



# Statement of Accounts

2009 - 2010





castlepoint

benfleet | canvey | hadleigh | thundersley

## **STATEMENT OF ACCOUNTS FOR THE FINANCIAL YEAR 2009/10**

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# EXPLANATORY FOREWORD

## 1 INTRODUCTION

This foreword provides a brief explanation of the financial aspects of the Council's activities and highlights the significant features of its financial position.

The Income and Expenditure Account, detailed on page 18, is required to show the financial results for the year in accordance with generally accepted accounting practice. In order to reflect the financial results for the year as supported by Council Tax, additional statutory accounting entries are required to be implemented. These entries are detailed within the calculation of reconciling items for the Statement of Movement on the General Fund Balance on page 20.

The surplus or deficit reported at the bottom of the Income and Expenditure Account is therefore significantly different from the movement on the General Fund. The Statement of Movement on the General Fund Balance combines the balance on the Income and Expenditure Account, the calculation of reconciling items for the Statement of Movement on the General Fund Balance, and the General Fund balance at 1 April 2009, to arrive at the closing balance on the General Fund at 31 March 2010.

The Core Financial Statements have been restated to reflect statutory changes in Accounting Policy from 1 April 2009, relating to the collection of Council Tax and National Non-Domestic Rates. Details of these changes are shown in note 20 to the Accounting Policies, on page 16.

## 2 THE ACCOUNTS COMPRISE THE FOLLOWING:

### 2.1 - Core Financial Statements

- **Income and Expenditure Account**

This Account summarises the resources that have been generated and consumed in providing services and managing the Council during the year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

The Income and Expenditure account is shown on page 18.

- **Statement of Movement on the General Fund Balance (SMGFB)**

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However the Council is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government results in a reduction in the Income and Expenditure Account, but is met from the useable capital receipts balance rather than Council Tax.
- Retirement benefits are charged as amounts become payable to the pension fund and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future spending.

The Statement of Movement on the General Fund Balance summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

The Statement of Movement on the General Fund Balance is shown on pages 19 and 20.

# EXPLANATORY FOREWORD

- **Statement of Total Recognised Gains and Losses (STRGL)**

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase or decrease in its net worth. In addition to the surplus or deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and a measurement of the net liability to cover the cost of retirement benefits.

The Statement of Total Recognised Gains and Losses is shown on page 21.

- **Balance Sheet**

This statement shows the Council's balances and reserves, as well as its long-term indebtedness. It also shows the fixed and net current assets employed in the Council's operations.

The Balance Sheet is shown on page 22.

- **Cash Flow Statement**

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

The Cash Flow Statement is shown on page 23.

## 2.2 - Supplementary Statements

- **Housing Revenue Account (HRA) Income and Expenditure Account**

The Council has a statutory duty to account separately for the provision of local authority housing. The statement shows the income and expenditure on HRA services included within the whole authority Income and Expenditure Account.

The Housing Revenue Account (HRA) Income and Expenditure Account is shown on page 57.

- **Statement of Movement on the Housing Revenue Account (HRA) Balance**

This statement shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year.

The Statement of Movement on the Housing Revenue Account (HRA) Balance is shown on page 58.

- **Collection Fund Income and Expenditure Account**

The Council has a statutory duty to maintain a separate Collection Fund. The fund shows the transactions of the billing authority (the Council) in relation to National Non-domestic Rates, Council Tax and Community Charge and how these amounts have been distributed to precepting authorities and to the Council.

The Collection Fund Income and Expenditure Account is shown on page 63.

# EXPLANATORY FOREWORD

## 3 HOUSING REVENUE ACCOUNT EXPENDITURE

The Housing Revenue Account recorded a surplus of £233,231 for the year compared to a revised budget deficit of £70,300, a difference of £303,531. £17,800 of this has been carried forward to be spent on specific commitments delayed from 2009/10 to 2010/11.

## 4 GENERAL FUND REVENUE EXPENDITURE

The net expenditure on General Fund services during the year was £12,724,075 compared to the revised budget of £13,809,838. The overall General Fund surplus for the year was £1,433,837. Of this balance, £949,100 will be carried forward to match commitments taken into the new financial year. The resulting under spend of £484,737 compares favourably with the planned under spend of £255,311. The table below shows a comparison between the revised budget and actual net expenditure and sources of finance.

	Notes	Revised Budget £	Actual £	Difference £
<b>Net expenditure</b>				
Net expenditure on services		13,951,100	12,944,857	(1,006,243)
Reimbursement of VAT	1	(1,094,500)	(1,097,156)	(2,656)
(Gain) / loss on disposal of fixed assets	3	21,100	(3,299)	(24,399)
Interest payable and similar charges		468,900	471,550	2,650
Interest and investment income		(122,100)	(125,713)	(3,613)
Pensions interest cost and expected return on pension assets		1,685,000	1,688,000	3,000
Revenue contributions to capital expenditure		75,900	10,608	(65,292)
Reversal of capital related charges	3	(972,100)	(1,009,062)	(36,962)
Minimum revenue provision		366,000	366,032	32
Movement on Pensions Reserve		(836,200)	(788,480)	47,720
Town council precept		266,738	266,738	0
<b>Total net expenditure</b>		<b>13,809,838</b>	<b>12,724,075</b>	<b>(1,085,763)</b>
<b>Sources of finance</b>				
Demand on the Collection Fund		(7,342,536)	(7,342,536)	0
Surplus transferred from the Collection Fund		(67,106)	(67,106)	0
General Government Grants	2	(1,386,463)	(1,479,226)	(92,763)
Non-domestic Rates redistribution		(5,269,044)	(5,269,044)	0
<b>Total sources of finance</b>		<b>(14,065,149)</b>	<b>(14,157,912)</b>	<b>(92,763)</b>
<b>Transfer (to) / from General Fund reserves</b>		<b>(255,311)</b>	<b>(1,433,837)</b>	<b>(1,178,526)</b>

### Explanatory Notes

Note 1 - Note 1 to the Core Financial Statements, on page 25, provides further information on this item.

Note 2 - Note 10 to the Core Financial Statements, on page 30, provides further information on this item.

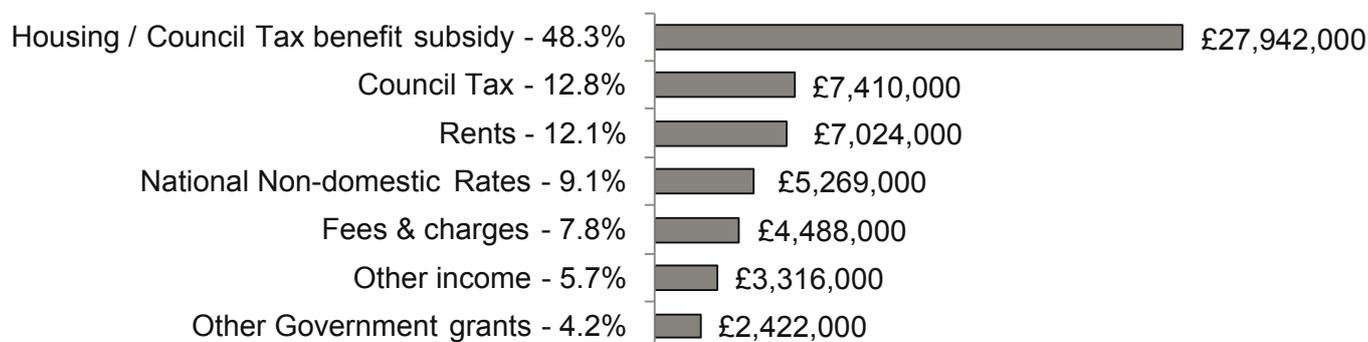
Note 3 - The gain / loss on disposal of fixed assets takes into account the value of the asset, the cost of disposal and the proceeds of disposal. This charge is taken out in the reversal of capital related charges. Further information on Fixed Assets is shown in note 12 to the Core Financial Statements on pages 31 to 35.

# EXPLANATORY FOREWORD

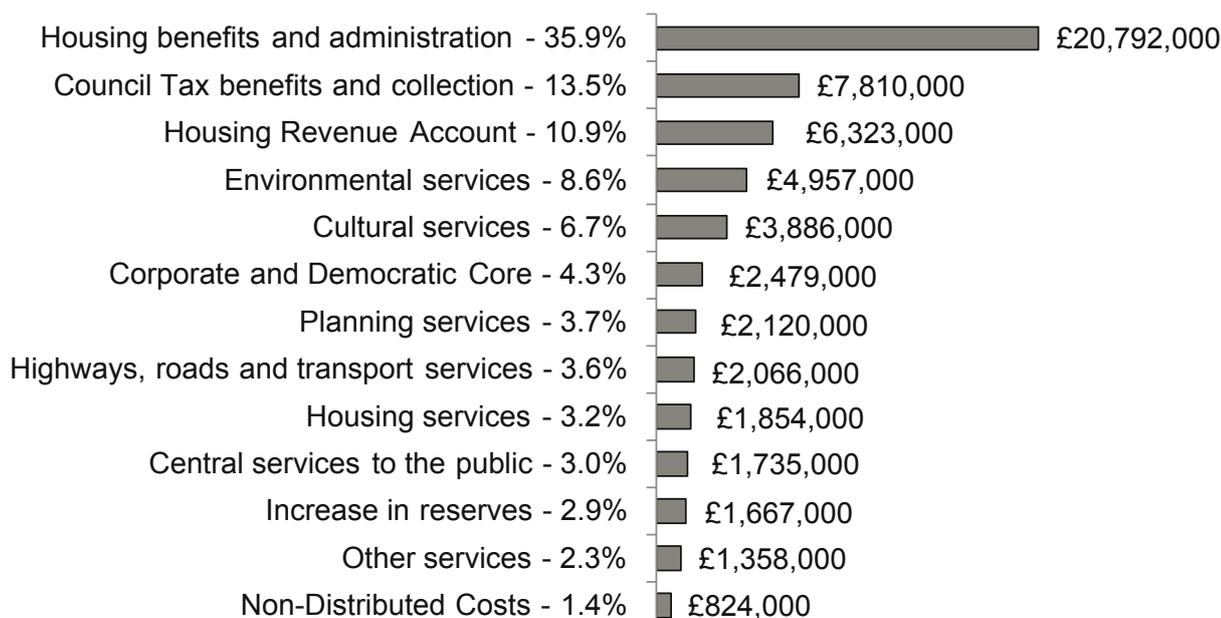
## 5 USE OF MONEY FOR SERVICES

The following bar charts show in broad terms where the Council's money came from and what the money was spent on, and cover both the General Fund and Housing Revenue Account. All amounts are rounded to the nearest thousand.

### 5.1 - Where the money came from (total £57,871,000)



### 5.2 - What the money was spent on (total £57,871,000)



### Explanatory Notes - Definitions of Council services

**Housing benefits and administration** includes the cost of all Housing Benefit payments made to claimants, and the cost of administering the Housing Benefit function.

**Council Tax benefits and collection** includes the cost of collecting and administering Council Tax and National Non-domestic Rates and the cost of Council Tax Benefit payments made to claimants.

**Housing Revenue Account** includes the management and maintenance of the Council's own housing stock.

**Environmental services** includes food safety, animal & public health, pollution control, licencing, refuse collection and recycling, public conveniences, street cleaning and cemeteries.

# EXPLANATORY FOREWORD

**Cultural services** includes leisure centres, community halls, allotments, parks and open spaces, sport and the arts.

**Corporate and Democratic Core (CDC)** includes all Members' activities and those corporate activities and costs which enable the infrastructure that allows services to be provided.

**Planning services** includes building and development control and planning policy.

**Highways, roads and transport services** includes car parks and concessionary fares.

**Housing services** includes the cost of statutory homelessness and housing options functions, as well as other strategic housing functions.

**Central services to the public** includes the cost of elections, emergency planning, land charges and donations.

**Other services** includes interest payable and the precept paid to Canvey Island Town Council.

**Non-Distributed Costs (NDC)** are overheads which are not allocated to a specific service, and include pension costs for past employees and properties not used as part of the Council's normal activities.

## 6 CAPITAL EXPENDITURE AND BORROWING FACILITIES

The Council has a capital programme, which is allocated across both General Fund and Housing Revenue Account activities. The combined capital expenditure for the year was £2,657,186 compared to the revised budget of £2,780,200.

The main items of expenditure were: council house improvements; Disabled Facilities and other home improvement grants; playground and leisure equipment; the vehicle replacement programme; the purchase of Westwood; and various regeneration projects. In addition, grant funding from the Homes and Communities Agency (HCA) was transferred to Essex County Council (ECC) to enable them to purchase Hadleigh fire station. The Council sold 3 council houses during the year.

Note 12 to the core financial statements: Fixed Assets, on pages 31 to 35, contains full details of the Council's capital expenditure and shows how it was financed. Note 18 to the core financial statements: Financial Instruments, on pages 41 to 48, contains details of the Council's current borrowing. An overdraft facility is in place with the Co-operative Bank plc to cover short-term requirements.

## 7 SUSTAINABILITY STRATEGY

The Council is committed to making the Borough a sustainable community for those who live and work here and takes a leading role to ensure that the community of Castle Point meets the challenge of climate change. It will work with other organisations locally, nationally and internationally to ensure that the effects of climate change are minimised. This includes actions to reduce the carbon footprint of the Borough with reduced emissions of greenhouse gasses such as carbon dioxide as well as to develop and promote improved waste recycling services. The Council's strategy for the commissioning and procurement of goods and services supports its commitment following where possible, sustainable procurement practice by choosing products, contractors and suppliers that have high environmental performance.

## 8 DIVERSITY STRATEGY

The Council is committed to providing services that are accessible to all and that meet the needs of our community as a whole. The Council continues to work towards ensuring it meets the statutory duties placed on it by the Equality Act 2010. Having achieved Level 4 of the Equality Standard for Local Government, we are committed to continue to promote equality and to achieve the 'excellence standard' against the new Equality Framework.

# EXPLANATORY FOREWORD

## 9 COUNCIL PRIORITIES FOR 2010/11 AND FUTURE CHALLENGES

The Council, like local residents, faces tough challenges in 2010/11 as we continue to work to balance our budget in these difficult times. We have found that reduced revenue income has been one of the most significant budgetary pressures in recent years. This pattern is predicted to continue in the short-term and arises as a direct consequence of changes in demand/use for some Council services. Added to this is the possibility of significant reductions in the funds available for public services.

The budget deliberations which supported the 2010/11 Council Tax setting process reflected the aforementioned reductions in revenue income for fee charging services and also included assumptions around future funding levels. The Council's priorities and challenges for the forthcoming year are set against this background and demonstrate a clear focus on positioning the Council to overcome these challenges whilst continuing to deliver high quality services to our residents.

The Council's Priority Objectives for the period 2010-2013 are as follows:

### **Environment - Civic Pride**

*We want to limit the Borough and the Council's negative impact on the environment. We want to improve and maximise any positive impacts on the environmental quality of the Borough through clean streets, high quality parks and open spaces and more recycling.*

### **Regeneration and Homes**

*We want good quality, safe and energy efficient homes, less homelessness and fewer households in temporary accommodation, more local employment, the creation of business opportunities and a lasting legacy for outdoor recreation following the Olympic mountain biking event in the Borough.*

### **Improving the Council**

*We want to continually improve our services and build on success. We want to engage the community in local decision making; we want to focus on the needs of our customer, including minority and vulnerable groups. Through investment in sports and community facilities, we want to contribute towards reducing health inequalities in the Borough. We want to continue to work with our partners to become an even more efficient and effective Council.*

### **Community Safety**

*We want reduced levels of crime and anti-social behaviour, working with the police and our partners to tackle crime and the fear of crime and improve awareness of community safety issues, including civil protection. We want to ensure that the Borough remains safe and healthy through effective regulation. We want to ensure the safeguarding of children and vulnerable adults in the Borough.*

## 10 INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The 2009/10 statement of accounts is the last to be produced under UK Generally Accepted Accounting Practice (UK GAAP). From 2010/11 Local Authorities will be required to prepare their Statement of Accounts under International Financial Reporting Standards (IFRS) requirements. This will require comparative information for 2009/10, and an opening Balance Sheet as at 1 April 2009 restated under IFRS. There are however no changes as a result of IFRS to the accounts for 2009/10.

The principal issues that the Council is in the process of considering as part of the transition to IFRS are in relation to the accounting treatment of leases, tangible fixed assets and intangible fixed assets and employee benefits, as well as general presentation and disclosure requirements.

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## RESPONSIBILITIES OF THE COUNCIL

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Resources, Chris Mills CPFA;
- manage its affairs to secure the economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

## RESPONSIBILITIES OF THE HEAD OF RESOURCES

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

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Statement of Recommended Practice.

The Head of Resources has also:

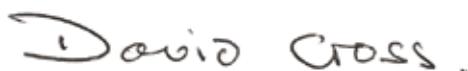
- kept proper accounting records which were kept up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

This Statement of Accounts gives a true and fair view of the financial position of the Council at 31 March 2010 and its income and expenditure for the year then ended.



Chris Mills CPFA  
Head of Resources  
29 September 2010

I confirm that these Accounts were approved by the Council at the meeting held on 30 June 2010.  
Signed on behalf of Castle Point Borough Council by the Chair of the meeting approving the Accounts.



Councillor David Cross (Mayor)  
30 June 2010

# AUDITORS' REPORT

## Independent auditors' report to the Members of Castle Point Borough Council

### Opinion on the accounting statements

We have audited the accounting statements of Castle Point Borough Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Statement of Accounting Policies, the Income and Expenditure Account, the Statement of Movement on the General Fund Balance and its related note, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the notes to the core financial statements, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account Balance, the notes to the Housing Revenue Account, the Collection Fund Income and Expenditure Account, and the notes to the Collection Fund Income and Expenditure Account. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Castle Point Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

### Respective responsibilities of the Head of Resources and auditor

The Head of Resources responsibilities for preparing the Statement of Accounts and accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Council and its income and expenditure for the year.

We review whether the Annual Governance Statement (governance statement) reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the accounting statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

We read other information published in the Statement of Accounts, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the accounting statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounting statements.

# AUDITORS' REPORT

## **Opinion**

In our opinion the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Council as at 31 March 2010 and its income and expenditure for the year then ended.

## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Council's Responsibilities**

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

### **Auditors' Responsibilities**

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. We report if significant matters have come to our attention which prevent us from concluding that the Council has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Conclusion**

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, we are satisfied that, in all significant respects, the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

### **Certificate**

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

**Leigh Lloyd Thomas**

**Partner for and on behalf of PKF (UK) LLP**

London, UK

29 September 2010

# STATEMENT OF ACCOUNTING POLICIES: Contents

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# STATEMENT OF ACCOUNTING POLICIES

## 1 GENERAL

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year and its position at the year end of 31 March 2010. It has been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (SORP), as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounting convention that has been adopted in the financial statements is historical cost modified by the revaluation of certain categories of tangible fixed assets.

## 2 ACCRUALS OF INCOME AND EXPENDITURE

The accruals concept has been adopted for both income and expenditure on all revenue and capital transactions. This means that revenue (income) and expenditure (costs) are recognised as they are earned or incurred, not as money is received and paid.

## 3 VALUE ADDED TAX

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them. The exception to this is the reimbursement of VAT detailed in note 1 to the Core Financial Statements on page 25.

## 4 OVERHEADS AND SUPPORT SERVICES

In accordance with the Best Value Accounting Code of Practice (BVACOP) the full cost of overheads and support services are shared between users in proportion to the benefits received from the supply or service, with the exception of Corporate and Democratic Core (CDC) and Non-Distributed Costs (NDC). These two categories are accounted for as separate headings in the Income and Expenditure Account, as part of the Net Cost of Services.

## 5 STOCKS AND WORK-IN-PROGRESS

Stocks and work-in-progress are included in the Balance Sheet at the lower of cost or net realisable value.

## 6 PROVISION FOR BAD AND DOUBTFUL DEBTS

Provision has been made in the accounts for potential bad and doubtful debts. Known uncollectable debts have been written off.

## 7 RETIREMENT BENEFITS

Employees of the Council are entitled to membership in the Local Government Pension Scheme (LGPS) which is accounted for as a defined benefits scheme. The operating costs of providing retirement benefits to employees are recognised in the accounting periods in which the benefits are earned by the employees. The related finance costs and any other changes in the value of the assets and liabilities are recognised in the accounting periods in which they arise. The policies reflect the Council's commitment to increase contributions to make up any shortfall in attributable net assets in the pension fund.

In assessing liabilities for retirement benefits at 31 March 2009 for the 2008/09 Statement of Accounts, the actuary assumed a discount rate of 3.8% real (7.1% actual), a rate based on the current rate of return on a high-quality corporate bond of equivalent currency and term to scheme liabilities. For the 2009/10 Statement of Accounts, the actuary has advised that a rate of 2.3% real (5.6% actual) is appropriate. Application of this rate has resulted in an increase in liabilities measured at today's prices of £15,571,000, adjusted for by an increase in actuarial losses for the year in the Statement of Total Recognised Gains and Losses (STRGL).

# STATEMENT OF ACCOUNTING POLICIES

## 8 REPAYMENT OF DEBT AND INTEREST CHARGES

The Council makes provision for all scheduled debt repayments. The basis of these payments is dependent on the type of loan raised. Debt outstanding on assets transferred to Essex County Council is included in the accounts as part of the Council's debt. The amount outstanding at 31 March 2010 from Essex County Council was £24,299 (£37,552 as at 31 March 2009). Reimbursement of this debt is received annually.

## 9 OPERATING LEASES

The Council uses operating leases and contract hire to obtain the use of buildings, vehicles and equipment. Annual rentals are charged directly to the Income and Expenditure Account evenly throughout the period of the lease.

Assets leased to third parties are recorded as fixed assets and depreciated where appropriate. Rental income received is credited directly to the Income and Expenditure Account throughout the period of the lease. The Council has set a de-minimis limit of £2,000 below which income received in relation to operating leases is not included within the leasing note, on the grounds that it would not be material.

## 10 INTANGIBLE FIXED ASSETS

The Council does not hold any intangible fixed assets.

## 11 FIXED ASSETS

### 11.1 - Recognition

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. The Council operates a de minimis limit of £10,000 below which items will be charged to revenue rather than to capital on the grounds that it would not be material.

### 11.2 - Measurement and Impairment

Fixed assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes, issued by the Royal Institution of Chartered Surveyors (RICS). Fixed assets (excluding land) are classified as follows:

Type of Asset	Valuation Method	Estimated Useful Life in Years
Council dwellings	Existing use value for social housing Existing use value	35 to 60
Other land & buildings	Existing use value Depreciated replacement cost	15 to 60
Infrastructure assets	Depreciated historical cost	25 to 60
Community assets	Depreciated historical cost	60
Vehicles, plant, and equipment	Depreciated historical cost	2 to 10
Non-operational assets	Market value	2 to 60

Revaluations of fixed assets (excluding council houses) are carried out on a rolling five-year programme. Council houses have been revalued as at 1 April 2009 using the Guidance on Stock Valuation for Resource Accounting issued by the Department for Communities and Local Government. The guidance allows valuers the ability to vary the rate at which the discount for vacant possession adjustment is made. The valuer has adopted the discount rate applying to the South East region as it was deemed that the property market in Castle Point corresponded and conformed with the property market in Kent and the South East region rather than the more rural aspect of the Eastern region.

# STATEMENT OF ACCOUNTING POLICIES

Council dwellings and other land and buildings both have two types of valuation used, depending on the nature and usage of individual assets within those two categories.

Vehicles, plant and equipment assets which are either low value or have a short life are included at depreciated historical cost, as this is a materially sufficient proxy for depreciated replacement cost.

Material changes to asset valuations are adjusted in the accounts in the year that they occur. Increases in valuations are credited to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to the Income and Expenditure Account.

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

Assets are reviewed annually to assess if there is a need for an impairment adjustment. Where an impairment is attributable to the clear consumption of economic benefits the loss is charged to the relevant service revenue account. Otherwise it is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess being charged to the relevant service revenue account.

Where there were any accumulated revaluation gains in the Revaluation Reserve for an asset that have been written off due to the impairment, the relevant amount is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Charges to the Income and Expenditure Account for impairment are appropriated from the Statement of Movement on the General Fund Balance to the Capital Adjustment Account.

## **11.3 - Disposals**

When an asset is disposed of the value of the asset in the Balance Sheet after revaluation, where appropriate, is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (netted off against the carrying value of the asset at the time of disposal). Any residual revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The gain or loss on disposals is not a charge against Council Tax, as the cost of fixed assets are fully provided for under separate arrangements for capital accounting. The amount of gain or loss (excluding capital receipts less than £10,000 and disposal costs which are treated as transactions within the Income and Expenditure Account) is appropriated from the Statement of Movement on the General Fund Balance to the Capital Adjustment Account.

## **11.4 - Depreciation**

Financial Reporting Standard 15 requires that depreciation is provided on all assets other than freehold land and non-operational investment properties. However, investment properties that are held with an unexpired lease of 20 years or less are depreciated over the remaining period of the lease.

All operational buildings and vehicles are depreciated on a straight-line basis over the period of their useful economic life.

Charges for depreciation are appropriated from the Statement of Movement on the General Fund Balance to the Capital Adjustment Account.

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.

# STATEMENT OF ACCOUNTING POLICIES

## 12 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

This relates to expenditure incurred during the year that is treated as capital under statutory provisions but does not result in the creation of fixed assets (eg renovation, home repair assistance, disabled facilities grants and warm front top up grants awarded to improve or convert private sector dwellings). The expenditure, along with any appropriate grants, has been allocated to the relevant service revenue account in the Income and Expenditure Account in the year. A transfer to the Capital Adjustment Account reverses out the amount charged in the Statement of Movement on the General Fund Balance so that there is no impact on the level of Council Tax.

Other capital expenditure incurred where the Council will not directly control the economic benefits relates to the purchase of Hadleigh fire station, additional works as part of the Canvey seafront regeneration project and works at Canvey Heights Country Park. The cost incurred on these projects of £518,059 will be funded from specific grants. Further information is shown in note 12 to the Core Financial Statements: Fixed Assets, on pages 31 to 35. The income and expenditure has been allocated to the Income and Expenditure Account in the year.

## 13 CAPITAL RECEIPTS

Under the 1985 Housing Act, Council tenants have the right to purchase their dwellings from the Council. The proceeds from sales where tenants have exercised this right, as well as from other asset disposals are known as capital receipts.

Amounts in excess of £10,000 are categorised as capital receipts (receipts of £10,000 or less are accounted for within the Income and Expenditure Account). Legislation prescribes the ways in which councils may use these receipts. In 2009/10 these were:

Type of Receipt	Paid to the Government	Usable Proportion
	%	%
Receipts from "right to buy" sales	75	25
Receipts from the sale of other housing assets	50	50
Other receipts	0	100

The Council has taken advantage of an exemption to the regulations requiring local authorities to pay over to the Government 50% of all capital receipts received from the disposal of housing land, by designating its use for the delivery of affordable housing or regeneration projects. The usable sums are required to be credited to the Capital Receipts Reserve on an accruals basis and are immediately available to finance new capital expenditure. Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

## 14 CHARGES TO REVENUE FOR FIXED ASSETS

Service revenue accounts and support services are charged with depreciation, amortisation of intangible fixed assets and impairment losses attributable to the clear consumption of economic benefits for specific assets used by the service, as well as other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction of its overall borrowing requirement. Depreciation, impairment losses and amortisations are therefore replaced by the revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account for the difference between the two.

# STATEMENT OF ACCOUNTING POLICIES

## 15 MINIMUM REVENUE PROVISION (MRP)

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 came into force on 31 March 2008. The Regulations require the Council to approve an Annual Statement of Minimum Revenue Provision (MRP), which is the amount set aside from revenue for the repayment of debt principal relating to the General Fund. The new regulations place a duty on Local Authorities to make an amount of MRP which it considers to be "prudent" each year.

With effect from 2008/09 the Council chose to calculate MRP using the Asset Life Method for new borrowing under the Prudential system for which no Government support is being given. This option makes provision over the estimated life of the asset for which the borrowing is undertaken.

## 16 INCOME THAT IS DEFINED BY CAPITAL AS A CAPITAL RECEIPT BUT DOES NOT ARISE FROM THE DISPOSAL OF AN INTEREST IN A FIXED ASSET

Amounts to be treated as capital receipts are defined by statute and usually arise from the disposal of an interest in a fixed asset. Some statutorily defined capital receipts do not arise from the disposal of an interest in a fixed asset and represent income under the general provisions of the SORP (e.g. the repayment of a grant awarded by the Council to acquire a fixed asset by the recipient). The income received is credited to the Income and Expenditure Account. A transfer to the Capital Receipts Reserve reverses out the income in the Statement of Movement on the General Fund Balance so that there is no impact on the level of Council Tax.

## 17 GOVERNMENT GRANTS

All government grants and subsidies have been credited to the appropriate revenue and capital accounts. Grants that directly relate to a specific service are credited to that service, whereas grants to cover general activities (e.g. Revenue Support Grant and Area Based Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure. Grants received in advance of the period to which they relate are included within creditors on the Balance Sheet.

Government grants for capital purposes have been credited to a Government Grants Deferred Account. Amounts are released from this account over the useful life of the asset to match the depreciation of the asset to which the grant relates. Grants not yet applied to fund expenditure are shown as unapplied grants on the Balance Sheet.

## 18 FINANCIAL ASSETS

Investments and receivables are shown at fair value when recognised and carried at amortised cost. The Council does not have any financial assets that require an effective interest rate calculation to be undertaken that would result in the fair value recognition to differ to the transaction cost. The amount credited to the Income and Expenditure Account for interest receivable is based on the principal outstanding multiplied by the interest rate for the instrument. The amount for investments shown on the Balance Sheet is the carrying amount, which is outstanding principal and accrued interest.

## 19 FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and carried at their amortised cost. The Council does not have any financial liabilities that require an effective interest rate calculation to be undertaken that would result in the fair value recognition to differ to the transaction cost. The amount charged to the Income and Expenditure Account for interest payable is based on the principal outstanding multiplied by the rate of interest for the instrument. The amount for borrowing shown on the Balance Sheet is the carrying amount, which is outstanding principal repayable and accrued interest.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement.

# STATEMENT OF ACCOUNTING POLICIES

When relevant, premiums and discounts are charged to the Income and Expenditure Account in the year in which they occur.

## 20 CHANGES IN ACCOUNTING POLICIES

### 20.1 - Council Tax

Up to 2008/09 the Statement of Recommended Practice required the Council Tax income included in the Income and Expenditure Account to be the amount required under regulation to be transferred from the Collection Fund to the General Fund.

From 1 April 2009 the accounts reflect that the Council is acting as an agent of the major preceptors. The Council Tax income included in the Income and Expenditure Account is the accrued income for the year. The difference between the income included in the Income and Expenditure Accounts and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account in the Balance Sheet (previously known as Collection Fund Account) and included as a reconciling item in the Statement of Movement on the General Fund Balance.

The share of the balance due from Council tax payers and the share of the impairment allowance attributable to the precepting authorities are derecognised to reflect the agency arrangement. This is achieved by netting off the precepting authorities' share of the Council tax payers' balances and impairment allowances against their share of the collection fund balance. This net balance is split between short and long-term creditors in the Balance Sheet.

The Cash Flow Statement now includes within Revenue Activities only those cash flows relating to the Council's own share of the Council Tax net cash collected, and the amounts included in precepts paid now exclude amounts relating to major preceptors. The difference between the major preceptors' share of the net cash collected and net cash paid to major preceptors and settlement of previous years surplus or deficit on the Collection Fund is included in Management of Liquid Resources as a net increase or decrease in Other Liquid Resources.

The Core Financial Statements and relevant notes have been restated for 2008/09 to reflect the changes introduced from 1 April 2009.

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

Up to 2008/09 the Statement of Recommended Practice required the Council to include in the Balance Sheet NNDR Taxpayers' debtors and creditor balances and an impairment allowance for doubtful debts and a creditor or debtor with Central Government for the under or over payment to the national pool for the year.

From 1 April 2009 as the Council acts as agent collecting NNDR on behalf of Central Government, outstanding amounts from NNDR Payers will no longer be shown as a debtor due to the Council. Since all funds collected (less cost of collection allowance) go to the central government pool, amounts due to/from NNDR payers (less the impairment allowance) and the pool will be consolidated into one balance shown as Central Government debtor or creditor in the Balance Sheet.

The Cash Flow Statement no longer includes within Revenue Activities cash received from NNDR Rate receipts or payments to the NNDR pool. The difference between these amounts is included in Management of Liquid Resources as a net increase or decrease in Other Liquid Resources.

The Core Financial Statements and relevant notes have been restated for 2008/09 to reflect the changes introduced from 1 April 2009.

# STATEMENT OF ACCOUNTING POLICIES

## 21 REQUIREMENT TO PREPARE GROUP ACCOUNTS

The Council is required to prepare group accounts alongside its own financial statements where it has material interests in subsidiaries, associates and/or joint ventures. The Council has undergone a process of identifying its involvement with companies, voluntary organisations and other public bodies to establish whether it has interests relevant to group accounts and has established that it does not have a requirement to produce group accounts for 2009/10.

## 22 RESERVES AND PROVISIONS

### 22.1 - Reserves

Powers are given under the Local Government and Housing Act 1989 for local authorities to keep reserves for certain purposes.

The Council's reserves are shown separately in the Balance Sheet and reviewed annually to ensure adequacy. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year and is included in Net Cost of Services in the Income and Expenditure Account. The reserve is appropriated back to the General Fund Balance statement so there is no net charge against Council Tax for the expenditure. Certain reserves are kept to manage the accounting process for tangible fixed assets and retirement benefits and they do not represent useable resources for the Council, these reserves are explained under the relevant policies.

### 22.2 - Provisions

Under accounting standards and the Statement of Recommended Practice local authorities are able to make provisions. These are made when an event has taken place that gives the council an obligation that would probably require settlement to be made by transfer of economic benefits, but where the timing of that transfer is uncertain. Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When provisions are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year, and increased or decreased through the relevant service revenue account.

The Council held no provisions in either the current or previous year.

# INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the year. It includes all day-to-day expenses and related income on an accruals basis as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

<b>NET EXPEND</b>		<b>Notes</b>	<b>GROSS EXPEND</b>	<b>GROSS INCOME</b>	<b>NET EXPEND</b>
<b>Restated</b>			<b>2009/10</b>	<b>2009/10</b>	<b>2009/10</b>
<b>2008/09</b>			<b>£</b>	<b>£</b>	<b>£</b>
	<b>SERVICE EXPENDITURE</b>				
1,026,517	Central services to the public		9,517,179	(8,309,199)	1,207,980
7,421,751	Cultural, environmental, regulatory and planning services		11,833,777	(4,756,877)	7,076,900
1,124,580	Highways, roads and transport services		2,069,662	(956,261)	1,113,401
6,501,759	Housing Revenue Account		1,097,071	(6,516,853)	(5,419,782)
1,104,339	Other housing services		22,644,701	(21,597,782)	1,046,919
2,538,503	Corporate and Democratic Core		2,498,365	(14,474)	2,483,891
335,130	Non-Distributed Costs		95,880	(59,380)	36,500
<b>20,052,579</b>	<b>NET COST OF SERVICES</b>		<b>49,756,635</b>	<b>(42,210,826)</b>	<b>7,545,809</b>
	<b>EXCEPTIONAL ITEMS</b>				
0	Reimbursement of VAT	1	268,569	(1,365,725)	(1,097,156)
	<b>OTHER OPERATING EXPENDITURE</b>				
363,522	(Gain) / loss on disposal of fixed assets				(99,049)
266,004	Town council precept				266,738
446,348	Interest payable and similar charges				446,073
225,144	Contribution of Housing Pooled Capital Receipts	6			221,904
(619,406)	Interest and investment income				(125,713)
1,074,000	Pensions interest cost and expected return on pensions assets	17			1,688,000
<b>21,808,191</b>	<b>NET OPERATING EXPENDITURE</b>				<b>8,846,606</b>
	<b>SOURCES OF FINANCE</b>				
(7,004,669)	Income from the Collection Fund				(7,352,057)
(64,555)	Surplus transferred from the Collection Fund				(67,106)
(1,306,249)	General Government Grants	10			(1,479,226)
(5,531,526)	National Non-domestic Rates redistribution				(5,269,044)
<b>(13,906,999)</b>	<b>TOTAL SOURCES OF FINANCE</b>				<b>(14,167,433)</b>
<b>7,901,192</b>	<b>(SURPLUS) / DEFICIT FOR THE YEAR</b>				<b>(5,320,827)</b>

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE (SMGFB)

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However the Council is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed
- The payment of a share of housing capital receipts to the Government results in a reduction in the Income and Expenditure Account, but is met from the capital receipts balance rather than Council Tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.
- Council Tax income is accounted for on the basis of the precept on the Collection Fund and does not include any share of the surplus or deficit in Council Tax income.

The General Fund balance shows whether the Council has over or under spent against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The statement below summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance. Further information on the General Fund Balance carried forward can be found in notes 11 and 20.1 to the Core Financial Statements, on pages 30 and 49 respectively.

<b>2008/09</b>		<b>2009/10</b>	
<b>Restated</b>		<b>£</b>	<b>£</b>
<b>£</b>			
7,901,192	(Surplus) / deficit for the year on the Income and Expenditure Account, as detailed on page 18	(5,320,827)	
(8,354,795)	Net additional amount required by statute and non-statutory proper practices to be debited / (credited) to the General Fund Balance for the year, as detailed on page 20	3,886,990	
(453,603)	Increase in General Fund Balance for the year		(1,433,837)
(3,612,911)	General Fund Balance brought forward		(4,066,514)
<b>(4,066,514)</b>	<b>General Fund Balance carried forward</b>		<b>(5,500,351)</b>

# CALCULATION OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

This reconciliation provides a breakdown of the amounts which are additional to the surplus or deficit on the Income and Expenditure Account reported on page 18. These amounts are required to be credited or debited to the General Fund for the year, as shown on page 19.

2008/09 Restated £		2009/10 £                      £	
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>		
(7,067,838)	Depreciation and impairment of fixed assets	4,263,300	
(464,360)	Excess depreciation charged to Housing Revenue Account services over Major Repairs Allowance element of Housing Subsidy	(208,756)	
91,353	Government and other grants deferred amortisation	117,306	
1,834	Capital receipts arising other than from the disposal of a fixed asset	0	
(82,352)	Revenue expenditure funded from Capital Under Statute capital resources	(59,692)	
(370,549)	Net gain / (loss) on sale of fixed assets	99,344	
(2,362,000)	Net changes made for retirement benefits in accordance with FRS 17	(2,429,000)	
1,669	Amount by which Council Tax income and Residual Community Charge Adjustment included in the Income and Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	9,521	
(10,252,243)			1,792,023
	<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>		
239,415	Minimum revenue provision for capital financing	366,032	
47,804	Capital expenditure charged in year to the General Fund Balance	10,608	
(225,144)	Transfer from Useable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(221,904)	
1,838,000	Employer's contributions payable to the Pension Fund	1,707,000	
1,900,075			1,861,736
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>		
(2,627)	Housing Revenue Account balance, as detailed on page 58	233,231	
(2,627)			233,231
<b>(8,354,795)</b>	<b>Net additional amount required to be (credited) / debited to the General Fund balance for the year</b>		<b>3,886,990</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase or decrease in its net worth. In addition to the surplus or deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

For completeness, other movements in reserves and balances are shown after the total recognised gains for the year to arrive at the movement in reserves and balances for the year.

<b>2008/09</b>		<b>2009/10</b>
<b>Restated</b>		
<b>£</b>		<b>£</b>
7,901,192	(Surplus) / deficit for the year on the Income and Expenditure Account, as detailed on page 18	(5,320,827)
6,105,074	(Surplus) / deficit arising on revaluation of fixed assets, as detailed in note 20.3 on page 50	(2,808,896)
(328,000)	Actuarial (gains) / losses on pension fund assets and liabilities, as detailed in note 17.6 on page 40	6,003,000
(100,042)	Write back of revenue provision previously held on the Balance Sheet to the Statement of Movement on General Fund Balance	0
<b>13,578,224</b>	<b>Total recognised (gains) / losses for the year</b>	<b>(2,126,723)</b>

# BALANCE SHEET AS AT 31 MARCH 2010

31 March 2009 Restated £	Notes	31 March 2010 £                      £	
<b>FIXED ASSETS</b>			
93,297,574	Council dwellings	100,296,079	
28,700,787	Other land and buildings	28,154,062	
1,316,668	Vehicles, plant and equipment	1,516,868	
334,980	Infrastructure assets	322,171	
374,504	Community assets	540,694	
2,056,591	Non-operational assets	2,318,666	
126,081,104	TOTAL FIXED ASSETS		133,148,540
117,674	Long-term debtors		121,694
126,198,778	TOTAL LONG-TERM ASSETS		133,270,234
<b>CURRENT ASSETS</b>			
6,402	Stocks and work in progress	8,320	
3,469,487	Debtors	6,876,733	
8,458,757	Investments	7,215,904	
11,380	Cash and bank	7,830	
11,946,026			14,108,787
<b>CURRENT LIABILITIES</b>			
(4,574,144)	Creditors and unapplied grants	(5,186,696)	
(143,496)	Borrowing repayable within 12 months	(143,496)	
(728,794)	Bank overdraft	(134,076)	
(5,446,434)			(5,464,268)
132,698,370	TOTAL ASSETS LESS CURRENT LIABILITIES		141,914,753
<b>LONG-TERM LIABILITIES</b>			
(7,825,112)	Borrowing repayable over periods of more than 12 months	(7,825,112)	
(141,591)	Government grants deferred	(103,029)	
(1,016,602)	Other grants deferred	(1,302,958)	
(114,347)	Collection Fund	(231,213)	
(21,438,000)	Liability related to defined benefit pension scheme	(28,163,000)	
(30,535,652)			(37,625,312)
<b>102,162,718</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>104,289,441</b>
<b>BALANCES AND RESERVES</b>			
4,066,514	General Fund	5,500,351	
495,973	Housing Revenue Account	729,204	
91,583	Collection Fund Adjustment Account	101,104	
(21,438,000)	Pensions Reserve	(28,163,000)	
3,533,413	Revaluation Reserve	6,242,623	
113,966,792	Capital Adjustment Account	118,142,426	
1,434,500	Capital Receipts Reserve	1,514,500	
11,943	Deferred credits	11,869	
0	Major Repairs Reserve	210,364	
<b>102,162,718</b>	<b>NET WORTH</b>		<b>104,289,441</b>

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED 31 MARCH 2010

2008/09 Restated £	Notes	2009/10	
		£	£
<b>REVENUE ACTIVITIES</b>			
<b>Cash Outflows</b>			
11,298,349	Cash paid to and on behalf of employees	11,176,732	
266,004	Precepts paid	266,738	
11,985,045	Housing Benefit paid out	15,559,781	
2,005,118	Negative Housing Subsidy	1,972,923	
629,186	Payments to the Capital Receipts Pool	64,678	
21,229,949	Other operating cash payments	21,848,616	
47,413,651			50,889,468
<b>Cash Inflows</b>			
(1,774,558)	Rents (after rebates)	(1,811,529)	
(7,067,653)	Council Tax receipts	(7,420,343)	
(5,531,526)	Receipts from the National Non-domestic Rate pool	(5,269,044)	
(770,033)	Revenue Support Grant	(1,216,163)	
(22,836,522)	Housing Benefit Subsidy	(26,185,080)	
(1,733,534)	Other Government grants	(2,149,120)	
(3,786,220)	Cash received for goods and services	(3,898,141)	
(3,440,307)	Other operating cash receipts	(5,107,889)	
(46,940,353)			(53,057,309)
473,298	NET CASHFLOW FROM REVENUE ACTIVITIES	23	(2,167,841)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
<b>Cash Outflows</b>			
446,474	Interest paid	446,073	
<b>Cash Inflows</b>			
(613,825)	Interest received	(196,114)	
(167,351)			249,959
<b>CAPITAL ACTIVITIES</b>			
<b>Cash Outflows</b>			
2,911,369	Purchase of fixed assets	2,369,164	
<b>Cash Inflows</b>			
(299,343)	Sale of fixed assets	(375,798)	
(59,173)	Capital grants received	0	
(686,547)	Other capital cash receipts	(205,900)	
1,866,306			1,787,466
2,172,253	NET CASHFLOW BEFORE FINANCING	26 & 27	(130,416)
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
(1,650,000)	Net increase / (decrease) in short-term deposits	(550,000)	
(385,853)	Net increase / (decrease) in other liquid resources: Collection Fund accounted for by preceptors	707,573	
<b>FINANCING</b>			
<b>Cash Outflows</b>			
4,333	Repayments of amounts borrowed	0	
(2,031,520)			157,573
<b>140,733</b>	<b>(INCREASE) / DECREASE IN CASH</b>	<b>26 &amp; 27</b>	<b>27,157</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Contents

The following notes to the accounts are intended to aid the interpretation of the preceding financial statements and for ease of reference are listed below:

Note	Description of note	Page
<b>Notes relating to the Income and Expenditure Account:</b>		
1	Exceptional items . . . . .	.25
2	Building control charging account . . . . .	.25
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4	Audit costs. . . . .	.26
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# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Income and Expenditure Account

### 1 EXCEPTIONAL ITEMS

#### 1.1 - Reimbursement of VAT

The Council has received reimbursement of £1,365,725 as a result of claims submitted to HM Revenue and Customs (HMRC) to recover VAT and interest based on the House of Lords decision in the joint cases of Michael Fleming v HMRC and Conde Nast Publications Ltd v HMRC. Consultants were used to assist in the recovery of these sums at a cost of £268,569. The Council has further VAT claims currently outstanding, however it is unlikely that any of these amounts will be reimbursed to the Council.

### 2 BUILDING CONTROL CHARGING ACCOUNT

The statement below shows the total cost of providing a Building Control service, divided between chargeable and non-chargeable activities:

	Chargeable £	Non Chargeable £	Total £
<b>Expenditure</b>			
Employees	120,725	64,759	185,484
Transport related expenses	6,970	3,739	10,709
Supplies and services	2,327	1,248	3,575
Support services	106,876	57,330	164,206
<b>Total expenditure</b>	<b>236,898</b>	<b>127,076</b>	<b>363,974</b>
<b>Income</b>			
Building regulation charges	(173,111)	0	(173,111)
Miscellaneous income	0	(2,965)	(2,965)
<b>Total income</b>	<b>(173,111)</b>	<b>(2,965)</b>	<b>(176,076)</b>
<b>Deficit for the year</b>	<b>63,787</b>	<b>124,111</b>	<b>187,898</b>
<b>2008/09</b>			
<b>Expenditure</b>	248,662	143,934	392,596
<b>Income</b>	(217,582)	(2,719)	(220,301)
<b>Deficit for the year</b>	<b>31,080</b>	<b>141,215</b>	<b>172,295</b>

The Council is required to carry forward any surplus or deficit made on the chargeable account over a three year rolling period in order to try to achieve a breakeven position. The surplus or deficit is transferred to or from the Building Control Reserve provided the balance on the reserve does not go into deficit. The total over the three years from 2007/08 to 2009/10 is a deficit of £104,002. The chargeable total for the overall period since the creation of the reserve in 2001/02 is a deficit of £104,991, which has been charged to the General Fund.

### 3 DISCRETIONARY EXPENDITURE

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council's expenditure under this power was £155,076 (£148,861 in 2008/09) mainly on donations to voluntary bodies in the local area.

The Council also provided during the year a payroll service at no charge to Castle Point Association of Voluntary Services (CAVS), Canvey Island Youth Project (CIYP), Crossroads Care Castle Point and Castle Point Social Car Scheme.

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Income and Expenditure Account

### 4 AUDIT COSTS

Set out below, as required by Regulations, is the total of fees incurred relating to external audit and inspection carried out by the appointed auditor:

	2008/09 £	2009/10 £
Fees payable with regard to external audit services	131,880	133,600
Fees payable in respect of statutory inspection	6,564	9,161
Fees payable for the certification of grant claims and returns	36,750	57,286
Other audit fees	1,600	2,445
<b>Total</b>	<b>176,794</b>	<b>202,492</b>

### 5 RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions undertaken during the year with related parties. Related parties include Central Government, Members, Chief Officers, and other public or partner bodies.

Central Government effectively has control over the general operations of the Council. It is responsible for determining the statutory framework within which the Council operates, provides funding to the Council in the form of grants and prescribes the terms of many transactions that the Council has with other parties (e.g. Housing Benefits). Details of Central Government transactions are set out in note 30.

Essex County Council, Essex Police Authority, Essex Fire Authority and Canvey Island Town Council issue precepts on the Council who acts as a collecting agent on their behalf. Details of the transactions with the Precepting Authorities are set out in the Collection Fund Statement and accompanying notes.

Essex County Council Pension Fund is administered by Essex County Council and admits employees from Castle Point Borough Council. Details of Pension Fund transactions are set out in note 17.

The Council undertook capital projects during the year funded by agreements with the East of England Development Agency (EEDA) and the Homes and Communities Agency (HCA), as detailed in note 12.

During the year, transactions with related parties which are not disclosed elsewhere within the statement of accounts were as follows:

	2008/09		2009/10	
	Receipts £	Payments £	Receipts £	Payments £
<b>Castle Point Golf &amp; Leisure Ltd</b>	0	10,500	0	10,500

Mr W Sharp is a Director of Castle Point Golf & Leisure Ltd. The company surrendered the golf driving range lease to the Council in June 2001. The agreement provided for payments to be made to the company over a period of 15 years. Mr Sharp served as an elected Councillor during part of 2009/10, but was suspended from that position in January 2010.

### 6 HOUSING CAPITAL RECEIPTS PAID TO GOVERNMENT POOL

The Council is required to pay a proportion (75%) of specified housing related capital receipts into a Government pool for redistribution. The amounts paid to the pool are disclosed as expenditure after Net Cost of Services. To ensure that no charge is made against Council Tax the deficit is reversed out in the Statement of Movement on the General Fund Balance.

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Income and Expenditure Account

### 7 MEMBERS' ALLOWANCES

Set out below, as required by Regulations, is the total of Members' Allowances paid in the year:

	2008/09 £	2009/10 £
Basic Allowance	151,624	144,303
Special Responsibility Allowance	125,180	113,486
Travel	8,167	8,317
Conference	45	0
Mayor's Allowance	6,137	6,137
Deputy Mayor's Allowance	2,888	2,888
<b>Total</b>	<b>294,041</b>	<b>275,131</b>

### 8 OFFICERS' EMOLUMENTS

Regulations require disclosure of the numbers of staff whose remuneration exceeded £50,000. These are required to be shown in bands of £5,000.

The Regulations define remuneration as:

- all sums paid to or receivable by an employee (gross pay before the deduction of pension contributions);
- compensation for loss of office and any other payments receivable on termination of employment;
- expense allowances chargeable to tax (such as professional subscriptions and car allowances as declared on form P11D);
- the money value of benefits received by an employee otherwise than in cash (such as cars as declared on form P11D).

The numbers of staff whose remuneration fell within the following ranges were:

Remuneration band	2008/09		2009/10
	Total	Left during year	
£50,000 - £54,999	2	0	2
£55,000 - £59,999	1	0	2
£60,000 - £64,999	2	0	2
£65,000 - £69,999	3	1	3
£70,000 - £74,999	1	0	1
£75,000 - £79,999	2	2	0
£85,000 - £89,999	1	0	0
£95,000 - £99,999	0	0	1
£100,000 - £104,999	1	0	0
£105,000 - £109,999	1	0	1
£110,000 - £114,999	1	1	0
£155,000 - £159,999	1	0	0
£165,000 - £169,999	0	0	1
<b>Total</b>	<b>16</b>	<b>4</b>	<b>13</b>

Bandings with no relevant employees in them have not been included.

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Income and Expenditure Account

New regulations, effective from 31st March 2010, require the following additional remuneration information for those senior employees responsible for the management of the Council to be disclosed.

The senior employees disclosed below are also included in the Remuneration bandings on the previous page. However the figures shown below also include Employer's pension contributions paid by the Council, which are not included in the amounts used in the bandings on the previous page. The Employer's pension contributions are not paid directly to senior employees, but instead represent the proportion of the Council's contribution to the Essex County Council Pension Fund which can be related to those employees. The amounts stated are determined by the Pension Fund Actuary.

Post holder information	Salary (including fees and allowances)		Expense allowances	
	2008/09	2009/10	2008/09	2009/10
	£	£	£	£
Chief Executive - David Marchant (note 2)	147,933	163,403	0	0
Strategic Director	102,148	105,378	151	152
Strategic Director	100,213	97,117	0	0
Director of Community Services (note 3)	31,224	0	0	0
Director of Environment and Community Services (note 4)	83,887	64,910	0	0
Assistant Chief Executive	63,274	65,803	0	0
Head of Resources	68,515	69,920	35	0
Head of Customer Services	61,493	64,540	0	0
Head of Regeneration and Homes	71,406	69,899	815	1,227
Head of Environment and Community Services (note 5)	0	21,828	0	0
<b>Total</b>	<b>730,093</b>	<b>722,798</b>	<b>1,001</b>	<b>1,379</b>

Post holder information	Compensation for loss of office		Benefits in kind (e.g. Car Allowance)	
	2008/09	2009/10	2008/09	2009/10
	£	£	£	£
Chief Executive - David Marchant (note 2)	0	0	9,020	2,101
Strategic Director	0	0	4,466	0
Strategic Director	0	0	0	1,982
Director of Community Services (note 3)	81,170	0	446	0
Director of Environment and Community Services (note 4)	0	0	4,898	2,756
Assistant Chief Executive	0	0	2,978	2,978
Head of Resources	0	0	0	0
Head of Customer Services	0	0	2,773	0
Head of Regeneration and Homes	0	0	0	0
Head of Environment and Community Services (note 5)	0	0	0	0
<b>Total</b>	<b>81,170</b>	<b>0</b>	<b>24,581</b>	<b>9,817</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Income and Expenditure Account

Post holder information	Total remuneration excluding pension contributions		Employer's pension contributions (note 1)	
	2008/09	2009/10	2008/09	2009/10
	£	£	£	£
Chief Executive - David Marchant (note 2)	156,953	165,504	17,835	20,789
Strategic Director	106,765	105,530	12,364	13,322
Strategic Director	100,213	99,099	12,108	12,676
Director of Community Services (note 3)	112,840	0	140,845	0
Director of Environment and Community Services (note 4)	88,785	67,666	11,309	5,822
Assistant Chief Executive	66,252	68,781	8,289	8,620
Head of Resources	68,550	69,920	8,972	9,156
Head of Customer Services	64,266	64,540	8,056	8,455
Head of Regeneration and Homes	72,221	71,126	9,353	9,156
Head of Environment and Community Services (note 5)	0	21,828	0	2,860
<b>Total</b>	<b>836,845</b>	<b>733,994</b>	<b>229,131</b>	<b>90,856</b>

Post holder information	Total remuneration including pension contributions	
	2008/09	2009/10
	£	£
Chief Executive - David Marchant (note 2)	174,788	186,293
Strategic Director	119,129	118,852
Strategic Director	112,321	111,775
Director of Community Services (note 3)	253,685	0
Director of Environment and Community Services (note 4)	100,094	73,488
Assistant Chief Executive	74,541	77,401
Head of Resources	77,522	79,076
Head of Customer Services	72,322	72,995
Head of Regeneration and Homes	81,574	80,282
Head of Environment and Community Services (note 5)	0	24,688
<b>Total</b>	<b>1,065,976</b>	<b>824,850</b>

### Explanatory notes:

- Note 1 - Employer's pension contributions are not paid directly to any of the senior employees but are instead paid to the ECC Pension Fund.
- Note 2 - The amounts paid to the Chief Executive include remuneration paid to him for his statutory duty as Returning Officer for conducting elections. The total cost paid for this function, including a contribution to the ECC pension fund, was £7,634 in 2008/09 and £8,366 in 2009/10.
- Note 3 - The Director of Community Services retired on the 8th August 2008 as part of a restructure process. The post was deleted and all associated duties were reassigned to other posts, primarily the Head of Regeneration and Homes and the Director of Environment and Community Services.
- Note 4 - The Director of Environment and Community Services reduced from a full time to a part time position on the 1st June 2009. The duties from this post were primarily reassigned to a newly created post of Head of Environment and Community Services.
- Note 5 - The Head of Environment and Community Services commenced employment on 7th December 2009. This employee is not included in the remuneration banding for 2009/10 as the remuneration paid in the year did not exceed £50,000. The annualised remuneration for 2009/10 for this employee would be £67,564 (£76,414 including employer's pension contribution).

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Income and Expenditure Account

### 9 PUBLICITY EXPENDITURE

Set out below are details of spending on publicity:

	2008/09 £	2009/10 £
<b>General Fund</b>		
- Staff recruitment	19,143	17,957
- Council newspaper: Viewpoint	33,995	35,526
- Other advertising and publicity expenditure	38,564	25,412
<b>Housing Revenue Account</b>		
- Staff recruitment	1,833	7,547
- Other advertising and publicity expenditure	398	2,950
<b>Total</b>	<b>93,933</b>	<b>89,392</b>

### 10 GENERAL GOVERNMENT GRANTS

A breakdown by individual item of the grants included in the General Government Grants line on the Income and Expenditure Account is as follows:

Grant name	2008/09 Restated £	2009/10 £
Revenue Support Grant	770,033	1,216,163
Local Authority Business Growth Incentive Scheme Grant	222,810	40,879
Area Based Grant: Stronger and Safer Communities	106,647	106,647
Area Based Grant: Climate Change	22,500	22,500
Area Based Grant: Environmental Damage Regulations	0	311
Housing and Planning Delivery Grant	184,259	92,726
<b>Total</b>	<b>1,306,249</b>	<b>1,479,226</b>

The Statement of Recommended Practice (SORP) now requires Housing and Planning Delivery grant to be shown within General Government Grants on the Income and Expenditure Account. Previously it was reported as part of the Net Cost of Services, specifically within the Cultural, Environmental, Regulatory and Planning services line. The figures for 2008/09 have been restated to reflect this change, however it has no effect on the overall surplus/deficit reported on the Income and Expenditure Account.

### 11 STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

As shown on pages 3 and 19, the increase in the General Fund balance at the end of the financial year was £1,433,837. Of this balance, £949,100 will be carried forward to match commitments taken into the new financial year. The resulting under spend of £484,737 compares favourably with the planned under spend of £255,311.

The Council's objective set for 2009/10 was to maintain General Fund balances at a minimum level of £1,200,000. For 2010/11 this minimum level has been recalculated as £1,100,000. In addition to the general reserve on the General Fund, the Council also budgeted for additional amounts in earmarked reserves for specific purposes. The balance remaining at 31 March 2010 in each of these reserves will be carried forward into the new financial year. Details of the General Fund reserves are set out in note 20 on page 49.

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Balance Sheet

### 12 FIXED ASSETS

#### 12.1 - Intangible fixed assets

The Council does not hold any intangible fixed assets.

#### 12.2 - Tangible fixed assets

The Council has re-appointed Chartered Surveyors Wilks Head and Eve to carry out a further phased revaluation over a five-year period of the freehold and leasehold land and properties that comprise the Council's property portfolio (excluding Council houses). The fifth and final phase of the current revaluation took place in April 2009, when assets were valued as at 1 April 2009. The valuations provided were in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, except that not all the properties were inspected. This was neither practicable nor considered by the valuer to be necessary for the purpose of the valuations. External visual inspections were carried out on all of these properties, however a detailed inspection was carried out on certain properties where necessary.

Plant and machinery that is considered to form part of the building or service installation is included in the valuation. Properties regarded by the Council as operational were valued at existing use value or where this could not be assessed because there was no market for the subject asset, depreciated replacement cost. Properties regarded as non-operational have been valued at market value.

The Council also appointed Chartered Surveyors Wilks Head and Eve to carry out a desktop revaluation of the Council's housing assets as at 1 April 2009, the valuation took place during April 2009.

Housing Revenue Account properties were valued at existing use value for social housing or existing use value using a beacon approach. This approach involves selecting individual properties for valuation as being representative of a group of properties.

#### 12.3 - Numbers of major tangible fixed assets owned by the Council

Asset Category	31/3/09 Number	31/3/10 Number
Council dwellings	1,539	1,537
Council garages	432	432
Council offices	3	3
Depots and workshops	2	2
Public conveniences	7	7
Off-street car parks	12	12
Leisure centres including pools	2	2
Civic halls	6	5
Heritage Centre	1	1
Open spaces including recreation grounds	39	40
Golf course, including driving range and shop	3	3
Cemeteries	4	4
Allotment sites	6	6
<b>Total</b>	<b>2,056</b>	<b>2,054</b>

Movements during 2009/10 relate to:

- Council Dwellings: 3 properties were sold during 2009/10, and a four bedroom house was converted into 2 three bedroom properties, resulting in a net decrease of 2 properties.
- Civic halls: decrease of 1, arising from the sale of Richmond Hall.
- Open spaces including recreation grounds: increase of 1, arising from the purchase of West Wood.

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Balance Sheet

### 12.4 - Fixed assets movements during the year

Operational Assets	Council Dwellings £	Other Land and Buildings £	Vehicles, Plant and Equipment £	Infra- structure £	Community Assets £	Total Operational Assets £
<b>Cost or valuation (Gross Book Value)</b>						
<b>1 April 2009</b>	93,297,574	30,121,715	1,845,507	343,969	374,504	125,983,269
Additions	900,149	12,149	480,106	0	200,100	1,592,504
Disposals	(200,047)	0	0	0	0	(200,047)
Reclassifications	0	(261,613)	0	0	0	(261,613)
Revaluations	6,298,403	209,451	0	0	(33,910)	6,473,944
<b>31 March 2010</b>	<b>100,296,079</b>	<b>30,081,702</b>	<b>2,325,613</b>	<b>343,969</b>	<b>540,694</b>	<b>133,588,057</b>
<b>Depreciation and Impairments</b>						
<b>1 April 2009</b>	0	(1,420,928)	(528,839)	(8,989)	0	(1,958,756)
Charge in year	(1,319,270)	(545,933)	(279,906)	(12,809)	0	(2,157,918)
Disposals	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Revaluations	1,319,270	39,221	0	0	0	1,358,491
<b>31 March 2010</b>	<b>0</b>	<b>(1,927,640)</b>	<b>(808,745)</b>	<b>(21,798)</b>	<b>0</b>	<b>(2,758,183)</b>
<b>Balance Sheet Amount (Net Book Value)</b>						
<b>1 April 2009</b>	<b>93,297,574</b>	<b>28,700,787</b>	<b>1,316,668</b>	<b>334,980</b>	<b>374,504</b>	<b>124,024,513</b>
<b>31 March 2010</b>	<b>100,296,079</b>	<b>28,154,062</b>	<b>1,516,868</b>	<b>322,171</b>	<b>540,694</b>	<b>130,829,874</b>

### 12.5 - Analysis of Government Deferred Grants and Other Deferred Grants

Grants which are received towards the costs of fixed assets are amortised across the life of the relevant assets. The amount held on the balance sheet represents the amount to be amortised in future years.

	2008/09 Government £	2008/09 Other £	2009/10 Government £	2009/10 Other £
<b>Balance as at 1 April</b>	292,642	524,321	141,591	1,016,602
Amount received in year	54,081	545,071	0	365,100
Amount amortised in year	(205,132)	(52,790)	(38,562)	(78,744)
<b>Balance as at 31 March</b>	<b>141,591</b>	<b>1,016,602</b>	<b>103,029</b>	<b>1,302,958</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Balance Sheet

Non-Operational Assets	Investment Properties	Surplus Assets	Total Non-Operational Assets	Total Assets
	£	£	£	£
<b>Cost or valuation (Gross Book Value)</b>				
<b>1 April 2009</b>	2,306,705	80,496	2,387,201	128,370,470
Additions	(1,542)	0	(1,542)	1,590,962
Disposals	(1)	(80,000)	(80,001)	(280,048)
Reclassifications	262,108	(495)	261,613	0
Revaluations	80,477	0	80,477	6,554,421
<b>31 March 2010</b>	<b>2,647,747</b>	<b>1</b>	<b>2,647,748</b>	<b>136,235,805</b>
<b>Depreciation and Impairments</b>				
<b>1 April 2009</b>	(328,324)	(2,286)	(330,610)	(2,289,366)
Charge in year	(106,903)	(1,309)	(108,212)	(2,266,130)
Disposals	0	3,595	3,595	3,595
Reclassifications	0	0	0	0
Revaluations	106,145	0	106,145	1,464,636
<b>31 March 2010</b>	<b>(329,082)</b>	<b>0</b>	<b>(329,082)</b>	<b>(3,087,265)</b>
<b>Balance Sheet Amount (Net Book Value)</b>				
<b>1 April 2009</b>	<b>1,978,381</b>	<b>78,210</b>	<b>2,056,591</b>	<b>126,081,104</b>
<b>31 March 2010</b>	<b>2,318,665</b>	<b>1</b>	<b>2,318,666</b>	<b>133,148,540</b>

### 12.6 - Impairment review

For the 2008/09 accounts an impairment review of the Council's property portfolio, by reference to market prices indexes, was carried out by Wilks Head and Eve during April 2009 providing valuations as at 31 March 2009. The valuer considered that the general effects of the economic market constituted so significant an effect as to require an impairment of the assets. The most substantial impairment was on Housing Revenue Account properties, which were impaired by 15.3%. Other classes of assets were impaired by much lower percentages, between 2.5% and 5.0%

A similar review was carried out by the valuers during April 2010 providing valuations as at 31 March 2010. The review concluded that the Housing Revenue Account property values had increased by 7.5%, and this has been accounted for in the asset valuations included on the balance sheet. There were no material changes in value from impairment for other classes of assets previously impaired.

Further information on the Housing Revenue Account impairments and reversals can be found in note 7 to the Housing Revenue Account, on page 60.

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Balance Sheet

### 12.7 - Main items of capital expenditure

	2008/09 restated £	2009/10 £
Council house improvements	1,150,195	900,149
Disabled Facilities and other home improvement grants	355,652	373,463
Playground and Leisure equipment	355,355	267,109
Purchase of West Wood	0	200,100
Purchase of Hadleigh fire station	0	506,996
Canvey Island seafront	453,347	13,944
Other Regeneration projects	43,533	158,569
Vehicle replacement programme	375,478	212,997
<b>Total</b>	<b>2,733,560</b>	<b>2,633,327</b>

Grant funding from the Homes and Communities Agency (HCA) was secured at the end of 2009/10 and was paid over to Essex County Council (ECC) in order to fund the purchase of the former fire station in Hadleigh town centre. This building will be used in conjunction with the 2012 Olympics. The asset will not appear on the Council's balance sheet as it is owned by ECC.

The works to Canvey Seafront in 2008/09 and 2009/10 were funded through an agreement with the East of England Development Agency (EEDA), with the exception of £3,356 of expenditure in 2009/10 which was funded by the Council through the use of Local Authority Business Growth Incentive grant (LABGI).

The other regeneration projects expenditure related to:

- Canvey Island Masterplan (£30,000 in 2008/09 and £131,502 in 2009/10), funded through agreements with both EEDA and the HCA, with the exception of £11,910 of expenditure in 2009/10 which was funded by the Council through the use of Local Authority Business Growth Incentive grant (LABGI);
- Expenditure incurred for studies in connection with planned industrial estate refurbishments (£13,533 in 2008/09 and £27,067 in 2009/10), fully funded by the HCA.

### 12.8 - Commitments under capital contracts

At the end of 2009/10 the Council had committed the following sums for capital expenditure in future years:

- Playgrounds: £75,000 to be spent in 2010/11 for the completion of three sites where works had commenced in 2009/10;
- Council house improvements: at least £250,000 and up to £500,000 each year from 2010/11 to 2012/13 for kitchen and bathroom replacements, and at least £50,000, and up to £100,000 each year from 2010/11 to 2011/12 for disabled adaptations. Further amounts in addition to these commitments are expected to be spent;
- Disabled Facilities grants: £130,000 to be spent in 2010/11 on disabled adaptations. Further amounts in addition to these commitments are expected to be spent;
- Regeneration Projects: An additional £1,103,000 of Homes and Communities Agency (HCA) grant funding has been secured for the provision of regeneration schemes in 2010/11, including a regeneration masterplan for Hadleigh town centre, Rectory Road toilet block refurbishment and CCTV schemes in Hadleigh, and industrial estate works and CCTV schemes on Canvey Island. Payments in advance were made on these contracts at the end of 2009/10.

Additional capital expenditure is budgeted to be spent in 2010/11 in these and other areas, but has not yet been contracted for.

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Balance Sheet

### 12.8 - Financing of capital expenditure

The financing of capital expenditure is shown in terms of the capital financing requirement, in line with the Prudential Code.

	2008/09 £	2009/10 £
<b>Opening Capital Financing Requirement</b>	7,305,651	7,543,790
<b>Capital Investment</b>		
Revenue expenditure funded from capital under statute	444,528	891,522
Operational assets	2,297,164	1,590,962
Capital expenditure not resulting in fixed assets	175,483	174,702
Sources of Finance		
Capital receipts	(76,881)	(73,968)
Government grants and other contributions	(1,852,718)	(1,424,683)
Government grants and other contributions funding capital under statute	(362,176)	(831,830)
Sums set aside from revenue or charged to revenue	(387,261)	(432,426)
<b>Closing Capital Financing Requirement</b>	<b>7,543,790</b>	<b>7,438,069</b>
<b>Explanation of movements in year</b>		
Increase / (decrease) in underlying need to borrow (unsupported by Government financial assistance)	238,139	(105,721)
<b>Increase / (decrease) in Capital Financing Requirement</b>	<b>238,139</b>	<b>(105,721)</b>

### 13 DEBTORS

	31/3/09 restated £	31/3/10 £
<b>Amounts falling due within one year</b>		
Government departments	484,722	1,783,189
HM Revenue and Customs (HMRC)	211,200	207,496
Essex County Council (ECC)	381,434	453,619
Council Tax payers	208,026	231,571
Housing rents	253,432	261,019
Housing benefit overpayments	794,187	862,348
Sundry debtors	1,356,074	2,448,239
Prepayments	536,702	1,444,493
<b>Total short-term debtors before provisions</b>	<b>4,225,777</b>	<b>7,691,974</b>
<b>Less provisions for bad and doubtful debts</b>		
Sundry debtors - General Fund	(176,598)	(209,314)
Housing rents	(100,496)	(129,547)
Housing benefit overpayments	(351,922)	(325,857)
Council Tax payers	(127,274)	(150,523)
<b>Net short-term debtors</b>	<b>3,469,487</b>	<b>6,876,733</b>
<b>Amounts falling due after one year</b>		
Mortgages	11,943	11,869
Housing Associations	14,014	13,981
Charge on property re section 189 works	91,717	95,844
<b>Long-term debtors</b>	<b>117,674</b>	<b>121,694</b>
<b>Total</b>	<b>3,587,161</b>	<b>6,998,427</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Balance Sheet

### 14 STOCKS AND WORK IN PROGRESS

The value of stock held by the Council at 31 March 2010 was £8,320 (£6,402 restated at 31 March 2009). Stock is valued at the lower of cost or net realisable value. There was no work in progress at 31 March 2010.

### 15 CREDITORS AND UNAPPLIED GRANTS

	<b>31/3/09 restated £</b>	<b>31/3/10 £</b>
Government departments	639,273	172,802
HM Revenue and Customs (HMRC)	199,630	211,653
Essex County Council (ECC)	1,010,410	760,051
Council Tax payers	78,243	89,239
Housing rents	83,075	59,588
Sundry creditors	1,848,651	1,905,387
Unapplied grants	714,862	1,987,976
<b>Total</b>	<b>4,574,144</b>	<b>5,186,696</b>

Unapplied grants represents those amounts of grant for which corresponding expenditure has not yet been incurred.

### 16 LEASES

#### 16.1 - Disclosure by lessee

The amounts paid under operating leases during the year were as follows:

	<b>2008/09 £</b>	<b>2009/10 £</b>
Land and buildings	1,021,413	851,112
Vehicles, plant and equipment	150,001	63,884
<b>Total</b>	<b>1,171,414</b>	<b>914,996</b>

The Council was committed at 31 March 2010 to making payments of £701,064 under operating leases during 2010/11, as follows:

	<b>Land and Buildings</b>		<b>Vehicles, Plant and Equipment</b>	
	<b>31/3/09 £</b>	<b>31/3/10 £</b>	<b>31/3/09 £</b>	<b>31/3/10 £</b>
Leases expiring within 1 year	264,636	101,546	0	0
Leases expiring between 2 and 5 years	597,968	568,765	37,656	30,753
Leases expiring after 5 years	31,481	0	0	0
<b>Total</b>	<b>894,085</b>	<b>670,311</b>	<b>37,656</b>	<b>30,753</b>

#### 16.2 - Disclosure by lessor

The Council received rental income to the value of £341,534 in 2009/10 (£331,167 in 2008/09) for assets that are leased to third parties. The gross value of land and building assets held by the Council for use as operating leases was £3,291,762. These were subject to depreciation of £110,771 to 31 March 2010 (for 2008/09 the gross value was £3,163,810 and depreciation was £105,547).

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Balance Sheet

### 17 RETIREMENT BENEFITS AND NET PENSION LIABILITY

#### 17.1 - Participation in pension schemes

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make future payments which need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS) administered by Essex County Council (ECC). This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets over the long term.

#### 17.2 - Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Statement of Movement in the General Fund Balance.

The following transactions have been made in the Income and Expenditure Account and the Statement of Movement on the General Fund Balance during the year:

	2008/09 £	2009/10 £
<b>Income and Expenditure Account</b>		
Net Cost of Services		
- current service costs	1,104,000	739,000
- curtailment costs	184,000	2,000
Net Operating Expenditure		
- expected return on assets	(2,847,000)	(2,175,000)
- interest on pension liabilities	3,921,000	3,863,000
<b>Net charge to the Income and Expenditure Account</b>	<b>2,362,000</b>	<b>2,429,000</b>
<b>Statement of Movement on the General Fund Balance</b>		
Reversal of net charges made for retirement benefits in accordance with FRS 17	(2,362,000)	(2,429,000)
Employer's contributions payable to the scheme	1,838,000	1,707,000
<b>Net change on Statement of Movement on the General Fund Balance</b>	<b>(524,000)</b>	<b>(722,000)</b>

In addition to recognised gains and losses included in Income and Expenditure Account, actuarial losses of £6,003,000 (actuarial gains of £328,000 in 2008/09) were included in the Statement of Total Recognised Gains and Losses (STRGL), as shown on page 21. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses since 2005/06 is £9,235,000.

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Balance Sheet

### 17.3 - Assets and liabilities in relation to retirement benefits

#### 17.3.1 - Reconciliation of present value of the scheme liabilities

	2008/09 £	2009/10 £
<b>Balance as at 1 April</b>	<b>64,895,000</b>	<b>55,305,000</b>
Current service costs	1,104,000	739,000
Interest cost	3,921,000	3,863,000
Contributions by scheme participants	431,000	411,000
Actuarial (gains) / losses on liabilities	(12,463,000)	15,571,000
Benefits paid	(2,767,000)	(2,942,000)
Curtailments	184,000	2,000
<b>Balance as at 31 March</b>	<b>55,305,000</b>	<b>72,949,000</b>

#### 17.3.2 - Reconciliation of fair value of the scheme assets

	2008/09 £	2009/10 £
<b>Balance as at 1 April</b>	<b>43,653,000</b>	<b>33,867,000</b>
Expected rate of return	2,847,000	2,175,000
Actuarial gains / (losses) on assets	(12,135,000)	9,568,000
Employer contributions	1,838,000	1,707,000
Contributions by scheme participants	431,000	411,000
Benefits paid	(2,767,000)	(2,942,000)
<b>Balance as at 31 March</b>	<b>33,867,000</b>	<b>44,786,000</b>

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

The actual gain on scheme assets in the year was 35.1% (21.4% loss in 2008/09).

### 17.4 - Scheme history

The liability shows the underlying commitment that the Council has in the long run to pay future retirement benefits. The net liability of £28,163,000 has a substantial impact on the net worth of the Council recorded in the Balance Sheet, as shown on page 22.

Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The pension fund is reviewed tri-annually. The next review is due to be undertaken during 2010/11, to provide a valuation of the fund as at 1 April 2010.

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Balance Sheet

The total contributions expected to be made to the pension scheme by the Council in the year to 31 March 2011 is £1,789,000.

	2005/06 £	2006/07 £	2007/08 £	2008/09 £	2009/10 £
Present value of liabilities	(60,091,000)	(59,774,000)	(64,895,000)	(55,305,000)	(72,949,000)
Fair value of assets	43,480,000	46,449,000	43,653,000	33,867,000	44,786,000
<b>Scheme deficit</b>	<b>(16,611,000)</b>	<b>(13,325,000)</b>	<b>(21,242,000)</b>	<b>(21,438,000)</b>	<b>(28,163,000)</b>

The Council has elected not to restate the fair value of scheme assets for 2005/06 as permitted by FRS 17 (as revised). Restatement results in a decrease of the assets of only 0.1%.

### 17.5 - Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The ECC Pension Fund liabilities have been assessed by Mercer Limited, an independent firm of actuaries. Estimates for the ECC Pension Fund are based on the latest full valuation of the scheme as at 1 April 2007, amended for updated expectations in subsequent years.

The principal assumptions used by the actuary have been:

	2008/09 %	2009/10 %
Long-term expected rate of return on assets in the scheme		
- equity	7.5	7.5
- Government bonds	4.0	4.5
- other bonds	6.0	5.2
- property	6.5	6.5
- cash/liquidity	0.5	0.5
Rate of inflation	3.3	3.3
Rate of increase in salaries	4.8	4.8
Rate of increase in pensions	3.3	3.3
Rate for discounting scheme liabilities	7.1	5.6
Take-up of option to convert annual pension into retirement lump sum	50	50
	<b>Years</b>	<b>Years</b>
Mortality assumptions		
- Longevity at 65 for current pensioners		
- Men	22.0	22.1
- Women	24.9	25.0
- Longevity at 65 for future pensioners		
- Men	23.1	23.1
- Women	25.9	25.9

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Balance Sheet

Assets in the ECC Pension Fund are valued at fair value, (principally market value, and bid value for investments) and consist of the following categories, by proportion to the total assets held by the fund:

	Fair value 31/3/09		Fair value 31/3/10	
	£	%	£	%
Equities	25,231,000	74.5	30,230,000	67.5
Government bonds	2,946,000	8.7	3,538,000	7.9
Other bonds	1,795,000	5.3	4,479,000	10.0
Property	3,319,000	9.8	4,165,000	9.3
Cash/liquidity	576,000	1.7	2,374,000	5.3
<b>Total</b>	<b>33,867,000</b>	<b>100.0</b>	<b>44,786,000</b>	<b>100.0</b>

### 17.6 - History of experience for gains and losses

The actuarial gains identified as movements on the Pension Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

	2005/06		2006/07		2007/08 Restated		2008/09		2009/10	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Differences between the expected and actual gains / (losses) on assets:	6,802	15.6	518	1.1	(5,666)	(13.0)	(12,135)	(35.8)	9,568	(21.4)
Differences between actuarial assumptions about liabilities and actual experience:	(1,122)	(1.9)	0	0	1,791	2.8	12,463	22.5	(15,571)	(21.3)
Changes in demographic and financial assumptions used to estimate liabilities:	(4,353)	(7.2)	2,758	4.6	(4,288)	(6.6)	0	0	0	0
<b>Total gains / (losses):</b>	<b>1,327</b>		<b>3,276</b>		<b>(8,163)</b>		<b>328</b>		<b>(6,003)</b>	

Further information can be found in Essex County Council's Pension Fund Annual Report, which is available on the Essex County Council website ([www.essexcc.gov.co.uk](http://www.essexcc.gov.co.uk)) or upon request from Essex County Council, Strategic Finance, PO Box 11, County Hall, Chelmsford, Essex, CM1 1LX, (telephone 01245 431412; e-mail [pensions.investments.web@essexcc.gov.uk](mailto:pensions.investments.web@essexcc.gov.uk)).

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Balance Sheet

### 18 FINANCIAL INSTRUMENTS

#### 18.1 - Nature of financial instruments, and financial instruments balances

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another, and is settled in exchange for cash or equivalent. For the Council this means that all borrowings and investments, trade payable and receivables, cash and overdrafts are recognised as financial instruments. Statutory amounts that do not arise under contracts are not accounted for as financial instruments. This includes amounts such as council tax debt, National Insurance and VAT.

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31/3/09 £	31/3/10 £	31/3/09 £	31/3/10 £
Financial liabilities (principal amount) at amortised cost	7,825,112	7,825,112	0	0
Accrued interest	0	0	143,496	143,496
<b>Total borrowings at amortised cost</b>	<b>7,825,112</b>	<b>7,825,112</b>	<b>143,496</b>	<b>143,496</b>
Loans and receivables	0	0	8,458,757	7,215,904
<b>Total investments</b>	<b>0</b>	<b>0</b>	<b>8,458,757</b>	<b>7,215,904</b>

Under accounting requirements the financial instrument value as shown in the balance sheet includes the principal amount borrowed plus accrued interest. Accrued interest of £143,496, although relating to long-term and current liabilities, is due within one year. An analysis of the maturity profile of borrowing is shown in note 18.5.5.

#### 18.2 - Financial instruments gains / losses

The gains and losses recognised in the Income and Expenditure Account in relation to financial instruments are made up as follows:

	Financial Liabilities measured at amortised cost	
	2008/09 £	2009/10 £
Interest expense	(446,348)	(446,073)
<b>Interest payable and similar charges for the year</b>	<b>(446,348)</b>	<b>(446,073)</b>

	Financial Assets Loans and receivables	
	2008/09 £	2009/10 £
Interest income	619,406	125,713
<b>Interest and investment income for the year</b>	<b>619,406</b>	<b>125,713</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Balance Sheet

### 18.3 - Fair value of Assets and Liabilities carried at Amortised Cost

Loans and receivables are carried on 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:

- For loans from the Public Works Loan Board (PWLB) and other loans payable, premature repayment rates from PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months the fair value is taken to be the principal outstanding plus accrued interest.
- The fair value of trade debtors and creditors is taken to be the invoiced or billed amount.
- Cash and bank assets and bank overdraft liability are held without notice, and therefore fair value and carrying value are the same.

Details of Principal amount, Carrying amount and Fair value are shown below:

	Interest rates	Principal Amount 31/3/10 £	Carrying Amount 31/3/10 £	Fair Value 31/3/10 £
	%			
PWLB debt	3.7 – 9.375	7,825,112	7,968,608	8,234,161
<b>Total debt</b>		<b>7,825,112</b>	<b>7,968,608</b>	<b>8,234,161</b>
Creditors		2,157,166	2,157,166	2,157,166
Bank overdraft		134,076	134,076	134,076
<b>Total financial liabilities</b>		<b>10,116,354</b>	<b>10,259,850</b>	<b>10,525,403</b>
Investments less than 1 year		7,211,798	7,215,904	7,215,904
Trade debtors		3,482,201	3,482,201	3,482,201
Cash and bank		7,830	7,830	7,830
<b>Total investment and receivables</b>		<b>10,701,829</b>	<b>10,705,935</b>	<b>10,705,935</b>

	Interest rates	Principal Amount 31/3/09 Restated £	Carrying Amount 31/3/09 Restated £	Fair Value 31/3/09 Restated £
	%			
PWLB debt	3.7 – 9.375	7,825,112	7,968,608	8,518,126
<b>Total debt</b>		<b>7,825,112</b>	<b>7,968,608</b>	<b>8,518,126</b>
Creditors		2,283,685	2,283,685	2,283,685
Bank overdraft		728,794	728,794	728,794
<b>Total financial liabilities</b>		<b>10,837,591</b>	<b>10,981,087</b>	<b>11,530,605</b>
Investments less than 1 year		8,380,122	8,458,757	8,458,757
Trade debtors		1,429,778	1,429,778	1,429,778
Cash and bank		11,380	11,380	11,380
<b>Total investment and receivables</b>		<b>9,821,280</b>	<b>9,899,915</b>	<b>9,899,915</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Balance Sheet

The figures quoted for debtors and creditors exclude statutory amounts such as Council Tax and also prepayments and receipts in advance.

The Council's portfolio of loans includes a number of fixed rate loans which were taken out when interest rates were higher than those available for similar loans at the Balance Sheet date. Should the Council wish to settle these loans earlier than current terms, a premium or penalty charge will be payable to the lender. Conversely, where the Council has loans with rates lower than current market rates, earlier settlement of these will attract a discount. The net effect of these factors has resulted in a higher fair value amount for financial liabilities.

All investments and receivables are shown at amortised cost which is the same as the fair value as they are all short term. The carrying amount includes accrued interest.

### 18.4 - Analysis of investments

The Council had surplus funds of £7,211,798 as at 31 March 2010 (£8,380,122 as at 31 March 2009), invested as shown below:

		£
Local Authorities:	Midlothian Council	1,000,000
Money Market Funds:	Goldman Sachs Sterling Liquid Resources Fund	2,000,000
	BlackRock Sterling Liquidity First Fund	1,100,000
	Scottish Widows Sterling Liquidity Fund	1,000,000
Banks:	Barclays Bank plc	1,000,000
	The Co-operative Bank plc	1,111,750
UK Government:	Consolidated Loan Stock	48
		<b>7,211,798</b>

The carrying and fair value amounts for investments are higher than the principal amount due to the inclusion of accrued interest of £4,106 which is not reflected in the above amounts.

### 18.5 - Disclosure of nature and extent of risk arising from financial instruments

#### 18.5.1 - Key risks

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

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitment to make payments.
- Re-financing risk - the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Balance Sheet

### **18.5.2 - Overall procedures for managing risk**

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirement of the Code of Practice.
- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations and constitution.
- By approving annually in advance, prudential indicators for the following three years limiting:
  - the Council's overall borrowing;
  - its maximum and minimum exposure to fixed and variable rates;
  - its maximum and minimum exposure to the maturity structure of its debt;
  - its maximum annual exposure to investments beyond a year.
- By approving an Investment Strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting meeting or before the start of the year to which they relate. These items are reported with the Annual Treasury Management Strategy which outlines the approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

The 2009/10 Treasury Management Strategy included sections on:

- Definition of Treasury Management;
- The prospects for interest rates - interest rates dropping to 0.5%;
- Current debt position;
- Borrowing strategy and objectives - additional borrowing may be taken if it will improve the Council's overall financial position;
- Borrowing maturity structure;
- Limits of fixed and variable rate exposure;
- Interest rate sensitivity.

The 2009/10 Investment Strategy included sections on:

- Investment principles - security, liquidity and yield;
- Specified and non-specified investments;
- Security of capital and the use of credit ratings;
- Banking crisis - temporary guidance;
- Table of minimum credit ratings for counterparties.

These policies are implemented by the Financial Services Unit. The full documents for 2009/10 are available on request and the equivalent Strategies for 2010/11 can be found on the Council's website in the Strategies/Policies section: [http://www.castlepoint.gov.uk/Council Strategies and Policies](http://www.castlepoint.gov.uk/Council%20Strategies%20and%20Policies)

The Council maintains written principles for risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through Treasury Management Practices. The Treasury Management Practices are a requirement of the Code of Practice and are regularly reviewed.

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Balance Sheet

### 18.5.3 - Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined in the procedures referred to above.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with banks and other institutions unless they meet identified minimum criteria. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

Financial Asset Category	Criteria	Maximum Investment	
		£	% of total investments
Debt Management Agency Deposit Facility	Backed by UK Government (AAA rated)	No limit	No limit
Deposits with Local Authorities	Very high quality as either directly invested or via agencies of UK Government (Local Authorities are not specifically credit rated)	5,000,000	33
Term deposits with institutions guaranteed by AAA rated governments	AAA rated by all three main ratings agencies	5,000,000	33
Money Market Funds	AAA rated by any two of the three main ratings agencies	5,000,000	33
Term deposits with Banks and Building Societies	Fitch ratings long term AA-, short term F1+, (lowest common denominator of the three main ratings agencies)	5,000,000	33
Forward deals with Banks and Building Societies less than one year	Fitch ratings long term AA-, short term F1+, (lowest common denominator of the three main ratings agencies)	5,000,000	33
Non specified investment - Co-op Call Account	Funds are repayable on demand. If ratings are downgraded then a lower limit and / or alternative accounts or investments will be considered	4,000,000	25

Customers are assessed taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings and parameters set by the Council.

The analysis on the following page summarises the Council's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience over the last seven financial years, adjusted to reflect current market conditions.

The A-rated investments comprise cash held for the Council's daily cash requirements with the Council's own bank. No breaches of the Council's counterparty criteria occurred during the year and the Council does not expect any losses from non-performance by any of the counterparties in relation to deposits. Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties. The amount stated for customers excludes provision for bad debts.

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Balance Sheet

	Amount at 31 March 2010	Historical experience of default	Adjustment for market conditions at 31 March 2010	Estimated maximum exposure to default 31 March 2010	Estimated maximum exposure to default 31 March 2009 Restated
	£	%	%	£	£
Deposits with banks and financial institutions:					
AAA rated counterparties	5,100,048	0.00%	0.00%	0	0
AA rated counterparties	1,000,000	0.03%	0.03%	300	0
A rated counterparties	1,111,750	0.08%	0.08%	889	26,195
Government and Local Authorities	3,067,308	0.00%	0.00%	0	0
Customers	4,514,789	6.30%	6.30%	284,432	205,196
	<b>14,793,895</b>			<b>285,621</b>	<b>231,391</b>

The total gross debtors included in the balance sheet before provisions for bad debts is £7,813,668, as detailed in note 13 on page 35. After excluding debtors relating to Council Tax income of £231,571, the total debtors relating to financial instruments is £7,582,097. This comprises Government and Local Authority debtors of £3,067,308 and customers of £4,514,789. The Council has made a provision of £664,718 against the total customers' amount for potential bad debts.

The Council does not normally allow credit for its customers, however £1,654,275 of the £4,514,789 shown in the above table is past its due date. The Council actively pursues all debtors in accordance with its debt management policy and does not write debt off until it has exhausted all options for recovery. The Council regularly reviews its levels of debt, which includes considering the adequacy of its provision for bad debts. The overdue amount can be analysed by age as follows:

	31/3/09 £	31/3/10 £
Less than three months	326,154	381,687
Three to six months	188,386	278,165
Six months to one year	740,704	208,425
More than one year	415,525	785,998
<b>Total</b>	<b>1,670,769</b>	<b>1,654,275</b>

During the year the Council held no collateral as security.

### 18.5.4 - Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy reports), as well as through cash flow management procedures required by the Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need and whilst the PWLB provides access to longer terms funds, it also acts as a lender of last resort to councils. The Council is also required to provide a balanced budget by the Local Government Finance Act 1992, which ensures that sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Balance Sheet

### 18.5.5 - Re-financing and maturity risk

The Council maintains a debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing exposure to replacing financial instruments as they mature. This risk relates to the maturing of longer term financial liabilities.

The approved prudential indicator limits for the maturity structure of debt, and the limits on investments placed for greater than one year are key parameters used to address this risk. The Council approved Treasury and Investment Strategies address the main risks and the Financial Services Unit addresses the operational risks within the approved parameters.

The maturity analysis of loans, excluding accrued interest, is as follows:

	<b>31/3/09</b> £	<b>31/3/10</b> £
Less than one year	0	0
Between one and two years	0	500,000
Between two and five years	2,500,000	2,075,112
Between five and ten years	75,112	0
More than ten years	5,250,000	5,250,000
	<b>7,825,112</b>	<b>7,825,112</b>

	<b>Actual</b> <b>31/3/10</b> %	<b>Actual</b> <b>31/3/10</b> <b>(Cumulative) %</b>	<b>Approved</b> <b>Maximum Upper</b> <b>Limit (Cumulative)</b> %
Less than one year	0	0	50
Between one and two years	6	6	50
Between two and five years	27	33	60
Between five and ten years	0	33	80
More than ten years	67	100	100
	<b>100</b>		

All other payables are due to be paid in less than one year, and the Council does not hold any investments greater than one year.

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Balance Sheet

### 18.5.6 - Market risk

#### *Interest rate risk*

The Council is exposed to interest rate movements on its investments and on any future borrowings or rescheduling of existing borrowings. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance a rise in variable and fixed interest rates would have the following effects:

- borrowing at variable rates - the interest expense charged to the Income and Expenditure Account will rise;
- borrowing at fixed rates - the fair value of the borrowing liability will fall;
- investments at variable rates - the interest income credited to the Income and Expenditure Account will rise;
- investments at fixed rates - the fair value of longer term assets will fall.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or the Statement of Total Recognised Gains and Losses (STRGL). However, changes in interest payable and receivable on variable rate borrowings and investments will be allocated to the Income and Expenditure Account and will affect the General Fund Balance.

The Annual Treasury Management Strategy brings together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposures. The Financial Services Unit will monitor market and forecast interest rates within the year to adjust exposure appropriately.

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

	<b>2008/09</b>	<b>2009/10</b>
	<b>£</b>	<b>£</b>
Increase in interest payable on variable rate borrowings	0	0
Increase in interest receivable on variable rate investments	128,500	122,362
<b>Impact on Income and Expenditure Account</b>	<b>128,500</b>	<b>122,362</b>

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

#### *Price risk*

The Council does not invest in equity shares. It therefore has no exposure to risk arising from movement in prices.

#### *Foreign exchange risk*

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Balance Sheet

### 19 ANALYSIS OF NET ASSETS EMPLOYED

The Balance Sheet total assets less liabilities amount reported on page 22 is split between the General Fund and Housing Revenue Account as follows:

	31/3/09 £	31/3/10 £
General Fund	8,947,696	3,640,758
Housing Revenue Account	93,215,022	100,648,683
<b>Total</b>	<b>102,162,718</b>	<b>104,289,441</b>

### 20 RESERVES

#### 20.1 - General Fund Reserve

The General Fund balance as at 31 March 2010 of £5,500,351 is made up of the following amounts:

	31/3/10 £
General reserve	3,105,051
Unspent commitments from 2009/10	949,100
Earmarked reserve: Leader's priority fund	66,000
Earmarked reserve: Backlog maintenance works	66,000
Earmarked reserve: Regeneration initiatives fund	214,700
Earmarked reserve: Climate change initiatives fund	25,300
Earmarked reserve: Priority initiatives fund	1,074,200
<b>Balance as at 31 March 2010</b>	<b>5,500,351</b>

#### 20.2 - Capital Receipts Reserve

The movements during the year were as follows:

	2009/10	
	£	£
<b>Balance as at 1 April 2009</b>		1,434,500
Capital receipts	376,074	
Costs	(202)	
		375,872
Pooled capital receipt passed to the Government		(221,904)
Receipts used for financing		(73,968)
<b>Balance as at 31 March 2010</b>		<b>1,514,500</b>

The balance carried forward of £1,514,500 includes an amount of £113,750 to be used to resource capital expenditure in relation to affordable housing. The remaining balance of £1,400,750 is currently planned to fund the refurbishments and improvements due to be carried out on the Council's leisure centres during 2010/11 and 2011/12.

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Balance Sheet

### 20.3 - Revaluation Reserve

The movements during the year on this statutory reserve were as follows:

	2009/10 £
<b>Balance as at 1 April 2009</b>	3,533,413
Revaluation of assets and impairment review	2,808,896
Current value depreciation above historical cost depreciation	(83,831)
Write out revaluation gains on disposal	(15,855)
<b>Balance as at 31 March 2010</b>	<b>6,242,623</b>

### 20.4 - Capital Adjustment Account

The movements during the year on this statutory account were as follows:

	2009/10 £	£
<b>Balance as at 1 April 2009</b>		113,966,792
<b>Financing of fixed assets</b>		
from capital receipts	73,968	
from revenue contributions	10,608	
from Major Repairs Reserve	900,149	
<b>Total for Financing of fixed assets</b>		984,725
<b>Net deficit for the year</b>		
Minimum and additional revenue provision	366,032	
Government and other grants applied	117,306	
General Fund assets depreciation	(946,861)	
Impairment charges and reversals	5,210,161	
Revenue expenditure funded from capital under statute	(59,692)	
Disposal of assets	(276,454)	
Current value depreciation above historical cost depreciation	83,831	
Writing out of revaluation gains on disposal	15,855	
Housing Revenue Account		
- dwelling depreciation	(1,301,401)	
- garage depreciation	(17,868)	
<b>Total for Net deficit for the year</b>		3,190,909
<b>Balance as at 31 March 2010</b>		<b>118,142,426</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Balance Sheet

### 20.5 - Summary of the Movement in Reserves

The Council has the following reserves on the Balance Sheet, shown on page 22. Some are required to be held for statutory reasons and some are needed to comply with proper accounting practice.

Reserve	Balance 1 April 2009 £	Net movement in year £	Balance 31 March 2010 £	Purpose of Reserve	Further Detail of Movements
General Fund	4,066,514	1,433,837	5,500,351	Resources available to meet the future running costs for Council services excluding council houses.	Statement of Movement on the General Fund Balance on page 19, and note 20.1 on page 49.
Housing Revenue Account (HRA)	495,973	233,231	729,204	Resources available to meet the future running costs of council houses.	HRA Statements and the HRA notes, on pages 57 to 62.
Collection Fund Adjustment Account	91,583	9,521	101,104	Any balance on this reserve is held until it is redistributed to the major precepting authorities when the following year's Council Tax is set.	Collection Fund Income and Expenditure Account and the Collection Fund notes on pages 63 to 65.
Pension Reserve	(21,438,000)	(6,725,000)	(28,163,000)	Balancing account to allow inclusion of pensions liability in the Balance Sheet.	Note 17: Retirement benefits and net pension liability, on pages 37 to 40.
Revaluation Reserve	3,533,413	2,709,210	6,242,623	Accumulation of gains on revaluation of fixed assets.	Note 20.3 on page 50.
Capital Adjustment Account	113,966,792	4,175,634	118,142,426	Accumulation of capital resources set aside to meet past expenditure.	Note 20.4 on page 50.
Capital Receipts Reserve	1,434,500	80,000	1,514,500	Proceeds from the sale of fixed assets available to meet future capital investment.	Note 20.2 on page 49.
Deferred Credits	11,943	(74)	11,869	Proceeds from the sale of assets which are received over a period of time.	These relate to mortgage loans made for sale of council houses.
Major Repairs Reserve	0	210,364	210,364	Resources available to meet capital investments in council housing.	HRA Statements and the HRA notes, on pages 57 to 62.
<b>Total</b>	<b>102,162,718</b>	<b>2,126,723</b>	<b>104,289,441</b>		

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Other Notes

### 21 EVENTS AFTER THE BALANCE SHEET DATE

The financial statements were authorised for issue on 30 June 2010 by the Council, and the audited financial statements have been authorised for issue on 29 September 2010 by the Head of Resources. This establishes the date after which events have not been recognised in the Statement of Accounts.

The Chancellor of the Exchequer announced in his emergency Budget on 22nd June 2010 that the consumer price index rather than the retail price index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. The effect of this change is estimated to reduce the value of FRS17 liabilities and will be determined in future actuarial valuations.

### 22 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

#### 22.1 - Contingent Assets

The Council has no contingent assets to report.

#### 22.2 - Contingent Liabilities

The Council has undertaken a great deal of work around pay harmonisation and single status including undertaking post comparisons etc. A full job evaluation exercise as required by the 2004 National Agreement has not been undertaken and there is no information available that can be used to form a view on the estimated future likely costs that the Council could face. The risk of a claim being made against the Council and/or the financial implications arising through such a claim is not considered significant.

Currently there are court cases involving staff and also disputes with contractors where we may take or defend legal action which may give rise to costs depending on the outcome. In addition there is a case being investigated by the Health and Safety Executive.

The Council signed agreements with the Homes and Communities Agency (HCA) in March 2010 in order to secure funding in relation to projects for the regeneration of Hadleigh and Canvey Island Town Centres. Failure to meet future regeneration targets could result in some of the funding becoming repayable to the HCA. The Council has also signed another agreement with the HCA to obtain funding towards infrastructure works at industrial estates within the borough. Failure to obtain additional funding towards this project would result in either a reduced scope of works, or the Council funding works themselves.

There is a conflict between the Environmental Information Regulations and the Local Land Charge Fee Regulations over the application of charges for some information provided as part of the Council's land search service. The issue remains unresolved and the Council would dispute any claims for refunds of charges previously levied. It is not possible to quantify any costs which might have to be met from the Council's General Fund balance.

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Cash Flow Statement

### 23 RECONCILIATION OF INCOME AND EXPENDITURE ACCOUNT (SURPLUS) / DEFICIT WITH NET CASH FLOW FROM REVENUE ACTIVITIES

	2008/09		2009/10	
	Restated			
	£	£	£	£
Income and Expenditure Account (surplus) / deficit		7,901,192		(5,320,827)
<b>Non-cash transactions</b>				
Depreciation and impairment of fixed assets	(7,067,838)		4,263,300	
Depreciation on HRA dwellings and garages	(1,541,378)		(1,319,270)	
Government and other grants deferred amortisation	91,353		117,306	
Net gain / (loss) on sale of assets	(370,549)		99,344	
Release of Revenue provision	(100,042)		0	
Movement in pension reserve	(524,000)		(722,000)	
		(9,512,454)		2,438,680
<b>Items on an accruals basis</b>				
Increase / (decrease) in stocks	(8,132)		1,918	
Increase / (decrease) in debtors	339,168		1,087,783	
(Increase) / decrease in creditors	1,194,613		652,538	
		1,525,649		1,742,239
<b>Items included in another classification in the cash flow statement on an accruals basis</b>				
Interest paid	(446,348)		(446,073)	
Interest received	619,406		125,713	
Other liquid resources: Collection Fund accounted for by preceptors	385,853		(707,573)	
		558,911		(1,027,933)
<b>Net cash flow from revenue activities</b>		<b>473,298</b>		<b>(2,167,841)</b>

### 24 OTHER LIQUID RESOURCES: COLLECTION FUND ACCOUNTED FOR BY PRECEPTORS

From 1 April 2009 the accounts reflect that the Council is acting as an agent of the major preceptors for the collection of Council Tax. The Cash Flow Statement includes within Revenue Activities cash flows relating only to the Council's own share of Council Tax income and the amounts included in precepts paid exclude amounts paid to major preceptors. The difference between the major preceptors' share of the net cash collected and the net cash paid to major preceptors and settlement of previous years surplus/deficit on the Collection Fund is included in Management of Liquid Resources as a net increase or decrease in Other Liquid Resources: £116,580 decrease for 2009/10 (£2,048 increase for 2008/09).

From 1 April 2009 the accounts reflect that the Council acts as agent collecting National Non-Domestic Rates (NNDR) on behalf of Central Government. The Cash Flow Statement no longer includes within Revenue Activities cash received from NNDR Rate receipts or payments to the NNDR pool. The difference between these amounts is included in the Management of Liquid Resources as a net increase or decrease in Other Liquid Resources: £824,153 increase for 2009/10 (£387,901 decrease for 2008/09).

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Cash Flow Statement

### 25 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2008/09 Restated £	2009/10 £
<b>(Increase) / decrease in cash in the period</b>	<b>140,733</b>	<b>27,157</b>
Cash used to repay debt	(4,333)	0
Increase in borrowing	0	0
Cash used to (increase) / decrease short term deposits	1,650,000	550,000
<b>Change in net debt before other liquid resources</b>	<b>1,786,400</b>	<b>577,157</b>
Other liquid resources: Collection Fund accounted for by preceptors	385,853	(707,573)
<b>Change in net debt after other liquid resources</b>	<b>2,172,253</b>	<b>(130,416)</b>
Net debt as at 1 April	(1,623,995)	548,258
<b>Net debt as at 31 March</b>	<b>548,258</b>	<b>417,842</b>

### 26 ANALYSIS OF CHANGES IN NET DEBT

	31/3/09 Balance Restated £	31/3/10 Balance £	Movement In The Year £
Cash	(11,380)	(7,830)	3,550
Bank overdraft	728,794	134,076	(594,718)
Temporary investments available on demand	(1,730,074)	(1,111,749)	618,325
<b>(Increase) / decrease in cash</b>	<b>(1,012,660)</b>	<b>(985,503)</b>	<b>27,157</b>
Debt due within 1 year	0	0	0
Debt due after 1 year	7,825,113	7,825,113	0
Other short term deposits	(6,650,048)	(6,100,048)	550,000
<b>Net cash flow before other liquid resources</b>	<b>162,405</b>	<b>739,562</b>	<b>577,157</b>
Other liquid resources: Collection Fund accounted for by preceptors	385,853	(321,720)	(707,573)
<b>Net cash flow after other liquid resources</b>	<b>548,258</b>	<b>417,842</b>	<b>(130,416)</b>

Temporary investments available on demand consists of the Council's bank call account, which is used to ensure sufficient funds are available to manage the Council's cashflow for day to day operations. Other short term deposits also includes some investments which are available on demand, principally funds invested in Sterling Money Market Funds. However, these are used for investing purposes and to ensure security of funds, and are not used for day to day operations. Further information can be found in note 18 to the core financial statements: Financial Instruments.

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Cash Flow Statement

### 27 ANALYSIS OF THE CHANGES IN THE MANAGEMENT OF LIQUID RESOURCES AND FINANCING

	31/3/09 Balance Restated £	31/3/10 Balance £	Movement In The Year £
<b>Borrowing</b>			
Public Works Loan Board	7,825,113	7,825,113	0
<b>Total borrowing</b>	<b>7,825,113</b>	<b>7,825,113</b>	<b>0</b>
Less short term deposits	(6,650,048)	(6,100,048)	550,000
<b>Net total before other liquid resources</b>	<b>1,175,065</b>	<b>1,725,065</b>	<b>550,000</b>
Other liquid resources: Collection Fund accounted for by preceptors	385,853	(321,720)	(707,573)
<b>Net cash flow after other liquid resources</b>	<b>1,560,918</b>	<b>1,403,345</b>	<b>(157,573)</b>

### 28 LIQUID RESOURCES

#### 28.1 - Short term deposits

These are as follows:

	31/3/09 Balance £	31/3/10 Balance £	Movement In The Year £
Total temporary investments	(8,380,122)	(7,211,798)	1,168,324
Less temporary investments available on demand	1,730,074	1,111,750	(618,324)
<b>Short term deposits</b>	<b>(6,650,048)</b>	<b>(6,100,048)</b>	<b>550,000</b>

Temporary investments available on demand consists of the Council's bank call account, which is used to ensure sufficient funds are available to manage the Council's cashflow for day to day operations. Short term deposits also includes some other investments which are available on demand, principally funds invested in Sterling Money Market Funds. However these are used for investing purposes and to ensure security of funds, and are not used for day to day operations. Further information can be found in note 18 to the core financial statements: Financial Instruments.

#### 28.2 - Other liquid resources

Details of other liquid resources are shown at note 24, on page 53.

### 29 CASH FLOW STATEMENT 2008/09 RESTATEMENTS

Subsequent to publication in 2009, two amendments have been made to the 2008/09 amounts on the Cash Flow Statement, for non-cash adjustments not originally accounted for, as follows:

- Other operating cash payments and other operating cash receipts have both been reduced by £2,062,619 in relation to additional non-cash recharges not previously adjusted; and
- Rents (after rebates) has been increased and other operating cash payments decreased, each by £1,067,444 in relation to non cash rent rebates deducted from housing rent receipts in error.

These changes are in addition to the restatements to the Cash Flow Statement arising from the change in regulations on the Collection Fund. Neither change affects the overall total decrease in cash for the year 2008/09 or the net cashflow from revenue activities.

# NOTES TO THE CORE FINANCIAL STATEMENTS:

## Notes relating to the Cash Flow Statement

### 30 ANALYSIS OF GOVERNMENT GRANTS RECEIVED ON A CASH BASIS

	2008/09 restated £	2009/10 £
<b>Revenue grants</b>		
Revenue Support Grant (RSG)	(770,033)	(1,216,163)
Housing and Council Tax benefit subsidy	(22,836,522)	(26,185,080)
National Non-domestic Rates administration grant	(85,860)	(84,409)
Housing benefit administration grant	(579,935)	(689,669)
Discretionary housing payment grant	(25,211)	(21,137)
Homelessness revenue grant	(60,000)	(61,050)
Homelessness grant: Mortgage Rescue	0	(28,500)
Homelessness grant: Rent Deposit Guarantee Scheme	0	(7,089)
Homelessness grant: Credit busting funding	0	(8,083)
Housing and Planning Delivery grant	(56,114)	(118,000)
Habitats Regulations Assessments and Climate Change Planning Policy grant	0	(33,670)
Planning Core Strategy Grant	0	(25,000)
Local Authority Business Growth Incentive scheme grant (LABGI)	(222,810)	(40,879)
Area Based grant: Stronger and Safer Communities	(106,647)	(106,647)
Area Based grant: Climate Change	(22,500)	(22,500)
Area Based grant: Environmental Damage Regulations	0	(311)
Building capacity fund	(40,291)	0
Electoral service funding grant	(3,315)	(610)
Environmental Damage (Prevention and Remediation) grant	(842)	0
DEFRA Air Quality Grant	0	(1,000)
Home Office National Partnership Performance Improvement Fund	0	(33,320)
Alcohol related partnership activity grant	0	(10,000)
Local housing allowance implementation grant	(237)	0
Implementation of employment and support allowance grant	(1,454)	0
Concessionary travel grant	(208,623)	(213,543)
Information on Council Tax and Non-domestic Rates Demand Notices grant	(4,395)	(9,531)
National Non-domestic Rates Deferral Scheme grant	0	(11,633)
DWP In and out of work grant	0	(4,000)
Changes to Housing Benefit subsidy regulations grant	0	(6,315)
National indicator 160 survey grant	(8,000)	0
Disabled facilities grants	(135,000)	(225,000)
Decent Warm Healthy Homes grant	0	(200,000)
Housing Capital Grant Allocation	(172,300)	(98,217)
Free swimming programme grant	0	(89,007)
<b>Total revenue grants</b>	<b>(25,340,089)</b>	<b>(29,550,363)</b>
<b>Capital grants</b>		
Housing and Planning Delivery grant	(27,018)	0
Information on Council Tax and Non-domestic Rates Demand Notices grant	(5,300)	0
Free swimming programme grant	(26,855)	0
<b>Total capital grants</b>	<b>(59,173)</b>	<b>0</b>
<b>Total grants</b>	<b>(25,399,262)</b>	<b>(29,550,363)</b>

# HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

2008/09 £		NOTES	2009/10 £
	<b>INCOME</b>		
(5,626,259)	Gross dwelling rents	1	(5,746,975)
(179,825)	Gross non-dwelling rents	2	(174,121)
(535,940)	Charges for services and facilities	3	(595,757)
(6,342,024)	<b>TOTAL INCOME</b>		<b>(6,516,853)</b>
	<b>EXPENDITURE</b>		
986,357	Repairs and maintenance		1,096,620
1,765,118	Supervision and management		1,715,545
369,090	Rents, rates, taxes and other charges	4	274,768
2,005,118	Negative subsidy payable to Secretary of State	5	1,972,923
7,656,508	Depreciation and impairment of fixed assets	7	(4,014,300)
61,592	Increase in provision for bad or doubtful debts		51,515
12,843,783	<b>TOTAL EXPENDITURE</b>		<b>1,097,071</b>
6,501,759	<b>NET COST OF HRA SERVICES AS INCLUDED IN THE WHOLE AUTHORITY INCOME AND EXPENDITURE ACCOUNT</b>		<b>(5,419,782)</b>
28,594	HRA services share of Corporate and Democratic Core		20,735
104,800	HRA share of other amounts included in the whole Authority net cost of services but not allocated to specific service		0
6,635,153	<b>NET COST OF / (CREDIT TO) HRA SERVICES</b>		<b>(5,399,047)</b>
	<b>HRA SHARE OF THE OPERATING INCOME AND EXPENDITURE INCLUDED IN THE WHOLE AUTHORITY INCOME AND EXPENDITURE ACCOUNT</b>		
(116,581)	Gain on disposal of HRA fixed assets		(95,750)
(116,844)	Interest and Investment income	9	(25,478)
<b>6,401,728</b>	<b>(SURPLUS) / DEFICIT FOR THE YEAR ON HRA SERVICES</b>		<b>(5,520,275)</b>

## STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT (HRA) BALANCE

This statement provides a breakdown of the amounts which are additional to the surplus or deficit on the HRA Income and Expenditure Account reported on page 57. These amounts are required to be credited or debited to the HRA to determine the final surplus or deficit for the year.

2008/09	NOTES	2009/10	
£		£	£
6,401,728	(Surplus) / deficit for the year on the HRA Income and Expenditure Account		(5,520,275)
	<b>Amounts included in the HRA Income and Expenditure Account but excluded when determining the movement on HRA Balance for the year</b>		
(6,115,130)	Impairment of fixed assets	5,333,570	
116,581	Net gain on sale of fixed assets	95,750	
(72,617)	Net charges made for retirement benefits in accordance with FRS17	(48,843)	
(6,071,166)			5,380,477
	<b>Amounts not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>		
31,593	Capital expenditure charged in year to the Housing Revenue Account Balance	0	
104,832	Employer's contributions payable to pension fund	115,324	
(464,360)	Transfer to Major Repairs Reserve	(208,757)	
(327,935)			(93,433)
2,627	<b>Decrease / (increase) in the Housing Revenue Account Balance for the year Restated</b>		(233,231)
(498,600)	Housing Revenue Account surplus brought forward		(495,973)
<b>(495,973)</b>	<b>Housing Revenue Account surplus carried forward</b>		<b>(729,204)</b>

# NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)

## 1 GROSS DWELLING RENTS

This is the total rent collectable for the year after allowance is made for empty property. The average weekly rent per dwelling in 2009/10 was £72.93 compared with £71.01 in 2008/09, an increase of £1.92 or 2.70%.

## 2 GROSS NON-DWELLING RENTS

This is the total income receivable from garages, after an allowance is made for empty properties, wayleaves, easements and any other lettings.

## 3 CHARGES FOR SERVICES AND FACILITIES

This is income receivable from tenants for services paid for by the Council such as heating, water and sewerage.

## 4 RENTS, RATES, TAXES AND OTHER CHARGES

This includes expenditure on services provided to tenants such as heating, water and sewerage.

## 5 NEGATIVE SUBSIDY PAYABLE TO THE SECRETARY OF STATE

From April 2004 the Government determined that HRA Rent Rebates, together with the associated Rent Rebates Subsidy received from the Department for Work and Pensions, must be charged or credited to the General Fund instead of the HRA.

The transfer of HRA Rent Rebates and Rent Rebate Subsidy from the HRA to the General Fund results in a negative subsidy entitlement in the HRA that becomes payable to the Department for Communities and Local Government (DCLG).

The negative subsidy is analysed as follows:

	<b>2008/09</b>	<b>2009/10</b>
	<b>£</b>	<b>£</b>
Allowance for management	685,851	718,056
Allowance for maintenance	1,441,308	1,518,719
Allowance for major repairs	1,077,021	1,110,513
Charges for capital	95,142	96,162
Less rental income	(5,304,372)	(5,416,367)
Less interest on receipts	(68)	(6)
<b>Total</b>	<b>(2,005,118)</b>	<b>(1,972,923)</b>

## 6 CAPITAL EXPENDITURE AND RECEIPTS

Capital expenditure of £900,149 in 2009/10 (£1,150,195 in 2008/09) was fully funded from the Major Repairs Reserve, with no contribution required from the Housing Revenue Account (£31,592 contribution made in 2008/09).

Capital receipts from the disposal of operational assets received during 2009/10 were £295,872 (£300,192 in 2008/09). The useable element during 2009/10 was £73,968 (£75,048 in 2008/09).

The Council has taken advantage of an exemption to the regulations requiring local authorities to pay over to the Government 50% of all capital receipts received from the disposal of housing land, by allocating the receipt for the delivery of affordable housing or regeneration projects. £113,750 received in 2004/05, was

# NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)

specifically for the provision of affordable housing in the Borough, and has been fully retained by the Council. This is still being held for this purpose.

## 7 DEPRECIATION AND IMPAIRMENT OF FIXED ASSETS

The HRA receives a depreciation charge based on the value, age and condition of property calculated in accordance with proper practices. Depreciation on HRA dwellings in excess of the Major Repairs Allowance and on assets other than HRA dwellings is adjusted through the Transfer to the Major Repairs Reserve.

For the 2008/09 accounts an impairment review of the Council's property portfolio was carried out by Wilks Head and Eve during April 2009, providing valuations as at 31 March 2009. The valuer considered that the general effects of the economic market constituted so significant an effect as to require an impairment of the assets. As a result, Housing Revenue Account properties were impaired by 15.3%. The impairments in the year were written off against revaluation gains attributable to the relevant assets in the Revaluation Reserve, with the excess of £6,115,130 being charged to the HRA Income and Expenditure Account. A further impairment of £863,522 was charged to the HRA Income and Expenditure Account in 2009/10 arising from revaluations as at 1 April 2009.

All impairment losses charged to the HRA Income and Expenditure Account are appropriated from the Statement of Movement on the HRA Balance to the Capital Adjustment Account to avoid having any impact on rent levels.

A similar impairment review was carried out by the valuers during April 2010, providing valuations as at 31 March 2010. The review concluded that the Housing Revenue Account property values had increased upwards in value by 7.5%, and this has been accounted for in the asset valuations included on the balance sheet. Reversals of previous impairments totalling £6,197,092 which had been charged to the HRA Income and Expenditure Account were credited back to that account. Equivalent adjustments were again made through the Statement of Movement on the HRA Balance and transferred to the Capital Adjustment Account to avoid impacting on rent levels.

The entries included in the Depreciation and Impairment of Fixed Assets line on the HRA Income and Expenditure Account are as follows:

	2008/09 £	2009/10 £
Dwellings and garages depreciation charge	1,541,378	1,319,270
Impairment charge	6,115,130	863,522
Reversal of previous impairment charges	0	(6,197,092)
<b>Total</b>	<b>7,656,508</b>	<b>(4,014,300)</b>

## 8 HOUSING ASSETS

The value of the Council's operational housing assets included in the balance sheet is as follows:

	2008/09 restated £	2009/10 £
Council Dwellings	92,238,146	98,951,469
Garages	1,059,424	1,344,606
Other housing land	4	4
<b>Total</b>	<b>93,297,574</b>	<b>100,296,079</b>

# NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)

The vacant possession value of Council dwellings as at 1 April 2009 was £171,039,550 (£201,607,000 as at 1 April 2008). The vacant possession and balance sheet values of HRA dwellings show the economic cost of providing council housing at less than open market rents.

## 9 INVESTMENT INCOME

Details of the HRA's investment income is as follows:

	<b>2008/09</b>	<b>2009/10</b>
	<b>£</b>	<b>£</b>
Mortgage interest	48	0
Capital financing interest	98,761	20,291
Other interest receivable	18,035	5,187
<b>Total</b>	<b>116,844</b>	<b>25,478</b>

Mortgage interest is the interest receivable from loans made by the Council to tenants enabling them to purchase their Council houses.

## 10 HOUSING STOCK

The Council sold 3 council houses during 2009/10, and also converted one 4 bedroom house into two 3 bedroom houses, resulting in a net decrease of 2 dwellings. An analysis of the Council's housing stock is as follows:

<b>Dwelling Types</b>	<b>31/3/09</b>	<b>31/3/10</b>
	<b>Number</b>	<b>Number</b>
1 bedroom	496	496
2 bedroom	380	378
3 bedroom	450	452
4 bedroom	10	8
Bedsitters	203	203
<b>Total</b>	<b>1,539</b>	<b>1,537</b>

## 11 GARAGES

As at 31 March 2010, the Council had 432 garages located in blocks (432 as at 31 March 2009).

## 12 RETIREMENT BENEFITS

As part of the terms and conditions of employment of its officers and employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make payments which need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme administered by Essex County Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets over the long term.

# NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge the Council is required to make against the Housing Revenue Account is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Housing Revenue Account in the Statement of Movements to the Housing Revenue Account Balance.

The following transactions have been made through the Housing Revenue Account Income and Expenditure Account and the Statement of Movement on the Housing Revenue Account Balance during the year:

	2008/09	2009/10
	£	£
<b>HRA Income and Expenditure Account</b>		
Cost of pensions included in Net Cost of Services	72,617	48,843
<b>Net charge to the HRA Income and Expenditure Account</b>	<b>72,617</b>	<b>48,843</b>
<b>Statement of Movement on the HRA Balance</b>		
Reversal of net charges made for retirement benefits in accordance with FRS 17	(72,617)	(48,843)
Employer's contributions payable to the scheme	104,832	115,324
<b>Net change on Statement of Movement on the HRA Balance</b>	<b>32,215</b>	<b>66,481</b>

## 13 RENT ARREARS

The total value of rent arrears as at 31 March 2010 was £261,019 (£253,432 as at 31 March 2009). A provision of £129,547 (£100,496 as at 31 March 2009) has been included in the Balance Sheet to meet possible future bad debts.

## 14 MAJOR REPAIRS RESERVE (MRR)

The Council is required to maintain a Major Repairs Reserve (MRR). The items to be credited to the reserve are an amount equal to HRA dwelling depreciation for the year, and transfers from the HRA required by statutory provision. Items chargeable to the reserve include capital expenditure for HRA purposes, and transfers to the HRA required by statutory provision. Movements in the Major Repairs Reserve during the year were as follows:

	2008/09	2009/10
	£	£
Balance as at 1 April	(41,585)	0
Total depreciation for the year (transfer from Capital Adjustment Account)	(1,541,378)	(1,319,270)
Less - non-dwelling depreciation (transfer to HRA)	17,868	17,869
- dwelling depreciation in excess of MRA (transfer to HRA)	446,492	190,888
- capital expenditure financed by MRR	1,118,603	900,149
<b>Balance as at 31 March</b>	<b>0</b>	<b>(210,364)</b>

# COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

2008/09 £		Notes	2009/10 £
	<b>INCOME</b>		
	<b>Council Tax</b>		
(40,641,882)	Income from Council Tax payers	1	(41,197,277)
	<b>Transfers from the General Fund</b>		
(6,044,601)	Council tax benefit		(6,860,050)
	<b>National Non-domestic Rates</b>		
(12,428,803)	Income collectable from National Non-domestic ratepayers	2	(12,673,968)
(59,115,286)	<b>TOTAL INCOME</b>		(60,731,295)
	<b>EXPENDITURE</b>		
	<b>Precepts and Demands</b>		
7,003,000	Castle Point Borough Council		7,342,536
33,196,376	Essex County Council		33,850,710
3,876,574	Essex Police Authority		4,070,655
1,975,397	Essex Fire Authority		2,051,039
	<b>National Non-domestic Rates</b>		
12,346,033	Contribution to national pool		12,589,559
82,770	Costs of collection		84,409
	<b>Bad and Doubtful Debts</b>		
169,183	Write-offs		77,899
30,414	Provisions		146,920
	<b>Contributions</b>		
436,847	Towards previous year's estimated Collection Fund surplus		451,502
59,116,594	<b>TOTAL EXPENDITURE</b>		60,665,229
	<b>MOVEMENT ON FUND BALANCE</b>		
(605,814)	Surplus brought forward		(604,506)
1,308	(Surplus) / deficit for the year		(66,066)
(604,506)	<b>SURPLUS CARRIED FORWARD</b>	3	(670,572)

# NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

## 1 COUNCIL TAX BASE

The Council's tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings, was calculated as follows:

Band	A	B	C	D	E	F	G	H	TOTAL
Number of dwellings after discounts	1,741	5,280	12,166	7,806	4,018	1,640	569	54	33,274
Ratio to band D	6:9	7:9	8:9	9:9	11:9	13:9	15:9	18:9	
Number of band D equivalent dwellings	1,160	4,106	10,815	7,806	4,911	2,369	948	108	32,223
Collection rate adjustment									(483)
<b>Council Tax Base</b>									<b>31,740</b>

## 2 INCOME COLLECTABLE FROM NATIONAL NON-DOMESTIC RATES (NNDR)

NNDR is administered on a national basis. The Government specifies a multiplier of 48.5p (46.2p in 2008/09) and, subject to the effects of transitional arrangements and any reliefs, local businesses pay rates calculated by multiplying their rateable value by the multiplier. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a pool administered by the Government. The Government redistributes the pool to local authorities on a population basis.

The following table shows net income collectable from ratepayers:

	2008/09 £	2009/10 £
National non-domestic rateable value as at 1 April	30,710,300	31,098,715
Multiplier	.462	.485
Total	14,188,159	15,082,877
In period revaluation	(141)	(25,716)
Gross amount collectable	14,188,018	15,057,161
Less allowances and other adjustments	(1,759,215)	(2,383,193)
<b>Net income collectable from ratepayers</b>	<b>12,428,803</b>	<b>12,673,968</b>

# NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

## 3 SURPLUS AS AT 31 MARCH

Any surplus or deficit on the Fund is shared between the billing authority (this Council) and the major precepting authorities (Essex County Council, Essex Police Authority and Essex Fire Authority) and is included in the calculation of the Council Tax for the following year. The surplus or deficit arising from the previous local tax (Community Charge) is allocated solely to this Council.

	2008/09		2009/10	
	£	£	£	£
<b>Council Tax</b>				
- Castle Point Borough Council	90,797		101,104	
- Essex County Council	434,370		482,010	
- Essex Police Authority	52,234		58,170	
- Essex Fire Authority	26,319		29,288	
		603,720	670,572	
<b>Community Charge</b>				
- Castle Point Borough Council		786		0
<b>Total surplus as at 31 March</b>		<b>604,506</b>		<b>670,572</b>

The surplus attributable to Castle Point Borough Council as at 31 March 2010 is £101,104. This fully arises from Council Tax and there is no longer any surplus from Community Charge. The surplus is shown under Reserves on the Balance Sheet on page 22.

The amounts owed to Essex County Council, Essex Fire Authority and Essex Police Authority are shown within creditors and long-term creditors on the Balance Sheet.

# ANNUAL GOVERNANCE STATEMENT

## 1 SCOPE OF RESPONSIBILITY

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

In discharging this overall responsibility, Castle Point Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Castle Point Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how Castle Point Borough Council has complied with the code and also meets the requirements of regulation 4(2) or the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the production and publication of a statement on internal control.

## 2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The governance framework has been in place at Castle Point Borough Council for the year ended 31 March 2010 and up to the date of approval of the statement of accounts.

### Operation of the governance framework

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

- Community Engagement
- Business Strategy and Planning
- Financial Reporting including Budgetary Control
- Asset Management
- Policy Framework
- Risk Management including Fraud and Corruption, Whistleblowing, Health and Safety and Business Continuity
- Performance Management
- Information Governance
- Data Quality
- Value for Money
- Procurement
- Partnerships

# ANNUAL GOVERNANCE STATEMENT

- Project Management
- Complaints
- Codes of Conduct for Members and Staff

These areas form the main sources of assurance to be considered in any review of the internal control environment. In support of the review process, a code of governance has been produced setting out the detailed procedures to be reviewed in each area before an opinion on the effectiveness of the system of internal control can be expressed.

The Assistant Chief Executive has been given the responsibility for overseeing the implementation and monitoring of the Code, through a process which consists of:

- quarterly reports to Executive Management Team and the Audit Committee which set out:
  - weaknesses identified in the governance arrangements;
  - any corrective action necessary to resolve concerns identified
- an annual review of the governance framework supported by officer assurance statements certified by service managers
- an annual report to Executive Management Team and the Audit Committee on the adequacy of governance arrangements
- an annual refresh of the Local Code of Governance.

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

The full code of governance document and associated appendices are available from the Assistant Chief Executive by e-mailing [crwatts@castlepoint.gov.uk](mailto:crwatts@castlepoint.gov.uk) or by telephoning: 01268 882419.

## 3 REVIEW OF EFFECTIVENESS

### Reviewing the effectiveness of the framework

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

### **CIPFA/SOLACE Core Principle 1:**

**Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.**

The Council's major policy objectives and priorities are detailed in the Corporate Plan, and are subject to an annual progress review and updating agreed by full Council in June of each year. Service priorities are subject to annual consultation through a survey undertaken with a representative citizen's panel. The priorities and objectives are set out in a corporate plan. These focus on key outcomes such as improvements in household recycling figures and reducing the number of complaints regarding anti-social behaviour.

The Corporate Plan is underpinned by detailed improvement plans that are monitored by the Programme Board monthly to ensure that improvement is being delivered. The Programme Board consists of senior officers, and the Leader of the Council and has the key role of ensuring improvement planning is achieving key milestones.

# ANNUAL GOVERNANCE STATEMENT

Value for money self assessments are undertaken by every service in the Council, and are subject to a corporate challenge process. The assessments provide a scored summary of the value for money obtained by the service, and identify objectives and possible actions to further improve value for money. These objectives are incorporated into individual service plans.

Key corporate performance indicators and targets are monitored on a quarterly basis by the Executive Management Team and the Cabinet. These are directly related to corporate priorities and key improvement initiatives. The outcomes from the Council's performance management processes were recognised in the organisational assessment produced in December last year which concluded: "The managing performance score is 3 as Castle Point delivers high quality services in line with local priorities."

A range of efficiency savings delivered within the year fulfilled the criteria established by the Council in liaison and agreement with its external auditors. The net value of ongoing cash releasing value for money gains that have impacted since the start of the 2008/09 financial year exceeded target with a total of £651,200 savings against a target of £448,000. This was partly due to significant service reviews undertaken in Housing and Leisure services. The Council has developed an efficiency strategy to deal with the probable challenge faced by all local authorities to reduce costs in the future. The strategy is to be implemented during 2010/11.

The Council's performance management arrangements remain effective with monthly highlight reporting of the corporate plan in place to Corporate Management Team and the Programme Board through specific programme highlight reports referenced to corporate priorities. Exception reporting of performance indicators and actions is undertaken to Overview and Scrutiny. As a result the Council has been able to maintain focus on new strategic initiatives such as Environmental Sustainability. Considerable work was also undertaken during the year to create a fully effective electronic database to manage performance through the Covalent system. The implementation of this system will be monitored closely over the next year.

Financial monitoring reports are informed by a risk assessment and focus on the Council's large, high risk or volatile budgets. Departures from budget, and corresponding operational performance information, are reported to Cabinet on a regular basis. The use of resources external audit found that the Council manages its finances well with a score of 3 denoting that minimum requirements are exceeded. The organisational assessment concluded that: "The Council uses its resources well and financial management arrangements are good. The Council has a well embedded, sound budget setting arrangements which involve a range of stakeholders in setting spending priorities".

## **CIPFA/SOLACE Core Principle 2:**

### **Members and officers working together to achieve a common purpose with clearly defined functions and roles.**

The Monitoring Officer is responsible for the maintenance of the Constitution and for reviewing its relevance and effectiveness. Any changes to the Constitution are approved by Full Council following consideration of a report made by the Chief Executive. In addition, any changes in the Constitution relating to ethical codes or protocols will have been reported and agreed by the Standards Committee before they can be approved by Full Council.

Decisions made by the Cabinet may be Called-in (in accordance with the procedure for a Call-in, which is shown in the Overview and Scrutiny Procedure Rules). A decision made by Cabinet is published within 4 working days of the Cabinet meeting and can be called-in for consideration by the Overview and Scrutiny Committee within 5 working days of the publication by either the Chairman of the committee or by 3 committee members. Overview and Scrutiny called-in one report during the year which was considered in full compliance with the procedure rules.

# ANNUAL GOVERNANCE STATEMENT

There are effective and constructive working relationships between senior officers and members. As a result, a number of difficult decisions have been made. For example the Local Development Framework was developed in close consultation with all members through a special policy development group process. This included comprehensive examination of themed areas with associated recommendations that enabled the core strategy to be agreed by full Council. Further evidence for effective and constructive working relationships and appropriate governance framework is set out in the Council's use of resources self assessment, which is subject to external audit.

There are 3 Policy Development Groups which may make proposals in relation to their particular functions, including the review and development of policy items, whose proposals support the Council's published priorities. During the year a special policy development group was formed which consisted of members of all of the three policy development groups to consider the implications of the draft core strategy. This was an effective exercise which allowed members to fully consider the implications of the strategy and make appropriate recommendations for alteration and consideration which were agreed in a full Council meeting.

The Council's arrangements for business continuity have been reviewed and a desktop testing of the system was undertaken in March 2010. Some services are to take further action to ensure clarity of roles and responsibilities for business continuity.

## **CIPFA/SOLACE Core Principle 3:**

### **Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**

The Council has Codes of Conduct for Members and staff within the Council's constitution. The code of conduct for Members is taken from the Central Government revised Model Code.

As a condition of office all members are required to sign an undertaking that they will observe the code of conduct. There is a requirement to re sign this undertaking when there are any major revisions to the code as well as on election or re election. The staff handbook sets out policies and expectations for staff conduct.

Effective arrangements to investigate breaches of proper standards of conduct include a comprehensive staff handbook which outlines expected codes of conduct and procedures for dealing with breaches e.g. disciplinary procedures for staff. The Council has implemented a fully localised system for dealing with allegations concerning member misconduct to ensure member standards are met and maintained. The Standards Committee has developed criteria for assessing complaints and separate terms of reference for each subcommittee to enable the Standards Committee to properly discharge its statutory functions and to ensure that the crucial elements of independence and impartiality are part of the referral and determination process.

The Council communicates its complaints policies and whistle blowing procedures, and ensures all stakeholders have access through the Internet. Awareness has been promoted through briefing sessions with staff, which has included leaflets on fraud and corruption and whistle blowing as well as a staff questionnaire. Advice to members has also been provided through drop in sessions.

A detailed complaints procedure is in place, which reflects good practice requirements and has a three stage process for the resolution of complaints. Complaints recording has been centralised with the development of a corporate complaints and compliments database on the Councils intranet.

The Council has an established set of organisational values which underpin the approach to engaging with staff and the community. The Council continually reviews the effectiveness of this approach. For example through staff survey and community engagement activities.

# ANNUAL GOVERNANCE STATEMENT

## **CIPFA/SOLACE Core Principle 4:**

### **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**

The Head of Service in consultation with the Head of Legal Services identifies any forthcoming relevant legislation and is responsible for ensuring that Executive Management Team are appraised of the implications and what action the Council may need to take to ensure compliance. The Head of Legal Services ensures the Cabinet is apprised of the implications of legislation that affects the Council corporately.

Corporate and service risk registers were formally reviewed and reported upon each quarter. Risks and health and safety issues were also discussed at team meetings during the year. A corporate health and safety risk register was considered by the Executive Management Team every month. A summary report on risk management was produced each quarter and reported to Executive Management Team and two reports were produced for the Audit Committee. Internal audit assisted to integrate the risk management arrangements with the new electronic performance management system Covalent. An outcome of the risk management arrangements has been the delivery of key projects such as the agreement by full Council of the Local Development Framework core strategy for submission to Government Office in September 2009.

The Health and Safety Policy was reviewed and updated by the Health & Safety Officer. This included the development of a new corporate control process to ensure health and safety arrangements remain effective and the use of a new electronic database. The system is to be implemented this year and will be subject to monitoring and evaluation. Furthermore an external audit of the arrangements in place for health and safety was commissioned and a report is awaited. The Council will use the report to gain assurance on the robustness of the arrangements and to implement any findings.

Financial, internal control and value for money arrangements are reviewed using the use of resources key lines of enquiry assessed by External Audit. This has resulted in sustained improvement planning. The Council retained an overall level 3 for the use of resources assessment in 2009.

## **Internal Audit**

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

Internal Audit has been subject to regular review by external audit in order that they can place reliance on their audit work. The statutory annual assessment of Internal Audit's performance was reviewed by the Assistant Chief Executive and reported to the Audit Committee.

## **Audit Committee**

The Audit Committee consists of a chairman and two other members. The committee provides independent assurance of the adequacy of the risk management framework and associated control environment. It also undertakes an independent scrutiny of the authority's financial and non financial performance, and it oversees the financial reporting process.

## **External Audit**

External Audit is undertaken by PKF (UK) LLP and reviews the design of controls in place within the core financial systems if relevant to their audit opinion. Where the auditor identifies weaknesses in the Council's arrangements, these are highlighted in the Annual Report to those Charged with Governance.

# ANNUAL GOVERNANCE STATEMENT

The auditors also review the arrangements in place for securing data quality and value for money, as well as internal control arrangements such as risk management. These are key elements of the use of resources audit. This is reported to the Audit Committee, together with an action plan to address any concerns and an update of outstanding issues from previous action plans.

## **External Inspections**

Other external inspections review the effectiveness of the arrangements the Council has in place in those areas relevant to their particular interest. These include bodies such as the Audit Commission or through validation processes for Investors in People, and the Equality Standard. In 2008/09 an annual organisational assessment inspection was undertaken and concluded that the Council performs well.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## **CIPFA/SOLACE Core Principle 5:**

### **Developing the capacity and capability of members and officers to be effective.**

Members are subject to continuous development including developed profiles for Cabinet members which are reviewed and updated annually with the relevant Cabinet member and the Leader of the Council. Furthermore, the Council undertakes continual appraisal and development for staff with its own Personal Performance and Development Plan process. This process was refreshed in 2009, following consultation with staff.

The effective use of appraisal systems helps to support and provide officers and members with a robust system of support with tailored training to help development. Further evidence to demonstrate the training provided is set out in the self assessment for the use of resources.

The Council has effective recruitment and retention arrangements and staff development programmes to ensure staff skills are further developed to improve the capacity of the Council and the continued development of staff. For example, the Council has worked closely with Southend Borough Council to recruit a new team of highly effective internal audit staff in 2009. Development and training is varied and includes professional programmes such as CIPFA qualifications to generic training such as managing meetings.

## **CIPFA/SOLACE Core Principle 6:**

### **Engaging with local people and other stakeholders to ensure robust public accountability.**

The approach to community engagement was developed with the implementation of a new format for neighbourhood meetings designed to make the meeting less formal for residents and to aid participation in debate and decision making. This was accompanied by more focussed promotion of the meetings. The Council will be undertaking a wider review of community engagement and communication arrangements this year to clarify progress to date and identify any further improvement work. The Council has further strengthened the approach to consultation through the appointment of a consultation officer. This has resulted in a co-ordinated corporate consultation programme and a number of different methods to engage citizens.

The Council ensures its services provide clear expectations for service users and members of the public through a set of service standards. These standards have been recently revised and will be publically available through service access points including the internet site as well as reception areas and through newsletters.

# ANNUAL GOVERNANCE STATEMENT

The Council works closely with partners in the Local Strategic Partnership (LSP) to ensure a focus on joint objectives and to achieve local area agreement targets. A joint strategic needs assessment informs partner and corporate action planning. A clear governance framework is in place and accountabilities are set out on a governance handbook, which was revised in March 2010. The LSP is also working with other local strategic partners from Rochford and Southend to widen and develop common governance arrangements. Further work is currently being undertaken to develop a framework for sharing assurance on the robustness of each partners' governance arrangements.

## Significant governance issues

The following are the key governance issues that have been identified:

Number	Issue	Action 2010/11	Date of implementation	Responsible officer
1	The need to assess the effectiveness of the electronic performance management system Covalent and ensure its requirements are embedded across the Council.	Undertake an evaluation of the success of the arrangements.	31 March 2011	Policy, Performance & Improvement Advisor
2	Ensure the Council is prepared for the probable need to obtain greater efficiencies and reduce service costs.	Implement the efficiency strategy.	31 March 2011	Head of Resources
3	It is considered that there is potential to further improve the approach to community engagement.	Undertake a review of community engagement and communication actions.	31 March 2011	Assistant Chief Executive
4	The need to consider and implement any findings from the audit of health and safety arrangements by an independent external consultant.	Implement any recommendations and findings of the review of health and safety arrangements.	31 March 2011	Health & Safety Manager
5	The need to review the effectiveness of business continuity arrangements, particularly in the event of customer premises not being available.	Ensure that service areas plan for contingency arrangements should the Council premises not be available.	31 March 2011	Facilities & Asset Manager
6	As at 31 March 2010 the review of some aspects of the Housing governance and management processes were still in progress, although it is considerable work has been undertaken during the year on tenant participation and a review of maintenance contracts to ensure value for money.	Ensure the work is fully completed.	30 June 2010	Head of Regeneration & Homes

# ANNUAL GOVERNANCE STATEMENT

7	A fundamental review of the Leisure service has been undertaken over the last year, and the governance arrangements continue to be developed.	Ensure all the core governance arrangements for the service are in place.	31 March 2011	Head of Environment & Community Services
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We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



David Marchant  
Chief Executive  
30 June 2010



Councillor Pam Challis  
Leader of the Council  
30 June 2010

# GLOSSARY OF TERMS

## **Accounting Period**

The period of time covered by the accounts. For the Council this is a period of 12 months from 1 April in one year until 31 March in the following year. The end of the accounting period is the date of the Balance Sheet.

## **Accruals concept**

Income and expenditure are recognised when they are earned or incurred, not when money is received or paid.

## **Actuarial Gains and Losses**

For a defined benefit pension scheme, the changes in actuarial surplus and deficits that arise because either events have not coincided with previous actuarial assumptions, or where actuarial assumptions have changed.

## **Balance Sheet**

A statement of all the assets, liabilities, reserves and other balances held by the Council to show the overall net worth of the Council at a certain point in time. It brings together details of the individual funds maintained by the Council as at the end of the relevant accounting period.

## **Best Value Accounting Code of Practice (BVACOP)**

A document issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which sets out the proper accounting practices for Local Government in regard to the content and presentation of the costs and income of services.

## **Capital Adjustment Account**

A statutory reserve included on the balance sheet, which represents the balance of capital resources set aside to finance capital expenditure, and certain other capital financing transactions, including the reversal of some entries posted to the Statement of Movement on General Fund Balance, and the Statement of Movement on Housing Revenue Account Balance.

## **Capital Charges**

Charges made to revenue service department accounts to reflect the cost of fixed assets used during the period, which primarily relates to depreciation.

## **Capital Expenditure**

Expenditure on the acquisition of a new fixed asset, such as a piece of land or a building, or expenditure which adds to, and not merely maintains, the value of an existing fixed asset, for example by prolonging its useful life.

## **Capital Receipt**

The proceeds from the sale of a fixed asset. The government prescribes the amount of the receipt which must be set aside to repay debt and the useable amount which may be used to finance capital expenditure.

## **Carrying Amount**

The principal amount plus accrued interest at the balance sheet date.

## **Chartered Institute of Public Finance and Accountancy (CIPFA)**

The Chartered Institute of Public Finance and Accountancy is the professional body responsible for determining local government financial regulations. CIPFA issues the Statement of Recommended Practice (SORP).

## **Collection Fund**

All receipts of Council Tax and National Non-Domestic Rates are paid into this Fund. The Council uses this money to pay its precepts to Essex County Council, Essex Police Authority and Essex Fire Authority, and the demand by the Council's General Fund, which finances the Council's day to day expenditure.

# GLOSSARY OF TERMS

## **Contingent Asset**

A possible asset that arises from past events but will only be confirmed by the occurrence of one or more uncertain future events not wholly within the Council's control.

## **Contingent Liability**

This is either:

- A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one of more uncertain future events, not wholly within the Council's control, or
- A present obligation that arises from past events but which is not be recognised because either it is not probable that a transfer of economic benefits will occur, or the amount of the obligation cannot be measured with sufficient reliability.

## **Corporate and Democratic Core (CDC)**

This incorporates the following sub-divisions, the activities of which can not be charged to services under the Best Value Accounting Code of Practice (BVACOP):

- Democratic Representation and Management costs - includes all aspects of Members activities including corporate, programme and service policy making, general governance and representing local interests.
- Corporate Management Costs - concerns those activities which provide the infrastructure which allows services to be provided, whether by the Council or not, and the information required for public accountability.

## **Creditor**

Amounts owed by the Council for goods, services or works received by the Council, for which payment had not been made by the Council at the balance sheet date.

## **Current Asset**

An asset held which will be used or received within the next financial year.

## **Current Liability**

An amount which will become payable or could be called in within the next financial year.

## **Debtor**

Amounts owed to the Council for goods, services or works provided by the Council, for which payment had not been received by the Council at the balance sheet date.

## **Depreciation**

The measure of the loss in value of an asset during the period due to age, wear and tear, deterioration or obsolescence. This charge is spread over the useful life of the asset.

## **Earmarked Reserve**

Amounts set aside for specific future commitments or potential liabilities.

## **Fair Value**

The amount for which an asset could be exchanged or a liability settled in an open market.

## **Fixed Assets**

Tangible assets that yield benefit to the Council and the service it provides for a period of more than one year. Common examples of fixed assets include land, buildings and vehicles.

## **General Fund**

This is the main Income and Expenditure account which summarises the cost of all services (except those related to Council Housing) provided by the Council.

# GLOSSARY OF TERMS

## **Government Grants**

Grants made by the Government towards either revenue or capital expenditure to support the cost of the provision of the Council's services. These grants may be specifically towards the cost of particular schemes or to support the revenue spend of the Council.

## **Gross Book Value**

The Gross Book Value is the original price paid for an asset, adjusted for subsequent revaluations, acquisitions, enhancements and disposal, prior to deductions for depreciation.

## **Housing Revenue Account**

Reflects a statutory obligation to account separately for local authority housing provision, specifically the management and maintenance of the Council's housing stock. It shows the major elements of housing revenue expenditure and how this is met by rents, subsidy and other income.

## **Impairment**

A reduction in the value of a fixed asset caused by an event occurring to the asset or to the economic environment in which it operates. This reduces the Gross Book Value of the asset recorded on the balance sheet.

## **Income and Expenditure Account**

An account that brings together income and expenditure relating to all of the Council's functions. It demonstrates how the costs have been financed from government grants and income from local taxpayers. Further information is shown in the Explanatory Foreword.

## **Intangible Assets**

Fixed Assets that do not have a physical substance but are identifiable and are controlled by an entity through custody or legal rights. This will include software licences.

## **Leases**

These can be either:

- Finance lease - a lease that transfers the substantial risks and rewards of ownership of a fixed asset to the lessee.
- Operating lease - a lease other than a finance lease. This is a method whereby a Council can use an asset, but not own it. The asset is therefore not classified as capital expenditure.

## **Liquid Resources**

Readily disposable short-term investments.

## **Materiality concept**

This refers to the premise that the financial statements often cannot be precisely accurate but this need not distract from their ability to be fairly stated. Within certain limits a tolerance is permitted in measurement and disclosure of financial statement items and the concept of materiality determines the degree of this tolerance.

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

This 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.

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

A flat rate in the pound set by central government and charged to businesses in the borough. The money is collected by the Council and then passed to central government who reallocate the income to all councils in proportion to their population. Commonly also referred to as Business Rates.

# GLOSSARY OF TERMS

## **Net Book Value**

The Net Book Value of an asset is equivalent to its Gross book value, less the deduction of cumulative depreciation charges. Net Book Value is also often referred to as depreciated cost. Asset values recorded on the balance sheet are at Net Book Value.

## **Net Cost of Services**

The total cost of providing services after deducting any specific grants or other income.

## **Net debt**

Total borrowings and obligations less cash and liquid resources.

## **Non-Distributed Costs (NDC)**

These are overheads for which no user benefits and are not therefore apportioned to services, for example pensions arising from discretionary added years service.

## **Non-Operational Assets**

Fixed assets held by the Council, but not directly used or occupied in the delivery of the Council's services. These include Investment Properties on which the Council earns income from renting out the property, and other surplus assets.

## **Operational Assets**

Fixed assets held by the Council, which are directly used or occupied by the Council in the delivery of the Council's services.

## **Precept**

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Taxpayers on their behalf, such as Essex County Council, Essex Police Authority and Essex Fire Authority.

## **Principal amount**

The original amount of a debt or investment on which interest is calculated.

## **Prudential Code**

This sets out the regulatory system of capital finance and capital controls for local authorities. This gives authorities the freedom to determine how much of their capital investment they can afford to fund by borrowing, and seeks to ensure that an authority's capital investment plans are affordable, prudent and sustainable. As part of this local authorities are required to set and report on certain Prudential Indicators.

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

A central government agency which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government itself can borrow.

## **Reserves**

The accumulation of surpluses of income over expenditure from previous years. They are not allocated to specific liabilities in the way that provisions are although earmarked reserves are allocated for specific purposes.

## **Revaluation**

A revaluation of fixed assets is a technique used to adjust for the true value of certain classes of fixed assets owned by the Council. The purpose of a revaluation is to bring into the accounts the fair market value of fixed assets.

# GLOSSARY OF TERMS

## **Revaluation Reserve**

A statutory reserve included on the balance sheet, which represents increases in value arising from revaluations of fixed assets. Impairment to an asset will reduce any previous increase in value for that asset recorded in this reserve. Other statutory adjustments are also posted to this reserve on disposal of assets, and also for depreciation.

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

Expenditure normally categorised as capital expenditure which does not result in or remain matched with a fixed asset and which may be properly deferred. An example of a deferred charge is expenditure on improvement grants.

## **Statement of Recommended Practice (SORP)**

A document issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which sets out the proper accounting practices for Local Government to adhere to in the preparation of their annual Statement of Accounts. Also referred to as the Code of Practice on Local Authority Accounting in the United Kingdom.

## **Substance over Form**

This concept requires that transactions and other events are accounted for and represented in financial statements with regard to their economic substance and financial reality rather than just their legal form.

## **Useful Life**

The period over which benefits will be derived from the use of a fixed asset.

# LIST OF ABBREVIATIONS

<b>ACCA</b>	The Association of Chartered Certified Accountants
<b>BVACOP</b>	Best Value Accounting Code of Practice
<b>CDC</b>	Corporate and Democratic Core
<b>CIPFA</b>	The Chartered Institute of Public Finance and Accountancy
<b>CITC</b>	Canvey Island Town Council
<b>CPFA</b>	Chartered Public Finance Accountant
<b>DCLG</b>	Department for Communities and Local Government
<b>DEFRA</b>	The Department for Environment, Food and Rural Affairs
<b>DHC</b>	Depreciated Historical Cost
<b>DRC</b>	Depreciated Replacement Cost
<b>DWP</b>	The Department for Work and Pensions
<b>ECC</b>	Essex County Council
<b>EEDA</b>	East of England Development Agency
<b>EFA</b>	Essex Fire Authority
<b>EPA</b>	Essex Police Authority
<b>EUV</b>	Existing Use Value
<b>FRS</b>	Financial Reporting Standards
<b>GBV</b>	Gross Book Value
<b>GF</b>	General Fund
<b>HCA</b>	Homes and Communities Agency
<b>HMRC</b>	HM Revenue & Customs
<b>HRA</b>	Housing Revenue Account
<b>IFRS</b>	International Financial Reporting Standards
<b>LABGI</b>	Local Authority Business Growth Incentive
<b>LGPS</b>	Local Government Pension Scheme
<b>MRP</b>	Minimum Revenue Provision
<b>MRR</b>	Major Repairs Reserve
<b>MV</b>	Market Value
<b>NBV</b>	Net Book Value
<b>NDC</b>	Non-Distributed costs
<b>NNDR</b>	National Non-domestic Rates
<b>NPV</b>	Net Present Value
<b>PWLB</b>	Public Works Loan Board
<b>RICS</b>	Royal Institution of Chartered Surveyors
<b>RSG</b>	Revenue Support Grant
<b>SMGFB</b>	Statement of Movement on the General Fund Balance
<b>SOLACE</b>	Society of Local Authority Chief Executives
<b>SORP</b>	Statement of Recommended Practice
<b>SSAP</b>	Statement of Standard Accounting Practice
<b>STRGL</b>	Statement of Total Recognised Gains and Losses
<b>UK GAAP</b>	UK Generally Accepted Accounting Practice
<b>VAT</b>	Value Added Tax

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