

Tendring *District Council*



STATEMENT OF ACCOUNTS

2012/13

TENDRING DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2012/13

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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 2012/13;
- Where the Council's funding came from;
- What the Council's assets and liabilities were at the end of 2012/13.

The format and information provided follows the Code of Practice on Local Authority Accounting in the United Kingdom (The Code) 2012/13. This brings together accounting recommendations and best practice based on International Financial Reporting Standards.

SUMMARY OF THE 2012/13 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 | 23,141 | 12,993 |
| Other Operating Expenditure | 1,584 | 1,542 |
| Financing and Investment Income and Expenditure | 3,394 | 3,262 |
| Other Taxation and Non Specific Grants | (1,250) | (1,454) |
| | 26,869 | 16,343 |
| Contribution to/(from) Reserves | (9,327) | 2,978 |
| Other Movements on General Fund and HRA Balances | 1,529 | (250) |
| Movement on Balances | (7,798) | 2,728 |
| Increase/(Decrease) in General Fund Balance for the year | - | - |
| | 19,071 | 19,071 |
| Financed by: | | |
| Income from Council Tax Payers | 9,216 | 9,216 |
| Government Grants - Revenue Support Grant | 187 | 187 |
| National Non-Domestic Rates | 9,668 | 9,668 |
| | 19,071 | 19,071 |

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 2012/13

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 2012/13 these items total £11.590 million. There was no increase or decrease in the General Fund balance for the year.

General Fund balances at 31 March 2013 now stand at £21.128 million, of which £17.128 million has been set aside for specific policy purposes within earmarked reserves (an analysis of the earmarked reserves can be found on page 47 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 2012/13

The Council's revised estimates for 2012/13 planned for an overall surplus for the year of £0.038 million but the final figure was a £0.003 million deficit. This deficit has slightly reduced the HRA Balances which now total £5.826 million at the end of March 2013 but when added to the balance of £1.346 million in the Housing Repairs Account, which is held to support the maintenance of the Council's housing stock; the Housing Revenue Account Balances now total £7.172 million at 31 March 2013.

Capital Investment 2012/13

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 2012/13 totalled £3.641 million, compared with a budget for the year of £10.361 million. This variance was primarily due to spending on schemes being rescheduled into the 2013/14 Capital Programme as projects can span financial years. Included in the Capital Programme was the sum of £0.206 million for the replacement of vehicles through leasing arrangements/contract hire, of which vehicles to the value of £0.175 million were acquired during the year.

The capital expenditure was financed via a mix of government grants and other external contributions, proceeds from the sales 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. No new borrowing was undertaken during 2012/13 in respect of either the General Fund or Housing Revenue Account. The total external debt of the Council as at 31 March 2013 stood at £55.737 million compared to its capital financing requirement (which represents the overall borrowing requirement) as at 31 March 2013 of £60.206 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 2013/14 is £22.821 million to be met by government support and business rates of £16.398 million and £6.423 million from local taxpayers.

The revised capital budget for the year is £6.261 million. This will be financed by government grants and other government funding (£2.993 million), capital receipts (£0.872 million), revenue (£1.909 million) and other sources including external contributions (£0.487 million).

The Council has General Fund balances of £21.128 million to bring forward into 2013/14. Of this sum, £17.128 million is earmarked in specific reserves.

Within the overall budget figures mentioned above, significant investments in the District which are planned or on-going into 2013/14 include the following items:

- Disabled Facilities Grants - £1.494 million
- Empty Homes Funding - £1.291 million
- Regeneration Projects - £0.392 million
- ICT Related Projects - £0.491 million
- Sports Facilities and Recreation Areas - £0.925 million

Housing Revenue Account

The Housing Revenue Account expenditure budget for 2013/14 is £14.318 million, including a £1.000 million, revenue contribution to capital expenditure and, after allowing for estimated income of £14.008 million, a use of balances of £0.310 million is forecast for the year.

The revised capital budget for the year is £4.242 million. This will be financed by the Major Repairs Reserve and the £1.000 million revenue contribution referred to above.

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 provisional settlement for 2014/15 reflects a further reduction in Revenue Support Grant of £1.568 million. Following the recent announcements as part of the Governments 2013 spending review, further reductions of potentially 10% are expected in 2015/16.

INTRODUCTORY INFORMATION TO THE STATEMENT OF ACCOUNTS

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 2012/13 (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** - 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** - This statement sets out the respective responsibilities required of the Council and the Finance and Procurement Manager for the Authority's accounts and financial affairs.

- ❖ **Report of the Auditors** - 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)** - 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** - 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** - 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** - 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** - 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. 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** - 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** - The Collection Fund 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 local authorities and the Government of council tax and non-domestic rates. 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 2012/13 are as follows:

ADDITIONAL STATEMENTS

- ❖ **Members' Allowances and Expenses** - 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** - 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. Following the company's move to a position where no significant trading activity was undertaken, no group accounts have been included within the Council's Statement of Accounts. 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 Benefits 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 2013 when a claim for subsidy is finalised and sent to DWP. For 2012/13 the final subsidy figure being claimed from DWP is £1.434 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 Central Government Bodies within the analysis of debtors that appear in the Balance Sheet (page 62 note 14). £1.327 of this sum has subsequently been received in May 2013.

- ❖ **Explanation of Pension Liability**

At the end of 2012/13 there is an overall pension deficit attributable to the Council of £61.212 million (£54.993 million for 2011/12) which has been included in the Balance Sheet as at 31 March 2013. 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 2012/13 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 The Localism Act 2011 enacted various HRA self-financing reforms from 1 April 2012. As part of these reforms, the Council was required to pay a one-off amount to the Government to effectively 'buy' itself out of the current subsidy arrangements. This settlement figure was £35.979 million, which was paid to the Government on 28 March 2012 and is included within the HRA Income and Expenditure Account for 2011/12. This amount was borrowed from the Public Works Loan Board at reduced rates which accounted for the significant increase in the long term borrowing liability within the Balance Sheet at 31 March 2012. As set out elsewhere, principal and interest repayments relating to the amount borrowed are included within the HRA Income and Expenditure Account in 2012/13.

- 2 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. 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 contributed to the £5.5 million of savings the Council has already identified.

❖ **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 2013.

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 Finance and Procurement Manager;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Finance and Procurement Manager's Responsibilities

The Finance and Procurement Manager 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 Finance and Procurement Manager 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 Finance and Procurement Manager has also:

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

FINANCE AND PROCUREMENT MANAGER'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 2013 and the income and expenditure for the year then ended.

R C Barrett
Finance and Procurement Manager
Date: 26 September 2013

CHAIRMAN OF THE AUDIT COMMITTEE'S CERTIFICATE

I confirm that the Audit Committee at the meeting held on 26 September 2013 approved these accounts.

Councillor C Griffiths on behalf of Tendring District Council
Chair of meeting approving the accounts
Date: 26 September 2013

**INDEPENDENT AUDITOR'S REPORT TO
THE MEMBERS OF
TENDRING DISTRICT COUNCIL
YEAR ENDED 31 MARCH 2013**

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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 | |
| Balance at 1 April 2011 brought forward | 4,000 | 12,804 | 5,355 | 1,007 | 2,698 | 164 | 1,610 | 27,638 | 106,339 | 133,977 | |
| Movement in reserves during 2011/12 | | | | | | | | | | | |
| Surplus or (deficit) on provision of services | 3,369 | - | (39,178) | - | - | - | - | (35,809) | - | (35,809) | |
| Other comprehensive expenditure and income | - | - | - | - | - | - | - | - | (15,215) | (15,215) | |
| Total Comprehensive Expenditure and Income | 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 |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | 1,494 | - | 662 | - | (681) | 1 | 261 | 1,737 | (52,761) | (51,024) | |
| Transfers to/from Earmarked Reserves | (1,494) | 1,494 | (188) | 188 | - | - | - | - | - | - | |
| Increase/(Decrease) in Year | - | 1,494 | 474 | 188 | (681) | 1 | 261 | 1,737 | (52,761) | (51,024) | |
| Balance at 31 March 2012 carried forward | 4,000 | 14,298 | 5,829 | 1,195 | 2,017 | 165 | 1,871 | 29,375 | 53,578 | 82,953 | 17,18 |

| | 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 | |
| Balance at 1 April 2012 brought forward | 4,000 | 14,298 | 5,829 | 1,195 | 2,017 | 165 | 1,871 | 29,375 | 53,578 | 82,953 | |
| Movement in reserves during 2012/13 | | | | | | | | | | | |
| Surplus or (deficit) on provision of services | 691 | - | 2,037 | - | - | - | - | 2,728 | - | 2,728 | |
| Other comprehensive expenditure and income | - | - | - | - | - | - | - | - | (1,882) | (1,882) | |
| Total Comprehensive Expenditure and Income | 691 | - | 2,037 | - | - | - | - | 2,728 | (1,882) | 846 | |
| Adjustments between accounting basis and funding basis under regulations | 2,139 | - | (1,889) | - | 908 | - | (63) | 1,095 | (1,095) | - | 5 |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | 2,830 | - | 148 | - | 908 | - | (63) | 3,823 | (2,977) | 846 | |
| Transfers to/from Earmarked Reserves | (2,830) | 2,830 | (151) | 151 | - | - | - | - | - | - | |
| Increase/(Decrease) in Year | - | 2,830 | (3) | 151 | 908 | - | (63) | 3,823 | (2,977) | 846 | |
| Balance at 31 March 2013 carried forward | 4,000 | 17,128 | 5,826 | 1,346 | 2,925 | 165 | 1,808 | 33,198 | 50,601 | 83,799 | 17,18 |

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

| 2011/12 | | | 2012/13 | | | Note |
|--------------------------------|-----------------|---------------|----------------|------------------|----------------|-------|
| Expenditure | Income | Net | Expenditure | Income | Net | |
| £000 | £000 | £000 | £000 | £000 | £000 | |
| EXPENDITURE ON SERVICES | | | | | | |
| 17,567 | (16,255) | 1,312 | 17,293 | (16,257) | 1,036 | |
| 5,409 | (3,462) | 1,947 | 6,393 | (3,525) | 2,868 | |
| 9,595 | (3,287) | 6,308 | 9,158 | (3,289) | 5,869 | |
| 4,371 | (1,256) | 3,115 | 3,917 | (1,214) | 2,703 | |
| 1,525 | (1,009) | 516 | 1,006 | (864) | 142 | |
| 14,334 | (12,036) | 2,298 | 9,014 | (12,888) | (3,874) | |
| 35,992 | - | 35,992 | - | - | - | |
| 61,497 | (60,603) | 894 | 63,214 | (62,024) | 1,190 | |
| 491 | (577) | (86) | 483 | (586) | (103) | |
| 3,445 | (8) | 3,437 | 2,828 | (45) | 2,783 | |
| 493 | - | 493 | 379 | - | 379 | |
| 154,719 | (98,493) | 56,226 | 113,685 | (100,692) | 12,993 | |
| 1,910 | (566) | 1,344 | 1,868 | (326) | 1,542 | 7 |
| 2,238 | (270) | 1,968 | 3,499 | (237) | 3,262 | 8 |
| - | (23,729) | (23,729) | - | (20,525) | (20,525) | 9 |
| | | 35,809 | | | (2,728) | |
| | | (2,371) | | | (3,612) | 18(a) |
| | | 18 | | | - | 18(b) |
| | | 17,568 | | | 5,494 | 18(d) |
| | | 15,215 | | | 1,882 | |
| | | 51,024 | | | (846) | |

BALANCE SHEET

AS AT 31 MARCH 2013

| 31/03/2012 £000 | | 31/03/2013 £000 | Note Ref |
|--------------------|--|--------------------|-------------|
| | Long Term Assets | | |
| 170,334 | - Property Plant and Equipment | 171,393 | 10 |
| 32 | - Heritage Assets | 28 | 11 |
| 229 | - Intangible Assets | 112 | 12 |
| 10 | - Long Term Investments | 10 | 13 |
| 562 | - Long Term Debtors | 525 | 13,14 |
| 171,167 | Total Long Term Assets | 172,068 | |
| | Current Assets | | |
| 27,019 | - Short Term Investments | 27,525 | 13 |
| 39 | - Inventories | 34 | |
| 3,295 | - Short Term Debtors | 4,192 | 13,14 |
| 12,801 | - Cash and Cash Equivalents | 6,860 | 15 |
| 43,154 | Total Current Assets | 38,611 | |
| | Current Liabilities | | |
| (9,131) | - Cash and Cash Equivalents - Bank Overdraft | (433) | 15 |
| (2,290) | - Short Term Borrowing | (3,587) | 13 |
| (8,047) | - Short Term Creditors | (7,727) | 13,16 |
| (110) | - Capital Grants Receipts in Advance | (833) | 27 |
| (19,578) | Total Current Liabilities | (12,580) | |
| | Long Term Liabilities | | |
| (981) | - Long Term Creditors | (481) | 13,16 |
| (79) | - Provisions | (57) | |
| (55,737) | - Long Term Borrowing | (52,550) | 13 |
| (54,993) | - Other Long Term Liabilities - Pensions | (61,212) | 32 |
| (111,790) | Total Long Term Liabilities | (114,300) | |
| 82,953 | Total Net Assets | 83,799 | |
| | Financed by: | | |
| 29,375 | Usable Reserves | 33,198 | 17 |
| 53,578 | Unusable Reserves | 50,601 | 18 |
| 82,953 | Total Reserves | 83,799 | |

CASH FLOW STATEMENT

| 2011/12 | | 2012/13 | Note |
|----------|--|---------|-------|
| £000 | | £000 | Ref |
| (35,809) | Net surplus or (deficit) on the provision of services | 2,728 | |
| | Adjustments to net surplus or (deficit) on the provision of services for non-cash movements: | | |
| 8,315 | Depreciation and impairment of non-current assets | 5,102 | |
| 153 | Amortisation of Intangible Assets | 130 | |
| 817 | Increase/decrease in creditors | (70) | |
| 1,004 | Increase/decrease in debtors | (1,378) | |
| (425) | Movement in pension liability | 725 | |
| 236 | Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 219 | |
| 4 | Other items | (14) | 4,714 |
| | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities: | | |
| (3,972) | Capital Grants credited to surplus or deficit on the provision of services | (605) | |
| (566) | Proceeds from the sale of property, plant and equipment | (325) | (930) |
| (30,243) | Net cash flows from Operating Activities | 6,512 | 19 |
| (8,580) | Investing Activities | (1,534) | 20 |
| 39,398 | Financing Activities | (2,221) | 21 |
| 575 | Net increase or (decrease) in cash and cash equivalents | 2,757 | |
| 3,095 | Cash and cash equivalents at the beginning of the reporting period | 3,670 | |
| 3,670 | Cash and cash equivalents at the end of the reporting period | 6,427 | |

NOTES TO CORE FINANCIAL STATEMENTS

1 Accounting Policies

a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at the year end of 31 March 2013. 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 2012/13 and the Service Reporting Code of Practice 2012/13, 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 4.2%, the yield on Merrill Lynch AA rated corporate bond curve (18 year).
- 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 – charged 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 2012/13 (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 (EUVS-H);
- 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. Gains are 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 is payable to the Government. Previously this amounted to 75% for dwellings and 50% for land and other assets (net of statutory deduction and allowance) but from 1 April 2012 the criteria changed in respect of the disposal of dwellings and an amount that reflects the age and type of dwelling is now payable to the Government on disposal. 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

The 2013/14 Code introduces several changes in accounting policies that will apply from 1 April 2013, the changes listed below are not considered to have a significant impact on the Statement of Accounts:

- IAS 1 Presentation of Financial Statements – This only applies where there are gains or losses which are reclassifiable into the surplus or deficit on the provision of services as set out in the amendments to the standard. The Council does not have any gains or losses applicable to this change.
- Services Concession Arrangements (2013/14 Code Section 4.3) - Clarifies the recognition criteria for assets under construction or intangible assets, The Council does not have Service Concessions and is therefore unaffected by this change.
- IAS 12 Income Taxes – This applies to investment properties. The Council does not have any investment properties and is therefore unaffected by this change.
- IAS 7 Financial Instruments: Disclosures – This relates to the offsetting of financial assets/liabilities. The Council does not currently have any offset financial assets / liabilities which would be material.

There is also a change to IAS19 (Employee Benefits) with the main changes affecting the Income and Expenditure account as follows:

- Removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate.
- Some labelling changes eg 'Service Cost' to be used that replaces 'Current Service Cost', 'Past Service Cost' plus 'Curtailements' and 'Settlements'.
- Administration expenses are to be included where previously they were a deduction to the actual and expected return on assets.

Although these changes do not affect the disclosures for 2012/13, amounts have been included within the note on Defined Benefit Pension Schemes for information.

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 2013 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. | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.197m for every year that useful lives had to be reduced. |
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged (via Essex County Council) to provide the Authority with expert advice about the assumptions to be applied. | 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 £2.688 million. However, the assumptions interact in complex ways. During 2012/13, the Authority's actuaries advised that the net pensions liability had increased by £6.219 million primarily due to estimates being corrected as a result of experience and updating of the assumptions. |

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 Finance and Procurement Manager on 28 June 2013. Events taking place after the Balance Sheet date have been considered up to this date. Events taking place after the Statement of Accounts were authorised for issue are not reflected in the financial statements or notes.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2013 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date:

Non-Domestic Rates Appeal Outstanding at 31 March 2013: New arrangements for the retention of business rates came into effect on 1 April 2013. This has resulted in local authorities assuming the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts that were paid over to Central Government in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the authorities, but would have been transferred to Department for Communities and Local Government. The estimated share of the liability that Tendring District Council will assume on 1 April 2013 is £0.406 million.

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.

| 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 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | |
| <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 |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | |
| 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 | £000 |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | | |
| 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) |
| Adjustment primarily involving the Major Repairs Reserve: | | | | | | |
| 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 |
| Adjustments primarily involving the Pensions Reserve: | | | | | | |
| 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 |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with 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 |
| Adjustment primarily involving the Accumulated Absences Account: | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statute | (19) | (3) | - | - | - | 22 |
| Total Adjustments | (1,875) | 39,840 | (681) | 1 | 261 | (37,546) |

| 2012/13 | 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 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | |
| <i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | | | | |
| Depreciation and impairment of non-current assets | 1,627 | 3,475 | - | - | - | (5,102) |
| Amortisation of intangible assets | 124 | 6 | - | - | - | (130) |
| Revenue expenditure funded from capital under statute | 248 | 38 | - | - | - | (286) |
| Amounts of non-current assets written off on disposal HRA Determination Payment | - | 219 | - | - | - | (219) |
| <i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | | | | |
| Statutory provision for the financing of capital investment | (302) | - | - | - | - | 302 |
| Voluntary provision for the financing of capital investment | - | (1,964) | - | - | - | 1,964 |
| Capital expenditure charged against the General Fund | (247) | (4) | - | - | - | 251 |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | |
| Capital grants credited to the Comprehensive Income and Expenditure Statement | (157) | (47) | - | 204 | - | - |
| Grants used to fund capital expenditure | - | - | - | (204) | - | 204 |

| 2012/13 | 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 |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | | |
| Transfer of cash sale proceeds credited on disposals to the Comprehensive Income and Expenditure Statement | (76) | (249) | - | - | 325 | - |
| Capital Receipts used to finance new capital expenditure | - | - | - | - | (248) | 248 |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals | - | 6 | - | - | (6) | - |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | 147 | - | - | - | (147) | - |
| Mitigation of Finance Lease costs in accordance with regulation | 3 | - | - | - | (3) | - |
| Transfer from Deferred Capital Receipts upon receipt of cash | - | - | - | - | 16 | (16) |
| Adjustment primarily involving the Major Repairs Reserve: | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | - | (3,270) | 3,270 | - | - | - |
| Major Repairs Reserve used to finance capital expenditure | - | - | (2,362) | - | - | 2,362 |
| Adjustments primarily involving the Pensions Reserve: | | | | | | |
| Reversal retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | 3,758 | 223 | - | - | - | (3,981) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (2,935) | (321) | - | - | - | 3,256 |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statute | (45) | - | - | - | - | 45 |

| 2012/13 | 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 |
| Adjustment primarily involving the Accumulated Absences Account: | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statute | (6) | (1) | - | - | - | 7 |
| Total Adjustments | 2,139 | (1,889) | 908 | - | (63) | (1,095) |

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 2012/13.

| | Balance at 1 April 2011 £000 | Transfers Out 2011/12 £000 | Transfers In 2011/12 £000 | Balance at 31 March 2012 £000 | Transfers Out 2012/13 £000 | Transfers In 2012/13 £000 | Balance at 31 March 2013 £000 |
|---|---------------------------------------|-------------------------------------|------------------------------------|--|-------------------------------------|------------------------------------|--|
| General Fund: | | | | | | | |
| Revenue Commitments Reserve | 6,215 | (6,215) | 8,738 | 8,738 | (8,738) | 11,118 | 11,118 |
| Capital Commitments Reserve | 532 | (512) | 744 | 764 | (764) | 1,028 | 1,028 |
| Asset Refurbishment/Replacement Reserve | 1,403 | (1,600) | 961 | 764 | (55) | 45 | 754 |
| Austerity Reserve | 1,221 | (1,221) | 500 | 500 | - | - | 500 |
| Benefit Reserve | 260 | - | 139 | 399 | - | - | 399 |
| Car Parks Reserve (Decriminalisation) | 521 | - | - | 521 | - | - | 521 |
| Careline System Replacement Reserve | 37 | - | - | 37 | - | - | 37 |
| Citizens Advice Bureau Reserve | 32 | (32) | - | - | - | - | - |
| Commuted Sums Reserve | 257 | (33) | 110 | 334 | (40) | - | 294 |
| Concessionary Bus Fares Reserve | 916 | (916) | - | - | - | - | - |
| Cremator Replacement Reserve | 530 | - | 233 | 763 | - | 233 | 996 |
| Election Reserve | - | - | - | - | - | 30 | 30 |
| Fixed Penalty Notice Reserve | 6 | (6) | - | - | - | - | - |
| Haven Gateway Partnership Reserve | 75 | - | - | 75 | - | - | 75 |
| Jaywick Project Manager and Externally Funded Posts Reserve | 102 | (85) | 97 | 114 | (82) | 44 | 76 |
| Leisure Capital Projects Reserve | 335 | (335) | 335 | 335 | (335) | - | - |
| Planning Inquiries and Enforcement Reserve | 30 | (25) | 500 | 505 | - | - | 505 |
| Project Investment Reserve | 19 | - | - | 19 | - | - | 19 |
| Public Convenience Reserve | 120 | - | 20 | 140 | - | - | 140 |
| Residents Free Parking Reserve | - | - | - | - | - | 300 | 300 |
| Specific Revenue Grants Reserve | 193 | (28) | 125 | 290 | (40) | 86 | 336 |
| Total General Fund | 12,804 | (11,008) | 12,502 | 14,298 | (10,054) | 12,884 | 17,128 |

| | Balance at 1 April 2011 £000 | Transfers Out 2011/12 £000 | Transfers In 2011/12 £000 | Balance at 31 March 2012 £000 | Transfers Out 2012/13 £000 | Transfers In 2012/13 £000 | Balance at 31 March 2013 £000 |
|--------------------------------------|---------------------------------------|-------------------------------------|------------------------------------|--|-------------------------------------|------------------------------------|--|
| Housing Revenue Account: | | | | | | | |
| Major Repairs Reserve | 2,698 | (3,127) | 2,446 | 2,017 | (1,534) | 2,442 | 2,925 |
| Housing Repairs Account | 1,007 | - | 188 | 1,195 | - | 151 | 1,346 |
| Housing Revenue Account | 5,355 | - | 474 | 5,829 | (3) | - | 5,826 |
| Total Housing Revenue Account | 9,060 | (3,127) | 3,108 | 9,041 | (1,537) | 2,593 | 10,097 |

7 Other Operating Expenditure

| 2011/12 | | 2012/13 |
|--------------|--|--------------|
| £000 | | £000 |
| 1,425 | Parish Council Precepts | 1,494 |
| 240 | Payments to the Government Housing Capital Receipts Pool | 147 |
| (321) | (Gains)/losses on the disposal of non-current assets | (99) |
| <u>1,344</u> | Total | <u>1,542</u> |

8 Financing and Investment Income and Expenditure

| 2011/12 | | 2012/13 |
|--------------|---|--------------|
| £000 | | £000 |
| 1,108 | Interest payable and similar charges | 1,945 |
| 1,130 | Pensions interest cost and expected return on pensions assets | 1,554 |
| (270) | Interest receivable and similar income | (237) |
| <u>1,968</u> | Total | <u>3,262</u> |

9 Taxation and Non-Specific Grant Income

| 2011/12 | | 2012/13 |
|---------------|----------------------------------|---------------|
| £000 | | £000 |
| 9,235 | Council tax income | 9,261 |
| 8,358 | Non-Domestic Rates | 9,668 |
| 3,113 | Non-Ringfenced Government Grants | 1,392 |
| 3,023 | Capital Grants and Contributions | 204 |
| <u>23,729</u> | Total | <u>20,525</u> |

Further details for the Non-Ringfenced and Capital Grants disclosed above are provided on page 79 note 27.

10 Property, Plant and Equipment

a) Movement on Balances

| Movements in 2012/13 | 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 |
| Cost or valuation | | | | | | | | |
| At 1 April 2012 | 121,264 | 41,342 | 6,005 | 14,880 | 574 | - | 2,241 | 186,306 |
| Additions | 2,376 | 123 | 185 | - | 26 | - | 57 | 2,767 |
| Donations | - | - | - | - | - | - | - | - |
| Accumulated depreciation and impairment written off to Gross Carrying Amount | (2,435) | (464) | - | - | - | - | - | (2,899) |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 1,420 | 2,192 | - | - | - | - | - | 3,612 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 1,341 | 238 | - | - | (122) | - | - | 1,457 |
| Derecognition - Disposals | (222) | - | - | - | - | - | - | (222) |
| Derecognition - Other | - | - | - | - | - | - | - | - |
| Assets reclassified (to)/from Held for Sale | - | - | - | - | - | - | - | - |
| Other Movements in cost or valuation | (2,376) | - | - | - | - | - | - | (2,376) |
| At 31 March 2013 | 121,368 | 43,431 | 6,190 | 14,880 | 478 | - | 2,298 | 188,645 |

Movements in 2012/13

| | 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 |
| Depreciation and impairments | | | | | | | | |
| At 1 April 2012 | (2,430) | (1,653) | (4,078) | (7,808) | (3) | - | - | (15,972) |
| Depreciation Charge for 2012/13 | (2,442) | (1,004) | (398) | (337) | (1) | - | - | (4,182) |
| 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 | 2,435 | 464 | - | - | - | - | - | 2,899 |
| 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 | 3 | - | - | - | - | - | - | 3 |
| Assets reclassified (to)/from Held for Sale | - | - | - | - | - | - | - | - |
| Other Movements in depreciation and impairment | - | - | - | - | - | - | - | - |
| At 31 March 2013 | (2,434) | (2,193) | (4,476) | (8,145) | (4) | - | - | (17,252) |
| Net Book Value | | | | | | | | |
| at 31 March 2013 | 118,934 | 41,238 | 1,714 | 6,735 | 474 | - | 2,298 | 171,393 |
| at 1 April 2012 | 118,834 | 39,689 | 1,927 | 7,072 | 571 | - | 2,241 | 170,334 |

Comparative 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 |
| Cost or valuation | | | | | | | | |
| At 1 April 2011 restated | 123,368 | 40,715 | 5,487 | 14,465 | 363 | 30 | 480 | 184,908 |
| Additions | 3,103 | 266 | 525 | 415 | 211 | - | 1,761 | 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 | 14,880 | 574 | - | 2,241 | 186,306 |

Comparative 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 |
| Depreciation and impairments | | | | | | | | |
| 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) |
| Net Book Value | | | | | | | | |
| at 31 March 2012 | 118,834 | 39,689 | 1,927 | 7,072 | 571 | - | 2,241 | 170,334 |
| at 1 April 2011 | 120,904 | 39,589 | 1,812 | 7,056 | 360 | 28 | 480 | 170,229 |

The figures at 1 April 2011 have been amended to reflect a movement between 'Infrastructure Assets' and 'Assets Under Construction'.

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 2012/13 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 – Up 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 to 20 years.
- Infrastructure – 20 years.

c) **Capital Commitments**

At 31 March 2013, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years budgeted to cost £0.505 million. Similar commitments at 31 March 2012 were £1.282 million. The major commitments over £25,000 as at 31 March 2013 are:

➤ **General Fund**

| | |
|--|-------------|
| | £000 |
| Cliff Road Sea Wall, Holland on Sea - grant funded | 50 |
| Clacton Regeneration - part external funding | 47 |
| Dovercourt Swimming Pool Redevelopment | 50 |
| | <hr/> |
| | 147 |
| | <hr/> <hr/> |

➤ **Housing Revenue Account**

| | £000 |
|-------------------------|-------------|
| Window/Door Replacement | 215 |
| Selected Improvements | 33 |
| Disabled Adaptations | 33 |
| Electrical Rewiring | 25 |
| | <hr/> |
| | 306 |
| | <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 2012. In respect of General Fund properties, the assets subject to a full revaluation in 2012/13 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 – Professional Standards 2012 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 2012 to 31 March 2013 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 £000 | Porcelain work and figurines £000 | Pottery Machinery £000 | Heritage Buildings £000 | Total £000 |
|--|------------------|--|------------------------------|-------------------------------|---------------|
| Cost or valuation (GCA) | | | | | |
| At 1 April 2012 (cost) | - | - | 35 | - | 35 |
| Accumulated Depreciation and Impairment written off to Gross Carrying Amount | - | - | (3) | - | (3) |
| At 1 April 2012 (after accumulated depreciation) | - | - | 32 | - | 32 |
| Additions | - | - | - | - | - |
| Donations | - | - | - | - | - |
| Revaluations | - | - | - | - | - |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | - | - | - | - | - |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | - | - | - | - | - |
| Depreciation | - | - | (4) | - | (4) |
| At 31 March 2013 (after accumulated depreciation) | - | - | 28 | - | 28 |

| | Ceramics | Porcelain work and figurines | Pottery Machinery | Heritage Buildings | Total |
|--|----------|------------------------------------|----------------------|-----------------------|-------|
| | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation (GCA) | | | | | |
| 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 (after accumulated depreciation) | - | - | 32 | - | 32 |

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

| 2011/12 £000 | | 2012/13 £000 |
|-----------------|--|-----------------|
| | Balance at start of year: | |
| 1,656 | Gross carrying amounts | 1,685 |
| (1,303) | Accumulated amortisation | (1,456) |
| 353 | Net carrying amount at start of year: | 229 |
| | Additions: | |
| 29 | Purchases | 13 |
| (153) | Amortisation for the period | (130) |
| 229 | Net carrying amount at end of year | 112 |
| | Comprising: | |
| 1,685 | Gross carrying amounts | 1,698 |
| (1,456) | Accumulated amortisation | (1,586) |
| 229 | Net carrying amount at end of year | 112 |

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 2012 £000 | Current 31 March 2012 £000 | | Long Term 31 March 2013 £000 | Current 31 March 2013 £000 |
|---------------------------------------|-------------------------------------|---|---------------------------------------|-------------------------------------|
| | | Investments | | |
| - | 20,022 | Loans and receivables | - | 27,525 |
| 10 | 6,997 | Available-for-sale financial assets | 10 | - |
| - | - | Unquoted equity investment at cost | - | - |
| - | - | Financial assets at fair value through profit and loss | - | - |
| <u>10</u> | <u>27,019</u> | Total Investments | <u>10</u> | <u>27,525</u> |
| | | Debtors | | |
| 386 | - | Loans and receivables | 362 | - |
| 176 | 3,295 | Financial assets carried at contract amounts | 163 | 4,192 |
| <u>562</u> | <u>3,295</u> | Total Debtors | <u>525</u> | <u>4,192</u> |
| | | Borrowings | | |
| 55,737 | 2,290 | Financial liabilities at amortised cost | 52,550 | 3,587 |
| - | - | Financial liabilities at fair value through profit and loss | - | - |
| <u>55,737</u> | <u>2,290</u> | Total Borrowings | <u>52,550</u> | <u>3,587</u> |
| | | Creditors | | |
| 981 | - | Financial liabilities at amortised cost | 481 | - |
| - | 8,047 | Financial liabilities carried at contract amount | - | 7,727 |
| <u>981</u> | <u>8,047</u> | Total Creditors | <u>481</u> | <u>7,727</u> |

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

The Available-for-sale financial assets consisted of long-term Government Stock.

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

In respect of Investments – the change across years is primarily due to the movement between investment types.

b) Reclassifications

No Assets have been reclassified.

Core Financial Statements

c) Income, Expense, Gains and Losses

| 2011/12 | | | | | 2012/13 | | | | | |
|--|--|---------------------------------------|--|--------------|---|--|--|---------------------------------------|--|--------------|
| 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 |
| 1,100 | - | - | - | 1,100 | Interest expense | 1,937 | - | - | - | 1,937 |
| - | - | - | - | - | Losses on derecognition | - | - | 1 | - | 1 |
| - | - | - | - | - | Reductions in fair value | - | - | - | - | - |
| - | - | - | - | - | Impairment losses | - | - | - | - | - |
| 12 | - | 5 | - | 17 | Fee expense | - | 1 | 1 | - | 2 |
| 1,112 | - | 5 | - | 1,117 | Total expense in Surplus or Deficit on the Provision of Services | 1,937 | 1 | 2 | - | 1,940 |
| - | (126) | (73) | - | (199) | Interest income | - | (206) | (31) | - | (237) |
| - | - | - | - | - | Interest income accrued on impaired financial assets | - | - | - | - | - |
| - | - | - | - | - | Increases in fair value | - | - | - | - | - |
| - | - | - | - | - | Gains on derecognition | - | - | - | - | - |
| - | - | - | - | - | Fee income | - | - | - | - | - |
| - | (126) | (73) | - | (199) | Total income in Surplus or Deficit on the Provision of Services | - | (206) | (31) | - | (237) |
| - | - | (2) | - | (2) | Gains on Revaluation | - | - | - | - | - |
| - | - | - | - | - | Losses on revaluation | - | - | - | - | - |
| - | - | - | - | - | Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment | - | - | - | - | - |
| - | - | (2) | - | (2) | Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure | - | - | - | - | - |
| 1,112 | (126) | (70) | - | 916 | Net (gain)/loss for the year | 1,937 | (205) | (29) | - | 1,703 |

Core Financial Statements

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 2013 of 0.02% to 3.13% for loans from the PWLB and 0.25% to 0.88% 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 2012 | | | 31 March 2013 | | |
|-----------------|------------|-----------------------|-----------------|------------|--|
| Carrying Amount | Fair Value | | Carrying Amount | Fair Value | |
| £000 | £000 | | £000 | £000 | |
| 58,027 | 64,015 | Financial Liabilities | 56,137 | 63,809 | |
| 981 | 981 | Long term Creditors | 481 | 481 | |

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 2013) arising from a commitment to pay interest to lenders above current market rates.

| 31 March 2012 | | | 31 March 2013 | | |
|-----------------|------------|-----------------------|-----------------|------------|--|
| Carrying Amount | Fair Value | | Carrying Amount | Fair Value | |
| £000 | £000 | | £000 | £000 | |
| 20,022 | 20,022 | Loans and receivables | 27,525 | 27,525 | |
| 386 | 386 | Long term Debtors | 362 | 362 | |

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

| 2011/12 | | 2012/13 |
|--------------|---------------------------------------|--------------|
| £000 | | £000 |
| 1,128 | Central government bodies | 1,868 |
| 610 | Other local authorities | 688 |
| 46 | NHS Bodies | - |
| - | Public corporations and trading funds | - |
| 3,479 | Other entities and individuals | 3,687 |
| <u>5,263</u> | Total gross debtors | <u>6,243</u> |
| (1,968) | Less provision for doubtful debts | (2,051) |
| <u>3,295</u> | Total net debtors | <u>4,192</u> |

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

| 2011/12 | | 2012/13 |
|------------|--|------------|
| £000 | | £000 |
| 17 | Sale of council houses (mortgages) | 15 |
| 49 | Harwich and District Indoor Bowls Centre | 38 |
| 24 | Car loans | 15 |
| 176 | Debts subject to charging orders | 164 |
| 34 | Rents to Mortgage Scheme | 34 |
| 262 | Finance Leases | 259 |
| <u>562</u> | Total long term debtors | <u>525</u> |

Debtors due to be paid within one year at the end of 2012/13 compared with 2011/12 has increased by £0.897 million. This mainly results from an increase in the amount due from Central government bodies of £0.740 million which includes £0.774 million in respect of Housing Benefit Subsidy payments.

Core Financial Statements

15 Cash and Cash Equivalents

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

| 2011/12 | | 2012/13 |
|---------|--------------------------------------|---------|
| £000 | | £000 |
| | Current Assets: | |
| 3,403 | Cash held by the Authority | 6,292 |
| 9,398 | Bank current accounts | 568 |
| 12,801 | | 6,860 |
| | Current Liabilities: | |
| (9,131) | Bank current accounts overdrawn | (433) |
| 3,670 | Net Cash and Cash Equivalents | 6,427 |

16 Creditors

| 2011/12 | | 2012/13 |
|---------|---------------------------------------|---------|
| £000 | | £000 |
| | Creditors due within one year: | |
| 1,205 | Central government bodies | 1,647 |
| 2,581 | Other local authorities | 2,455 |
| - | NHS bodies | - |
| 97 | Public corporations and trading funds | 4 |
| 4,164 | Other entities and individuals | 3,621 |
| 8,047 | Total Creditors | 7,727 |

| 2011/12 | | 2012/13 |
|---------|--|---------|
| £000 | | £000 |
| | Creditors due after more than one year: | |
| 981 | Section 106 contributions | 481 |
| 981 | | 481 |

17 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.

Core Financial Statements

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 to the Council to cover such items as maintenance costs of Open Spaces and CCTV.

Core Financial Statements

- 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) **Cremator Replacement Reserve**
This was established to finance future replacement and improvement works to the crematorium plant and equipment at Weeley.
- xii) **Election Reserve**
This was established to finance future costs associated with holding District Elections on a periodic basis.
- xiii) **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.
- xiv) **Haven Gateway Partnership Reserve**
This has been set up to support the costs associated with the Haven Gateway Partnership.
- xv) **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.
- xvi) **Leisure Capital Projects Reserve**
This reserve was established to fund investment in a variety of leisure capital projects.
- xvii) **Planning Inquiries and Enforcement Reserve**
This reserve has been established to meet associated costs relating to planning services.
- xviii) **Project Investment Reserve**
This was established to provide for investment in major new projects.
- xix) **Public Convenience Reserve**
To provide resources to manage the condition and provision of public conveniences operated by the Council.
- xx) **Residents Free Parking Reserve**
This has been established to support the continuation of the residents' free parking initiative in the District.

Core Financial Statements

xxi) **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 on-going repairs to council houses.

18 Unusable Reserves

| 2011/12 | | 2012/13 |
|---------------|--|---------------|
| £000 | | £000 |
| 6,908 | Revaluation Reserve | 10,130 |
| (3) | Available for Sale Financial Instruments Reserve | (3) |
| 101,214 | Capital Adjustment Account | 101,198 |
| (54,993) | Pensions Reserve | (61,212) |
| 360 | Deferred Capital Receipts Reserve | 344 |
| 233 | Collection Fund Adjustment Account | 278 |
| (141) | Accumulated Absences Account | (134) |
| 53,578 | | 50,601 |

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.

Core Financial Statements

| 2011/12 | | 2012/13 | |
|---------------------|---|---------|----------------------|
| £000 | | £000 | £000 |
| 4,940 | Balance at 1 April | | 6,908 |
| 3,082 | Upward revaluation of assets | 3,870 | |
| (711) | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (258) | |
| <u>2,371</u> | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | | 3,612 |
| (401) | Difference between fair value depreciation and historical cost depreciation | (382) | |
| (2) | Accumulated gains on assets sold or scrapped | (8) | |
| <u>(403)</u> | Amount written off to the Capital Adjustment Account | | (390) |
| <u><u>6,908</u></u> | Balance at 31 March | | <u><u>10,130</u></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.

| 2011/12 | | 2012/13 | |
|-------------------|--|---------|-------------------|
| £000 | | £000 | £000 |
| 15 | Balance at 1 April | | (3) |
| 2 | Upward revaluation of investments | - | |
| (20) | Downward revaluation of investments not posted to the Surplus/Deficit on the Provision of Services | - | |
| <u>(18)</u> | Net Surplus/Deficit on revaluation of investments not posted to the Surplus/Deficit on the Provision of Services | | - |
| <u><u>(3)</u></u> | Balance at 31 March | | <u><u>(3)</u></u> |

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.

Core Financial Statements

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.

| 2011/12 £000 | | 2012/13 £000 | £000 |
|-----------------|--|-----------------|---------|
| 138,870 | Balance at 1 April | | 101,214 |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | |
| (8,315) | Charges for depreciation and impairment of non-current assets | (5,102) | |
| (153) | Amortisation of Intangible Assets | (130) | |
| (65) | Revenue expenditure funded from capital under statute | (286) | |
| (236) | 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 | (219) | |
| (8,769) | | (5,737) | |
| 403 | Adjusting amounts written out of the Revaluation Reserve | 390 | |
| (8,366) | Net written out amount of the cost of non-current assets consumed in the year | | (5,347) |
| (35,979) | HRA Settlement Determination | | - |
| | Capital financing applied in the year: | | |
| 71 | Use of the Capital Receipts Reserve to finance new capital expenditure | 248 | |
| 3,087 | Use of the Major Repairs Reserve to finance new capital expenditure | 2,362 | |
| 3,021 | Application of grants to capital financing | 204 | |
| 315 | Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances | 2,266 | |
| 195 | Capital expenditure charged against General Fund | 251 | |
| 6,689 | Total amount of capital financing applied in the year | 5,331 | |
| 101,214 | Balance at 31 March | | 101,198 |

Core Financial Statements

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.

| 2011/12 | | 2012/13 |
|-----------------|--|-----------------|
| £000 | | £000 |
| (37,850) | Balance at 1 April | (54,993) |
| (17,568) | Actuarial gains or (losses) on pensions assets and liabilities | (5,494) |
| | 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) | | (3,981) |
| | Employer's pensions contributions and direct payments to pensioners payable in the year | |
| 3,852 | | 3,256 |
| <u>(54,993)</u> | Balance at 31 March | <u>(61,212)</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.

| 2011/12 | | 2012/13 |
|------------|---|------------|
| £000 | | £000 |
| 376 | Balance at 1 April | 360 |
| (16) | Transfer to the Capital Receipts Reserve upon receipt of cash | (16) |
| <u>360</u> | Balance at 31 March | <u>344</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.

Core Financial Statements

| 2011/12 | | 2012/13 |
|------------|--|------------|
| £000 | | £000 |
| 151 | Balance at 1 April | 233 |
| | 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 | | 45 |
| 233 | Balance at 31 March | 278 |
| 233 | | 278 |

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.

| 2011/12 | | 2012/13 | £000 | £000 |
|--------------|---|---------|-------|--------------|
| £000 | | £000 | £000 | £000 |
| (163) | Balance at 1 April | | 141 | (141) |
| | Settlement or cancellation of accrual made at the end of the preceding year | | 141 | |
| 163 | | | (134) | |
| (141) | Amounts accrued at the end of the current year | | | |
| | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | | | 7 |
| 22 | | | | |
| (141) | Balance at 31 March | | | (134) |
| (141) | | | | (134) |

19 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

| 2011/12 | | 2012/13 |
|---------|-------------------|---------|
| £000 | | £000 |
| 253 | Interest received | 241 |
| (1,097) | Interest paid | (1,666) |

20 Cash Flow Statement – Investing Activities

| 2011/12 | | 2012/13 |
|----------------|--|----------------|
| £000 | | £000 |
| (6,039) | Purchase of property, plant and equipment, investment property and intangible assets | (3,199) |
| (104,040) | Purchase of short term and long term investments | (126,400) |
| 501 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 265 |
| 97,559 | Proceeds from short term and long term investments | 125,890 |
| 3,439 | Other receipts from investing activities | 1,910 |
| (8,580) | Net cash flows from investing activities | (1,534) |
| (8,580) | | (1,534) |

Core Financial Statements

21 Cash Flow Statement – Financing Activities

| 2011/12 | | 2012/13 |
|---------------|--|----------------|
| £000 | | £000 |
| 35,979 | Borrowing to fund HRA Determination Payment | - |
| (210) | Repayments of short and long term borrowing | (2,169) |
| 3,629 | Other receipts/(payments) for financing activities | (52) |
| <u>39,398</u> | Net cash flows from financing activities | <u>(2,221)</u> |

22 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:

| Portfolio and Committee Income and Expenditure 2012/13 | Expenditure | Income | Net Expenditure |
|---|----------------|------------------|--------------------|
| | £000 | £000 | £000 |
| Environment and Coast Protection | 16,233 | (9,633) | 6,600 |
| Finance and Asset Management | 5,066 | (3,705) | 1,361 |
| Housing, Benefits, Revenues and Sport Facilities | 106,297 | (102,363) | 3,934 |
| Inward Investment and Growth | 1,540 | (747) | 793 |
| Planning and Corporate Services | 9,139 | (7,376) | 1,763 |
| Development Control Committee | 16 | - | 16 |
| Human Resources Committee | 144 | (144) | - |
| Licensing Committee | 392 | (261) | 131 |
| Regulatory Committee | 295 | (12) | 283 |
| Total net expenditure for Portfolios and Committees | <u>139,122</u> | <u>(124,241)</u> | <u>14,881</u> |
| Revenue Support for Capital Investment | 247 | - | 247 |
| Financing Items | (194) | (187) | (381) |
| Net expenditure before use of Reserves | <u>139,175</u> | <u>(124,428)</u> | <u>14,747</u> |
| Transfers to/(from) Reserves | 2,361 | - | 2,361 |
| Net Cost of Services | <u>141,536</u> | <u>(124,428)</u> | <u>17,108</u> |
| National Non-Domestic Rates | - | (9,668) | (9,668) |
| Revenue Support Grant | - | (187) | (187) |
| Collection Fund Surplus | 45 | (125) | (80) |
| Parish Precepts | 1,494 | - | 1,494 |
| Income from Council Tax Payers including Parish Precepts | - | (9,136) | (9,136) |
| Net Total | <u>143,075</u> | <u>(143,544)</u> | <u>(469)</u> |

Core Financial Statements

**Portfolio and Committee Income and Expenditure 2011/12
Comparative Figures**

| | Expenditure £000 | Income £000 | Net Expenditure £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 |
| Licensing Committee | 311 | (311) | - |
| Human Resources Committee | 398 | (280) | 118 |
| Regulatory Committee | 842 | (453) | 389 |
| Total net expenditure for Portfolios and Committees | 139,866 | (126,199) | 13,667 |
| Revenue Support for Capital Investment | 195 | - | 195 |
| Financing Items | 4,341 | (1,026) | 3,315 |
| Net expenditure before use of Reserves | 144,402 | (127,225) | 17,177 |
| Transfers to/(from) Reserves | 801 | - | 801 |
| Net Cost of Services | 145,203 | (127,225) | 17,978 |
| 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) |
| Net Total | 146,709 | (147,402) | (693) |

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.

| 2011/12 £000 | | 2012/13 £000 |
|-----------------|--|-----------------|
| (693) | Net expenditure in the Portfolio and Committee Analysis | (469) |
| - | Amounts in the Net Cost of Services in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | - |
| 56,919 | Amounts included in the analysis not included in the Net Cost of Services in the Comprehensive Income and Expenditure Statement | 13,462 |
| 56,226 | Cost of Services in the Comprehensive Income and Expenditure Statement | 12,993 |

Core Financial Statements

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 |
| 2012/13 | | | | | | |
| Fees, Charges and other Service Income | (25,010) | - | 205 | (24,805) | (205) | (25,010) |
| Recharged Income | (20,093) | - | - | (20,093) | - | (20,093) |
| Surplus or deficit on associates and joint ventures | - | - | - | - | - | - |
| Interest and Investment Income | (237) | - | 237 | - | (237) | (237) |
| Income from Council Tax | (9,261) | - | 9,261 | - | (9,261) | (9,261) |
| Government Grants and Contributions | (88,943) | - | 11,058 | (77,885) | (11,058) | (88,943) |
| Total Income | (143,544) | - | 20,761 | (122,783) | (20,761) | (143,544) |
| Employee Expenses | 15,247 | - | - | 15,247 | - | 15,247 |
| Other Service Expenses | 95,272 | - | - | 95,272 | - | 95,272 |
| Support Service Recharges | 20,023 | - | - | 20,023 | - | 20,023 |
| Depreciation, amortisation and impairment | 5,234 | - | - | 5,234 | - | 5,234 |
| Interest Payments | 1,945 | - | (1,945) | - | 1,945 | 1,945 |
| Precepts and Levies | 1,494 | - | (1,494) | - | 1,494 | 1,494 |
| Payments to Housing Capital Receipts Pool | 147 | - | (147) | - | 147 | 147 |
| Gain or Loss on Disposal of Fixed Assets | (100) | - | 100 | - | (100) | (100) |
| Pension Interest and Return on Pension Assets | 1,554 | - | (1,554) | - | 1,554 | 1,554 |
| Adjustments between accounting basis and funding basis under regulations | 2,259 | - | (2,259) | - | - | - |
| Total Expenditure | 143,075 | - | (7,299) | 135,776 | 5,040 | 140,816 |
| Surplus or deficit on the provision of services | (469) | - | 13,462 | 12,993 | (15,721) | (2,728) |

Core Financial Statements

| | 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 |
| 2011/12 comparative figures | | | | | | |
| 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) |
| Total Income | (147,402) | - | 23,999 | (123,403) | (23,999) | (147,402) |
| 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 | - | - | - |
| Total Expenditure | 146,709 | - | 32,920 | 179,629 | 3,582 | 183,211 |
| Surplus or deficit on the provision of services | (693) | - | 56,919 | 56,226 | (20,417) | 35,809 |

23 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.

24 Members' Allowances

The Authority paid £468,366 to members of the Council during the year (£476,438 in 2011/12). Further details of payments to individual members are provided on pages 108 – 110.

25 Officers' Remuneration

a) Analysis of "senior employees" remuneration

The remuneration paid to the Authority's senior employees is set out below:

| 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 | 3 | 65,764 | - | 65,764 | 8,484 | - | 74,248 |
| Acting Head of Environmental Services | 4 | 28,134 | 630 | 28,764 | 3,629 | 53,872 | 86,265 |
| Head of Legal Services | 5 | 31,651 | - | 31,651 | 4,083 | 84,550 | 120,284 |
| Head of Leisure Services | 6 | 45,760 | 1,097 | 46,857 | 75,601 | 49,382 | 171,840 |
| Overview and Scrutiny Manager | 7 | 61,637 | 63 | 61,700 | 69,430 | 49,280 | 180,410 |
| Temporary Head of Planning | 8 | 62,810 | - | 62,810 | 8,103 | - | 70,913 |
| Head of Technical Services | 9 | 21,492 | 477 | 21,969 | 25,314 | 55,858 | 103,141 |
| Head of Human Resources and Customer Services | 10 | 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 | 11 | 66,197 | - | 66,197 | 113,263 | 52,887 | 232,347 |
| Head of Regeneration | 12 | 9,202 | 198 | 9,400 | 48,961 | 56,197 | 114,558 |
| Head of Public Experience | 13 | 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 |

2012/13

| Post Title | note | Salary, Fees and Allowances | Expense Allowances | Total remun- eration excluding Pension Contributions | Employer's Contributions to Pension | Compen- sation for loss of office | Total Remun- eration |
|--|------|-----------------------------------|-----------------------|--|---|--|-------------------------|
| | | £ | £ | £ | £ | £ | £ |
| Chief Executive | | 120,343 | - | 120,343 | 15,480 | - | 135,823 |
| Strategic Director | 1 | 77,613 | - | 77,613 | 9,976 | 70,938 | 158,527 |
| Corporate Director - Corporate | | 78,128 | - | 78,128 | 9,829 | - | 87,957 |
| Corporate Director - Public Experience | | 69,305 | - | 69,305 | 8,747 | - | 78,052 |
| Corporate Director - Life Opportunities | | 69,399 | 7 | 69,406 | 8,747 | - | 78,153 |
| Head of Planning | 1 | 26,117 | 11 | 26,128 | 3,369 | - | 29,497 |
| Temporary Head of Planning | 1 | 16,731 | - | 16,731 | 2,004 | - | 18,735 |
| Acting Head of Planning | 2 | 52,652 | - | 52,652 | 6,644 | - | 59,296 |
| Business Manager | | 61,107 | - | 61,107 | 7,871 | - | 68,978 |
| Head of Resource Management | 2 | 63,853 | - | 63,853 | 8,237 | - | 72,090 |
| Finance and Procurement Manager | 2 | 47,618 | - | 47,618 | 6,143 | - | 53,761 |

Notes

1. These amounts relate to the total salary paid for the year which was subject to appointment/departure dates.
2. These amounts relate to the total salary paid for the year. Only part of the year would have been due in the capacity of this post.
3. The Change Manager was appointed on a fixed term basis from 14 March 2011 and was supported by external grant.
4. The Acting Head of Environmental Services left employment on 16 September 2011 on an annualised salary of £61,013.
5. The Head of Legal Services left employment on 16 September 2011 on an annualised salary of £61,013.
6. The Head of Leisure Services left employment on 31 December 2011 on an annualised salary of £61,013.
7. The Overview and Scrutiny Manager left employment on 31 March 2012.
8. The Temporary Head of Planning was appointed on 28 March 2011 on an annualised salary of £62,142.
9. The Head of Technical Services left employment on 29 July 2011 on an annualised salary of £65,534.
10. The Head of Human Resources and Customer Services left employment on 31 March 2012.

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

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

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding pension contributions) are set out below:

| 2011/12 Number of Total | Remuneration Band | 2012/13 Number of Total |
|-------------------------------|-------------------|-------------------------------|
| 2 | £50,000 - £54,999 | - |
| 3 | £55,000 - £59,999 | - |
| - | £60,000 - £64,999 | - |
| - | £65,000 - £69,999 | - |
| 1 | £75,000 - £79,999 | - |
| 4 | £80,000 - £84,999 | - |
| 1 | £85,000 - £89,999 | - |
| 1 | £95,000 - £99,999 | - |

In 2012/13 only ‘senior employees’ received more than £50,000, details of which can be found in note 25(a) above.

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) | 2011/12 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 | 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 cost included in bandings and CIES | | | | 1,840,197 |

The total number of compulsory redundancies include three fixed term contracts which came to an end.

| Exit package cost band (including special payments) | 2012/13 | | 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 | - | 17 | 17 | 164,917 |
| £20,001 - £40,000 | - | 10 | 10 | 247,618 |
| £40,001 - £60,000 | - | 4 | 4 | 179,122 |
| £60,001 - £80,000 | 1 | - | 1 | 70,938 |
| £80,001 - £100,000 | - | - | - | - |
| £100,001 - £150,000 | - | 1 | 1 | 101,765 |
| £150,001 - £200,000 | - | - | - | - |
| Total cost included in bandings | | | | 764,360 |
| Amounts provided for in CIES not included in bandings resulting from previous years estimates | | | | (7,493) |
| Total cost included in CIES | | | | 756,867 |

The compulsory redundancy relates to a fixed term contract 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.

26 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 (Audit Commission in 2011/12 and Ernst and Young in 2012/13):

| 2011/12 £000 | | 2012/13 £000 |
|-----------------|---|-----------------|
| 129 | Fees payable with regard to external audit services carried out by the appointed auditor for the year | 77 |
| - | Fees payable in respect of statutory inspection | - |
| 52 | Fees payable for the certification of grant claims and returns for the year | 35 |
| - | Amounts in respect of previous year | (32) |
| 181 | | 80 |

27 Grant Income

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

| 2011/12 £000 | | 2012/13 £000 |
|---|--|-----------------|
| Credited to Taxation and Non-Specific Grant Income | | |
| <i>Non-Ringfenced Grants:</i> | | |
| 2,583 | Revenue Support Grant for year | 188 |
| 192 | Council Tax Freeze Grant | 192 |
| 338 | New Homes Bonus Grant | 617 |
| - | Weekly Collection Support Scheme | 208 |
| - | Local Services Support Grant | 86 |
| - | New Burdens Grant | 101 |
| 3,113 | | 1,392 |
| <i>Capital Grants and Contributions</i> | | |
| Government Funding | | |
| 1,990 | - Environment Agency | 57 |
| 294 | Local Authority - Essex County Council | 13 |
| Other Capital Contributions | | |
| 252 | - Haven Gateway Growth Point Funding | 19 |
| 245 | - Section 106 | 41 |
| - | - Active Energy Funding Limited | 47 |
| 242 | - Other | 27 |
| 3,023 | | 204 |
| Other Significant Grants Credited to Services | | |
| 75,281 | Benefits | 77,427 |
| - | Coast Protection Grant | 58 |
| 25 | Contribution to Tour de Tendring | - |
| 43 | Contributions to Jaywick Initiatives | 43 |
| 70 | Crime Reduction Grants | 24 |
| 913 | Disabled Facilities Grant | 327 |
| - | Dovercourt Street Lighting | 72 |
| 154 | Essex Family Project | 215 |
| 127 | Homelessness | - |
| 21 | Local Strategic Partnership Grant | - |
| 40 | Nature Conservation Grants | 37 |
| 37 | Play Areas | - |
| 140 | Supporting People | 97 |
| 2 | Town Centres Funding | - |
| - | Youth Initiatives Schemes | 39 |
| 76,853 | | 78,339 |

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:

| 2011/12 | | 2012/13 |
|---|-----------------------------|---------|
| £000 | | £000 |
| Capital Grants Receipts in Advance | | |
| Government Funding: | | |
| 40 | The Environment Agency | 164 |
| - | Home and Communities Agency | 645 |
| Local Authority Funding: | | |
| 1 | Other de-minimis amounts | 1 |
| 69 | Other capital contributions | 23 |
| <hr/> | | <hr/> |
| 110 | | 833 |
| <hr/> | | <hr/> |

28 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 which are not disclosed elsewhere in the Statement of Accounts were as follows:

| 2011/12 | | | 2012/13 | |
|---|----------|--|----------|----------|
| Receipts | Payments | | Receipts | Payments |
| £000 | £000 | | £000 | £000 |
| 2,122 | 101 | Essex County Council | 2,263 | 132 |
| 106 | 149 | Other Essex local authorities | 80 | 110 |
| Transactions with organisations related by a declared interest of Council Members or Senior Officers: | | | | |
| - | 150 | Citizens Advice Bureau | - | - |
| 36 | - | Clacton County High School | - | - |
| - | 90 | Colne Housing Society | - | - |
| 299 | - | East of England Co-operative Society Ltd | - | - |
| - | 14 | Local Government Association | - | - |
| 129 | - | North East Essex Primary Care Trust/ NHS | - | - |
| - | - | Suffolk County Council | - | 13 |
| - | 12 | Tending Reuse and Employment Enterprise | - | - |
| - | - | VineHR | - | 12 |
| 31 | 62 | Other | 12 | 8 |
| <hr/> | <hr/> | Total Related Party Transactions | <hr/> | <hr/> |
| 2,723 | 578 | | 2,355 | 275 |
| <hr/> | <hr/> | | <hr/> | <hr/> |

29 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.

| 2011/12 | | 2012/13 |
|---------------|--|----------------|
| £000 | | £000 |
| 26,808 | Opening Capital Financing Requirement | 62,472 |
| | Capital Investment: | |
| 6,282 | Property, Plant and Equipment | 2,767 |
| 35,979 | HRA Settlement Payment | - |
| - | Investment Properties | - |
| 29 | Intangible Assets | 13 |
| 1,014 | Revenue expenditure funded from capital under statute | 685 |
| | Sources of Finance: | |
| (72) | Capital receipts | (248) |
| (3,971) | Government grants and other contributions | (604) |
| (3,087) | Major Repairs Reserve | (2,362) |
| | Sums set aside from revenue: | |
| (195) | Direct revenue contributions | (251) |
| (315) | MRP/loans fund principal | (302) |
| - | Voluntary MRP - HRA | (1,964) |
| <u>62,472</u> | Closing Capital Financing Requirement | <u>60,206</u> |
| | Explanation of movements in year | |
| 35,979 | Increase in underlying need to borrow (supported by Government financial assistance) | - |
| (315) | Increase in underlying need to borrow (unsupported by Government financial assistance) | (2,266) |
| - | Assets acquired under finance leases | - |
| - | Assets acquired under PFI/PPP Contracts | - |
| <u>35,664</u> | Increase/(Decrease) in Capital Financing Requirement | <u>(2,266)</u> |

30 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:

| 2011/12 | | 2012/13 |
|------------|---|------------|
| £000 | | £000 |
| 175 | Not later than one year | 180 |
| 254 | Later than one year and not later than five years | 263 |
| <u>429</u> | | <u>443</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 2012/13 and none were returned to Colne Housing Society.

| 2011/12 | | 2012/13 |
|------------|----------------------------------|------------|
| No of | | No of |
| Properties | | Properties |
| 3 | Balance brought forward 1 April | 3 |
| - | 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:

| 2011/12 | | 2012/13 |
|-------------|--|-------------|
| £000 | | £000 |
| | Finance lease debtor (net present value of minimum lease payments) - Non Current | |
| 74 | | 71 |
| 188 | Unguaranteed residual value of property | 188 |
| <hr/> | | <hr/> |
| 262 | | 259 |
| 365 | Unearned finance income | 336 |
| <hr/> | | <hr/> |
| 627 | Gross investment in the lease | 595 |
| <hr/> <hr/> | | <hr/> <hr/> |

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

| 2011/12 | | | 2012/13 | |
|-------------------------------|------------------------|---|-------------------------------|------------------------|
| 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 |
| 155 | 16 | Later than one year and not later than five years | 155 | 19 |
| 441 | 56 | Later than five years | 409 | 50 |
| <hr/> | <hr/> | | <hr/> | <hr/> |
| 627 | 74 | | 595 | 71 |
| <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 2012/13 £6,213 contingent rents were receivable by the Authority (2011/12 - £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:

| 2011/12 | | 2012/13 |
|--------------|---|--------------|
| £000 | | £000 |
| 207 | Not later than one year | 241 |
| 481 | Later than one year and not later than five years | 454 |
| 2,636 | Later than five years | 2,478 |
| <u>3,324</u> | | <u>3,173</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.

31 Termination Benefits

The contracts of 27 employees ceased in 2012/13 and there were a further 6 that were agreed in 2012/13 but will cease in 2013/14. This incurred total liabilities of £764,360 (£1,840,197 in 2011/12). Of this total, £577,090 was in the form of compensation for loss of office. Further details can be found in Note 25.

32 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:

| 2011/12 | | 2012/13 |
|---------|---|---------|
| £000 | Comprehensive Income and Expenditure Statement | £000 |
| | Cost of Services | |
| 1,831 | Current Service Cost | 2,076 |
| - | Past Service Gain | - |
| 466 | Settlements and Curtailments | 351 |
| | Financing and Investment Income and Expenditure | |
| 6,126 | Interest Cost | 5,883 |
| (4,996) | Expected return on scheme assets | (4,329) |
| 3,427 | Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 3,981 |
| | Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | |
| 17,568 | Actuarial gains and losses | 5,494 |
| 20,995 | Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | 9,475 |
| | Movement in Reserves Statement | |
| 3,427 | Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | 3,981 |
| | Actual amount charged against the General Fund Balance for pensions in the year: | |
| 3,852 | Employer's contributions payable to scheme | 3,256 |

As mentioned elsewhere, there is a change to the reporting standard IAS19 for 2013/14. Although the associated changes are not required to be reflected in the 2012/13 statements, for completeness it is worth indicating that if the changes had applied for 2012/13 the amounts included within the Comprehensive Income and Expenditure Account when compared to the above figures would have been:

- Service Cost - £2.427 million
- Net Interest on the defined liability (asset) - £2.471 million
- Administration expenses - £0.019 million
- **TOTAL OF - £4.917 million**

Actual return on scheme assets - £9.253 million.

A projection for the year ending 31 March 2014 using the same analysis above is as follows:

- Service Cost - £2.353 million
- Net Interest on the defined liability (asset) - £2.503 million
- Administration expenses - £0.020 million
- **TOTAL OF - £4.876 million**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £34.036 million (£28.588 million in 2011/12).

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

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

| | 2011/12 | 2012/13 |
|--------------------------------------|----------------|----------------|
| | £000 | £000 |
| Opening balance at 1 April | 112,092 | 130,264 |
| Current service cost | 1,831 | 2,076 |
| Interest cost | 6,126 | 5,883 |
| Contributions by scheme participants | 712 | 617 |
| Actuarial gains and losses | 13,399 | 10,353 |
| Benefits paid | (4,362) | (5,715) |
| Past service gain | - | - |
| Curtailments | 466 | 351 |
| Closing balance at 31 March | <u>130,264</u> | <u>143,829</u> |

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

| | 2011/12 | 2012/13 |
|--------------------------------------|---------------|---------------|
| | £000 | £000 |
| Opening balance at 1 April | 74,242 | 75,271 |
| Expected rate of return | 4,996 | 4,329 |
| Actuarial gains and losses | (4,169) | 4,905 |
| Employer contributions | 3,852 | 3,210 |
| Contributions by scheme participants | 712 | 617 |
| Benefits paid | (4,362) | (5,715) |
| Closing balance at 31 March | <u>75,271</u> | <u>82,617</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 £9.234 million (£0.828 million for 2011/12).

d) **Scheme History**

| | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Present Value of Liabilities | (88,868) | (118,797) | (112,092) | (130,264) | (143,829) |
| Fair Value of Assets | 53,064 | 71,139 | 74,242 | 75,271 | 82,617 |
| Surplus/(Deficit) in the scheme | <u>(35,804)</u> | <u>(47,658)</u> | <u>(37,850)</u> | <u>(54,993)</u> | <u>(61,212)</u> |

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £143.829 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 £61.212 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 2014 is £2.869 million (excluding any impact from events such as early retirements that may occur after 31 March 2013.)

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:

| | 2011/12 | 2012/13 |
|--|---------|---------|
| Long term expected rate of return on assets in the scheme: | | |
| Equity Investments | 6.4% | 6.1% |
| Government Bonds | 3.3% | 3.0% |
| Other Bonds | 4.6% | 4.1% |
| Property | 5.4% | 5.1% |
| Alternative Assets | 0.0% | 6.1% |
| Cash/Liquidity | 0.5% | 0.5% |
| Mortality Assumptions: | | |
| Longevity at 65 for current pensioners: | | |
| Men | 22.7 | 22.7 |
| Women | 25.3 | 25.3 |
| Longevity at 65 for future pensioners: | | |
| Men | 24.1 | 24.2 |
| Women | 26.8 | 26.9 |
| Rate of inflation - RPI | 3.3% | 3.3% |
| Rate of inflation - CPI | 2.5% | 2.5% |
| Rate of increase in salaries | 4.3% | 4.3% |
| Rate of increase in pensions | 2.5% | 2.5% |
| Rate for discounting scheme liabilities | 4.6% | 4.2% |
| 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 2011 | 31 March 2012 |
|--------------------|---------------|---------------|
| | % | % |
| Equities | 70.0 | 64.0 |
| Government Bonds | 4.0 | 7.0 |
| Other Bonds | 10.0 | 8.0 |
| Property | 14.0 | 12.0 |
| Alternative Assets | - | 5.0 |
| Cash/Liquidity | 2.0 | 4.0 |

f) **History of experience gains and losses**

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013 with comparative figures for prior years also set out:

| | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 |
|---|---------|---------|---------|---------|---------|
| | % | % | % | % | % |
| Difference between the expected and actual return on assets | (35.4) | 21.2 | 2.4 | (5.5) | 5.9 |
| Experience gains and losses on liabilities | 0.0 | 0.0 | 4.7 | (0.3) | 0.1 |

33 **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. During 2012/13 the Board of Directors of MMI decided to trigger the scheme of arrangement as they concluded that there was no alternative to an insolvent liquidation. The final impact on the Council as a scheme creditor is not certain but the maximum potential liability set out in the most recent notification by MMI is approximately £0.298m.
- 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 2012/13 £417,794 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.

34 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 Corporate Services, 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 Corporate Director – Corporate Services 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 2012/13 was £51.912 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 2013 | Historical experience of default | Historical experience adjusted for market conditions at 31 March 2013 | Estimated maximum exposure to default and uncollect- ability at 31 March 2013 | Estimated maximum exposure at 31 March 2012 |
|--------------------|-------------------------------|--|---|---|---|
| | £000 | % | % | £000 | £000 |
| Banks | 6,244 | 3.09 | 3.09 | 193 | 165 |
| Building Societies | 2,000 | | | - | - |
| Local Authorities | 24,500 | | | - | - |
| UK Government | 1,000 | | | - | - |
| | <u>33,744</u> | | | <u>193</u> | <u>165</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. £236,286 of the £981,965 sundry debtor balance is past its due date for payment. The past due, but not impaired, amount can be analysed by age as follows:

| 2011/12 | | 2012/13 |
|------------|------------------------|------------|
| £000 | | £000 |
| 44 | Less than three months | 96 |
| 10 | Three to six months | 16 |
| 26 | Six months to one year | 35 |
| 72 | More than one year | 89 |
| <u>152</u> | | <u>236</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 2013 was as follows:

| 2011/12 | | 2012/13 |
|---|--|---|
| £000 | | £000 |
| 2,290 | Less than one year (includes interest) | 3,587 |
| 3,187 | Between one and two years | 2,206 |
| 6,681 | Between two and five years | 6,446 |
| 8,949 | Between five and ten years | 9,199 |
| 11,110 | Between ten and fifteen years | 9,978 |
| 25,810 | More than fifteen years | 24,721 |
| <hr style="border-top: 1px solid black;"/> | | <hr style="border-top: 1px solid black;"/> |
| 58,027 | | 56,137 |
| <hr style="border-top: 3px double black;"/> | | <hr style="border-top: 3px double black;"/> |

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

c) **Market Risk**

➤ **Interest Rate Risk**

At 31 March 2013 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 2013, 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 | 569 |
| Increase in interest receivable on variable rate investments | (432) |
| Increase in government grant receivable for financing costs | - |
| | <hr/> |
| Impact on Surplus or Deficit on the Provision of Services | 137 |
| | <hr/> |
| Share of overall impact credited to the HRA | 445 |
| | <hr/> |
| Decrease in fair value of fixed rate investment assets | - |
| | <hr/> |
| Impact on Other Comprehensive Income and Expenditure | - |
| | <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.

HOUSING REVENUE ACCOUNT – INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

| 2011/12 £000 | | 2012/13 £000 | £000 | Note Ref |
|--|--|-----------------|-----------------|-------------|
| EXPENDITURE | | | | |
| 3,087 | Repairs and Maintenance | 3,158 | | 4 |
| 2,349 | Supervision and Management | 2,208 | | |
| 31 | Rents, Rates, Taxes and Other Charges | 39 | | |
| 2,223 | Negative Housing Revenue Account Subsidy Payable | (2) | | 12 |
| 6,553 | Depreciation and Impairments of Non-Current Assets | 3,476 | | 7,8 |
| 51 | Debt Management Costs | 66 | | |
| 37 | Movement in the allowance for bad debts | 25 | | 14 |
| 35,992 | HRA Self Financing Settlement Payment | - | | 17 |
| 3 | Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code | 44 | | 10,11 |
| 50,326 | Total Expenditure | | 9,014 | |
| INCOME | | | | |
| (11,216) | Dwelling rents | (12,086) | | |
| (211) | Non dwelling rents | (197) | | |
| (504) | Charges for Services and Facilities | (494) | | |
| (105) | Contributions towards expenditure | (111) | | 15 |
| (12,036) | Total Income | | (12,888) | |
| 38,290 | Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement | | (3,874) | |
| 276 | HRA Share of Corporate and Democratic Core | | 276 | |
| 38,566 | Net Expenditure / (Income) for HRA Services | | (3,598) | |
| HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement: | | | | |
| (119) | (Gain) or loss on sale of HRA Non-current Assets | | (24) | 16 |
| 817 | Interest Payable and Similar Charges | | 1,683 | 9 |
| (25) | Taxation and Non Specific Grant Income (Capital Grant) | | (48) | |
| (61) | Interest and Investment Income | | (50) | |
| 39,178 | (Surplus) / Deficit for the year on HRA Services | | (2,037) | |

HOUSING REVENUE ACCOUNT – MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

| 2011/12 £000 | | 2012/13 £000 | £000 |
|-----------------|--|-----------------|-------|
| 5,355 | Balance on the HRA as at the end of the previous year | | 5,829 |
| (39,178) | Surplus or (Deficit) on the HRA Income and Expenditure Statement | 2,037 | |
| | Adjustments between accounting basis and funding basis under regulations: | | |
| 4,107 | Reversal of Impairment | 1,034 | |
| 3 | Reversal of Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code | 44 | |
| (119) | Reversal of (Gain) or Loss on sale of HRA Non-current assets | (24) | |
| (25) | Reversal of Capital Grant | (48) | |
| (3) | Reversal of Short Term Accumulating Compensated Absences | (1) | |
| 35,979 | Reversal of Self Financing Settlement Payment (excl brokerage fee) | - | |
| - | Capital Expenditure Funded by the HRA | (4) | |
| - | Debt Repayment & Credit arrangements | (1,964) | |
| (142) | HRA share of contributions to or from the Pension Reserve | (98) | |
| 622 | Net increase or (decrease) before transfer to or from Reserves | 976 | |
| | Transfer (to) or from Reserves: | | |
| 40 | Transfer to/from Major Repairs Reserves | (828) | |
| (188) | Transfers to/from Housing Repairs Account | (151) | |
| 474 | Increase or (decrease) in year on the HRA | | (3) |
| 5,829 | Balance on the HRA as at the end of the current year | | 5,826 |

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

1 Housing Revenue Account Balances

| HOUSING REVENUE ACCOUNT RESERVES | | | | |
|----------------------------------|--------------------------------|---------------------------------------|--|---------------|
| 2011/12 | | Housing Revenue Account £000 | 2012/13 Housing Repairs Account £000 | Total £000 |
| £000 | | | | |
| 6,362 | Balances as at 1 April | 5,829 | 1,195 | 7,024 |
| 662 | Surplus/(deficit) for year | (3) | 151 | 148 |
| <u>7,024</u> | Balances as at 31 March | <u>5,826</u> | <u>1,346</u> | <u>7,172</u> |

2 Housing Assets

As at 31 March 2013, the Council was responsible for managing the following council housing assets:

| 31 March 2012 | | | 31 March 2013 | |
|---------------|-----------------------------------|---|---------------|-----------------------------------|
| No | Balance Sheet Value £000 | | No | Balance Sheet Value £000 |
| | | Dwellings | | |
| 1,501 | 42,564 | Flats | 1,499 | 43,335 |
| 1,052 | 50,373 | Houses | 1,050 | 50,239 |
| 338 | 14,979 | Bungalows | 338 | 14,333 |
| 319 | 6,559 | Sheltered accommodation | 319 | 6,558 |
| 24 | 1,027 | Do-It-Yourself Shared Ownership (DIYSO) | 23 | 1,071 |
| <u>3,234</u> | <u>115,502</u> | | <u>3,229</u> | <u>115,536</u> |
| | | Other Land and Buildings | | |
| 65 | 1,597 | Shared equity plots of land | 65 | 1,660 |
| 438 | 1,073 | Garages | 438 | 1,116 |
| 376 | 45 | Ground rents re sold Council flats | 378 | 46 |
| 1 | 396 | Community Centre | 1 | 355 |
| 4 | 200 | Other non-domestic properties | 4 | 202 |
| 5 | 17 | Land | 5 | 17 |
| - | 4 | Other | - | 2 |
| <u>4,123</u> | <u>118,834</u> | Total Balance Sheet values | <u>4,120</u> | <u>118,934</u> |

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 2012 undertaken in accordance with CLG's Guidance was £309 million compared with the existing use value of £122 million. The difference between the two values of £187 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 2013.

During 2012/13, 5 council dwellings were sold under 'Right to Buy' legislation.

3 Major Repairs Reserve

A Major Repairs Reserve is maintained by the Council to provide the resources needed to maintain the value of the housing stock over time. From April 2012 under the new self-financing arrangements, the transfer from the HRA is achieved by firstly crediting the Reserve with an amount equivalent to the full depreciation charges for the year. This amount is then 'topped' up via an additional contribution from the HRA in line with the forecasted cost of maintaining the housing stock in the long term. This transfer appears in the Movement on the HRA Statement. This arrangement differs from 2011/12 where the transfers were influenced by the associated housing subsidy arrangements which are no longer relevant.

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

| 2011/12 | | 2012/13 | |
|-------------|---|---------|-------------|
| £000 | | £000 | £000 |
| 2,698 | Balance as at 1 April | | 2,017 |
| | HRA depreciation provision | | |
| 2,378 | Dwellings (excluding DIYSO) | 2,382 | |
| 68 | All other HRA assets | 60 | |
| | | <hr/> | 2,442 |
| (40) | Transfer (to)/from the HRA | | 828 |
| (3,087) | Applied to finance capital expenditure on the housing stock | | (2,362) |
| <hr/> | | | <hr/> |
| 2,017 | Balance as at 31 March | | 2,925 |
| <hr/> <hr/> | | | <hr/> <hr/> |

The figure for 2011/12 now shows a split between HRA dwellings and all other HRA assets in line with the 2012/13 figures.

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:

| 2011/12 | | 2012/13 |
|--------------|--|--------------|
| £000 | | £000 |
| (3,275) | Income: Contribution from Housing Revenue Account | (3,309) |
| 3,087 | Expenditure on repairs and maintenance | 3,158 |
| <u>(188)</u> | (Surplus)/Deficit for year | <u>(151)</u> |
| (1,007) | Balances Brought Forward | (1,195) |
| (1,195) | Balances Carried Forward | (1,346) |

5 Capital Expenditure and Financing

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

| 2011/12 | | 2012/13 |
|--------------|---|--------------|
| £000 | | £000 |
| | Capital Investment: | |
| 3,103 | Operational Assets | 2,371 |
| - | Revenue Expenditure Funded from Capital Under Statute | 38 |
| - | Property Acquisition and New Build | 4 |
| - | Compulsory Purchase and Refurbishment | 1 |
| 9 | Other | - |
| <u>3,112</u> | | <u>2,414</u> |
| | Sources of Finance: | |
| - | Borrowing | - |
| 3,087 | Major Repairs Reserve | 2,362 |
| - | Capital Receipts Reserve | - |
| - | Direct Revenue Financing | 4 |
| - | Funding of S106 | 1 |
| 25 | External Funding | 47 |
| <u>3,112</u> | | <u>2,414</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. Previously this amounted to 75% for dwellings and 50% for land and other assets (net of statutory deduction and allowance) but from 1 April 2012 the criteria changed in respect of the disposal of dwellings and an amount that now reflects the age and type of dwelling is now payable to the Government on disposal. This amount is subject to certain reductions such as the administrative costs of 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 2012/13 the housing capital receipts amounted to £0.245 million of which £0.147 million was 'poolable' and therefore payable to the Government. In respect of the £0.248 million applied during the year to finance capital expenditure, this funded non-HRA housing capital schemes (primarily disabled facilities grants). The movements on the Reserve during the year are shown below:

| 2011/12 | | 2012/13 |
|--------------|---|--------------|
| £000 | | £000 |
| 899 | Balance as at 1 April | 921 |
| | Capital Receipts in the year: | - |
| 325 | Council house sales (net of administration costs) | 243 |
| - | DIYSO property sales | - |
| 2 | Mortgage principal repayments | 2 |
| - | Other receipts | - |
| <u>1,226</u> | | <u>1,166</u> |
| | Less: | |
| (240) | Capital receipts 'pooling contribution' | (147) |
| (65) | Capital receipts used for financing capital expenditure | (248) |
| <u>921</u> | Balance as at 31 March | <u>771</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 and it is credited to the Major Repairs Reserve. The depreciation charge in respect of other HRA property is shown in 'Total Expenditure' within the Income and Expenditure Account.

| 2011/12 | | 2012/13 |
|--------------|---|--------------|
| £000 | | £000 |
| 2,378 | Dwellings | 2,382 |
| 23 | Do-It-Yourself Shared Ownership (DIYSO) | 24 |
| 22 | Garages | 23 |
| 9 | Community Centre | 7 |
| 4 | Other Non-Domestic Properties | 4 |
| 10 | Other | 2 |
| <u>2,446</u> | Depreciation Charged to the HRA I & E Account for the Year | <u>2,442</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. A net impairment figure of £1.034 million for the year was charged to the HRA Income and Expenditure Account which took into account £2.376 million associated with works to the Council's dwelling stock and a reversal of £1.342 million in respect of impairment amounts previously charged to the account.

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 item 8 determinations under the previous housing subsidy arrangements. The individual elements that form the capital asset charges accounting adjustment continue to be included within the HRA and 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 £38,000 for 2012/13 (Nil for 2011/12) 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.

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 £6,000 charged to the Housing Revenue Account for the year (£3,000 for 2011/12) represents the annual writing down of the asset over its useful life.

12 Housing Revenue Account Subsidy

Under the self-financing arrangements introduced from 1 April 2012 there are no longer any subsidy arrangements between the Council and the Government. The figures below set out the amounts relating to 2011/12 along with a small amount receivable in 2012/13 that relates to an adjustment from the previous year.

| 2011/12 | | 2012/13 |
|----------------|--|------------|
| £000 | | £000 |
| 5,547 | Management and maintenance | - |
| 1,099 | Charges for capital | - |
| 2,406 | Major Repairs Allowance | - |
| <u>9,052</u> | | <u>-</u> |
| (11,275) | Rent | - |
| (1) | Mortgage interest | - |
| <u>(2,224)</u> | | <u>-</u> |
| 1 | Adjustment re previous year | (2) |
| <u>(2,223)</u> | Housing Subsidy due/(repayable) for year | <u>(2)</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 2012/13 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 2012/13 which total to a net amount of £0.098 million.

14 Rent Arrears and the Provision for Bad and Doubtful Debts

The rent arrears at 31 March 2013 were £314,657 (2011/12 - £251,671), which equates to 2.49% (2.14% for 2011/12) 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 2013 is £0.116 million after the following movements on the account during 2012/13:

| 2011/12 | | 2012/13 |
|------------|------------------------|------------|
| £000 | | £000 |
| 117 | Balance as at 1 April | 103 |
| 37 | Provision for year | 25 |
| (51) | Arrears written off | (12) |
| <u>103</u> | Balance as at 31 March | <u>116</u> |

15 Contributions Toward 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 2012/13 the net gain of £0.024 million in the HRA Income and Expenditure account represents the gain from the disposal of dwellings. For comparative purposes there was a net gain of £0.119 million in the HRA Income and Expenditure Account in 2011/12, from the disposal of dwellings.

17 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

| 2011/12 | | 2012/13 | | Note |
|--------------------|---|---------|----------------|------|
| £000 | | £000 | £000 | Ref |
| INCOME | | | | |
| 61,353 | Income from Council Tax | | 61,767 | 1 |
| | Transfers from the General Fund: | | | |
| 15,209 | Council Tax Benefits | | 15,240 | |
| (1) | Council Tax Transitional Reduction Scheme | | (2) | |
| <u>76,561</u> | | | <u>77,005</u> | |
| 23,151 | Income Collectable from Business Ratepayers | | 24,755 | 2 |
| <u>99,712</u> | | | <u>101,760</u> | |
| EXPENDITURE | | | | |
| | Precepts: | | | 3 |
| 9,074 | Tendring District Council | | 9,136 | |
| 55,744 | Essex County Council | | 55,966 | |
| 3,407 | Essex Fire Authority | | 3,421 | |
| 6,777 | Police and Crime Commissioner for Essex | | 7,040 | |
| | Use of Council Tax balance: | | | 4 |
| 80 | Tendring District Council | | 80 | |
| 490 | Essex County Council | | 491 | |
| 30 | Essex Fire Authority | | 30 | |
| 59 | Police and Crime Commissioner for Essex | | 60 | |
| <u>75,661</u> | | | <u>76,224</u> | |
| | Council Tax Bad and Doubtful Debts: | | | |
| 270 | Amounts written off | 325 | | |
| (42) | Increase/(Reduction) in Provision for Doubtful Debt | 80 | 405 | |
| | Business Rate: | | | 2 |
| 22,858 | Contribution to the Central Government pool | 24,463 | | |
| 293 | Cost of Collection allowance | 292 | 24,755 | |
| <u>99,040</u> | | | <u>101,384</u> | |
| 672 | Net Surplus/(Deficit) for the year | | 376 | |
| 1,250 | Balance as at 1 April | | 1,922 | |
| <u>1,922</u> | Balance as at 31 March | | <u>2,298</u> | 4 |

1 Council Tax

The average Council Tax levy for 2012/13 was £1,467.28 for a Band D dwelling. This rate of tax, which covers estimated net expenditure of the Council, Essex County Council, Essex Fire Authority, Police and Crime Commissioner for Essex and the Parish and Town Councils, was assessed on the tax base set out below:

Calculation of the Tax Base for 2012/13

| 2011/12 | Band | Valuation | Pro-portion | Full Charge | Discount 25% | Discount 50% | 2nd Homes | Empty Properties | Exempt | Total |
|---------------|------|--|-------------|---------------|---------------|--------------|--------------|------------------|--------------|---------------|
| 9 | *A | Up to £40,000 | 5/9 | 7 | 2 | - | - | - | - | 9 |
| 12,460 | A | Up to £40,000 | 6/9 | 3,941 | 7,019 | 16 | 675 | 339 | 606 | 12,596 |
| 17,201 | B | £40,001 to £52,000 | 7/9 | 9,337 | 6,885 | 21 | 362 | 190 | 482 | 17,277 |
| 20,397 | C | £52,001 to £68,000 | 8/9 | 12,512 | 6,751 | 38 | 482 | 189 | 456 | 20,428 |
| 10,184 | D | £68,001 to £88,000 | 9/9 | 7,046 | 2,627 | 40 | 254 | 80 | 176 | 10,223 |
| 4,653 | E | £88,001 to £120,000 | 11/9 | 3,529 | 905 | 33 | 108 | 40 | 62 | 4,677 |
| 1,617 | F | £120,001 to £160,000 | 13/9 | 1,252 | 264 | 36 | 41 | 10 | 20 | 1,623 |
| 788 | G | £160,001 to £320,000 | 15/9 | 577 | 109 | 44 | 34 | 11 | 14 | 789 |
| 50 | H | Over £320,000 | 18/9 | 39 | 3 | 7 | 2 | - | 1 | 52 |
| <u>67,359</u> | | | | <u>38,240</u> | <u>24,565</u> | <u>235</u> | <u>1,958</u> | <u>859</u> | <u>1,817</u> | <u>67,674</u> |
| 52,609 | | Number of equivalent full charge Band D dwellings (unscaled tax base) | | | | | | | | 52,819 |
| (1,315) | | Less Provision for changes in valuation list, discounts and doubtful debts | | | | | | | | (1,320) |
| <u>51,294</u> | | Tax base for tax setting purposes | | | | | | | | <u>51,499</u> |

* Band A – entitled to Disabled Relief

Analysis of the Council Tax

Council Tax for a Band D Dwelling

| 2011/12 | | 2012/13 |
|-----------------|---|-----------------|
| Average | | Average |
| £ | | £ |
| | Tendring District Council: | |
| 136.98 | General Expenses | 136.08 |
| 12.15 | Special Expenses | 12.30 |
| 27.78 | Town and Parish Councils | 29.02 |
| 1,086.75 | Essex County Council | 1,086.75 |
| 66.42 | Essex Fire Authority | 66.42 |
| 132.12 | Police and Crime Commissioner for Essex | 136.71 |
| <u>1,462.20</u> | | <u>1,467.28</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 7 February 2012 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.

| 2011/12 | | 2012/13 |
|-------------|---|---------|
| | Non-Domestic Rate per £ of Rateable Value | |
| 42.6p | Small Businesses | 45.0p |
| 43.3p | Standard | 45.8p |
| £000 | | £000 |
| 70,687 | Rateable Value on 31 March | 70,722 |
| <hr/> | | |
| 30,038 | Gross rate income | 31,646 |
| (6,401) | Allowances and other adjustments | (6,835) |
| (453) | Amounts written off | (228) |
| (23) | Interest on refunds of overpayments | (1) |
| (10) | Changes in provision for doubtful debt | 173 |
| <hr/> | | |
| 23,151 | | 24,755 |
| (293) | Cost of Collection allowance | (292) |
| <hr/> | | |
| 22,858 | Contribution due to the NNDR pool | 24,463 |
| <hr/> <hr/> | | |

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

3 Precepts

The Council (the collecting authority) and Essex County Council, Essex Fire Authority and Police and Crime Commissioner for Essex (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 £2.298 million at 31 March 2013 together with balances paid over to precepting authorities in 2013/14, will form part of the assessment made in January 2014.

The balance of £2.298 million is made up as follows:

| | 2011/12 | Net Movement in Year | 2012/13 |
|---|---------|----------------------------|---------|
| | £000 | £000 | £000 |
| Essex County Council | 1,425 | 274 | 1,699 |
| Police and Crime Commissioner for Essex | 87 | 17 | 104 |
| Essex Police Authority | 177 | 40 | 217 |
| | <hr/> | | <hr/> |
| | 1,689 | 331 | 2,020 |
| | | | |
| Tendring District Council | 233 | 45 | 278 |
| | <hr/> | | <hr/> |
| | 1,922 | 376 | 2,298 |
| | <hr/> | | <hr/> |

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 2012/13.

| | Basic Allowance | Special Responsibility Allowance | Childcare Allowance | * Travelling and Subsistence | Total |
|---------------------------------|-----------------|----------------------------------|---------------------|------------------------------|-----------|
| | £ | £ | £ | £ | £ |
| D Aldis | 4,962.00 | - | - | 31.50 | 4,993.50 |
| C Amos | 4,962.00 | - | - | - | 4,962.00 |
| J Broderick | 4,962.00 | - | - | 93.15 | 5,055.15 |
| N Brown | 4,962.00 | - | - | 389.70 | 5,351.70 |
| R J Bucke | 4,962.00 | 595.50 | - | 237.10 | 5,794.60 |
| G Caines | 4,962.00 | - | - | 44.10 | 5,006.10 |
| C Callender | 4,962.00 | - | - | - | 4,962.00 |
| 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 | - | - | 230.40 | 5,192.40 |
| S Challinor | 4,962.00 | 1,965.00 | - | - | 6,927.00 |
| J Chapman | 4,962.00 | - | - | - | 4,962.00 |
| A Colbourne | 4,962.00 | 1,595.24 | - | - | 6,557.24 |
| M Cossens | 4,962.00 | - | - | - | 4,962.00 |
| C Cowlin (Resigned 26.06.12) | 1,263.62 | - | - | - | 1,263.62 |
| P G De-Vaux Balbirnie | 4,962.00 | - | - | 147.60 | 5,109.60 |
| L J Double (Died 05.01.13) | 4,201.69 | 694.40 | - | 172.80 | 5,068.89 |
| G Downing | 4,962.00 | 327.50 | - | - | 5,289.50 |
| T Fawcett | 4,962.00 | 6,072.00 | - | - | 11,034.00 |
| A Goggin | 4,962.00 | 1,311.75 | - | 152.10 | 6,425.85 |
| C Griffiths | 4,962.00 | 3,573.00 | - | - | 8,535.00 |
| C Guglielmi | 4,962.00 | 10,494.00 | - | 732.15 | 16,188.15 |
| V Guglielmi | 4,962.00 | 1,965.00 | - | 217.80 | 7,144.80 |
| P Halliday | 4,962.00 | 12,336.00 | - | 512.75 | 17,810.75 |
| R Heaney | 4,962.00 | 6,072.00 | - | - | 11,034.00 |
| I Henderson | 4,962.00 | 2,456.39 | - | 114.30 | 7,532.69 |
| J Henderson | 4,962.00 | - | 114.86 | 93.15 | 5,170.01 |
| P Honeywood | 4,962.00 | 10,494.00 | - | 36.90 | 15,492.90 |
| S Honeywood | 4,962.00 | 1,595.24 | - | - | 6,557.24 |
| T Howard | 4,962.00 | - | - | - | 4,962.00 |
| I R Johnson | 4,962.00 | - | - | 293.40 | 5,255.40 |
| K T King | 4,962.00 | - | - | - | 4,962.00 |
| D Mayzes | 4,962.00 | - | - | 1,035.90 | 5,997.90 |
| S Mayzes | 4,962.00 | 9,182.25 | - | 131.40 | 14,275.65 |
| D McLeod | 4,962.00 | - | - | 254.70 | 5,216.70 |

| | Basic Allowance | Special Responsibility Allowance | Childcare Allowance | * Travelling and Subsistence | Total |
|---|-------------------|----------------------------------|---------------------|------------------------------|-------------------|
| | £ | £ | £ | £ | £ |
| L McWilliams | 4,962.00 | 9,182.25 | - | - | 14,144.25 |
| M Miles | 4,962.00 | 3,573.00 | - | - | 8,535.00 |
| A Mitchell | 4,962.00 | 3,573.00 | - | - | 8,535.00 |
| G Mitchell | 4,962.00 | - | - | - | 4,962.00 |
| F Nicholls | 4,962.00 | - | - | 239.85 | 5,201.85 |
| D Oxley | 4,962.00 | - | - | - | 4,962.00 |
| P J Oxley | 4,962.00 | 2,691.00 | - | - | 7,653.00 |
| M Page | 4,962.00 | 4,467.00 | - | - | 9,429.00 |
| M Patten | 4,962.00 | - | - | - | 4,962.00 |
| M Platt | 4,962.00 | 1,922.74 | - | - | 6,884.74 |
| J A Powell | 4,962.00 | - | - | - | 4,962.00 |
| A Pugh | 4,962.00 | - | - | 160.20 | 5,122.20 |
| P Sambridge | 4,962.00 | 7,870.50 | - | 388.95 | 13,221.45 |
| G Scott | 4,962.00 | - | - | - | 4,962.00 |
| H Shearing | 4,962.00 | 1,821.00 | - | 162.00 | 6,945.00 |
| K Simons | 4,962.00 | - | - | - | 4,962.00 |
| D Skeels | 4,962.00 | - | - | - | 4,962.00 |
| G Steady | 4,962.00 | 2,900.66 | - | - | 7,862.66 |
| N Stock | 4,962.00 | 13,396.50 | - | 2,013.75 | 20,372.25 |
| M J Talbot | 4,962.00 | 2,908.50 | - | 396.00 | 8,266.50 |
| I Tracey | 4,962.00 | - | - | - | 4,962.00 |
| N W Turner | 4,962.00 | 10,494.00 | - | 1,243.05 | 16,699.05 |
| G Watling | 4,962.00 | 7,870.50 | - | 196.65 | 13,029.15 |
| J White | 4,962.00 | - | - | 246.60 | 5,208.60 |
| C Winfield (Elected 16.08.12) | 2,694.42 | - | - | - | 2,694.42 |
| Grand Total of payments for year | 295,955.73 | 153,893.92 | 114.86 | 9,967.95 | 459,932.46 |

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

| | |
|------------------------------------|-----------|
| Chairman – A Goggin (2011) | £1,412.10 |
| Vice Chairman – D Mayzes (2011) | £356.66 |
| Chairman – D Mayzes (2012) | £4,927.76 |
| Vice Chairman – S Honeywood (2012) | £1,737.28 |

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

*There were no payments made for subsistence.

Payment to non-elected persons and substitutes where they have attended a Council Committee.

| | | Co-optees' Allowance | Mileage | Total |
|---|---|-------------------------|--------------|-----------------|
| | | £ | £ | £ |
| J | Addison | 308.00 | 76.50 | 384.50 |
| D | Dixon | 77.00 | - | 77.00 |
| D | Edmunds | 155.00 | - | 155.00 |
| D | Foss-Smith | 77.00 | - | 77.00 |
| R | Taylor | 77.00 | - | 77.00 |
| C | Tracey | 77.00 | - | 77.00 |
| C | Ward | 155.00 | - | 155.00 |
| | Grand Total of payments for year | 926.00 | 76.50 | 1,002.50 |

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.

These documents are available for inspection in the Corporate Services 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 Richard Barrett (rbarrett@tendringdc.gov.uk), Finance and Procurement Manager, Corporate Services, Town Hall, Station Road, Clacton on Sea, Essex, CO15 1SE – Telephone Clacton (01255) 686521.

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 the receipts received from housing disposals (i.e. Dwellings, land and other Housing 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., Coast Protection.

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 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 along with further voluntary contributions where necessary to meet the cost of future capital expenditure. 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 council 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.