central grant allocations and his desire to move to "a radically different system of funding and support for councils that is built on strong incentives, is driven by local decision-making and breaks this dependency".



The review includes looking at ways to reduce the reliance of local government on central government funding, increase local accountability and ensure that the benefits of economic growth are reflected in the resources authorities have.

The review includes the consideration of:

- Changes to the business rates system, which focuses on local authorities retaining an element of amounts raised locally.
- Changes to how Council Tax Benefit is administered with a move to local discounts from April 2013 rather than the current national scheme.

The Council provides a significant range of services over a large geographical area and has a high elderly population and some of the most deprived areas in the country. The Council must therefore ensure that its budget is sufficient to provide the wide range of services that its diversity and needs demand and also support new development and growth. This demand for expenditure must be set against the need to produce a balanced budget and bridge the gap arising, substantially, from the reduction in Government Formula Grant. The Council reviews its financial position on an on-going basis within a robust annual Financial Strategy and budget setting process.

## ***FINANCIAL STATEMENTS***

The main elements of the financial statements are explained below and comprise of information in respect of accounting concepts and estimation techniques, the responsibilities for the statement of accounts along with the report of the auditors and the detailed financial statements and notes. The format and information in the Accounts has been prepared in line with International Financial Reporting Standards (IFRS) and the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (The Code). The detailed financial statements that are required are explained below, these are split into 'core statements' and 'supplementary statements'.

## ***ACCOUNTING AND RESPONSIBILITY STATEMENTS***

- ❖ **Accounting Concepts and Estimation Techniques (Page 10).** This briefly sets out the three main concepts that are applicable along with estimation methods used in preparing the accounts.
- ❖ **Statement of Responsibilities for the Statement of Accounts (Page 11).** This statement sets out the respective responsibilities required of the Council and the Head of Resource Management for the Authority's accounts and financial affairs.
- ❖ **Report of the Auditors (Page 13).** The Auditor certifies that an audit of the Statement of Accounts has been concluded and gives an opinion on their presentation and content.

## **CORE FINANCIAL STATEMENTS**

The following four statements comprise the 'core statements' and are directly followed in the Statement of Accounts by comprehensive notes supporting these statements.

- ❖ **Movement in Reserves Statement (MIRS) (Page 16).** This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. 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 authority'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 rents 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.
- ❖ **Comprehensive Income and Expenditure Statement (Page 18).** This 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.
- ❖ **Balance Sheet (Page 19).** The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority 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 authority 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 were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- ❖ **Cash Flow Statement (Page 20).** The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority'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 authority.

## **SUPPLEMENTARY FINANCIAL STATEMENTS**

- ❖ **Housing Revenue Account Income and Expenditure Statement (Page 97).** The Housing Revenue Account (HRA) reflects a statutory obligation (Local Government and Housing Act 1989) to maintain a separate account for local authority housing provision such as those revenue transactions relating to the Council's housing stock and its other housing assets. The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement. The Account is also consolidated into the Comprehensive Income and Expenditure Statement previously mentioned.
- ❖ **Movement on the Housing Revenue Account Statement (Page 98).** Similarly to the Movement in Reserves Statement, amounts that need to be included in the HRA to arrive at an overall position for the year include those in accordance with statute and are either added or removed from the figures in the Income and Expenditure Statement. Accordingly this statement reconciles the income and expenditure statement with the other items in the HRA to arrive at the overall HRA balance for the year.
- ❖ **Collection Fund Income and Expenditure Statement (Page 106).** The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to Essex County Council, Essex Fire Authority and Essex Police Authority. Transactions relating to Tendring District Council are included in the Comprehensive Income and Expenditure Statement.

## **OTHER INFORMATION**

Additional information to aid the understanding and interpretation of the accounts along with significant changes included in the accounts for 2011/12 are as follows:

## **ADDITIONAL STATEMENTS**

- ❖ **Members' Allowances and Expenses (Page 110).** This shows the allowances and expenses paid to Councillors in respect of their duties. Publication of these allowances and expenses is a statutory requirement.
- ❖ **Glossary (Page 114).** This explains in more detail the terms used in the Statement of Accounts.

## **ADDITIONAL INFORMATION**

❖ On 4 April 2008 a separate company (Tendring Regeneration Ltd) was set up by the Council to manage the Council's regeneration and other associated activities. From 2008/09 up until 2010/11, the accounts of this separate company have been consolidated within the Council's overall accounts resulting in Group Accounts being prepared and published within the Council's own Statement of Accounts. Following the companies move to a position where no significant trading activity is envisaged from 2012/13, the transactions for 2011/12 were not material and therefore no group accounts have been produced. However the company's financial position is still reported within their own separate financial statements which are available directly from the company.

### ❖ **New or Significant Changes in Liabilities/Assets**

1 **Housing Benefit Subsidy** – During the year benefit subsidy is receivable from the Department for Work and Pensions (DWP) to meet the cost of providing Rent Allowances, Rent Rebates and Council Tax Rebates along with an overall administration grant. The monthly payments received during the year are based on estimates until final figures become known at the end of April 2012 when a claim for subsidy is finalised and sent to DWP. For 2011/12 the final subsidy figure being claimed from DWP is £0.660 million more than the payments received from them during the year so this additional income appears as a debtor in the accounts. This is reflected in the line Government Departments and Agencies within the analysis of debtors that appear in the Balance Sheet (page 61 note 14). This payment has subsequently been received in May 2012.

### ❖ **Explanation of Pension Liability**

At the end of 2011/12 there is an overall pension deficit attributable to the Council of £54.993 million (£37.850 million for 2010/11) which has been included in the Balance Sheet as at 31 March 2012. This reflects the calculations carried out in accordance with IAS19 based on actuarial assumptions which were subject to a comprehensive triennial review as at 31 March 2010. The next triennial review is due in 2013. The deficit reported for 2011/12 highlights that to date the current benefit obligations of the fund are greater than the current value of the assets of the fund although it is important to note that the figures calculated under IAS19 differ from those calculated as part of the triennial actuarial review. Statutory arrangements for funding the deficit calculated via the triennial actuarial review mean that the deficit on the local government scheme will be made good by contributions over the remaining working life of employees, as assessed by the scheme actuary. Further changes to the Local Government Pension Scheme are expected to come into force from April 2014 which will have an impact on the pension liability in future years.

### ❖ **Other Significant Items**

1 In accordance with FRS30, Heritage Assets have been recognised as a separate class of asset for the first time in 2011/12. This has had no material effect on the Authority's accounts but for completeness a restatement of the opening and closing position is set out within the accounts, note 37 refers.

- 2 The Localism Act which recently passed through Parliament enacted various HRA self financing reforms and made these effective from 1 April 2012. As part of these reforms, the Council is required to pay a one-off amount to the Government to effectively 'buy' itself out of the current subsidy arrangements. This settlement figure totals £35.979 million, which was paid to the Government on 28 March 2012 and is included within the HRA Income and Expenditure Account. This amount was borrowed from the Public Works Loan Board at reduced rates and was the only external borrowing undertaken by the Council in 2011/12, which accounts for the significant increase in the long term borrowing liability within the Balance Sheet at 31 March 2012.
  
- 3 The Council has experienced significant changes from a reorganisation programme within services/departments that remains on-going. The need to challenge and review how the Council delivers its services forms a major part of being able to maintain a balanced and sustainable budget in the long term set against the backdrop of a very difficult economic climate. To date the programme of reorganisation has seen a reduction in officer posts, primarily within the Council's senior management structure. Although this has incurred one-off 'exit costs' which appear elsewhere within the Statement of Accounts, these changes have the knock on benefit of delivering on-going savings in future years that have already contributed to the £4.4 million of savings the Council has identified going into 2012/13.

As mentioned above, this process remains on-going with further savings required in 2013/14 and beyond that will be considered as part of the Council's Financial Strategy and budget setting processes.

❖ **Summary Financial Statements**

Summary financial statements are also produced by the Council which will be available on the Council's web site from the beginning of August 2012.

# ACCOUNTING CONCEPTS AND ESTIMATION TECHNIQUES

## Accounting Concepts

The accounting policies outlined in the next section are consistent with the fundamental accounting concepts of:

- **Going concern** – that the Authority will continue in its operational existence for the foreseeable future;
- **Accruals** – the non-cash effects of transactions are reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid. Further details are provided in the Statement of Accounting Policies (note 1 to the Core Financial Statements);
- **Legislative requirements** – where specific legislative requirements and accounting principles conflict, legislative requirements are applied.

## Estimation Techniques

These are the methods adopted by the Council to arrive at estimated amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and charges to the Reserves. Where the basis of measurement for the amount to be recognised under accounting policies is uncertain, an estimation technique is applied. In the Council's accounts, estimation techniques continue to be applied for the calculation of depreciation, bad debt provision, pension assets/liabilities and some grant amounts claimed from Government. Methods used are further explained in the accounting policies (note 1 to the Core Financial Statements).

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## **The Authority's Responsibilities**

The Authority 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 Authority, that officer is the Head of Resource Management;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

## **The Head of Resource Management's Responsibilities**

The Head of Resource Management is responsible for the preparation of the Authority'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 Resource Management 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 Resource Management 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 RESOURCE MANAGEMENT'S CERTIFICATE**

I certify that the accounts set out in this document give a true and fair view of the financial position of the Council at the 31 March 2012 and the income and expenditure for the year then ended.

Karen Neath CPFA  
Head of Resource Management  
Date: 25 September 2012

**CHAIRMAN OF THE AUDIT COMMITTEE'S CERTIFICATE**

I confirm that the Audit Committee at the meeting held on 25 September 2012 approved these accounts.

Councillor M Page on behalf of Tendring District Council  
Chair of meeting approving the accounts  
Date: 25 September 2012



**INDEPENDENT AUDITOR'S REPORT TO  
THE MEMBERS OF  
TENDRING DISTRICT COUNCIL  
YEAR ENDED 31 MARCH 2012**

**THIS PAGE HAS BEEN RESERVED FOR WHEN THE AUDITOR'S REPORT IS AVAILABLE**

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## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	Housing Repairs Account	Major Repairs Reserve	Capital Grants Unapplied Reserve	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Note Ref
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Balance at 1 April 2010 brought forward</b>	3,899	10,322	5,017	582	2,702	167	1,879	24,568	119,914	144,482	37
<b>Movement in reserves during 2010/11</b>											
Surplus or (deficit) on provision of services	7,310	-	(14,867)	-	-	-	-	(7,557)	-	(7,557)	
Other comprehensive expenditure and income								-	(2,948)	(2,948)	
<b>Total Comprehensive Expenditure and Income</b>	7,310	-	(14,867)	-	-	-	-	(7,557)	(2,948)	(10,505)	
Adjustments between accounting basis and funding basis under regulations	(4,727)	-	15,630	-	(4)	(3)	(269)	10,627	(10,627)	-	5
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	2,583	-	763	-	(4)	(3)	(269)	3,070	(13,575)	(10,505)	
Transfers to/from Earmarked Reserves	(2,482)	2,482	(425)	425	-	-	-	-	-	-	
<b>Increase/(Decrease) in Year</b>	101	2,482	338	425	(4)	(3)	(269)	3,070	(13,575)	(10,505)	
<b>Balance at 31 March 2011 carried forward</b>	4,000	12,804	5,355	1,007	2,698	164	1,610	27,638	106,339	133,977	18,19 & 37

	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	Housing Repairs Account	Major Repairs Reserve	Capital Grants Unapplied Reserve	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Note Ref
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Balance at 1 April 2011 brought forward</b>	4,000	12,804	5,355	1,007	2,698	164	1,610	27,638	106,339	133,977	37
<b>Movement in reserves during 2011/12</b>											
Surplus or (deficit) on provision of services	3,369	-	(39,178)	-	-	-	-	(35,809)	-	(35,809)	
Other comprehensive expenditure and income	-	-	-	-	-	-	-	-	(15,215)	(15,215)	
<b>Total Comprehensive Expenditure and Income</b>	3,369	-	(39,178)	-	-	-	-	(35,809)	(15,215)	(51,024)	
Adjustments between accounting basis and funding basis under regulations	(1,875)	-	39,840	-	(681)	1	261	37,546	(37,546)	-	5
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	1,494	-	662	-	(681)	1	261	1,737	(52,761)	(51,024)	
Transfers to/from Earmarked Reserves	(1,494)	1,494	(188)	188	-	-	-	-	-	-	
<b>Increase/(Decrease) in Year</b>	-	1,494	474	188	(681)	1	261	1,737	(52,761)	(51,024)	
<b>Balance at 31 March 2012 carried forward</b>	4,000	14,298	5,829	1,195	2,017	165	1,871	29,375	53,578	82,953	18,19

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

Expenditure	2010/11 Income	Net		2011/12 Expenditure	Income	Net	Note
£000	£000	£000		£000	£000	£000	
<b>EXPENDITURE ON SERVICES</b>							
17,427	(16,309)	1,118	Central Services to the Public	17,567	(16,255)	1,312	
8,345	(3,474)	4,871	Cultural and Related Services	5,409	(3,462)	1,947	
9,732	(2,983)	6,749	Environmental and Regulatory Services	9,595	(3,287)	6,308	
4,969	(1,452)	3,517	Planning Services	4,371	(1,256)	3,115	
3,288	(1,630)	1,658	Highways and Transport Services	1,525	(1,009)	516	
25,258	(11,203)	14,055	Local Authority Housing - Housing Revenue Account	14,334	(12,036)	2,298	
		-	Local Authority Housing - HRA Self Financing Settlement Payment	35,992	-	35,992	
58,510	(57,364)	1,146	Other Housing Services	61,497	(60,603)	894	
580	(575)	5	Adult Social Care	491	(577)	(86)	
3,488	(715)	2,773	Corporate and Democratic Core Expenses	3,445	(8)	3,437	
(6,582)	-	(6,582)	Non Distributed Costs	493	-	493	
125,015	(95,705)	29,310	<b>Net Cost of Services</b>	154,719	(98,493)	56,226	
1,813	(398)	1,415	Other Operating Expenditure	1,910	(566)	1,344	7
3,341	(220)	3,121	Financing and Investment Income and Expenditure	2,238	(270)	1,968	8
-	(26,289)	(26,289)	Taxation and Non-Specific Grant Income	-	(23,729)	(23,729)	9
		7,557	<b>(Surplus) or Deficit on Provision of Services</b>			35,809	
		7,220	(Surplus) or deficit on revaluation of non-current assets			(2,371)	19(a)
		(9)	(Surplus) or deficit on revaluation of available for sale financial assets			18	19(b)
		(4,263)	Actuarial (gains)/losses on pension assets/liabilities			17,568	19(d)
		2,948	<b>Other Comprehensive Income and Expenditure</b>			15,215	
		10,505	<b>Total Comprehensive Income and Expenditure</b>			51,024	

# BALANCE SHEET

## AS AT 31 MARCH 2012

01/04/2010	31/03/2011		31/03/2012	Note
£000	£000		£000	Ref
		Long Term Assets		
193,270	170,229	- Property Plant and Equipment	170,334	10
35	35	- Heritage Assets	32	11,37
395	353	- Intangible Assets	229	12
9	8	- Long Term Investments	10	13
523	588	- Long Term Debtors	562	13,14
194,232	171,213	<b>Total Long Term Assets</b>	171,167	
<hr style="border-top: 1px dashed black;"/>				
		Current Assets		
13,007	20,521	- Short Term Investments	27,019	13
49	30	- Inventories	39	
9,603	6,094	- Short Term Debtors	3,295	13,14
8,219	7,887	- Cash and Cash Equivalents	12,801	15
30,878	34,532	<b>Total Current Assets</b>	43,154	
<hr style="border-top: 1px dashed black;"/>				
		Current Liabilities		
(3,881)	(4,792)	- Cash and Cash Equivalents - Bank Overdraft	(9,131)	15
(303)	(319)	- Short Term Borrowing	(2,290)	13
(5,118)	(5,510)	- Short Term Creditors	(8,047)	13,16
(240)	(367)	- Capital Grants Receipts in Advance	(110)	28
(9,542)	(10,988)	<b>Total Current Liabilities</b>	(19,578)	
<hr style="border-top: 1px dashed black;"/>				
		Long Term Liabilities		
(1,201)	(938)	- Long Term Creditors	(981)	13,16
(89)	(64)	- Provisions	(79)	17
(22,138)	(21,928)	- Long Term Borrowing	(55,737)	13,36
(47,658)	(37,850)	- Other Long Term Liabilities - Pensions	(54,993)	33
(71,086)	(60,780)	<b>Total Long Term Liabilities</b>	(111,790)	
<hr style="border-top: 1px dashed black;"/>				
144,482	133,977	<b>Total Net Assets</b>	82,953	
<hr style="border-top: 3px double black;"/>				
		<b>Financed by:</b>		
24,568	27,638	Usable Reserves	29,375	18
119,914	106,339	Unusable Reserves	53,578	19,37
144,482	133,977	<b>Total Reserves</b>	82,953	
<hr style="border-top: 3px double black;"/>				

## CASH FLOW STATEMENT

2010/11		2011/12	Note
£000		£000	Ref
(7,557)	Net surplus or (deficit) on the provision of services	(35,809)	
	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements:		
22,188	Depreciation and impairment of non-current assets	8,315	
165	Amortisation of Intangible Assets	153	
(285)	Increase/decrease in creditors	817	
5,115	Increase/decrease in debtors	1,004	
(5,545)	Movement in pension liability	(425)	
222	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	236	
1	Other items	4	10,104
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:		
(3,783)	Capital Grants credited to surplus or deficit on the provision of services	(3,972)	
(398)	Proceeds from the sale of property, plant and equipment	(566)	(4,538)
10,123	Net cash flows from Operating Activities	(30,243)	20
(12,217)	Investing Activities	(8,580)	21
851	Financing Activities	39,398	22
(1,243)	Net increase or (decrease) in cash and cash equivalents	575	
4,338	Cash and cash equivalents at the beginning of the reporting period	3,095	
3,095	Cash and cash equivalents at the end of the reporting period	3,670	



# NOTES TO CORE FINANCIAL STATEMENTS

## 1 Accounting Policies

### a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require 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).

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.

### b) 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 Authority.
- Revenue from the provision of services is recognised when the Authority 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 Authority.
- 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.
- Expenditure 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. The only exceptions to this are with regard to certain revenue transactions where the accruals concept has not been applied (e.g. electricity and similar quarterly payments) as the change from year to year is recurring in nature and the sums involved are not material compared with total expenditure and income, and where appropriate when expenditure is being funded by external grant, depending on the requirements specified in the conditions of grant. As this policy is applied consistently each year, it has no material effect on the year's accounts. 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.

c) **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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 Authority's cash management.

d) **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 Authority's financial performance.

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

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

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

f) **Charges to Revenue for Non-Current Assets**

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

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

The Authority 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 Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### g) **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 salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, for example, 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 salary rates applicable in the following accounting period, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

##### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority 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 Authority are members of the Local Government Pension Scheme, administered by Essex County Council.

This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

## The Local Government Pension Scheme

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

- The liabilities of the Essex County Council pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.6%, the yield on AA rated (over 15 year) corporate bond index.
- The assets of Essex County Council pension fund attributable to the Authority 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/gain** – the increase/decrease 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 Authority, 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 Authority 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 County Council 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 Authority 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 Authority 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 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.

#### **h) 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.

i) **Financial Instruments**

**Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Authority 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 most of the borrowings that the Authority 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. Where material the Authority 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. Where the sums are immaterial they are not spread over future years, but instead charged fully to the Comprehensive Income and Expenditure Statement in the year. 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.

The Council operates a deposit guarantee scheme set up to help people who are homeless, or threatened with homelessness, and unable to raise the deposit necessary to secure private rented accommodation. The deposit guarantee scheme is a written agreement and represents a deposit equal to the value of one month's rent. The deposit covers any damage or rent arrears incurred by the tenant for the duration of their tenancy. In the event that a landlord needs to make a claim against the deposit guarantee at the end of the tenancy, the tenant will be required to repay this money to the Council.

### **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 Authority 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 Authority 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 Authority 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 (for example dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

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).



### **Instruments entered into before 1 April 2006**

The Authority entered into a scheme of arrangement in respect of Municipal Mutual Insurance in 1992 which is not required to be accounted for as a financial instrument. This is reflected in the Statement of Accounts to the extent that a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

#### **k) 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 Authority when there is reasonable assurance that:

- The Authority 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 in the form of grant or contribution 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.

Grants to cover general expenditure (for example, Revenue Support Grant) are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

#### **l) Heritage Assets**

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority'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 Authority's collection of heritage assets is accounted for as follows:

## **Machinery**

The Clacton Queen Steam Roller is reported in the Balance Sheet at insurance valuation and reviewed on an annual basis.

## **Heritage Buildings**

These buildings include the Harwich Crane, the Leading Lights at Dovercourt and the Redoubt in Harwich, all of which are held at a nominal value in the accounts.

## **Heritage Assets – General**

The carrying amounts of all heritage assets are reviewed where there is evidence of impairment. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment (see item q) in this summary of significant accounting policies. Where applicable, disposal proceeds are disclosed separately in the note to the Financial Statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

### **m) Intangible Assets**

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

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

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

### **n) Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at cost.

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.

o) **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 Authority as Lessee**

➤ **Finance Leases**

Property, Plant or 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 Authority 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 authority at the end of the lease period).

The Authority 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 (including Contract Hire)**

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 (for example, there is a rent-free period at the commencement of the lease).

**The Authority as Lessor**

➤ **Finance Leases**

Where the Authority 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 assets 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 Authority'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 non-current 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 Authority 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 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 (for example, there is a premium paid at the commencement of the lease).

p) **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 Authority’s status as a multi-functional, democratic organisation.
- Non Distributed Costs – includes costs such as 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.

q) **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 Authority 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 initial estimate of the costs of dismantling and removing the items and restoring the site on which it is located.

The Authority 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 Authority). 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 Authority.

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 basis:

- Equipment, 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 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. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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 subsequently reversed, 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 (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset.
- Infrastructure – straight-line allocation.

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 previous 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 revaluation 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 Authority'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 non-current 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.

Capital receipts of £10,000 or less are credited to the General Fund Revenue Account to be used for revenue or capital purposes except for Private Sector Grant/Loan repayments which are credited directly back to the Capital Receipts Reserve to support the on-going capital programme.

The interest earned from holding capital receipts is credited to revenue accounts.

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

### **Provisions**

Provisions are made where an event has taken place that gives the Authority 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 Authority 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 Authority 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 (for example, 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 Authority settles the obligation.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Authority 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 Authority. 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 Authority 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 Authority.

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.

### s) **Reserves**

The Authority 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 Authority – these reserves are explained in the relevant policies.

### t) **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 Authority 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.

### u) **Value Added 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.

The Council is allowed to recover VAT incurred on expenses where income from the activity is exempt provided it is 'insignificant'. The current test for insignificance is that the VAT incurred and recovered on exempt activities is less than 5% of the total VAT that is incurred on all of the Council's activities. If the amount exceeds the limit and no dispensation has been granted by HM Revenue and Customs, then none of the tax may be recovered. HM Revenue and Customs have raised no objection to the Council's method of calculation applied to exempt activities.

## 2 Accounting Standards that have been issued but have not yet been adopted

For 2011/12 the only accounting policy change in the Code that is relevant for this note relates to amendments to IFRS 7 *Financial Instruments: Disclosures (transfers of financial assets)*. The Council does not currently have any transactions that are applicable for disclosure under this heading.

## 3 Assumptions made about the future and other major sources of estimation

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority 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 Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year and have not been disclosed elsewhere are as follows:

Item	Uncertainties	Effect if Actual results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £160,000 for every year that useful lives had to be reduced.</p>
Pensions Liability (See page 84 Note 33)	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 (via Essex County Council) to provide the Authority with expert advice about the assumptions to be applied.	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £2.719 million.</p> <p>However, the assumptions interact in complex ways. During 2011/12, the Authority's actuaries advised that the net pensions liability had increased by £17.143 million primarily due to estimates being corrected as a result of experience and updating of the assumptions.</p>

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

#### **4 Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Head of Resource Management on 29 June 2012. Events taking place after the Balance Sheet date have been considered up to this date. No events have been identified. Events taking place after the Statement of Accounts were authorised for issue are not reflected in the financial statements or notes.

## 5 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 Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010/11	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied Reserve	Capital Receipts Reserve	
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Depreciation and impairment of non-current assets	3,940	18,248	-	-	-	(22,188)
Amortisation of intangible assets	161	4	-	-	-	(165)
Revenue expenditure funded from capital under statute	353	40	-	-	-	(393)
Amounts of non-current assets written off on disposal	61	161	-	-	-	(222)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Statutory provision for the financing of capital investment	(328)	-	-	-	-	328
Capital expenditure charged against the General Fund	(819)	-	-	-	-	819
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants credited to the Comprehensive Income and Expenditure Statement	(2,733)	-	-	2,733	-	-
Grants used to fund capital expenditure	-	-	-	(2,736)	-	2,736

2010/11	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied Reserve	Capital Receipts Reserve	
	£000	£000	£000	£000	£000	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited on disposals to the Comprehensive Income and Expenditure Statement	(34)	(363)	-	-	397	-
Capital Receipts used to finance new capital expenditure	-	-	-	-	(501)	501
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	3	-	-	(3)	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	176	-	-	-	(176)	-
Mitigation of Finance Lease costs in accordance with regulation	2	-	-	-	(2)	-
Transfer from Deferred Capital Receipts upon receipt of cash	-	-	-	-	16	(16)
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	(2,341)	2,341	-	-	-
Major Repairs Reserve used to finance capital expenditure	-	-	(2,345)	-	-	2,345
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(2,451)	239	-	-	-	2,212
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,972)	(361)	-	-	-	3,333
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statute	(83)	-	-	-	-	83
<b>Total Adjustments</b>	<b>(4,727)</b>	<b>15,630</b>	<b>(4)</b>	<b>(3)</b>	<b>(269)</b>	<b>(10,627)</b>

2011/12	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied Reserve	Capital Receipts Reserve	
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Depreciation and impairment of non-current assets	1,762	6,553	-	-	-	(8,315)
Amortisation of intangible assets	150	3	-	-	-	(153)
Revenue expenditure funded from capital under statute	65	-	-	-	-	(65)
Amounts of non-current assets written off on disposal	30	206	-	-	-	(236)
HRA Determination Payment	-	35,979	-	-	-	(35,979)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Statutory provision for the financing of capital investment	(315)	-	-	-	-	315
Capital expenditure charged against the General Fund	(195)	-	-	-	-	195
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants credited to the Comprehensive Income and Expenditure Statement	(2,997)	(25)	-	3,022	-	-
Grants used to fund capital expenditure	-	-	-	(3,021)	-	3,021

2011/12	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied Reserve	Capital Receipts Reserve	
	£000	£000	£000	£000	£000	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited on disposals to the Comprehensive Income and Expenditure Statement	(232)	(334)	-	-	566	-
Capital Receipts used to finance new capital expenditure	-	-	-	-	(71)	71
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	8	-	-	(8)	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	240	-	-	-	(240)	-
Mitigation of Finance Lease costs in accordance with regulation	2	-	-	-	(2)	-
Transfer from Deferred Capital Receipts upon receipt of cash	-	-	-	-	16	(16)
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	(2,406)	2,406	-	-	-
Major Repairs Reserve used to finance capital expenditure	-	-	(3,087)	-	-	3,087
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,235	192	-	-	-	(3,427)
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,519)	(333)	-	-	-	3,852
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statute	(82)	-	-	-	-	82



2011/12	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied Reserve	Capital Receipts Reserve	
	£000	£000	£000	£000	£000	£000
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statute	(19)	(3)	-	-	-	22
<b>Total Adjustments</b>	<b>(1,875)</b>	<b>39,840</b>	<b>(681)</b>	<b>1</b>	<b>261</b>	<b>(37,546)</b>

## 6 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.

	Balance at 1 April 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 March 2012 £000
<b>General Fund:</b>							
Revenue Commitments Reserve	4,087	(4,017)	6,145	6,215	(6,215)	8,738	8,738
Capital Commitments Reserve	1,420	(920)	32	532	(512)	744	764
Asset Refurbishment/Replacement Reserve	-	-	1,403	1,403	(1,600)	961	764
Austerity Reserve	813	-	408	1,221	(1,221)	500	500
Benefit Reserve	-	-	260	260	-	139	399
Car Parks Reserve (Decriminalisation)	391	-	130	521	-	-	521
Careline System Replacement Reserve	111	(74)	-	37	-	-	37
Citizens Advice Bureau Reserve	-	(25)	57	32	(32)	-	-
Commuted Sums Reserve	247	(25)	35	257	(33)	110	334
Concessionary Bus Fares Reserve	815	-	101	916	(916)	-	-
Contact Management/Development Reserve	450	(450)	-	-	-	-	-
Cremator Replacement Reserve	423	(10)	117	530	-	233	763
Fixed Penalty Notice Reserve	6	-	-	6	(6)	-	-
Haven Gateway Partnership Reserve	75	-	-	75	-	-	75
Jaywick Project Manager and Externally Funded Posts Reserve	127	(26)	1	102	(85)	97	114
Joint User Sports Centres Reserve	-	(50)	50	-	-	-	-
Leisure Capital Projects Reserve	335	-	-	335	(335)	335	335
Manual Workers Job Evaluation Reserve	38	(38)	-	-	-	-	-
Planning Inquiries and Enforcement Reserve	50	(20)	-	30	(25)	500	505
Project Investment Reserve	39	(20)	-	19	-	-	19
Public Convenience Reserve	-	-	120	120	-	20	140
Specific Revenue Grants Reserve	895	(763)	61	193	(28)	125	290
<b>Total General Fund</b>	<b>10,322</b>	<b>(6,438)</b>	<b>8,920</b>	<b>12,804</b>	<b>(11,008)</b>	<b>12,502</b>	<b>14,298</b>

	Balance at 1 April 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 March 2012 £000
<b>Housing Revenue Account:</b>							
Major Repairs Reserve	2,702	(2,440)	2,436	2,698	(3,127)	2,446	2,017
Housing Repairs Account	582	-	425	1,007	-	188	1,195
Housing Revenue Account	5,017	-	338	5,355	-	474	5,829
<b>Total Housing Revenue Account</b>	<b>8,301</b>	<b>(2,440)</b>	<b>3,199</b>	<b>9,060</b>	<b>(3,127)</b>	<b>3,108</b>	<b>9,041</b>

## 7 Other Operating Expenditure

2010/11		2011/12
£000		£000
1,412	Parish Council Precepts	1,425
176	Payments to the Government Housing Capital Receipts Pool	240
(173)	(Gains)/losses on the disposal of non-current assets	(321)
<u>1,415</u>	Total	<u>1,344</u>

## 8 Financing and Investment Income and Expenditure

2010/11		2011/12
£000		£000
1,112	Interest payable and similar charges	1,108
2,229	Pensions interest cost and expected return on pensions assets	1,130
(220)	Interest receivable and similar income	(270)
<u>3,121</u>	Total	<u>1,968</u>

## 9 Taxation and Non-Specific Grant Incomes

2010/11		2011/12
£000		£000
9,220	Council tax income	9,235
12,399	Non-Domestic Rates	8,358
1,937	Non-Ringfenced Government Grants	3,113
2,733	Capital Grants and Contributions	3,023
<u>26,289</u>	Total	<u>23,729</u>

Further details for the Non-Ringfenced and Capital Grants disclosed above are provided in on page 79 note 28.

## 10 Property, Plant and Equipment

### a) Movement on Balances

Movements in 2011/12	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equipment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>								
At 1 April 2011 restated	123,368	40,715	5,487	14,945	363	30	-	184,908
Additions	3,103	266	525	2,176	211	-	-	6,281
Donations	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment written off to Gross Carrying Amount	(2,478)	(500)	-	-	-	(2)	-	(2,980)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,586	786	-	-	-	-	-	2,372
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,003)	84	-	-	-	2	-	(917)
Derecognition - Disposals	(209)	-	-	-	-	-	-	(209)
Derecognition - Other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	(30)	-	(30)
Other Movements in cost or valuation	(3,103)	(9)	(7)	-	-	-	-	(3,119)
At 31 March 2012	121,264	41,342	6,005	17,121	574	-	-	186,306

## Movements in 2011/12

	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equip- ment	Infra- structure	Comm- unity Assets	Surplus Assets	Assets Under Construc- tion	Total Property, Plant and Equip- ment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Depreciation and impairments</b>								
At 1 April 2011	(2,464)	(1,126)	(3,675)	(7,409)	(3)	(2)	-	(14,679)
Depreciation Charge for 2011/12	(2,446)	(1,027)	(403)	(399)	-	(7)	-	(4,282)
Depreciation written out to Revaluation Reserve	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Accumulated depreciation written off to Gross Carrying Amount	2,478	500	-	-	-	2	-	2,980
Accumulated impairment written off to Gross Carrying Amount	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - Disposals	2	-	-	-	-	-	-	2
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	7	-	7
Other Movements in depreciation and impairment	-	-	-	-	-	-	-	-
At 31 March 2012	(2,430)	(1,653)	(4,078)	(7,808)	(3)	-	-	(15,972)
<b>Net Book Value</b>								
at 31 March 2012	118,834	39,689	1,927	9,313	571	-	-	170,334
at 1 April 2011	120,904	39,589	1,812	7,536	360	28	-	170,229

## Comparative Movements in 2010/11

	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equipment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>								
At 1 April 2010 Restated	145,033	41,641	4,843	12,678	363	30	-	204,588
Additions	3,053	438	686	2,336	76	-	-	6,589
Donations	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment written off to Gross Carrying Amount	-	(877)	-	-	-	-	-	(877)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(8,754)	1,528	-	-	-	-	-	(7,226)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(12,750)	(1,951)	-	-	(76)	-	-	(14,777)
Derecognition - Disposals	(162)	(64)	-	-	-	-	-	(226)
Derecognition - Other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other Movements in cost or valuation	(3,052)	-	(42)	(69)	-	-	-	(3,163)
At 31 March 2011	123,368	40,715	5,487	14,945	363	30	-	184,908

## Comparative Movements in 2010/11

	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equipment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Depreciation and impairments</b>								
At 1 April 2010	(19)	(1,050)	(3,321)	(6,925)	(2)	(1)	-	(11,318)
Depreciation Charge for 2010/11	(2,446)	(963)	(354)	(484)	(1)	(1)	-	(4,249)
Depreciation written out to Revaluation Reserve	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Accumulated depreciation written off to Gross Carrying Amount	-	856	-	-	-	-	-	856
Accumulated impairment written off to Gross Carrying Amount	-	28	-	-	-	-	-	28
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - Disposals	1	3	-	-	-	-	-	4
Derecognition - Other	-	-	-	-	-	-	-	-
Other Movements in depreciation and impairment	-	-	-	-	-	-	-	-
At 31 March 2011	(2,464)	(1,126)	(3,675)	(7,409)	(3)	(2)	-	(14,679)
<b>Net Book Value</b>								
at 31 March 2011	120,904	39,589	1,812	7,536	360	28	-	170,229
at 1 April 2010	145,014	40,591	1,522	5,753	361	29	-	193,270



b) **Depreciation**

An annual charge for depreciation is required to be made on all non-current assets with the exception of non-depreciable land, investment properties and assets held for sale. There is also a requirement to undertake an annual test for 'impairment' which is caused by either a consumption of economic benefits or a general fall in prices.

In accordance with these requirements, depreciation has been provided in 2011/12 on a straight-line basis over the expected life of the Council's non-current assets after allowing for residual values, based on information provided by the Council's valuer.

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

- Council Dwellings – 30 years.
- Other Buildings – Less than 5 years to a maximum of 60 years, depending on the asset, its location and type of construction.
- Land – this is not depreciated
- Vehicles, Plant, Furniture and Equipment – 4 – 20 years.
- Infrastructure – 20 years.

c) **Capital Commitments**

At 31 March 2012, the Authority had 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 £1.282 million. Similar commitments at 31 March 2011 were £1.184 million. The major commitments over £25,000 as at 31 March 2012 are:

➤ **General Fund**

	£000
Cliff Road Sea Wall, Holland on Sea - grant funded	310
Holland Haven Sea Wall (Gunfleet Boating Club frontage), Holland on Sea - grant funded	154
Clacton Regeneration - externally funded	26
Clacton Seafront Improvements	66
Purchase of Green Recycling Boxes	71
	<hr/>
	627
	<hr/> <hr/>

➤ **Housing Revenue Account**

	£000
Window/Door Replacement	237
Selected Improvements	198
Disabled Adaptations	22
Upgrade Lifts	35
Asbestos Management	36
	<hr/>
	528
	<hr/> <hr/>

d) **Revaluations**

The Authority operates 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. A full revaluation of its Housing Stock was undertaken on 1 April 2010 by G Hart, MRICS of NPS Property and, consequently, a desktop review was carried out by the same professional body on 1 April 2011. In respect of General Fund properties, the assets subject to a full revaluation in 2011/12 were selected to accommodate the Authority's commitment to efficient asset management. All valuations were carried out by D O'Shea, MRICS and G Hart, MRICS of NPS Property in accordance with the RICS Valuation Standards – Global and UK Edition 2011 as issued by the Royal Institution of Chartered Surveyors.

An estimate was also obtained from NPS Property Consultants Ltd as to the change in value from 1 April 2011 to 31 March 2012 of all the Authority's non-current assets, the results of which are reflected in the value of the assets on the Balance Sheet. The Supplementary Financial Statement for the Housing Revenue Account sets out additional valuation details relating to the Council's housing stock.

## 11 Heritage Assets

Reconciliation to the Carrying Value of Heritage Assets held by this Authority.

	Ceramics	Porcelain work and figurines	Pottery Machinery	Heritage Buildings	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation (GCA)</b>					
At 1 April 2011	-	-	35	-	35
Additions	-	-	-	-	-
Donations	-	-	-	-	-
Revaluations	-	-	-	-	-
Accumulated Depreciation and Impairment written off to Gross Carrying Amount	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-
Depreciation	-	-	(3)	-	(3)
At 31 March 2012	-	-	32	-	32

	Ceramics	Porcelain work and figurines	Pottery Machinery	Heritage Buildings	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation (GCA)</b>					
At 1 April 2010	-	-	35	-	35
Additions	-	-	-	-	-
Donations	-	-	-	-	-
Revaluations	-	-	-	-	-
Accumulated Depreciation and Impairment written off to Gross Carrying Amount	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-
Depreciation	-	-	-	-	-
At 31 March 2011	-	-	35	-	35

*NOTE: As the effect on the Council's balance sheet is not material, it has been considered not practicable to provide information for periods prior to April 2010.*

The Clacton Queen Steam Roller is reported in the Balance Sheet at insurance valuation and updated annually. All heritage buildings are held at a nominal value in the accounts.

## 12 Intangible Assets

The Authority 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. The Council's intangible assets are software licences which are capitalised at cost and are amortised on a straight line basis to revenue over a four year period, commencing the year after purchase.

2010/11 £000		2011/12 £000
	Balance at start of year:	
1,533	Gross carrying amounts	1,656
(1,138)	Accumulated amortisation	(1,303)
<b>395</b>	<b>Net carrying amount at start of year:</b>	<b>353</b>
	Additions:	
123	Purchases	29
(165)	Amortisation for the period	(153)
<b>353</b>	<b>Net carrying amount at end of year</b>	<b>229</b>
	Comprising:	
1,656	Gross carrying amounts	1,685
(1,303)	Accumulated amortisation	(1,456)
<b>353</b>	<b>Net carrying amount at end of year</b>	<b>229</b>

There are no items of capitalised software that are individually material to the financial statements:

## 13 Financial Instruments

### a) Categories of Financial Instruments

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

Long Term 31 March 2011 £000	Current 31 March 2011 £000		Long Term 31 March 2012 £000	Current 31 March 2012 £000
		<b>Investments</b>		
-	8,019	Loans and receivables	-	20,022
8	12,502	Available-for-sale financial assets	10	6,997
-	-	Unquoted equity investment at cost	-	-
-	-	Financial assets at fair value through profit and loss	-	-
<b>8</b>	<b>20,521</b>	<b>Total Investments</b>	<b>10</b>	<b>27,019</b>
		<b>Debtors</b>		
410	-	Loans and receivables	386	-
178	6,094	Financial assets carried at contract amounts	176	3,295
<b>588</b>	<b>6,094</b>	<b>Total Debtors</b>	<b>562</b>	<b>3,295</b>
		<b>Borrowings</b>		
21,928	319	Financial liabilities at amortised cost	55,737	2,290
-	-	Financial liabilities at fair value through profit and loss	-	-
<b>21,928</b>	<b>319</b>	<b>Total Borrowings</b>	<b>55,737</b>	<b>2,290</b>
		<b>Creditors</b>		
938	-	Financial liabilities at amortised cost	981	-
-	5,510	Financial liabilities carried at contract amount	-	8,047
<b>938</b>	<b>5,510</b>	<b>Total Creditors</b>	<b>981</b>	<b>8,047</b>

The Council's balance of Investments - Loans and receivables consisted of deposits with UK banks and other Local Authorities.

The current Available-for-sale financial assets consisted of Treasury Bills and the long-term were Government Stock.

All Borrowings - Financial liabilities at amortised cost were from the Public Works Loan Board.

In respect of the Investments – Loans and receivables above, the increase compared to 2011/12 is primarily due to reflecting the outturn position for 2011/12 where carried forwards have been made into 2012/13. In respect of the Borrowings – Financial liabilities at amortised cost, the increase compared to 2011/12 primarily relates to the HRA Debt Settlement amount following the new Self-financing regime.

### b) Reclassifications

No Assets have been reclassified.

c) **Income, Expense, Gains and Losses**

2010/11					2011/12					
Financial Liabilities measured at amortised cost	Financial Assets - Loans and Receivables	Financial Assets - Available for Sale	Assets and Liabilities at Fair Value through Profit and Loss	Total		Financial Liabilities measured at amortised cost	Financial Assets - Loans and Receivables	Financial Assets - Available for Sale	Assets and Liabilities at Fair Value through Profit and Loss	Total
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
1,105	-	-	-	1,105	Interest expense	1,100	-	-	-	1,100
-	-	-	-	-	Losses on derecognition	-	-	-	-	-
-	-	-	-	-	Reductions in fair value	-	-	-	-	-
-	-	-	-	-	Impairment losses	-	-	-	-	-
-	-	8	-	8	Fee expense	12	-	5	-	17
1,105	-	8	-	1,113	<b>Total expense in Surplus or Deficit on the Provision of Services</b>	1,112	-	5	-	1,117
-	(52)	(97)	-	(149)	Interest income	-	(126)	(73)	-	(199)
-	-	-	-	-	Interest income accrued on impaired financial assets	-	-	-	-	-
-	-	(2)	-	(2)	Increases in fair value	-	-	-	-	-
-	-	-	-	-	Gains on derecognition	-	-	-	-	-
-	-	-	-	-	Fee income	-	-	-	-	-
-	(52)	(99)	-	(151)	<b>Total income in Surplus or Deficit on the Provision of Services</b>	-	(126)	(73)	-	(199)
-	-	-	-	-	Gains on Revaluation	-	-	(2)	-	(2)
-	-	-	-	-	Losses on revaluation	-	-	-	-	-
-	-	-	-	-	Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-
-	-	-	-	-	<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	-	-	(2)	-	(2)
1,105	(52)	(91)	-	962	<b>Net (gain)/loss for the year</b>	1,112	(126)	(70)	-	916

d) **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 0.23% to 3.26% for loans from the PWLB and 0.24% to 1.03% for other loans receivable and payable, 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, the 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 2011			31 March 2012		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000	£000		£000	£000	
22,247	23,599	Financial Liabilities	58,027	64,015	
938	938	Long term Creditors	981	981	

The fair value of the liabilities is higher than the carrying amount because the Authority'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 2011			31 March 2012		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000	£000		£000	£000	
8,019	8,019	Loans and receivables	20,022	20,022	
410	410	Long term Debtors	386	386	

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



## 14 Debtors

### a) Debtors due to be paid within one year

2010/11		2011/12
£000		£000
3,723	Central government bodies and agencies	1,173
517	Other local authorities	610
526	Council taxpayers	557
284	Housing rents	252
3,096	Other entities and individuals	2,671
<u>8,146</u>	Total gross debtors	<u>5,263</u>
(2,052)	Less provision for doubtful debts	(1,968)
<u>6,094</u>	Total net debtors	<u>3,295</u>

### b) Debtors due to be paid after more than one year

2010/11		2011/12
£000		£000
20	Sale of council houses (mortgages)	17
61	Harwich and District Indoor Bowls Centre	49
33	Car loans	24
177	Debts subject to charging orders	176
34	Rents to Mortgage Scheme	34
263	Finance Leases	262
<u>588</u>	Total long term debtors	<u>562</u>

The sum due from debtors due to be paid within one year at the end of 2011/12 compared with 2010/11 has decreased by £2.799 million. This is mainly due to a decrease in the amount due from Central government bodies and agencies of £2.550 million which includes £2.126 million in respect of NNDR; £0.745 million in respect of Housing Benefit Subsidy payments and an increase in the amount due from the Environment Agency in respect of Coast Protection grant due of £0.229 million.

## 15 Cash and Cash Equivalents

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

2010/11		2011/12
£000		£000
	Current Assets:	
3,835	Cash held by the Authority	3,403
4,052	Bank current accounts	9,398
<u>7,887</u>		<u>12,801</u>
	Current Liabilities:	
(4,792)	Bank current accounts overdrawn	(9,131)
<u>3,095</u>	<b>Net Cash and Cash Equivalents</b>	<u>3,670</u>

## 16 Creditors

2010/11		2011/12
£000		£000
	<b>Creditors due within one year:</b>	
104	Central government bodies and agencies	1,302
1,798	Other local authorities	2,581
177	Council taxpayers	165
3,013	Sundry creditors	3,750
418	Section 106 contributions	249
<u>5,510</u>	<b>Total Creditors</b>	<u>8,047</u>

Creditors due within one year at the end of 2011/12 compared with 2010/11 has increased by £2.537 million. This is mainly due to:

- an increase in Central government bodies and agencies of £1.198 million of which £1.065 million relates to NNDR and £0.102 million relates to Capital Receipts Pooling,
- an increase in the amount due to other local authorities of £0.783 million,
- an increase in sundry creditors of £0.555 million.

2010/11		2011/12
£000		£000
	<b>Creditors due after more than one year:</b>	
<u>938</u>	Section 106 contributions	<u>981</u>

## 17 Provisions

2010/11		2011/12
£000		£000
89	<b>Balance at 1 April</b>	64
(25)	Net movement on provisions in year	15
<u>64</u>	<b>Balance at 31 March</b>	<u>79</u>

These provisions consist of outstanding insurance excesses/payments and amounts will be confirmed as claims are settled. The determination of claims can span a number of financial years.

## 18 Usable Reserves

Movements in the Authority's usable reserves are shown in the Movement in Reserves Statement with additional detail provided in notes 5 and 6.

The following schedule lists the usable reserves together with their purpose:

a) **General Fund Balance**

Resources available to meet future running costs for non Housing Revenue Account services.

b) **Capital Receipts**

Proceeds of non-current asset sales available to meet future capital investment.

c) **Capital Grants Unapplied**

Balance of capital grants recognised as income but not yet utilised for capital funding.

d) **Earmarked Reserves**

The Council's Earmarked Reserves provide funds for the following specific policy purposes:

i) **Revenue Commitments Reserve**

This is earmarked for revenue items of expenditure for which financial provision was made in the previous or current year but which the Cabinet has agreed in accordance with Financial Procedure Rules can be carried forward into the following year.

ii) **Capital Commitments Reserve**

This is earmarked for capital items of expenditure for which financial provision was made in the previous or current year but which the Cabinet has agreed in accordance with Financial Procedure Rules can be carried forward into the following year.

iii) **Asset Refurbishment/Replacement Reserve**

This reserve has been established to provide for the maintenance, enhancement and replacement of the Council's assets.

iv) **Austerity Reserve**

This reserve has been established to support the delivery of a balanced budget in future years.

v) **Benefits Reserve**

This has been established to meet any potential costs arising from the obligation to pay benefits and to support implementation of new benefits and discount arrangements.

vi) **Car Parks Reserve (Decriminalisation)**

This has been established to finance any residual costs from the previous arrangements where the operation of decriminalised Car Parking was undertaken on behalf of Essex County Council.

- vii) **Careline System Replacement Reserve**  
This has been established to finance future equipment/investment.
- viii) **Citizens Advice Bureau (CAB) Reserve**  
This was established to hold the grant payable to the CAB subject to it providing the services set out in the Service Level Agreement with the Council. The balance on this reserve was fully utilised in 2011/12.
- ix) **Commuted Sums Reserve**  
This reserve has been established from commuted sums paid by developers to meet the maintenance costs of Open Spaces transferred by them to the Council's ownership.
- x) **Concessionary Bus Fares Reserve**  
This reserve has been subject to a review with the outcome being that it has been removed due to a change in the underlying principle of maintaining it.
- xi) **Contact Management/Development Reserve**  
This was established to finance the development of initiatives for operational efficiencies. The balance on this reserve was fully utilised in 2010/11.
- xii) **Cremator Replacement Reserve**  
This was established to finance future replacement and improvement works to the crematorium plant and equipment at Weeley.
- xiv) **Fixed Penalty Notice Reserve**  
An earmarked reserve set up in 2006/07 to enable income from fixed penalty notices, such as those issued for litter offences, to be transferred to it and used to support initiatives associated with this function. The balance on this reserve was fully utilised in 2011/12.
- xv) **Haven Gateway Partnership Reserve**  
This has been set up to support the costs associated with the Haven Gateway Partnership.
- xvi) **Jaywick Project Manager and Externally Funded Posts Reserve**  
This was established to finance the costs of the associated project and other costs associated with externally funded posts.
- xvii) **Joint User Sports Centres Reserve**  
This reserve was established to help meet the additional costs incurred by the Council when it assumed lead responsibility for the Joint User Sports Centres at Harwich and Manningtree. The Reserve was originally set up using monies transferred to the Council by Essex County Council. The balance on this reserve was fully utilised in 2010/11.

xviii) **Leisure Capital Projects Reserve**

This reserve was established to fund investment in a variety of leisure capital projects

xix) **Manual Workers Job Evaluation Reserve**

This was established to equalise the additional costs of job evaluation whilst employees' remuneration is protected under the terms of the scheme. The balance on this reserve was fully utilised in 2010/11.

xx) **Planning Inquiries and Enforcement Reserve**

This reserve has been established to meet associated costs relating to planning services.

xxi) **Project Investment Reserve**

This was established to provide for investment in major new projects.

xxii) **Public Convenience Reserve**

To provide resources to manage the condition and provision of public conveniences operated by the Council.

xxiii) **Specific Revenue Grants Reserve**

This reserve holds the grants received from external organisations for which a restriction on their use has been placed by the grantor.

e) **Housing Revenue Account**

i) **Housing Revenue Account**

Resources available to meet future running costs for council houses.

ii) **Major Repairs Reserve**

Resources available to meet capital investment in council housing.

iii) **Housing Repairs Reserve**

Resources available to meet the cost of ongoing repairs to council houses.

**19 Unusable Reserves**

2010/11		2011/12
£000		£000
4,940	Revaluation Reserve	6,908
15	Available for Sale Financial Instruments Reserve	(3)
138,870	Capital Adjustment Account	101,214
(37,850)	Pensions Reserve	(54,993)
376	Deferred Capital Receipts Reserve	360
151	Collection Fund Adjustment Account	233
(163)	Accumulated Absences Account	(141)
<hr/>		<hr/>
106,339		53,578
<hr/>		<hr/>

a) **Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Authority 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.

2010/11		2011/12	
£000		£000	£000
12,415	<b>Balance at 1 April</b>		4,940
2,119	Upward revaluation of assets	3,082	
(9,339)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(711)	
(7,220)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		2,371
(245)	Difference between fair value depreciation and historical cost depreciation	(401)	
(10)	Accumulated gains on assets sold or scrapped	(2)	
(255)	Amount written off to the Capital Adjustment Account		(403)
<u>4,940</u>	<b>Balance at 31 March</b>		<u>6,908</u>

b) **Available for Sale Financial Instruments Reserve**

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority 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:

- Revaluated downwards or impaired and the gains are lost
- Disposed of and the gains are realised.

2010/11		2011/12	
£000		£000	£000
6	<b>Balance at 1 April</b>		15
9	Upward revaluation of investments	2	
-	Downward revaluation of investments not posted to the Surplus/Deficit on the Provision of Services	(20)	
9	Net Surplus/Deficit on revaluation of investments not posted to the Surplus/Deficit on the Provision of Services		(18)
15	<b>Balance at 31 March</b>		(3)

c) **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 Authority as finance for the costs of acquisition, construction and enhancement.

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.

Page 41 note 5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2010/11		2011/12	
£000		£000	£000
154,854	<b>Balance at 1 April</b>		138,870
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
	Charges for depreciation and impairment of non-current assets	(8,315)	
(22,188)			
(165)	Amortisation of Intangible Assets	(153)	
(393)	Revenue expenditure funded from capital under statute	(65)	
	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	(236)	
(222)			
<u>(22,968)</u>		<u>(8,769)</u>	
255	Adjusting amounts written out of the Revaluation Reserve	403	
<u>(22,713)</u>	Net written out amount of the cost of non-current assets consumed in the year		(8,366)
-	HRA Settlement Determination (see note 36)		(35,979)
	Capital financing applied in the year:		
	Use of the Capital Receipts Reserve to finance new capital expenditure	71	
501			
	Use of the Major Repairs Reserve to finance new capital expenditure	3,087	
2,345			
2,736	Application of grants to capital financing	3,021	
	Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances	315	
328			
819	Capital expenditure charged against General Fund	195	
<u>6,729</u>	Total amount of capital financing applied in the year		<u>6,689</u>
<u>138,870</u>	<b>Balance at 31 March</b>		<u>101,214</u>

d) **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 Authority 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 Authority 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 Authority 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.



2010/11		2011/12
£000		£000
(47,658)	<b>Balance at 1 April</b>	(37,850)
4,263	Actuarial gains or (losses) on pensions assets and liabilities	(17,568)
2,212	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,427)
3,333	Employer's pensions contributions and direct payments to pensioners payable in the year	3,852
<u>(37,850)</u>	<b>Balance at 31 March</b>	<u>(54,993)</u>

e) **Deferred Capital Receipts Reserve**

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

2010/11		2011/12
£000		£000
392	<b>Balance at 1 April</b>	376
(16)	Transfer to the Capital Receipts Reserve upon receipt of cash	(16)
<u>376</u>	<b>Balance at 31 March</b>	<u>360</u>

f) **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 amounts across to the General Fund from the Collection Fund.

2010/11		2011/12
£000		£000
68	<b>Balance at 1 April</b>	151
83	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	82
<u>151</u>	<b>Balance at 31 March</b>	<u>233</u>

g) **Accumulated Absences Account**

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

2010/11		2011/12
£000		£000      £000
(163)	<b>Balance at 1 April</b>	(163)
	Settlement or cancellation of accrual made at the end of the	
163	preceding year	163
(163)	Amounts accrued at the end of the current year	(141)
<hr/>		
-	Amount by which officer remuneration charged to the	
	Comprehensive Income and Expenditure Statement on an	
	accruals basis is different from remuneration chargeable in	22
	the year in accordance with statutory requirements	
<hr/>		
(163)	<b>Balance at 31 March</b>	(141)
<hr/> <hr/>		

**20 Cash Flow Statement – Operating Activities**

The cash flows for operating activities include the following items:

2010/11		2011/12
£000		£000
208	Interest received	253
(1,105)	Interest paid	(1,097)

**21 Cash Flow Statement – Investing Activities**

2010/11		2011/12
£000		£000
(6,908)	Purchase of property, plant and equipment, investment property and intangible assets	(6,039)
(86,000)	Purchase of short term and long term investments	(104,040)
413	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	501
78,501	Proceeds from short term and long term investments	97,559
1,777	Other receipts from investing activities	3,439
<hr/>		
(12,217)	<b>Net cash flows from investing activities</b>	(8,580)
<hr/> <hr/>		

## 22 Cash Flow Statement – Financing Activities

2010/11		2011/12
£000		£000
-	Borrowing to fund HRA Determination Payment (see page 94 note 36)	35,979
(194)	Repayments of short and long term borrowing	(210)
1,045	Other receipts/(payments) for financing activities	3,629
<b>851</b>	<b>Net cash flows from financing activities</b>	<b>39,398</b>

## 23 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 Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Portfolios.

The income and expenditure of the Authority's Portfolio and Committees recorded in the outturn report for the year is as follows:

<b>Portfolio and Committee Income and Expenditure 2011/12</b>	Expenditure	Income	Net Expenditure
	£000	£000	£000
Benefits and Revenues	79,734	(78,787)	947
Customer and Central Services	6,072	(5,829)	243
Environment	8,805	(3,873)	4,932
Finance and Asset Management	5,558	(6,287)	(729)
Housing General Fund	4,109	(3,133)	976
Housing Revenue Account	11,305	(11,305)	-
Planning	5,618	(3,871)	1,747
Regeneration	4,672	(3,225)	1,447
Technical	4,735	(3,049)	1,686
Tourism and Community Life	7,686	(5,796)	1,890
Development Control Committee	21	-	21
Human Resources Committee	311	(311)	-
Licensing Committee	398	(280)	118
Regulatory Committee	842	(453)	389
<b>Total net expenditure for Portfolios and Committees</b>	<b>139,866</b>	<b>(126,199)</b>	<b>13,667</b>
Revenue Support for Capital Investment	195	-	195
Financing Items	4,341	(1,026)	3,315
<b>Net expenditure before use of Reserves</b>	<b>144,402</b>	<b>(127,225)</b>	<b>17,177</b>
Transfers to/(from) Reserves	801	-	801
<b>Net Cost of Services</b>	<b>145,203</b>	<b>(127,225)</b>	<b>17,978</b>
National Non-Domestic Rates	-	(8,358)	(8,358)
Revenue Support Grant	-	(2,584)	(2,584)
Collection Fund Surplus	81	(161)	(80)
Parish Precepts	1,425	-	1,425
Income from Council Tax Payers including Parish Precepts	-	(9,074)	(9,074)
<b>Net Total</b>	<b>146,709</b>	<b>(147,402)</b>	<b>(693)</b>

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

	Expenditure	Income	Net Expenditure
	£000	£000	£000
Benefits and Revenues	78,610	(76,316)	2,294
Customer and Central Services	7,381	(6,893)	488
Environment	9,347	(4,194)	5,153
Finance and Asset Management	5,624	(6,122)	(498)
Housing General Fund	3,832	(2,684)	1,148
Housing Revenue Account	-	-	-
Planning	5,986	(4,034)	1,952
Regeneration	5,491	(4,055)	1,436
Technical	5,812	(4,336)	1,476
Tourism and Community Life	10,650	(5,838)	4,812
Development Control Committee	31	-	31
Licensing Committee	403	(277)	126
Human Resources Committee	343	(343)	-
Regulatory Committee	316	(11)	305
<b>Total net expenditure for Portfolios and Committees</b>	<b>133,826</b>	<b>(115,103)</b>	<b>18,723</b>
Revenue Support for Capital Investment	820	-	820
Financing Items	(33)	(168)	(201)
<b>Net expenditure before use of Reserves</b>	<b>134,613</b>	<b>(115,271)</b>	<b>19,342</b>
Transfers to/(from) Reserves	829	-	829
<b>Net Total</b>	<b>135,442</b>	<b>(115,271)</b>	<b>20,171</b>

**Reconciliation of Portfolio and Committee 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 and Committee income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2010/11		2011/12
£000		£000
20,171	Net expenditure in the Portfolio and Committee Analysis	(693)
14,055	Amounts in the Net Cost of Services in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	-
(4,916)	Amounts included in the analysis not included in the Net Cost of Services in the Comprehensive Income and Expenditure Statement	56,919
<b>29,310</b>	<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>56,226</b>

## Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Portfolio and Committee 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

	Portfolio/ Committee Analysis	Amounts Not Reported to Management	Not included in Cost of Services	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
<b>2011/12</b>						
Fees, Charges and other Service Income	(28,168)	-	3,023	(25,145)	(3,023)	(28,168)
Recharged Income	(22,372)	-	-	(22,372)	-	(22,372)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-
Interest and Investment Income	(270)	-	270	-	(270)	(270)
Income from Council Tax	(9,235)	-	9,235	-	(9,235)	(9,235)
Government Grants and Contributions	(87,357)	-	11,471	(75,886)	(11,471)	(87,357)
<b>Total Income</b>	<b>(147,402)</b>	<b>-</b>	<b>23,999</b>	<b>(123,403)</b>	<b>(23,999)</b>	<b>(147,402)</b>
Employee Expenses	16,963	-	-	16,963	-	16,963
Other Service Expenses	131,887	-	-	131,887	-	131,887
Support Service Recharges	22,311	-	-	22,311	-	22,311
Depreciation, amortisation and impairment	8,468	-	-	8,468	-	8,468
Interest Payments	1,108	-	(1,108)	-	1,108	1,108
Precepts and Levies	1,425	-	(1,425)	-	1,425	1,425
Payments to Housing Capital Receipts Pool	240	-	(240)	-	240	240
Gain or Loss on Disposal of Fixed Assets	(321)	-	321	-	(321)	(321)
Pension Interest and Return on Pension Assets	1,130	-	(1,130)	-	1,130	1,130
Adjustments between accounting basis and funding basis under regulations	(36,502)	-	36,502	-	-	-
<b>Total Expenditure</b>	<b>146,709</b>	<b>-</b>	<b>32,920</b>	<b>179,629</b>	<b>3,582</b>	<b>183,211</b>
<b>Surplus or deficit on the provision of services</b>	<b>(693)</b>	<b>-</b>	<b>56,919</b>	<b>56,226</b>	<b>(20,417)</b>	<b>35,809</b>

	Portfolio/ Committee Analysis	Amounts Not Reported to Management	Not included in Net Cost of Services	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
<b>2010/11 comparative figures</b>						
Fees, Charges and other Service Income	(12,932)	(11,203)	413	(23,722)	-	(23,722)
Recharged Income	(24,656)	-	-	(24,656)	-	(24,656)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-
Interest and Investment Income	(168)	-	168	-	(220)	(220)
Income from Council Tax	-	-	-	-	(9,221)	(9,221)
Government Grants and Contributions	(77,515)	3	2,869	(74,643)	(17,067)	(91,710)
<b>Total Income</b>	<b>(115,271)</b>	<b>(11,200)</b>	<b>3,450</b>	<b>(123,021)</b>	<b>(26,508)</b>	<b>(149,529)</b>
Employee Expenses	10,567	34	-	10,601	-	10,601
Other Service Expenses	90,286	5,190	150	95,626	-	95,626
Support Service Recharges	22,263	1,782	(294)	23,751	-	23,751
Depreciation, amortisation and impairment	4,101	18,252	-	22,353	-	22,353
Interest Payments	318	-	(318)	-	1,112	1,112
Precepts and Levies	-	-	-	-	1,412	1,412
Payments to Housing Capital Receipts Pool	175	-	(175)	-	175	175
Gain or Loss on Disposal of Fixed Assets	27	-	(27)	-	(173)	(173)
Pension Interest and Return on Pension Assets	2,229	-	(2,229)	-	2,229	2,229
Adjustments between accounting basis and funding basis under regulations	5,476	(3)	(5,473)	-	-	-
<b>Total Expenditure</b>	<b>135,442</b>	<b>25,255</b>	<b>(8,366)</b>	<b>152,331</b>	<b>4,755</b>	<b>157,086</b>
<b>Surplus or deficit on the provision of services</b>	<b>20,171</b>	<b>14,055</b>	<b>(4,916)</b>	<b>29,310</b>	<b>(21,753)</b>	<b>7,557</b>

## 24 Agency Services

The Code includes the requirement to account for Council Tax and NNDR Collection on an agency basis. Information on this is disclosed in the Collection Fund Income and Expenditure Statement on page 106.

## 25 Members' Allowances

The Authority paid £476,438 to members of the Council during the year (£484,678 in 2010/11). Further details of payments to individual members are provided on pages 110 – 112.

## 26 Officers' Remuneration

### a) Analysis of "senior employees" remuneration

Post Title	note	2010/11		Total remuneration excluding Pension Contributions	Employer's Contributions to Pension	Compensation for loss of office	Total Remuneration
		Salary, Fees and Allowances	Expense Allowances				
		£	£				
Head of Housing Services		65,534	410	65,944	8,978	-	74,922
Head of Leisure Services		59,966	1,410	61,376	8,203	-	69,579
Overview and Scrutiny Manager		61,135	81	61,216	8,359	-	69,575
Acting Head of Environmental Services		61,013	1,597	62,610	8,359	-	70,969
Change Manager		3,171	-	3,171	434	-	3,605
Head of Benefits and Revenues		65,534	16	65,550	8,978	-	74,528
Head of Technical and Procurement Services		65,654	1,570	67,224	8,978	-	76,202
Head of Human Resources and Customer Services		65,686	1,375	67,061	8,978	-	76,039
Head of Regeneration and Community Services		67,178	1,460	68,638	9,195	-	77,833
Head of Financial Services		76,456	-	76,456	10,475	-	86,931
Head of Corporate Performance		85,734	1,260	86,994	11,746	-	98,740
Head of Environmental Services		85,795	1,282	87,077	11,746	-	98,823
Head of Legal Services and Monitoring Officer		78,889	-	78,889	10,797	-	89,686
Assistant Chief Executive	2	34,325	241	34,566	4,696	58,687	97,949
Deputy Chief Executive	3	36,530	234	36,764	5,000	62,491	104,255
Chief Executive	4	38,668	-	38,668	5,297	-	43,965
Former Chief Executive	4	96,461	379	96,840	13,213	73,201	183,254

Post Title	note	2011/12					
		Salary, Fees and Allowances	Expense Allowances	Total remuneration excluding Pension Contributions	Employer's Contributions to Pension	Compensation for loss of office	Total Remuneration
		£	£	£	£	£	£
Change Manager	1	65,764	-	65,764	8,484	-	74,248
Acting Head of Environmental Services	5	28,134	630	28,764	3,629	53,872	86,265
Head of Legal Services	6	31,651	-	31,651	4,083	84,550	120,284
Head of Leisure Services	7	45,760	1,097	46,857	75,601	49,382	171,840
Overview and Scrutiny Manager	8	61,637	63	61,700	69,430	49,280	180,410
Temporary Head of Planning	9	62,810	-	62,810	8,103	-	70,913
Head of Technical Services	10	21,492	477	21,969	25,314	55,858	103,141
Head of Human Resources and Customer Services	11	65,565	1,294	66,859	8,454	57,785	133,098
Head of Resource Management		66,197	-	66,197	8,539	-	74,736
Head of Life Opportunities		66,197	501	66,698	8,539	-	75,237
Head of Benefits and Revenues	12	66,197	-	66,197	113,263	52,887	232,347
Head of Regeneration	13	9,202	198	9,400	48,961	56,197	114,558
Head of Public Experience	14	28,434	-	28,434	3,668	-	32,102
Head of Corporate Services		87,481	1,308	88,789	11,269	-	100,058
Strategic Director		90,881	310	91,191	11,699	-	102,890
Chief Executive		117,947	-	117,947	15,179	-	133,126

#### Notes

1. The Change Manager was appointed on a fixed term basis from 14 March 2011 and was supported by external grant.
2. The Assistant Chief Executive left employment on 1 August 2010 on an annualised salary of £96,207.
3. The Deputy Chief Executive left employment on 1 August 2010 on an annualised salary of £102,241.
4. The former Chief Executive left employment on 3 January 2011 on an annualised salary of £120,275. The new Chief Executive was appointed as Chief Executive Designate on 1 December 2010 on an annualised salary of £116,000 and assumed the role of Chief Executive on the retirement of the former Chief Executive.
5. The Acting Head of Environmental Services left employment on 16 September 2011 on an annualised salary of £61,013.
6. The Head of Legal Services left employment on 16 September 2011 on an annualised salary of £61,013.
7. The Head of Leisure Services left employment on 31 December 2011 on an annualised salary of £61,013.
8. The Overview and Scrutiny Manager left employment on 31 March 2012.
9. The Temporary Head of Planning was appointed on 28 March 2011 on an annualised salary of £62,142.
10. The Head of Technical Services left employment on 29 July 2011 on an annualised salary of £65,534.



11. The Head of Human Resources and Customer Services left employment on 31 March 2012.
12. The Head of Benefits and Revenues left employment on 31 March 2012.
13. The Head of Regeneration left employment on 20 May 2011 on an annualised salary of £67,117.
14. The Head of Public Experience was appointed on 31 October 2011 on an annualised salary of £67,805.

b) **Analysis of “non-senior employees”**

2010/11 Number of Total	Remuneration Band	2011/12 Number of Total
4	£50,000 - £54,999	2
2	£55,000 - £59,999	3
1	£65,000 - £69,999	-
-	£75,000 - £79,999	1
-	£80,000 - £84,999	4
-	£85,000 - £89,999	1
-	£95,000 - £99,999	1

The employees remuneration falling into these bands does not include employers pension contributions.

c) **Exit Packages**

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the tables below:

Exit package cost band (including special payments)	2010/11 Number of compulsory redundancies	Number of other departures agreed	Total Number of exit packages by cost band	Total cost of exit packages in each band £
£0 - £20,000	2	-	2	2,412
£20,001 - £40,000	-	-	-	-
£40,001 - £60,000	-	1	1	58,687
£60,001 - £80,000	-	2	2	135,692
Total	2	3	5	196,791

The two compulsory redundancies were fixed term contracts which came to an end.

Exit package cost band (including special payments)	2011/12		Total Number of exit packages by cost band	Total cost of exit packages in each band £
	Number of compulsory redundancies	Number of other departures agreed		
£0 - £20,000	5	7	12	77,545
£20,001 - £40,000	-	8	8	255,608
£40,001 - £60,000	1	11	12	630,277
£60,001 - £80,000	-	4	4	300,716
£80,001 - £100,000	1	-	1	84,550
£100,001 - £150,000	1	2	3	333,890
£150,001 - £200,000	-	1	1	157,611
Total	8	33	41	1,840,197

The total number of compulsory redundancies include three fixed term contracts which came to an end. The cost of exit packages includes redundancy costs in addition to financial strain amounts that are payable to the pension fund rather than to an individual directly.

## 27 External Audit Costs

The Authority 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 Authority's external auditors:

2010/11 £000		2011/12 £000
125	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	129
-	Fees payable to the Audit Commission in respect of statutory inspection	-
46	Fees payable to the Audit Commission for the certification of grant claims and returns for the year	52
<u>171</u>		<u>181</u>

## 28 Grant Income

The Authority credited the following significant grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

2010/11 £000		2011/12 £000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
<i>Non-Ringfenced Grants:</i>		
1,800	Revenue Support Grant for year	2,583
-	Council Tax Freeze Grant	192
137	Area Based Grant	-
-	New Homes Bonus Grant	338
<u>1,937</u>		<u>3,113</u>
<i>Capital Grants and Contributions</i>		
Government Funding		
665	- Environment Agency	1,990
581	- Other	-
353	Local Authority - Essex County Council	294
Other Capital Contributions		
127	- Big Lottery	31
692	- Haven Gateway Growth Point Funding	252
171	- Naze Protection Society	-
66	- Section 106	245
78	- Other	211
<u>2,733</u>		<u>3,023</u>
<b>Other Significant Grants Credited to Services</b>		
72,211	Benefits	75,281
28	Climate Group Grant	-
228	Coastal Pathfinder Grant	-
501	Concessionary Fares	-
25	Contribution to Tour de Tendring	25
16	Contributions to Jaywick Initiatives	43
179	Crime Reduction Grants	70
588	Disabled Facilities Grant	913
-	Essex Family Project	154
50	Free Swimming Initiative	-
75	Grant towards Study for Houses in Multiple Occupation	-
66	Homelessness	127
50	Improvement East Grant	-
25	Local Strategic Partnership Grant	21
36	Nature Conservation Grants	40
17	New Burdens - Habitat Directive Grant	-
34	New Burdens - Revocation of Personal Search Fee Grant	-
150	Play Areas	37
168	Regional Housing Capital Pot	-
255	Supporting People	140
34	Town Centres Funding	2
<u>74,736</u>		<u>76,853</u>

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached that will require the monies or property to be repaid/returned if the conditions fail to be met. The balances at the year end are as follows:

2010/11 £000		2011/12 £000
<b>Capital Grants Receipts in Advance</b>		
Government Funding:		
235	The Environment Agency	40
Local Authority Funding:		
46	Essex County Council Aiming Higher Grant	-
8	Other de-minimis amounts	1
78	Other capital contributions	69
<u>367</u>		<u>110</u>

## 29 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). Material related party transactions for 2011/12 which are not fully disclosed elsewhere in the Statement of Accounts were as follows:

2010/11			2011/12	
Receipts £000	Payments £000		Receipts £000	Payments £000
2,675	2,554	Essex County Council	2,122	101
81	158	Other Essex local authorities	106	149
Transactions with organisations related by a declared interest of Council Members or Senior Officers:				
-	105	Citizens Advice Bureau	-	150
35	-	Clacton County High School	36	-
12	83	Colne Housing Society	-	90
261	3	East of England Co-operative Society Ltd	299	-
-	-	Local Government Association	-	14
71	-	North East Essex Primary Care Trust/ NHS	129	-
-	-	Tendring Reuse and Employment Enterprise	-	12
38	152	Other	31	62
<u>3,173</u>	<u>3,055</u>	<b>Total Related Party Transactions</b>	<u>2,723</u>	<u>578</u>

### 30 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2010/11		2011/12
£000		£000
26,431	<b>Opening Capital Financing Requirement</b>	26,808
	Capital Investment:	
6,589	Property, Plant and Equipment	6,282
-	HRA Settlement Payment	35,979
-	Investment Properties	-
124	Intangible Assets	29
1,443	Revenue expenditure funded from capital under statute	1,014
	Sources of Finance:	
(501)	Capital receipts	(72)
(6,131)	Government grants and other contributions	(7,058)
	Sums set aside from revenue:	
(819)	Direct revenue contributions	(195)
(328)	MRP/loans fund principal	(315)
<u>26,808</u>	<b>Closing Capital Financing Requirement</b>	<u>62,472</u>
	<b>Explanation of movements in year</b>	
705	Increase in underlying need to borrow (supported by Government financial assistance)	35,979
(328)	Increase in underlying need to borrow (unsupported by Government financial assistance)	(315)
-	Assets acquired under finance leases	-
-	Assets acquired under PFI/PPP Contracts	-
<u>377</u>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<u>35,664</u>

### 31 Leases

#### a) Authority as Lessee

##### ➤ Operating Leases (including Contract Hire) for Transport and Plant

The Authority has acquired its fleet of transport and plant by entering into operating leases/contract hire agreements with typical lives of five to seven years.

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

2010/11		2011/12
£000		£000
191	Not later than one year	175
364	Later than one year and not later than five years	254
<u>555</u>		<u>429</u>

➤ **Properties Leased from a Registered Social Landlord**

During 2006/07 17 properties leased from Colne Housing Society previously held under non-current assets were reclassified as operating leases. No payments are due on these properties which are operated by Tendring District Council until vacated by the current tenant. No properties became vacant during 2011/12 and none were returned to Colne Housing Society (1 property 2010/11).

2010/11		2011/12
No of Properties		No of Properties
4	Balance brought forward 1 April	3
(1)	Returned to Lessor	-
<u>3</u>	Balance carried forward 31 March	<u>3</u>

b) **Authority as Lessor**

➤ **Finance Leases**

The Authority has leased out 2 properties under finance leases:

- ❖ Carnarvon House, Carnarvon Road, Clacton-on-Sea with an expiry date of 31/3/2024.
- ❖ The Pavilion, Marine Parade/Pier Gap, Clacton-on-Sea with an expiry date of 31/12/2127.

The Authority has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

2010/11		2011/12
£000		£000
75	Finance lease debtor (net present value of minimum lease payments) - Non Current	74
188	Unguaranteed residual value of property	188
<hr/>		<hr/>
263		262
394	Unearned finance income	365
<hr/>		<hr/>
657	Gross investment in the lease	627
<hr/> <hr/>		<hr/> <hr/>

The gross investment in the lease and the minimum lease payments will be received over the following periods:

2010/11			2011/12		
Gross Investment in the Lease	Minimum Lease Payments		Gross Investment in the Lease	Minimum Lease Payments	
£000	£000		£000	£000	
31	2	Not later than one year	31	2	
154	14	Later than one year and not later than five years	155	16	
472	60	Later than five years	441	56	
<hr/>	<hr/>		<hr/>	<hr/>	
657	76		627	74	
<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>	

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £6,213 contingent rents were receivable by the Authority (2010/11 - £6,213).

### ➤ **Operating Leases**

The Authority leases out land and property 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 lease payments receivable under non-cancellable leases in future years are:

2010/11		2011/12
£000		£000
216	Not later than one year	207
333	Later than one year and not later than five years	481
1,947	Later than five years	2,636
<hr/>		<hr/>
<u>2,496</u>		<u>3,324</u>

The lease payments receivable do not include rents that are contingent on future events taking place after the lease was entered into, such as adjustments following rent reviews.

### 32 Termination Benefits

The contracts of 35 employees ceased in 2011/12 and there were a further 6 that were agreed in 2011/12 but will cease in 2012/13. This incurred total liabilities of £1,840,197 (£196,791 in 2010/11). Of this total, £459,811 is payable to eight officers in the form of compensation for loss of office as disclosed in Note 26.

### 33 Defined Benefit Pension Schemes

#### a) Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to pay that needs to be disclosed at the time that employees earn their future entitlement.

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

#### b) Transactions Relating to Post-employment Benefits

The Authority recognises 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 required to be made 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:



2010/11		2011/12
£000	<b>Comprehensive Income and Expenditure Statement</b>	£000
	<b>Cost of Services</b>	
2,170	Current Service Cost	1,831
(6,611)	Past Service Gain	-
-	Settlements and Curtailments	466
	<b>Financing and Investment Income and Expenditure</b>	
6,633	Interest Cost	6,126
(4,404)	Expected return on scheme assets	(4,996)
(2,212)	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	3,427
	<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	
(4,263)	Actuarial gains and losses	17,568
(6,475)	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	20,995
	<b>Movement in Reserves Statement</b>	
2,212	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	3,427
	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	
3,333	Employer's contributions payable to scheme	3,852

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £28.588 million (£11.020 million in 2010/11).

c) **Assets and Liabilities in Relation to Post-employment Benefits**

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

	2010/11	2011/12
	£000	£000
Opening balance at 1 April	118,797	112,092
Current service cost	2,170	1,831
Interest cost	6,633	6,126
Contributions by scheme participants	789	712
Actuarial gains and losses	(6,032)	13,399
Benefits paid	(3,654)	(4,362)
Past service gain	(6,611)	-
Curtailments	-	466
Closing balance at 31 March	112,092	130,264

Reconciliation of fair value of the scheme (plan) assets:

	2010/11	2011/12
	£000	£000
Opening balance at 1 April	71,139	74,242
Expected rate of return	4,404	4,996
Actuarial gains and losses	(1,769)	(4,169)
Employer contributions	3,333	3,852
Contributions by scheme participants	789	712
Benefits paid	(3,654)	(4,362)
Closing balance at 31 March	<u>74,242</u>	<u>75,271</u>

The employer contributions include financial strain payments relating to liabilities associated with early retirements that arose during the year.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields in 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 £0.828 million (£6.852 million for 2010/11).

d) **Scheme History**

	2007/08	2008/09	2009/10	2010/11	2011/12
	£000	£000	£000	£000	£000
Present Value of Liabilities	(103,755)	(88,868)	(118,797)	(112,092)	(130,264)
Fair Value of Assets	66,899	53,064	71,139	74,242	75,271
Surplus/(Deficit) in the scheme	<u>(36,856)</u>	<u>(35,804)</u>	<u>(47,658)</u>	<u>(37,850)</u>	<u>(54,993)</u>

Following a change in the Code in 2008/09, quoted securities held as assets in the defined benefits pension scheme are valued at bid price rather than mid-market value as was previously the case. As the adjustments are not material (change equates to approximately 0.1% of asset values) no restatements have been made for years prior to 2008/09 within the table above.

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £130.264 million has a substantial impact on the net worth of the authority as recorded in the Balance Sheet resulting in a negative overall balance of £54.993 million. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy as the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. 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 £3.018 million (excluding any impact from events such as early retirements that may occur after 31 March 2012.)

e) **Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on the actuarial basis using the projected unit credit 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, on behalf of Essex County Council the scheme administrators, with estimates based on the latest full valuation as at 31 March 2010.

The principal assumptions used by the actuary have been:

	2010/11	2011/12
Long term expected rate of return on assets in the scheme:		
Equity Investments	7.5%	6.4%
Government Bonds	4.4%	3.3%
Other Bonds	5.1%	4.6%
Property	6.5%	5.4%
Cash/Liquidity	0.5%	0.5%
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men	22.6	22.7
Women	25.2	25.3
Longevity at 65 for future pensioners:		
Men	24.0	24.1
Women	26.8	26.8
Rate of inflation - RPI	3.4%	3.3%
Rate of inflation - CPI	2.9%	2.5%
Rate of increase in salaries	4.4%	4.3%
Rate of increase in pensions	2.9%	2.5%
Rate for discounting scheme liabilities	5.5%	4.6%
Take up of option to convert annual pension into retirement lump sum	50%	50%

The pension scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2010	31 March 2011
	%	%
Equities	69.5	70.0
Government Bonds	6.7	4.0
Other Bonds	9.5	10.0
Property	11.2	14.0
Cash/Liquidity	3.1	2.0

f) **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 of assets or liabilities at 31 March 2012 with comparative figures for prior years also set out:

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Difference between the expected and actual return on assets	(11.8)	(35.4)	21.2	2.4	(5.5)
Experience gains and losses on liabilities	1.6	0.0	0.0	4.7	(0.3)

**34 Contingent Liabilities**

At 31 March 2012, the Authority had three material contingent liabilities:

- Municipal Mutual Insurance (MMI), the Council's Insurer until 1992, is now the subject of a scheme of arrangement and the Company's assets are now being utilised via a managed run-off to finance any insurance claims arising in respect of incidents prior to 1992. As at June 2009 it was the view of the directors of MMI that based on all the information known to them at that time a solvent run-off could be anticipated. The Company's solvency remains dependent on the impact of a recent court decision where an appeal was upheld that related to insured losses that have occurred but not yet been reported to the insurance company and therefore it is not possible to quantify the potential liability. If a solvent run-off is not possible the Council's maximum potential liability set out in the most recent notification by MMI is approximately £298,000
- The Council also operates a Rent Deposit Guarantee scheme with private sector landlords to assist homeless households in securing private rented accommodation. Following the end of a tenancy set up under this arrangement, some costs may be claimable by landlords up to a specified amount. At the end of 2011/12 £482,921 remained as the total amount claimable under this scheme which may become payable in future years as tenancies end.
- The Government has determined via regulation SI 2010/No 1812 dated 17 August 2010 that local authorities should provide certain information in respect of land charges searches free of charge under the Environmental Information Regulations (EIR) and abolished the personal search fee. Solicitors for a number of personal search companies have commenced legal proceedings against four Government departments and several hundred local authorities of which Tendring District Council is one, seeking reimbursement of fees paid prior to this date. These proceedings are being defended vigorously.

## 35 Nature and Extent of Risks arising from Financial Instruments

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

The Authority'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 the treasury team in Resource Management, under policies approved by the Council in the Annual Treasury Strategy which includes annual investment and borrowing strategies. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risks and the investment of surplus cash.

### ➤ Overall Procedures for Managing Risk

The Council's approach to managing these risks is focused on the inherent unpredictable nature of the financial markets. Procedures are in place to minimise these risks. The procedures in respect of investments are in accordance with the Local Government Act 2003, and associated regulations, which require the Council to comply with the CIPFA Prudential Code and the CIPFA Code of Practice for Treasury Management in Public Services as well as the Investment Guidance issued in accordance with the Act.

The Council meets these obligations by:

- i) Formally adopting and complying with the revised CIPFA Code of Practice.
- ii) Approving in advance the Prudential Indicators for the next financial year and for the following two years. The indicators set, amongst others, are:
  - ❖ The Council's overall borrowing limit.
  - ❖ The maximum and minimum exposures to the maturity structure of the Council's debt.
  - ❖ The maximum sum that will be invested for periods in excess of 364 days.
  - ❖ The minimum and maximum exposure to fixed and variable rates of interest.
- iii) Approving an Annual Treasury Strategy which incorporates an investment strategy and a borrowing strategy.

The Council approves the Annual Treasury Strategy before the commencement of the financial year to which it relates. The Annual Treasury Strategy also sets out the Prudential Indicators for that year and the succeeding two years.

The Head of Resource Management has delegated responsibility for Treasury Management and implementation of the agreed Treasury Management Strategy. Treasury Officers maintain written principles known as Treasury Management Practices (TMPs) covering the management of risks associated with investments. The TMPs are reviewed on a regular basis and any changes to the principles are approved by Cabinet.

The Council employs specialist Treasury Advisors to assist officers.

The Cabinet receives a report each year on the Treasury Management activities for the previous financial year.

a) **Credit Risk**

Credit risk arises from deposits with banks and other financial institutions and from credit advanced to the Council's customers. The Balance Sheet figures for financial assets are not representative of the normal level of exposure at any particular time. Positive cash flows in the early part of each financial year can lead to a considerably higher level of total investments. The maximum exposure during 2011/12 was £46.887 million.

The TMPs set out the criteria for deciding which organisations, such as Banks, Building Societies etc the Council will invest money with. An organisation with whom an investment is made is known as a counterparty. All counterparties the Council uses, other than HM Government, UK Nationalised/Part Nationalised Banks, other UK Local Authorities, Parish Councils, Police and Fire Authorities and Health Authorities are determined by reference to their credit ratings.

The Council uses the credit ratings provided by the 3 main credit rating agencies. For a counterparty to be approved for investment purposes its credit ratings from all of the Agencies that provide a credit rating (with a minimum of two rating agencies ratings) for that counterparty must be at least equal to the Council's minimum level. If just one of the ratings from any of the agencies falls below the Council's minimum criteria the counterparty is not approved. In addition to the credit ratings a limit is placed on the amount that can be invested with any one counterparty. A number of counterparties although operating independently are members of a larger group. This is the current position with a number of Banks. In addition to an individual counterparty limit there is a group limit, and any investment must therefore be within both the individual and group limits if applicable. A limit is also applied to the amount of investment that can be placed in individual countries other than the UK.

The following analysis summarises the Council's potential maximum exposure to credit risk. The Council has had no experience of default by any counterparty over the last five financial years and does not expect any losses from non-performance.

The only default experienced by local authorities in the last five years was that relating to the Icelandic Banks' in October 2008. As at 1 April 2008 the Council had 3 Icelandic banks on its list of approved counterparties, representing 3.09% of the total. This percentage has therefore been used as a proxy for the historical experience of default, although the Council has been unaffected by the Icelandic Banks' default. The current credit crisis in international markets has raised the overall possibility of default. However, as the Council maintains strict credit criteria for investment counterparties, this historical default rate has been used as a good indicator under current conditions.

	Amount at 31 March 2012	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2012	Estimated maximum exposure to default and uncollect- ability at 31 March 2012	Estimated maximum exposure at 31 March 2011
	£000	%	%	£000	£000
Banks	5,337	3.09	3.09	165	334
Local Authorities	18,000			-	-
UK Government	7,000			-	-
	<u>30,337</u>			<u>165</u>	<u>334</u>

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

The Authority allows credit for some customers where payment in advance of service provision is not practicable. £152,300 of the £631,893 sundry debtor balance is past its due date for payment. The past due, but not impaired, amount can be analysed by age as follows:

2010/11		2011/12
£000		£000
29	Less than three months	44
25	Three to six months	10
51	Six months to one year	26
84	More than one year	72
<u>189</u>		<u>152</u>

b) **Liquidity Risk**

The Council manages its liquidity position through its cash flow management procedures that seek to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board or can call back financial assets, such as monies on deposit with financial institutions. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The key parameters used to address this risk are the maturity structure of its debt and the limits placed on investments of more than one year in duration. Within the above parameters, the Council addresses the operating risks by:

- ❖ Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt.
- ❖ Monitoring the maturity profile of investments to maintain sufficient liquidity for the Council's day to day cash flow needs.
- ❖ Spreading longer term investments to provide stability of maturities and returns in relation to longer term cash flow needs.

The maturity analysis of financial liabilities in respect of the principal amount of PWLB debt, and temporary borrowing at 31 March 2012 was as follows:

2010/11		2011/12
£000		£000
319	Less than one year (includes interest)	2,290
205	Between one and two years	3,187
1,727	Between two and five years	6,681
904	Between five and ten years	8,949
3,038	Between ten and fifteen years	11,110
16,054	More than fifteen years	25,810
<u>22,247</u>		<u>58,027</u>

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

### c) **Market Risk**

#### ➤ **Interest Rate Risk**

At 31 March 2012 the Council's borrowing for more than one year was all at fixed rates of interest. The Authority is exposed to risk in terms of its exposure to interest rate movements on its future borrowings and investments. Movements in interest rates have a complex impact on the authority. 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. There is a lot of flexibility over the timing of new long term borrowing at fixed rates, and short term investments of surplus funds are spread over a range of periods to limit exposure to adverse movements in rates and to take advantage of favourable market conditions. The Annual Treasury Strategy draws together the Council's Prudential Indicators and its expected treasury operations, including an expectation of interest rate movements. One of the Prudential Indicators sets maximum and minimum limits for fixed and variable interest rate exposure. The treasury team monitor the market and forecasts of interest rates within the year to adjust exposures appropriately.

At 31 March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been:

	£000
Increase in interest payable on variable rate borrowings	221
Increase in interest receivable on variable rate investments	(377)
Increase in government grant receivable for financing costs	(243)
	<hr/>
Impact on Surplus or Deficit on the Provision of Services	(399)
	<hr/> <hr/>
Share of overall impact credited to the HRA	(148)
	<hr/> <hr/>
Decrease in fair value of fixed rate investment assets	-
	<hr/>
Impact on Other Comprehensive Income and Expenditure	-
	<hr/> <hr/>

A decrease in fair value of the fixed rate PWLB borrowing liabilities will have no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

➤ **Price Risk**

The Authority does not invest in equity shares. It therefore has no exposure to loss arising from movements in the stock market.

➤ **Foreign Exchange Risk**

The Authority has no financial assets or liabilities denominated in foreign currencies, and therefore it has no exposure to loss arising from movements in exchange rates.

**36 Housing Revenue Account Self Financing – Exceptional Item**

From 1 April 2012 the Housing Revenue Account will operate on a self-financing basis which replaces the previous subsidy system. Under the Settlement Payments Determination issued by the Government the Council was statutorily required to pay £35.979 million to exit from the subsidy system. The Council also incurred £0.013 million in brokerage in respect of borrowing required to fund the settlement payment.

This payment (including brokerage) has been disclosed on a separate line in the Comprehensive Income and Expenditure Statement (page 18) and the Housing Revenue Account Income and Expenditure Statement (pages 97 and 98). It is also reflected (without brokerage) in the Movement in Reserves Statement (see page 41 note 5) where it has been transferred to the Capital Adjustment Account (see page 67 note 19(c)).

The payment has resulted in an increase in the Cash Flow Statement line for Net cash flows for Operating Activities and the borrowing has increased the Financing Activities line (also see page 71 note 22). This borrowing is also the main factor in the significant increase in Long Term Borrowing shown in the Balance Sheet (page 19) at 31 March 2012 compared to 31 March 2011.

**37 Heritage Assets – Change in Accounting Policy Required by the Code of Practice for Local Authority Accounting**

For 2011/12 the Authority is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets and were held at nominal value or as plant and machinery and were fully depreciated. These were categorised in the property, plant and equipment classification in the Balance Sheet.

In applying the new accounting policy, the Authority has identified the assets that were previously held at nominal value and should now be recognised as heritage assets. These are measured at £0.035 million with a corresponding increase in the Revaluation Reserve. Further information on these assets is provided in page 55 note 11.

There were a small number of assets identified which were not previously recognised in the balance sheet. The insurance values for these items show that they are not material and they have not been included in the balance sheet at this time. The value of these assets will be monitored and they will be recognised in future years if they become material.

The changes required to restate the main accounting statements are set out below.

**Movement in Reserves**

The fully restated 2010/11 Movement in Reserves statement is set out on page 16. The changes made from the previous year are as follows:

### Restatement of Unusable Reserves 2010/11

	Statement of Accounts 2010/11	Restatement Amount	Statement of Accounts 2011/12
	£000	£000	£000
Balance at 1 April 2010 brought forward	119,879	35	119,914
Balance at 31 March 2011 carried forward	106,304	35	106,339

### Restatement of Total Authority Reserves 2010/11

	Statement of Accounts 2010/11	Restatement Amount	Statement of Accounts 2011/12
	£000	£000	£000
Balance at 1 April 2010 brought forward	144,447	35	144,482
Balance at 31 March 2011 carried forward	133,942	35	133,977

### Comprehensive Income and Expenditure Statement

There were no changes required to this statement.

### Balance Sheet

The fully restated 2010/11 Balance Sheet is set out on page 19, the changes made from the previous year are as follows:

### Restatement of Balance Sheet at 1 April 2010

	Statement of Accounts 2010/11	Restatement Amount	Statement of Accounts 2011/12
	£000	£000	£000
Heritage Assets	-	35	35
<b>Total Long Term Assets</b>	194,197	35	194,232
<b>Total Net Assets</b>	144,447	35	144,482
Unusable Reserves	119,879	35	119,914
<b>Total Reserves</b>	144,447	35	144,482

## Restatement of Balance Sheet at 31 March 2010

	Statement of Accounts 2010/11	Restatement Amount	Statement of Accounts 2011/12
	£000	£000	£000
Heritage Assets	-	35	35
<b>Total Long Term Assets</b>	171,178	35	171,213
<b>Total Net Assets</b>	133,942	35	133,977
Unusable Reserves	106,304	35	106,339
<b>Total Reserves</b>	133,942	35	133,977

### Cash Flow Statement

There were no changes required to the Cash Flow Statement.

## HOUSING REVENUE ACCOUNT – INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

2010/11 £000		2011/12 £000	£000	Note Ref
	<b>EXPENDITURE</b>			
2,722	Repairs and Maintenance	3,087		4
2,224	Supervision and Management	2,349		
21	Rents, Rates, Taxes and Other Charges	31		
1,912	Negative Housing Revenue Account Subsidy Payable	2,223		12
18,248	Depreciation and Impairments of Non-Current Assets	6,553		7,8
50	Debt Management Costs	51		
37	Movement in the allowance for bad debts	37		14
-	HRA Self Financing Settlement Payment	35,992		17
44	Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	3		10,11
<b>25,258</b>	<b>Total Expenditure</b>		<b>50,326</b>	
	<b>INCOME</b>			
(10,535)	Dwelling rents	(11,216)		
(179)	Non dwelling rents	(211)		
(400)	Charges for Services and Facilities	(504)		
(89)	Contributions towards expenditure	(105)		15
<b>(11,203)</b>	<b>Total Income</b>		<b>(12,036)</b>	
<b>14,055</b>	Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		<b>38,290</b>	
270	HRA Share of Corporate and Democratic Core		276	
<b>14,325</b>	Net Expenditure for HRA Services		<b>38,566</b>	
	<b>HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:</b>			
(200)	(Gain) or loss on sale of HRA Non-current Assets		(119)	16
794	Interest Payable and Similar Charges		817	9
-	Taxation and Non Specific Grant Income (Capital Grant)		(25)	
(52)	Interest and Investment Income		(61)	
<b>14,867</b>	<b>(Surplus) / Deficit for the year on HRA Services</b>		<b>39,178</b>	

## HOUSING REVENUE ACCOUNT – MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2010/11 £000		2011/12 £000	£000
5,017	Balance on the HRA as at the end of the previous year		5,355
(14,867)	Surplus or (Deficit) on the HRA Income and Expenditure Statement	(39,178)	
	Adjustments between accounting basis and funding basis under regulations:		
15,802	Reversal of Impairment	4,107	
44	Reversal of Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	3	
(200)	Reversal of Gain or Loss on sale of HRA Non-current assets	(119)	
-	Reversal of Capital Grant	(25)	
-	Reversal of Short Term Accumulating Compensated Absences	(3)	
-	Reversal of Self Financing Settlement Payment (excl brokerage fee)	35,979	
(121)	HRA share of contributions to or from the Pension Reserve	(142)	
658	Net increase or (decrease) before transfer to or from Reserves	622	
	Transfer (to) or from Reserves:		
105	Transfer to/from Major Repairs Reserves	40	
(425)	Transfers to/from Housing Repairs Account	(188)	
338	Increase or (decrease) in year on the HRA		474
5,355	<b>Balance on the HRA as at the end of the current year</b>		5,829

# NOTES TO THE HRA INCOME AND EXPENDITURE ACCOUNT AND MOVEMENT ON THE HRA STATEMENT

## 1 Housing Revenue Account Balances

HOUSING REVENUE ACCOUNT RESERVES				
2010/11		Housing Revenue Account £000	2011/12 Housing Repairs Account £000	Total £000
£000				
5,599	Balances as at 1 April	5,355	1,007	6,362
763	Surplus/(deficit) for year	474	188	662
<b>6,362</b>	<b>Balances as at 31 March</b>	<b>5,829</b>	<b>1,195</b>	<b>7,024</b>

## 2 Housing Assets

As at 31 March 2012, the Council was responsible for managing the following council housing assets:

31 March 2011			31 March 2012		
No	Balance Sheet Value £000		No	Balance Sheet Value £000	
Dwellings					
1,503	44,082	Flats	1,501	42,564	
1,054	51,018	Houses	1,052	50,373	
339	15,025	Bungalows	338	14,979	
319	6,559	Sheltered accommodation	319	6,559	
24	985	Do-It-Yourself Shared Ownership (DIYSO)	24	1,027	
3,239	117,669		3,234	115,502	
Other Land and Buildings					
65	1,597	Shared equity plots of land	65	1,597	
438	1,030	Garages	438	1,073	
374	42	Ground rents re sold Council flats	376	45	
1	332	Community Centre	1	396	
4	203	Other non-domestic properties	4	200	
5	18	Land	5	17	
-	13	Other	-	4	
4,126	120,904	Total Balance Sheet values	4,123	118,834	

The Balance Sheet value for the dwellings reflects the valuation basis of 'Existing Use Value for Social Housing (EUV-SH)', which is based on the vacant possession value adjusted to reflect the continuing occupation by a secure tenant. The other housing assets have been valued on an 'Existing Use Value' basis, which assumes that vacant possession is provided on all parts of the property occupied by the business. The vacant possession value of all the housing assets as at 1 April 2011 undertaken in accordance with CLG's Guidance was £309 million compared with the existing use value of £121 million. The difference between the two values of £188 million represents the economic cost of providing council housing at less than open market rents. A desktop review was undertaken by the external valuer during the year with resulting changes and other adjustments being reflected in the Balance Sheet value as at 31 March 2012.

During 2011/12, 5 council dwellings were sold under 'Right to Buy' legislation.

### 3 Major Repairs Reserve

A Major Repairs Allowance is paid to the Council as part of HRA subsidy to provide the resources needed to maintain the value of the housing stock over time. The Council is required to keep a Major Repairs Reserve into which this allowance is transferred to provide funds for capital expenditure on HRA assets. The transfer from the HRA is achieved by firstly crediting the Reserve with an amount equivalent to the full depreciation charges for the year and then transferring back to the HRA any amount that is higher or lower than the Major Repairs Allowance. This transfer appears in the Movement on the HRA Statement.

These movements on the Reserve during the year are summarised below:

2010/11		2011/12	
£000		£000	£000
2,702	Balance as at 1 April		2,698
	HRA depreciation provision		
2,382	Dwellings (excluding DIYSO)	2,436	
64	All other HRA assets	10	
		<hr/>	2,446
(105)	Transfer to the HRA		(40)
(2,345)	Applied to finance capital expenditure on the housing stock		(3,087)
<hr/>			<hr/>
2,698	Balance as at 31 March		2,017
<hr/>			<hr/>



#### 4 Housing Repairs Account

A contribution is made into this account each year from the HRA in order to assist the planning of major and cyclical works to the Council's housing stock. The movements on this account were as follows:

2010/11		2011/12
£000		£000
(3,147)	<b>Income:</b> Contribution from Housing Revenue Account	(3,275)
2,722	<b>Expenditure</b> on repairs and maintenance	3,087
<u>(425)</u>	<b>(Surplus)/Deficit for year</b>	<u>(188)</u>
(582)	Balances Brought Forward	(1,007)
(1,007)	Balances Carried Forward	(1,195)

#### 5 Capital Expenditure and Financing

Capital expenditure on HRA assets for the year and its financing are set out below:

2010/11		2011/12
£000		£000
	Capital Investment:	
3,037	Operational Assets	3,103
40	Revenue Expenditure Funded from Capital Under Statute	-
17	Other	9
<u>3,094</u>		<u>3,112</u>
	Sources of Finance:	
705	Borrowing	-
2,345	Major Repairs Reserve	3,087
16	Capital Receipts Reserve	-
28	External Funding	25
<u>3,094</u>		<u>3,112</u>

#### 6 Housing Capital Receipts Reserve

With effect from 1 April 2004, there is a requirement to 'pool' part of the capital receipts received by the Council and pay it to the Secretary of State. The current required amount is 75% from the sale of council housing and 50% from other housing capital receipts, subject to certain reductions such as the administrative costs of disposal, expenditure incurred on improving the asset in the three year period prior to disposal and in certain instances by applying a capital allowance which is equal to the part or planned expenditure on affordable housing and regeneration projects.

The remaining capital receipts can be applied to finance any capital expenditure. During 2011/12 the housing capital receipts amounted to £0.337 million of which £0.240 million was 'poolable' and therefore payable to the Government. In respect of the £0.065 million applied during the year to finance capital expenditure, this funded non-HRA housing capital schemes (primarily disabled facilities grants and private sector renewals/initiatives). The movements on the Reserve during the year are shown below:

2010/11		2011/12
£000		£000
1,107	Balance as at 1 April	899
	Capital Receipts in the year:	
198	Council house sales (net of administration costs)	325
107	DIYSO property sales	-
3	Mortgage principal repayments	2
56	Other receipts	-
<u>1,471</u>		<u>1,226</u>
	Less:	
(175)	Capital receipts 'pooling contribution'	(240)
(397)	Capital receipts used for financing capital expenditure	(65)
<u>899</u>	Balance as at 31 March	<u>921</u>

## 7 Depreciation

Depreciation has been provided on the HRA assets on a straight-line basis over their expected lives, after allowing for residual and freehold land values, based on information provided by the Valuer. The depreciation charge in respect of the dwellings is a real charge on the HRA. It is funded within the HRA by the Major Repairs Reserve. The depreciation charge in respect of other HRA property is shown in the 'net cost of service' in the Income and Expenditure Account but is reversed out in the Movement on the HRA Statement so that it does not impact on rents or other HRA services.

2010/11		2011/12
£000		£000
2,382	Dwellings	2,378
21	Do-It-Yourself Shared Ownership (DIYSO)	23
21	Garages	22
8	Community Centre	9
4	Other Non-Domestic Properties	4
10	Other	10
<u>2,446</u>	<b>Depreciation Charged to the HRA I &amp; E Account for the Year</b>	<u>2,446</u>

## **8 Impairment Charges**

Impairment may be applicable to assets if caused by either a consumption of economic benefits or a general fall in prices. Impairment totalled £4.107 million for the year that was charged to the HRA Income and Expenditure Account. The impairment charge above includes £3.103 million associated with works to the Council's dwelling stock.

## **9 Capital Asset Charges Accounting Adjustment**

This relates to the borrowing costs incurred for the year adjusted for impairment and revenue expenditure funded from capital under statute in accordance with the item 8 determinations that form part of the current HRA subsidy arrangements. The individual elements that together form the capital asset charges accounting adjustment are set out elsewhere such as the Interest Payable and Similar charges included in the HRA Income and Expenditure Account and impairment as set out in the note above.

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

Charges were made to the HRA during the year in accordance with the Secretary of State's Item 8 Determination. Revenue expenditure funded from capital under statute was nil for 2011/12 (£40,000 for 2010/11 where expenditure was incurred on a cash incentive scheme which is in accordance with the classification of such cost as explained in the accounting policies)

Although there is a nil charge in 2011/12, it is worth highlighting that as these charges are intended to act as a signal only, rather than remaining as a cost to be met by the HRA, an accounting adjustment is made by reversing it out in the Movement on the HRA Statement.

## **11 Intangible Assets**

This represents expenditure that has recently been incurred on software that has been financed from capital resources. The amount of £3,000 charged to the Housing Revenue Account for the year (£4,000 for 2010/11) represents the annual writing down of the asset over its useful life.

## **12 Housing Revenue Account Subsidy**

Set out below is the notional HRA for 2011/12 assessed for subsidy purposes in accordance with general determinations issued for the year although subject to final certification during 2012/13. This results in a 'negative subsidy' position for the Authority.

2010/11		2011/12
£000		£000
5,315	Management and maintenance	5,547
1,072	Charges for capital	1,099
2,341	Major Repairs Allowance	2,406
<u>8,728</u>		<u>9,052</u>
(10,640)	Rent	(11,275)
(1)	Mortgage interest	(1)
<u>(1,913)</u>		<u>(2,224)</u>
1	Adjustment re previous year	1
<u>(1,912)</u>	Housing Subsidy due/(repayable) for year	<u>(2,223)</u>

### 13 Contributions to Pensions Reserve

In line with the accounting treatment in the General Fund, the pension benefits accrued for employees whose time is charged to the HRA are shown in the Income and Expenditure Account for 2011/12 by replacing pension costs charged for the year with the current cost of service within Supervision and Management Costs. However, to ensure there is no overall impact on HRA balances further adjustments have been made in the Movement on the HRA Statement. These reverse out the additional costs added via the current cost of service adjustment mentioned above but also add back the HRA's share of the Council's total pension payments to the pension fund in 2011/12 which total to a net amount of £0.142 million.

### 14 Rent Arrears and the Provision for Bad and Doubtful Debts

The rent arrears at 31 March 2012 were £251,671 (2010/11 - £284,067), which equates to 2.14% (2.57% for 2010/11) of the gross rent due for the year after excluding rents foregone on empty properties and housing benefit overpayments but inclusive of service charges.

The HRA Provision for Bad and Doubtful Debts at 31 March 2012 is £0.103 million after the following movements on the account during 2011/12:

2010/11		2011/12
£000		£000
104	Balance as at 1 April	117
37	Provision for year	37
(24)	Arrears written off	(51)
<u>117</u>	Balance as at 31 March	<u>103</u>

## **15 Contributions Towards Expenditure**

Where services that are accounted for within the HRA benefit both Council tenants and private sector owner/occupiers, there must be a fair apportionment of the associated costs and income between the HRA, the General Fund and from customers. Such services provided by this Council's HRA are Sewerage Treatment Works and Pumping Stations along with those supporting leasehold properties whose ownership is now in the private sector and not the HRA.

## **16 Gains or Losses on the Sale of Non-Current Assets**

When a housing asset is disposed of the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposal are credited to the Income and Expenditure Account 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). However the written off value of disposals is not a charge that remains against the HRA as it is reversed out in the Movement on the HRA Statement. Administration costs incurred in the disposal of an asset are a cost directly associated with the disposal and therefore a loss is shown in the Income and Expenditure Account to reflect this. In addition to this the Council may receive income from repaid discounts which would have been given at the time of the original asset sale such as those under the Right to Buy Scheme and are deemed to be a gain on HRA asset disposals and so shown in the Income and Expenditure Account.

For 2011/12 the net gain of £0.119 million in the HRA Income and Expenditure account represents the gain from the disposal of dwellings and other land and buildings. For comparative purposes there was a net gain of £0.200 million in the HRA Income and Expenditure Account in 2010/11, made up of a gain of £0.164 million from the disposal of dwellings along with a gain of £0.036 million in respect of repaid discounts from previous asset sales.

## **17 Exceptional Items**

Please see note 36 to the core financial statements where additional details are set out regarding the payment required to the Secretary of State in accordance with the Settlement Determination in connection with the move to HRA Self Financing from 1 April 2012.

## **18 Further Information**

Further information about the Council's housing activities is available on the Council's website.

You can also contact the Council's Life Opportunities Department that has responsibility for Housing within the District which is based at the Town Hall, Station Road, Clacton on Sea, Essex, CO15 1SE; or by using the online contact process available on the Council's website.

# COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

2010/11		2011/12		Note
£000		£000	£000	Ref
<b>INCOME</b>				
61,144	Income from Council Tax		61,353	1
	Transfers from the General Fund:			
15,141	Council Tax Benefits		15,209	
(1)	Council Tax Transitional Reduction Scheme		(1)	
<u>76,284</u>			<u>76,561</u>	
20,625	Income Collectable from Business Ratepayers		23,151	2
<u>96,909</u>			<u>99,712</u>	
<b>EXPENDITURE</b>				
	Precepts:			3
9,057	Tendring District Council		9,074	
55,434	Essex County Council		55,744	
3,388	Essex Fire Authority		3,407	
6,739	Essex Police Authority		6,777	
	Use of Council Tax balance:			4
80	Tendring District Council		80	
482	Essex County Council		490	
29	Essex Fire Authority		30	
58	Essex Police Authority		59	
<u>75,267</u>			<u>75,661</u>	
	Council Tax Bad and Doubtful Debts:			
283	Amounts written off	270		
34	Increase/(Reduction) in Provision for Doubtful Debt	(42)	228	
	Business Rate:			2
20,327	Contribution to the Central Government pool	22,858		
298	Cost of Collection allowance	293	23,151	
<u>96,209</u>			<u>99,040</u>	
700	Net Surplus/(Deficit) for the year		672	
550	Balance as at 1 April		1,250	
<u>1,250</u>	<b>Balance as at 31 March</b>		<u>1,922</u>	4

## 1 Council Tax

The average Council Tax levy for 2011/12 was £1,462.20 for a Band D dwelling. This rate of tax, which covers estimated net expenditure of the Council, Essex County Council, Essex Fire Authority, Essex Police Authority and the Parish and Town Councils, was assessed on the tax base set out below:

### Calculation of the Tax Base for 2011/12

2010/11	Band	Valuation	Pro-portion	Full Charge	Discount 25%	Discount 50%	2nd Homes	Empty Properties	Exempt	Total
6	*A	Up to £40,000	5/9	7	2	-	-	-	-	9
12,412	A	Up to £40,000	6/9	3,846	6,933	13	684	385	599	12,460
17,132	B	£40,001 to £52,000	7/9	9,167	7,018	16	354	200	446	17,201
20,333	C	£52,001 to £68,000	8/9	12,468	6,751	43	490	220	425	20,397
10,149	D	£68,001 to £88,000	9/9	6,993	2,657	36	246	81	171	10,184
4,630	E	£88,001 to £120,000	11/9	3,520	889	38	103	38	65	4,653
1,610	F	£120,001 to £160,000	13/9	1,239	270	33	36	16	23	1,617
783	G	£160,001 to £320,000	15/9	583	107	45	30	10	13	788
52	H	Over £320,000	18/9	40	3	6	1	-	-	50
<u>67,107</u>				<u>37,863</u>	<u>24,630</u>	<u>230</u>	<u>1,944</u>	<u>950</u>	<u>1,742</u>	<u>67,359</u>
52,317		Number of equivalent full charge Band D dwellings (unscaled tax base)								52,609
(1,308)		Less Provision for changes in valuation list, discounts and doubtful debts								(1,315)
<u>51,009</u>		Tax base for tax setting purposes								<u>51,294</u>

\* Band A – entitled to Disabled Relief

### Analysis of the Council Tax

#### Council Tax for a Band D Dwelling

2010/11 Average £		2011/12 Average £
	Tendring District Council:	
135.49	General Expenses	136.98
14.39	Special Expenses	12.15
27.68	Town and Parish Councils	27.78
1,086.75	Essex County Council	1,086.75
66.42	Essex Fire Authority	66.42
132.12	Essex Police Authority	132.12
<u>1,462.85</u>		<u>1,462.20</u>

The tax charged on dwellings in each parish must include an amount that would yield sufficient to meet the Parish Council's precept. In addition, the Council decided on 8 February 2011 that some identified estimated expenses (special expenses) would apply only to certain parishes and the unparished area of Clacton. A small additional tax is levied in these areas to finance the special expenses.

## 2 National Non-Domestic Rate

The National Non-Domestic Rate (NNDR) is a national tax administered locally. The Council collects a prescribed uniform business rate on all non-domestic property. From the proceeds of NNDR, a prescribed contribution towards the cost of collection is transferred to the General Fund. The remainder is paid into the central government's NNDR pool. The total amount of the pool is distributed to all local authorities as part of their external finance. The Council's share is paid into the General Fund and is therefore included in the Comprehensive Income and Expenditure Statement shown on page 18.

2010/11		2011/12
	Non-Domestic Rate per £ of Rateable Value*	
40.7p	Small Businesses	42.6p
41.4p	Standard	43.3p
£000		£000
69,945	Rateable Value on 31 March	70,687
<hr/>		
28,417	Gross rate income	30,038
(7,674)	Allowances and other adjustments	(6,401)
88	Amounts written off	(453)
(99)	Interest on refunds of overpayments	(23)
(107)	Changes in provision for doubtful debt	(10)
<hr/>		
20,625		23,151
(298)	Cost of Collection allowance	(293)
<hr/>		
20,327	Contribution due to the NNDR pool in respect of 2011/12*	22,858
<hr/> <hr/>		

Allowances and other adjustments shown above include transitional relief, charitable reliefs, and allowances for wholly or partly empty premises.

\* During 2011/12 payments totalling £0.177 million in respect of the payments deferral scheme which were deferred from previous years fell due. Therefore the actual pool contribution payable to the Government for 2011/12 will be £23.035 million.



### 3 Precepts

The Council (the collecting authority) and Essex County Council, Essex Fire Authority and Essex Police Authority (the major precepting authorities) precept upon the Collection Fund. Each precept is assessed from the Tax Base for tax setting purposes to produce each authority's budget requirement. The amounts paid under each of these precepts do not vary during the year. However, the tax yield is affected by changes in the valuation list (which defines each dwelling's banding), discounts (which reflect occupation of dwellings) and collection performance. The resulting balances are taken into account during each following year in assessing the Council Tax that both collecting and major precepting authorities must levy for the subsequent year.

### 4 Council Tax Balance

Each January, the Council must assess the likely yield from the current year's Council Tax, together with the excess or shortfall from the previous year's assessment. All major precepting authorities benefit from an assessed surplus (or contribute to a deficit) in the year following that in which an assessment is made. This must be taken into account when setting the Council Tax level.

Therefore the surplus of £1.922 million at 31 March 2012 together with balances paid over to precepting authorities in 2012/13, will form part of the assessment made in January 2013.

The balance of £1.922 million is made up as follows:

	2010/11	Net Movement in Year	2011/12
	£000	£000	£000
Essex County Council	929	496	1,425
Essex Fire Authority	57	30	87
Essex Police Authority	113	64	177
	<hr/>		<hr/>
	1,099	590	1,689
Tendring District Council	151	82	233
	<hr/>		<hr/>
	1,250	672	1,922
	<hr/> <hr/>		<hr/> <hr/>

The balance relating to Tendring District Council is included in unusable reserves (see page 69 note 19(f)), the remaining balance of £1.689 million is included under 'Creditors' as part of the balances owing to the major precepting authorities.

# TENDRING DISTRICT COUNCIL

## MEMBERS' ALLOWANCES AND EXPENSES

The Council has adopted a Scheme of Members' Allowances and in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003, the details required are published below, to show expenditure during 2011/12.

	Basic Allowance	Special Responsibility Allowance	Broadband Allowance	Dependant Carers' Allowance	* Travelling and Subsistence	Total
	£	£	£	£	£	£
<b>Part year allowance to 4 May 2011</b>						
I Beckett	893.69		35.98			929.67
J Brown	893.69					893.69
V Chapman	893.69	327.50	35.98		208.60	1,465.77
J Cripps	893.69		30.60			924.29
M Dew	893.69		25.50		59.40	978.59
T Ferguson	893.69					893.69
S Henderson	893.69	1,749.00				2,642.69
A Hockridge	893.69					893.69
J Hughes	893.69	1,749.00				2,642.69
J King	893.69		35.98		54.00	983.67
D Lines	893.69	535.50	35.98			1,465.17
L Payne	893.69				55.80	949.49
D Rutson	893.69					893.69
P Scott	893.69	327.50				1,221.19
S Shearing	893.69					893.69
M Skeels	893.69	744.50				1,638.19
C A Turner	893.69		35.98		116.10	1,045.77
R Walker	893.69					893.69
K Watson	893.69		14.68		27.35	935.72
B Whitson	893.69					893.69
<b>Total payments for year</b>	<b>17,873.80</b>	<b>5,433.00</b>	<b>250.68</b>	<b>0.00</b>	<b>521.25</b>	<b>24,078.73</b>
<b>Elected 5 May 2011</b>						
C Amos	4,068.31					4,068.31
N Brown	4,068.31				166.05	4,234.36
G Caines	4,068.31				94.50	4,162.81
C Callender	4,068.31					4,068.31
S Challinor	4,068.31	1,637.50				5,705.81
J Chapman	4,068.31					4,068.31
A Colbourne	4,068.31					4,068.31
I Henderson	4,068.31				128.25	4,196.56
J Henderson	4,068.31			153.14	11.70	4,233.15
T Howard	4,068.31					4,068.31
M Miles	4,068.31	2,977.50				7,045.81
G Mitchell	4,068.31				83.25	4,151.56
F Nicholls	4,068.31				90.00	4,158.31

	Basic Allowance	Special Responsibility Allowance	Broadband Allowance	Dependant Carers' Allowance	* Travelling and Subsistence	Total
	£	£	£	£	£	£
M Page	4,068.31	3,722.50				7,790.81
M Platt	4,068.31	1,637.50				5,705.81
A Pugh	4,068.31					4,068.31
K Simons	4,068.31					4,068.31
D Skeels	4,068.31				59.40	4,127.71
I Tracey	4,068.31					4,068.31
J White	4,068.31				227.25	4,295.56
<b>Total payments for year</b>	<b>81,366.20</b>	<b>9,975.00</b>	<b>0.00</b>	<b>153.14</b>	<b>860.40</b>	<b>92,354.74</b>

#### Full Years Allowance

D Aldis	4,962.00				79.50	5,041.50
M Bragg (part year)	4,321.74				37.80	4,359.54
J Broderick	4,962.00		29.98		57.60	5,049.58
R J Bucke	4,962.00	2,977.50	14.98		69.30	8,023.78
R Callender	4,962.00					4,962.00
G Calver	4,962.00					4,962.00
S Candy	4,962.00	10,494.00				15,456.00
D Casey	4,962.00		24.00		166.50	5,152.50
M Cossens	4,962.00		68.00			5,030.00
P G De-Vaux Balbirnie	4,962.00		31.96		79.20	5,073.16
L J Double	4,962.00	2,981.00	35.98		42.75	8,021.73
G Downing	4,962.00	2,649.50				7,611.50
T Fawcett	4,962.00	5,387.50				10,349.50
A Goggin	4,962.00	595.50			333.10	5,890.60
C Griffiths	4,962.00	3,573.00				8,535.00
C Guglielmi	4,962.00	10,494.00			1,332.70	16,788.70
V Guglielmi	4,962.00	1,965.00			249.30	7,176.30
P Halliday	4,962.00	10,494.00				15,456.00
R Heaney	4,962.00	6,072.00				11,034.00
P Honeywood	4,962.00	9,340.50				14,302.50
S Honeywood	4,962.00					4,962.00
I R Johnson	4,962.00		35.98		292.55	5,290.53
K T King	4,962.00		33.98			4,995.98
D Mayzes	4,962.00	595.50			292.05	5,849.55
S Mayzes	4,962.00	10,494.00			51.30	15,507.30
D McLeod	4,962.00		30.00		250.75	5,242.75
L McWilliams	4,962.00	10,494.00				15,456.00
A Mitchell	4,962.00	3,305.00			91.65	8,358.65
D Oxley	4,962.00					4,962.00
P J Oxley	4,962.00	2,286.00				7,248.00
M Patten	4,962.00					4,962.00
J A Powell	4,962.00				23.85	4,985.85
P Sambridge	4,962.00	9,340.50			381.60	14,684.10
G Scott	4,962.00					4,962.00
H Shearing	4,962.00	1,937.00			62.10	6,961.10
G Steady	4,962.00					4,962.00
N Stock	4,962.00	17,862.00			938.00	23,762.00

	Basic Allowance	Special Responsibility Allowance	Broadband Allowance	Dependant Carers' Allowance	* Travelling and Subsistence	Total
	£	£	£	£	£	£
M J Talbot	4,962.00	2,908.50	35.98		268.20	8,174.68
N W Turner	4,962.00	10,494.00			1,163.05	16,619.05
G Watling	4,962.00	10,494.00				15,456.00
<b>Total payments for year</b>	<b>197,839.74</b>	<b>147,234.00</b>	<b>340.84</b>	<b>0.00</b>	<b>6,262.85</b>	<b>351,677.43</b>
<b>Grand Total of payments for year</b>	<b>297,079.74</b>	<b>162,642.00</b>	<b>591.52</b>	<b>153.14</b>	<b>7,644.50</b>	<b>468,110.90</b>

The following, which reflect part year allowances for Chairman and Vice Chairman of the Council were payable for the year:

Chairman – A Goggin (2010)	£1,030.00
Vice Chairman – V Chapman (2010)	£364.00
Chairman – A Goggin (2011)	£5,150.00
Vice Chairman – D Mayzes (2011)	£1,783.30

The Scheme of Allowances payable to Members of the Council does not include an attendance allowance.

\* Allowances for Travel paid during the year were £7,639.70, subsistence was £4.80.

Payment to non-elected persons and substitutes on the Council's Standards Committee.

	Co-optees' Allowance	Mileage	Total
	£	£	£
J Addison	924.00	43.20	967.20
D Dixon	231.00		231.00
D Edmunds	465.00		465.00
D Foss-Smith	231.00		231.00
F Nicholls	77.50		77.50
R Taylor	231.00		231.00
C Tracey	231.00		231.00
C Ward	465.00		465.00
J White	77.50		77.50
<b>Grand Total of payments for year</b>	<b>2,933.00</b>	<b>43.20</b>	<b>2,976.20</b>

## OTHER INFORMATION

All the Council's financial resources are expended on services that will enable the Council to discharge its responsibilities outlined in: Tendring District Council's Corporate and Community Strategies. The Statement of Accounts is one of a series of documents that the Council publishes in order to provide financial information about its activities.

Other publications include the Financial Strategy and the Revenue Estimates and Capital Programme which provide information on the Council's financial position and planned expenditure and income each year.

These publications can be found on the Council's Web Site at [www.tendringdc.gov.uk](http://www.tendringdc.gov.uk).

These documents are available for inspection in the Resource Management Department at the Town Hall, Station Road, Clacton on Sea, Essex.

Members of the public may attend meetings of the Council, its Cabinet and Committees. Copies of the Council's minutes are available in local libraries. Dates and times of all Council/Cabinet/Committee meetings can be obtained from all Council Offices.

If any further information is required, please contact Karen Neath ([kneath@tendringdc.gov.uk](mailto:kneath@tendringdc.gov.uk)), Head of Resource Management, Town Hall, Station Road, Clacton on Sea, Essex, CO15 1SE – Telephone Clacton (01255) 686520.

# **GLOSSARY OF TERMS USED IN THE STATEMENT OF ACCOUNTS**

## **Accounting Period**

The period of time covered by the accounts; which is usually a period of twelve months commencing on 1 April and ending on the 31 March for Local Authority accounts.

## **Accumulated Absences Account**

This represents an accrual required by International Financial Reporting Standards (IFRS). It recognises the net value of time either owed by an employee to the Council or owed by the Council to an employee. This generally arises from a timing difference between when an employee takes annual leave and the Council's financial year.

## **Accruals**

Amounts included in the accounts to cover income or expenditure (revenue and capital) which relate directly to the accounting period being reported but for which payment has not been made/received by the end of the accounting period, e.g., equipment ordered and received before the end of the accounting period for which an invoice will not be received and paid until after the end of the accounting period.

## **Asset**

Something owned by the Council that is considered to have an economic value. A further breakdown can be given such as non-current assets (e.g. property) or current assets (e.g. cash).

## **Bad or Doubtful Debts**

It is good practice to create a provision for bad or doubtful debts representing the estimated amount of debt existing at the 31 March; which is deemed to be irrecoverable.

## **Balance Sheet**

A statement of assets, liabilities and other balances of the Council at the end of the accounting period.

## **Beacon Properties**

These are properties grouped together by applying criteria such as size/type/location and used as a basis for the valuation of the Council's housing stock.

## **Billing Authority**

The Authority responsible for administering the Collection Fund, including raising bills and collecting council tax and national non-domestic rates (NNDR).

## **Budget**

The Council's aims and policies in financial terms. Also referred to as 'Estimates'.

## **Business Rates**

See National Non-Domestic Rates.

## **Capital Expenditure**

This relates to expenditure on the Council's own assets in terms of extending asset life/enhancing an asset or the acquisition of new assets. This also includes grants made by the Council for similar purposes.

## **Capital Financing**

The methods by which cash is raised to pay for capital expenditure. There are various options available including prudential borrowing, capital receipts, grants, direct revenue financing and the use of earmarked reserves.

## **Capital Programme**

The capital schemes the Council intends to carry out over a specified time period.

## **Capital Receipt**

Proceeds arising from the sale of capital assets or from the repayment to the Council of capital grants and loans. Capital receipts may be used to finance additional capital spending or to repay debt; they cannot be used to fund revenue services.

## **Capital Receipt Pooling**

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 (pooled) which then redistributes the pooled money as appropriate.

## **Cash Flow Statement**

A summary of the inflows and outflows of cash arising from revenue and capital activities during the year.

## **Collection Fund**

A fund administered by Billing Authorities which receives payments of Council Tax and NNDR. Amounts are then paid from this fund (precepts) to precepting authorities (Police, Fire and County Councils). The total collected from NNDR is also paid from this fund to central government.

## **Community Assets**

Assets that the Council intends to hold in perpetuity that have no determinable useful life, or that may have restrictions on their disposal, e.g. open spaces not used in the direct provision of services.

## **Council Tax**

A charge on residential properties within the Council's area to finance a proportion of the Council's and Precepting Authorities annual expenditure.

## **Creditors**

Amounts owed by the Council for work done or for goods and services received within the accounting period but for which payment was not made by the end of the accounting period.

**Current Assets**

Assets that are either cash or can be readily converted into cash, e.g. inventories and debtors.

**Current Liabilities**

Amounts which will become due for payment immediately or in the short term, e.g. usually in the next twelve months following the accounting period being reported.

**Debtors**

Amounts due to the Council for goods or services provided within the accounting period but not received by the end of the accounting period.

**Deferred Capital Receipts**

Amounts due to the Council from the sale of assets which are not receivable immediately when the sale is completed.

**Defined Benefit Scheme**

A pension scheme in which the rules specify the benefits to be paid to members and the scheme is financed accordingly.

**Depreciation**

The notional loss in value of an asset due to age, wear and tear, deterioration and obsolescence.

**Earmarked Reserve**

A sum set aside to meet commitments in future years.

**General Fund**

The main account of the Council which records the net cost of providing services each year.

**Government Grants**

Payments by central government departments towards the cost of the Council's services. They can be general grants such as the Revenue Support Grant or may be for a specific purpose, e.g., Homelessness.

**Heritage Assets**

Assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

**Housing Revenue Account (HRA)**

Similar in purpose to the General Fund but this account records all of the transactions relating to the Council's housing activities, e.g. management, repairs and improvements to the Council's housing stock and rents due from tenants.



## **Impairment**

A reduction in the value of a non-current asset resulting from either: obsolescence, physical damage or an accepted method of asset valuation (most commonly market valuation).

## **Intangible Assets**

These assets are similar to non-current assets in that they can be expected to be of use or benefit to the Council in delivering its services for more than one accounting period. These however do not have physical substance; the main example is IT Software.

## **Inventories**

Items of materials and stores purchased by the Council to use on a continuing basis in delivering its services. The value of the items not used by the Council by the end of the accounting period being reported, are included as current assets in the balance sheet.

## **Leasing**

A method of acquiring/utilising an asset in the provision of the Council's services. Principally there are two types of lease:

- ❖ Operating leases where an annual payment is made to an external supplier for the use of an asset which is then returned at the end of the lease.
- ❖ Finance Lease where an annual payment is made as above although the payment comprises of a principal element and an interest element and a substantial part of the risks and rewards of ownership pass to the lessee. Also for this class of lease the value of the asset appears on the Council's balance sheet.

## **Major Repairs Allowance (MRA)**

An amount paid as part of the HRA subsidy for the investment to improve the Council's HRA assets.

## **Major Repairs Reserve (MRR)**

A capital reserve held for investment in the replacement of structures and components of the Council's Housing stock. This reserve is funded from the HRA via a depreciation charge equal to the MRA element of the Housing Subsidy and sums are transferred out to meet the cost of capital expenditure. Any balance on the reserve is carried forward to be utilised in future years. Interest earned on the MRR balance is credited directly to the HRA.

## **Minimum Revenue Provision (MRP)**

Local authorities must make prudent provision for the repayment of its debt. MRP is the minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council. Authorities are free to make additional voluntary provisions from the General Fund, HRA or from capital resources.

## **National Non-Domestic Rates (NNDR)**

A charge on commercial or non-domestic properties within the Council's area. The amount collected by the Council is paid over to central government who then redistribute it. NNDR is also referred to as 'Business Rates'.

## **Non-Current Assets**

Assets which can be expected to be of use or benefit to the Council in delivering its services for more than one accounting period.

## **Precept**

The amount levied by a Precepting Authority on a Billing Authority to meet its annual expenditure requirements.

## **Precepting Authority**

Public Sector bodies including county and parish/town councils, police and fire authorities, which cannot levy a county tax directly on the public but have the power to precept Billing Authorities.

## **Provisions**

Amounts set aside to meet future costs, resulting from a past event, of uncertain timing which are likely or certain and for which a reliable estimate can be made.

## **Prudential Code**

The Prudential Code sets out the system of capital financing and capital controls for Local Authorities. Prudential limits apply to all borrowing, qualifying credit arrangements and other long-term liabilities – whether supported by government or entirely self-financed. The Code seeks to ensure that local authorities' capital investment plans are affordable, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice; and that local strategic planning, asset management planning and proper option appraisal are supported.

## **Public Works Loan Board (PWLB)**

A government body that lends money to public bodies for capital purposes with rates of interest being determined by HM Treasury.

## **Reserves**

Amounts set aside to meet future costs that have been identified at the end of the accounting period being reported.

## **Revenue Support Grant (RSG)**

Central government provides financial support towards the general expenditure of Local Authorities. The entitlement of each Local Authority is determined by a prescribed methodology.

## **Revenue Account**

An account which records the Council's day to day expenditure and income on items such as salaries, repairs and maintenance, and other running costs. The different revenue accounts are brought together in the Comprehensive Income and Expenditure Statement, which also demonstrates how the annual costs of the Council have been financed.

**Revenue Expenditure Funded from Capital under Statute**

Expenditure which may be capitalised but where the Council does not control the economic benefits that may arise, eg, capital grants made to external organisations.

**Support Services Costs**

The cost of services within the Authority that principally provide professional and administrative assistance to other services within the Council.