

Statement of Accounts 2009/10

Audit Committee – 28th June 2010



Essex County Council

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Foreword

1. Introduction

The purpose of these accounts is to present a true and fair view of the financial results of the Council's activities for the year ended 31 March 2010, and to summarise the overall financial position of the Council as at 31 March 2010.

The following paragraphs provide an introduction to the Statement of Accounts and an overview of the Council's financial performance and position. The supporting details are set out within the Accounting Statements (pages 19 to 22) and in the notes to the Accounts (pages 23 to 91). Group Accounts are also presented, which consolidate the Council's own financial statements with those of Essex Cares Ltd, a wholly owned subsidiary of the Council (pages 111 to 123).

2. Accounting Statements

The Council's accounting statements for 2009/10 comprise:

- **Income and Expenditure Account**

The Income and Expenditure Account, which appears on page 19, provides a summary of the resources generated and consumed by the Council in the year.

- **Statement of Movement on the General Fund Balance**

The Statement of Movement in the General Fund Balance, which also appears on page 19, provides a reconciliation showing how the balance of resources generated / consumed in the year links with statutory requirements for raising Council Tax.

- **Statement of Total Recognised Gains and Losses**

The Statement of Total Recognised Gains and Losses (on page 20) brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus or deficit generated on the Income and Expenditure Account, it includes the gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

- **Balance Sheet**

The Balance Sheet (on page 21) sets out the financial position of the Council as at 31 March 2010. It shows the balances and reserves at the Council's disposal, long term indebtedness and fixed and net current assets employed. It excludes the Pension Fund and Trust Funds.

- **Cash Flow Statement**

This statement appears on page 22 and it summarises the inflows and outflows of cash with third parties.

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Supplementary information is set out within the notes to the accounts (see pages 23 to 91) to aid interpretation of these financial statements, and to provide further information on the financial performance of the Council during 2009/10.

3. Group Accounts

During 2009/10, the Council transferred adult social care provider services into a Local Authority Trading Company, Essex Cares Ltd. The Council owns all of the ordinary shares of the Essex Cares Ltd group, which are vested with the Council as a corporate share holder.

In order to provide a full picture of the Council's economic activities and financial position, the accounting statements of the Council and Essex Cares Ltd have been consolidated. The Group Accounts are presented in addition to the Council's 'single entity' financial statements and comprise:

- Group Income and Expenditure account;
- Reconciliation of the 'single entity' surplus or deficit to the Group surplus or deficit;
- Group Statement of Total Recognised Gains and Losses;
- Group Balance Sheet;
- Group Cash Flow Statement.

These statements, together with explanatory notes and accounting policies, are set out on pages 111 to 123.

4. Pension Fund

The Essex County Council Pension Fund provides pensions and other benefits to employees of the Council, district, borough and unitary councils and other scheduled and admitted bodies. An annual report and accounts is published for the Fund. However, the accounting statements of the Fund are also included within this Statement of Accounts. They comprise:

- **Fund Account**

This statement (on page 125) summarises the financial transactions of the Pension Fund for the year.

- **Net Assets Statement**

This statement (on page 126) summarises the net assets relating to the provision of pensions and other benefits payable to former employees of the Council and other admitted bodies.

Further information is provided in the notes to the Pension Fund accounts (see pages 127 to 139).

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5. Revenue Expenditure

5.1 Background to the 2009/10 Budget

The Council's 2009/10 Revenue Budget was built to reflect the priorities of the people of Essex and to meet our statutory obligations; our goal was to deliver the best quality of life in Britain. We aimed to achieve this by using our resources to support the people in Essex to live life to their full potential in education, business and leisure; and to support families and neighbourhoods by providing them with the services required for an excellent quality of life.



Each year we set out our priority policies, coupled with measurable objectives that demonstrate our progress with delivering improved quality of life in Essex. In doing so, we aim to respond to the concerns and priorities of our residents and other stakeholders – this response is our vision 'EssexWorks', so called as we think this reflects the work ethic and characteristic pragmatism of the people of Essex.

EssexWorks is based on three delivery programmes, designed to help us achieve our medium term goals:

- **Our people** - policies which enable people to reach their potential and enhance residents' quality of life.
- **Our Economy** - policies that invest in key services, provide better value for money for the County's taxpayers and enhance the County's infrastructure.
- **Our World** - policies which specifically promote sustainability and ensure that the County's physical environment is protected.

Each year we make nine pledges to the Essex public, with at least one against each priority in each delivery programme. These pledges represent the most important initiatives and reflect the priorities of our citizens. Meeting the pledges each year will be a step towards achieving the longer term ambitions outlined in our 'EssexWorks' vision. The nine pledges for 2009/10 were to:

- **Increase educational achievement and skills** by improving the quality of our school buildings by investing an additional **£10m** in maintenance and refurbishment.
- **Supporting vulnerable people** by offering Telecare equipment and support to all Essex residents over the age of 85 and other vulnerable groups, enabling them to live safely and independently in their own home.

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- **Promoting health and leisure** by making available a **£1m** 'life raft trust' to keep open a range of Essex attractions during the economic downturn.
- **Improving transport** by upgrading and refurbishing local communities' roads and footpaths with **£10m** of additional investment.
- **Promoting sustainable economic** growth by supporting Essex businesses through the downturn by thinking local, buying local.
- **Delivering value for money** by further reducing bureaucracy, freeing up **£35m** for investment in front line services.
- **Protecting the Environment** by improving the appearance of Essex's coastal paths, gateways and verges.
- **Reducing and recycling waste** by increasing the recycling of waste to over 45% in 2010 and to over 50% within the next three years, in partnership with the District and Borough Councils.
- **Making communities safer** by delivering, with Essex Police and partners, ten local operations to reduce crime and anti social behaviour in identified areas.

As part of our integrated service and financial planning process, we reviewed our budgets to ensure that we had resources available to invest in our priorities and spend public money as effectively as possible.

We set a budget for 2009/10 that provided **£854.756m** for delivery of our EssexWorks priorities; we planned to set a further **£6.0m** aside in our General Fund Balance. The 2009/10 budget was financed from general government grants (**£102.384m**), non domestic rates (**£194.095m**) and local taxpayers (**£564.277m**). This budget allowed for inflationary pressures of **£12.156m** and provided for new investment of **£87.214m**. As a consequence of the review process, savings and efficiencies of **£79.906m** were identified to allow us to re-direct resources to our priorities.

The Council Tax for band D amounted to **£1,066.50**. This represented an increase of **1.9%** over that for 2008/09.

5.2 Outturn position

The Revenue Budget was allocated between the Council's Cabinet Members, according to their specific responsibilities for discharging the functions of the Cabinet. Cabinet Members monitored actual spending against their approved budgets throughout the year, and Cabinet reviewed the overall position on a quarterly basis.

Approved total net expenditure was increased from **£854.756m** to **£883.331m** during the year to take account of unspent budget brought forward from 2008/09 and additional general grant funding.

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The end of year position is set out within the following table, which compares actual net expenditure with the original and finally approved budget for the Cabinet Members' portfolios, and shows how net expenditure was financed.

Revenue Outturn	2009/10 Budget		Actual net expenditure £000	(Under) / Over spend	
	Original £000	Final Estimate £000		£000	%
Net Expenditure					
Adults, Health and Community Wellbeing	371,900	368,180	368,945	765	0.21%
Children's Services	252,143	185,818	193,931	8,113	4.37%
Education and 2012 Games	29,021	89,618	247,044	157,426	175.66%
Highways and Transportation	94,305	96,821	104,958	8,137	8.40%
Chief Whip and Environment and Waste	66,279	68,982	69,901	919	1.33%
Heritage, Culture and the Arts	30,293	33,229	43,603	10,374	31.22%
Leader	19,507	31,218	32,175	957	3.07%
Communities and Planning	7,497	8,140	8,977	837	10.28%
Major Projects and Commercial Services	151	134	289	155	115.67%
Deputy Leader, Finance and Transformation	7,636	9,915	15,573	5,658	57.07%
Operating costs	(23,976)	(8,724)	(222,397)	(213,673)	2449.25%
Total net expenditure	854,756	883,331	862,999	(20,332)	(2.30%)
Financed by					
General government grant	(102,384)	(126,595)	(111,238)	15,357	(12.13%)
National non-domestic rates	(194,095)	(194,095)	(194,095)	-	-
Council taxpayers	(564,277)	(564,277)	(564,277)	-	-
Total financing	(860,756)	(884,967)	(869,610)	15,357	(1.74%)
Deficit / (surplus) for the year	(6,000)	(1,636)	(6,611)	(4,975)	304.10%

Notes:

- (i) This analysis combines the information presented in the Income and Expenditure Account and the Statement of Movement on the General Fund Balance (see page 19).
- (ii) The presentation of services' expenditure differs from that provided in the Income and Expenditure Account, which is shown according to the mandatory service headings specified by the CIPFA Best Value Accounting Code of Practice 2008 (see note 4 to the accounts on page 30 for further details).

As reflected in the final budget for the year, the Council was aiming to achieve a surplus of **£1.636m**. However, as a consequence of positive action by Services to achieve efficiency savings, the actual surplus amounted to **£6.611m**. This position was after making contributions to various earmarked revenue reserves, including **£6.044m** which was added to the Carry Forwards Reserve in relation to under spends that Services indicated that they wish to utilise in 2010/11, and withdrawals from reserves, including **£6.826m** which was withdrawn from the Schools Reserve to finance additional schools related expenditure in 2009/10.

5.3 General Fund Balance

Actual net expenditure for 2009/10 amounted to **£862.999m**, giving rise to a surplus for the year of **£6.611m**. The surplus has been added to the Council's General Fund Balance, increasing the balance to **£33.071m** as at 31 March 2010.

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5.4 Revenue Reserves

The Council maintains a number of earmarked reserves, which represent amounts set aside for specific policy purposes.

Balances held by schools, which represent unspent monies delegated to school governing bodies to manage, totalled **£48.551m** at 31 March 2010. Other earmarked reserves totalled **£141.316m** at 31 March 2010.

The purpose and usage of the Council's earmarked reserves is set out within note 16 to the Accounts (see page 47).

5.5 Looking forward to 2010/11

The net cost of services for 2010/11 amounts to **£904.094m** which, after taking account of transfers of specific grant funding into general grant and a reduction in the budgeted contribution to the General Balance, is an increase of **£18.891m** over that for 2009/10. This increase comprises **£106.588m** relating to new investment and **£20.176m** relating to pay and price inflation, offset by **£88.315m** relating to efficiencies and savings and the withdrawal of **£19.558m** from reserves.

Our costs continue to increase rapidly, reflecting a rising population, a further increase in the rate of landfill tax on waste and increasing requirements in respect of child protection. The current economic downturn has exacerbated the situation, and we have been particularly affected by the reduction in interest rates to their lowest ever level. The slowdown in the economy has also resulted in a slower than expected increase in the number of new households, which has meant that Council Tax income is lower. It is also possible that grant funding will be reduced.

6. Capital Expenditure

6.1 Background to the Budgets

Capital expenditure (including revenue expenditure funded from capital under statute) was originally estimated to amount to **£302.718m** in 2009/10. Each major capital project included within the Capital Programme was subject to the Council's programme management governance process, which tracks projects through the phases of development.

The Council determined that it would borrow up to **£114.054m** for capital financing purposes in 2009/10. The remainder of the



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capital programme was to be financed from grants and contributions (£174.119m), capital receipts (£4.545m) and earmarked reserves (£10m).

6.2 Outturn position

Capital payment guidelines were reduced to £283.401m during 2009/10. The reduction of £19.317m represented the net effect of increases, to take account of slippage in schemes from 2008/09 and to add schemes to the programme that had specific funding streams, and reductions to take account of forecast slippage of schemes into 2010/11 and other reductions. In comparison, actual expenditure amounted to £251.302m, giving rise to an under spend of £32.099m.

The end of year position is set out in the following table, which compares actual capital expenditure, and revenue expenditure funded from capital under statute, with the finally approved budget by portfolio, and shows how the expenditure has been financed.

	Approved expenditure	Actual expenditure			Variance over / (under)
		Capital Payments	Revenue Expenditure funded from Capital	Total expenditure	
	£000	£000	£000	£000	£000
Capital payments				-	-
Adults, Health & Community Wellbeing	3,566	135	2,931	3,066	(500)
Children's Services	18,963	3,823	4,601	8,424	(10,539)
Education and 2012 Games	120,682	40,506	74,031	114,537	(6,145)
Highways and Transportation	107,419	100,260	534	100,794	(6,625)
Chief Whip, Environment & Waste	3,750	2,368	1,177	3,545	(205)
Heritage, Culture and the Arts	3,574	547	743	1,290	(2,284)
Leader	2,378	190	1,681	1,871	(507)
Localism and Planning	3,668	182	1,649	1,831	(1,837)
Major Projects and Commercial Services	10,585	8,392	259	8,651	(1,934)
Deputy Leader, Finance and Transformation	8,816	5,098	2,195	7,293	(1,523)
Total of capital payments financed	283,401	161,501	89,801	251,302	(32,099)
Financed by					
Borrowing	(62,829)	(55,632)	(7,197)	(62,829)	-
Unsupported Borrowing	(59,939)	(41,939)	(3,070)	(45,009)	(14,930)
Government grants and contributions	(151,317)	(63,930)	(74,259)	(138,189)	(13,128)
Capital receipts	(7,693)	-	(5,275)	(5,275)	(2,418)
Earmarked reserves applied	(1,623)	-	-	-	(1,623)
Total financing	(283,401)	(161,501)	(89,801)	(251,302)	(32,099)

The under spend largely results from slippage in capital schemes. £28.968m of the under spend will therefore be carried forward to meet the costs of these schemes in 2010/11.

6.3 Looking forward to 2010/11

Overall, the capital programme for 2010/11 has been set at £383.921m, compared with £302.718m for 2009/10. It is intended to finance £144.077m of the capital programme by borrowing. A further £238.178m will be financed from grants and contributions, with the remainder (£1.666m) being financed by a withdrawal from

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earmarked reserves. Each major scheme will be subject to the Council's programme management governance process.

6.4 Capital projects undertaken

The most significant of the capital projects undertaken during 2009/10 are as follows:

Major schemes in 2009/10	Capital Payments £000
Education	
Formula Capital Grant to Schools	58,388
Basildon Academies	32,266
Capitalised building maintenance	13,754
Colchester Queen Boudica School	9,877
Essex Academies	7,614
Epping Primary School	7,112
Pitsea Felmores School	5,555
Harlow Passmores School	3,825
Asset Management Plan - Internal Seed Funding	3,819
School Meals and Accommodation	3,736
Wickford Collaborative Learning Centre	3,433
Schools Access Improvement Projects	2,263
Early Years	1,557
Extended Schools	1,452
Schools Access Improvement Projects	1,175
Highways and Transportation	
Highways Maintenance Initiative Programme	11,278
Brentwood High Street Area Improvements	10,627
Sadlers Farm	6,637
Basildon Enterprise Corridor	6,381
Tackling Congestion Programme	5,592
Colchester Junction 28 (A12)	4,654
Harlow A414 Dualling Junction 7	4,012
Widford Park & Ride	3,414
Harlow First Avenue	3,024
A127 Dunton Flyover and Halfway House	2,878
Canvey, Roscommon Way	2,443
Chelmsford Park and Ride 2	1,607
Pitsea Flyover Phase V	1,256
Other	
Contribution to Basildon Sporting Village	8,000
Harlow Hub Office	7,139
Extra Care Housing Shaftsbury Court Grants	2,653
Data Centres	2,328
Braintree Civic Amenity Site	2,047
Wide Area Network Replacement	1,939
Capitalised building maintenance	1,763
Local Area Network Infrastructure	1,618
Economic Participation grants	1,533

Note:

Capitalised maintenance represents expenditure intended to lengthen substantially the useful life of assets or increase substantially their market value or the extent to which the asset can be used by the Council.

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6.5 Capital reserves

At 31 March 2010, the Council's usable capital receipts reserve, which represents the proceeds from the sale of assets that have not yet been used to finance new capital spending, amounted to **£13.685m**. A further **£7.221m** has been recognised as deferred capital income. Further details are provided in Note 40 which commences on page 80.

7. Borrowing

7.1 Long term borrowing

The Council undertakes long term borrowing, for periods in excess of one year, in order to finance capital spending. The Council satisfies its borrowing requirement for this purpose by securing external loans. There is no immediate link between the need to borrow to pay for capital spend and the level of external borrowing though, as the Council is able to temporarily use the cash it has set aside for longer term purposes to defer external borrowing (this practice is referred to as 'internal borrowing'). The effect of using the cash set aside for longer term purposes to temporarily defer external borrowing is to reduce the level of cash that the Council has available for investment.

The Council substituted **£34m** of its external debt for 'internal borrowing' during the early part of the financial year; this was achieved by prematurely repaying loans previously secured from the Public Works Loans Board. The purposes of this were to reduce the amount of cash the Council had available to invest and to achieve savings in borrowing costs to offset a loss of investment income as a consequence of the historically low bank base rate of interest. It was necessary to secure **£15m** of external loans towards the end of the financial year though.



Further details of long term borrowing activities are provided within Note 32, which commences on page 67.

7.2 Short term borrowing

The Council undertook short term borrowing during 2009/10 for the following purposes:

- In accordance with its agreement to temporarily borrow the surplus cash balances of the Essex Probation Board and Essex Cares Ltd.

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- To cover temporary shortfalls of cash arising as a consequence of timing differences between receipts and payments.

Further details of short term borrowing activities are provided within Note 32, which commences on page 67.

8. Investments

The surplus cash balances of the Council and the Essex Pension Fund were pooled together during 2009/10, and the Council invested the aggregate balance. These sums were invested in accordance with guidance issued by the Government. The primary objectives were:

- Firstly, to safeguard the principal sums invested;
- Secondly, to ensure adequate liquidity; and
- Lastly, to consider investment returns or yield.

Surplus cash balances were mainly invested on a short term basis (up to a maximum period of 364 days), until the funds were next required. Funds were invested with the UK Government, other local authorities, money market funds and bodies with high credit ratings.

A list of counterparties with whom funds could be invested was compiled with reference to the credit ratings issued by the credit rating agencies Fitch, Standard and Poor's and Moody's.

The Council paid interest to the Essex Pension Fund, for amounts aggregated and invested with its own cash balances, at a rate equivalent to that which the Pension Fund would have earned had its cash balances been invested independently.

The Council also lent funds to Essex Cares Ltd during 2009/10, as part of its agreement to provide treasury management support to the company. Interest was charged on amounts lent to Essex Cares Ltd, in accordance with the terms of a formal agreement between the two parties.

Further details of investment activities are provided within Note 32, which commences on page 67.



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9. Local Government Pension Scheme

The Council accounts for retirement benefits when it is committed to give them, even if the actual payments will be many years into the future. This means that:

- The financial statements reflect the liabilities arising from the Council's retirement obligations.
- The costs of providing retirement benefits to employees are recognised in the accounting period(s) in which the benefits are earned by employees, and the related finance costs and any other changes in value of assets and liabilities are recognised in the accounting periods in which they arise.
- The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities.

As at 1 April 2009, the Council's net pensions' deficit amounted to **£549.732m**. In comparison, the deficit amounted to **£757.831m** at 31 March 2010. Statutory requirements for funding the deficit mean that the financial position of the Council remains healthy, as the deficit will be made good by increased contributions over the remaining working life of employees.

Note 7 of the Statement of Accounting Policies, on page 94, explains the basis on which the Council accounts for retirement benefits, and the change to the pension liability in 2009/10 is analysed in note 12 to the accounts, which commences on page 35.

10. Value of land and buildings

Land and buildings held by the Council are re-valued by the Council's property advisors, Lambert Smith Hampton (LSH), at intervals of not more than five years and the revised amount is then included in the Balance Sheet, in accordance with Accounting Policy note 11.3, which commences on page 100.

The value of land and buildings is also reviewed at the end of each financial year for evidence of diminution in value. There was evidence of diminution in the value of the land and buildings held by the Council in 2009/10. Accordingly, the Council has impaired the value of its land and buildings this year, as illustrated in Note 21 on page 56, in accordance with Accounting Policy Note 11.4 on page 102.

11. Accounting policies

Accounting policies are the principles, bases, conventions, rules and practices applied by the Council that specify how the financial effects of transactions and other events are reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves.

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All of the accounting policies adopted, that are material in the context of the Council's 2009/10 financial statements, are described in the Statement of Accounting Policies, which is set out on pages 92 to 110.

In the 2009/10 Statement of Accounts, the Council has adopted two new accounting policies, in order to meet the requirements of the CIPFA Code of Practice on Local Authority Accounting in the UK 2009: A Statement of Recommended Practice.

The new policies are as follows:

- **Council Tax**

In previous years, Council Tax income in the Income and Expenditure Account represented the amount required under Regulation to be transferred from the Collection Funds of the district and borough councils.

This year, Council Tax income included in the Income and Expenditure Account is the total of the Council's precept upon the Collection Funds of the district and borough councils, and the Council's share of the actual surplus / deficit on the Collection Funds at the end of the current year, adjusted for the Council's share of the surplus/deficit on the Fund at the preceding year end that was not distributed or recovered in the current year.

The difference between the income included in the Income and Expenditure Account and the amount required by Regulation to be credited to the General Fund is included as a reconciling item in the Statement of Movement on the General Fund Balance, to ensure the impact of the change in accounting policy is mitigated.

Under the legislative framework, the Council shares the risks and rewards that the Council Tax collected could be more or less than predicted. For this reason, the Council's Balance Sheet now includes:

- An attributable share of debtors for Council Tax arrears (net of any impairment allowance for doubtful debts);
- An attributable share of creditors for overpaid Council Tax; and
- A debtor for the billing authorities for cash collected from council taxpayers but not paid across, or a creditor for the cash paid in advance of receipt from council taxpayers.
- A Collection Fund Adjustment Account, which records the difference between the income included in the Income and Expenditure Account and the amount required by Regulation to be credited to the General Fund.

Further details of the accounting policy change are set out within Accounting Policy Note 10, which commences on page 97.

- **Private Finance Initiative / Public Private Partnerships**

Private Finance Initiative (PFI) and Public Private Partnership (PPP) schemes involve operators designing, building, financing and ultimately operating properties or roads on behalf of the Council. Where the substance of these

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transactions is such that the risks and rewards of ownership remain with the Council, the assets and liabilities are included on the Council's Balance Sheet. Prior to 2009/10, the Council's PFI/PPP schemes were assessed as off-balance sheet.

Previously, the annual unitary payments to the PFI/PPP operators were recorded in the Income and Expenditure Account, within the Net Cost of Services. Now, the unitary payments are separated into the following component parts:

- Payment for the fair value of services received;
- Payment for the PFI assets, including finance costs; and
- Payment for the replacement of components of the asset during the life of the contract (i.e. lifecycle replacement costs).

The services received under the contract are recorded in the Income and Expenditure Account, within the Net Cost of Services, on an accruals basis. The annual finance cost is charged as 'interest payable and similar charges' within the Income and Expenditure. Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the Council's criteria for capital expenditure.

Further details of the accounting policy change are set out within Accounting Policy Note 12, which commences on page 104.

The 2008/09 comparative figures have been restated in compliance with these accounting policies. The effects of the prior period adjustments on the 2008/09 comparative figures are explained in Note 3 to the accounts, which commences on page 25.

In addition to these changes, the Council has included a new disclosure note (note 18, which commences on page 50) in relation to the remuneration of its senior officers. The purpose of this note is to increase transparency and accountability by disclosing remuneration of senior employees on an individual basis.

12. Glossary of terms

A glossary of the terminology used throughout the Statement of Accounts is provided on pages 150 to 157.

Margaret Lee
Director for Finance
28th June 2010

Statement of responsibilities

1. Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. At Essex County Council, that officer is the Director for Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts. The Council has delegated this responsibility to the Audit Committee.

2. Chairman of the Audit Committee's certificate

I confirm that the Audit Committee approved these accounts at its meeting on **28th June 2010**.

Cllr Michael Lager
Chairman of the Audit Committee
28th June 2010

Statement of responsibilities

3. Director for Finance's responsibilities

The Director for Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out within 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 Director for Finance has:

- Selected suitable accounting policies and applied them consistently.
- Made judgements and estimates which were reasonable and prudent.
- Complied with the Code of Practice.
- Kept proper accounting records that were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

4. Director for Finance's certificate

I certify that this Statement of Accounts has been prepared in accordance with proper practices, and provides a true and fair view of the financial position of the Council at 31 March 2010 and its expenditure and income for the year then ended.

Margaret Lee
Director for Finance
28th June 2010

Auditor's Report

Independent auditor's report to the Members of Essex County Council

To be inserted upon conclusion of the Accounts Audit.

**Rob Murray
District Auditor
Officer of the Audit Commission
Atlantic Business Centre
64 Broomfield Road
Chelmsford
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Accounting Statements

Introduction

The Accounting Statements comprise:

- **Income and Expenditure Account – page 19**

The Income and Expenditure Account provides a summary of the resources generated and consumed by the Council in the year.

- **Statement of Movement on the General Fund Balance – page 19**

The Statement of Movement on the General Fund Balance provides a reconciliation showing how the balance of resources generated / consumed in the year links with statutory requirements for raising Council Tax.

- **Statement of Total Recognised Gains and Losses – page 20**

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

- **Balance Sheet – page 21**

This sets out the financial position of the Council as at 31 March 2010. It shows the balances and reserves at the Council's disposal, long term indebtedness and fixed and net current assets employed. It excludes the Pension Fund and Trust Funds.

- **Cash Flow Statement – page 22**

This statement summarises the inflows and outflows of cash with third parties.

Note:

The comparative figures included within these Accounting Statements for 2008/09 have been restated, in order to present them on a basis consistent with 2009/10. The restatement of the 2008/09 Accounts reflects the effect of implementing changes in the accounting policies for Council Tax and Public Finance Initiative (PFI) / Public Private Partnership (PPP) schemes. The impact of the restating the 2008/09 comparative figures is explained within Note 3 to the Accounts, which commences on page 25.

Accounting Statements

Income and Expenditure Account

For the year ended 31 March 2010

2008/09 Net Expenditure Restated £000	Note		2009/10			
			Gross expenditure £000	Income £000	Specific grants £000	Net expenditure £000
2,898	4	Central services to the public	5,972	(2,381)	-	3,591
1,650		Court services	3,320	(1,085)	-	2,235
114,159		Cultural, environmental and planning services	149,263	(14,695)	(5,612)	128,956
424,933		Children's and Education services	1,588,823	(171,865)	(987,419)	429,539
89,608		Highways, roads and transportation services	149,399	(41,472)	(10,603)	97,324
2,250		Housing services	2,101	(762)	-	1,339
354,613		Adult Social Care	531,447	(125,824)	(35,507)	370,116
18,932		Corporate and democratic core	27,017	(256)	(1)	26,760
7,410		Non distributed costs	40,896	(34,229)	(61)	6,606
1,016,453		Net cost of services	2,498,238	(392,569)	(1,039,203)	1,066,466
2,762	8	Amounts due to precepting authorities	2,966	-	-	2,966
29,736	32	Interest payable and similar charges	25,955	(766)	-	25,189
(14,678)	32	Interest and investment income	263	(4,960)	-	(4,697)
35,138	9	Loss / (gain) on disposal of fixed assets	24,613	-	-	24,613
(1,111)	10	Net (surplus) / deficit on trading activities	(926)	-	-	(926)
29,045	12	Pension interest and expected return on pension assets	100,695	(57,313)	-	43,382
1,097,345		Net operating expenditure	2,651,804	(455,608)	(1,039,203)	1,156,993
(81,365)	13	General government grant (incl. Revenue Support Grant)				(111,238)
(204,415)		National non domestic rates				(194,095)
(548,536)	14	Demand on the Collection Fund				(562,408)
(834,316)						(867,741)
263,029		Deficit for the year				289,252

Statement of the Movement on the General Fund Balance

For the year ended 31 March 2010

2008/09 Restated £000	Note		2009/10 £000
263,029		(Surplus) / deficit on the Income and Expenditure Account	289,252
(250,562)	15	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year	(295,863)
12,467		(Increase) / decrease in the General Fund Balance for the year	(6,611)
(38,927)		General Fund Balance brought forward	(26,460)
(26,460)		General Fund Balance carried forward	(33,071)

Notes:

The 2008/09 comparative figures have been restated to take account of changes in the accounting policies for Council Tax income and PFI arrangements.

Accounting Statements

Statement of Total Recognised Gains and Losses

For the year ended 31 March 2010

2008/09 Restated £000	Note		2009/10 £000
263,029		Deficit for the year on the Income and Expenditure Account	289,252
65,913	38	(Surplus) / deficit arising on revaluation of fixed assets	(7,040)
(35,500)	12	Actuarial (gains) / losses on Pension Fund assets and liabilities	194,027
<u>293,442</u>		Total recognised losses for the year	<u>476,239</u>

Notes:

The 2008/09 comparative figures have been restated to take account of changes in the accounting policies for Council Tax income and PFI arrangements.

Accounting Statements

Balance Sheet

As at 31 March 2010

2008/09 (restated)		Note		2009/10	
£000	£000			£000	£000
	713	20 - 25	Intangible fixed assets		452
			Tangible fixed assets		
			Operational assets		
2,008,235			Land and buildings	1,840,193	
7,421			Vehicles, plant and equipment	6,862	
479,277			Infrastructure	544,466	
2,257			Community assets	2,616	
			Non operational assets		
83,866			Assets under construction	88,786	
9,476			Surplus assets held pending disposal	11,217	
	2,590,532				2,494,140
	2,591,245		Total fixed assets		2,494,592
	65,197	32	Long term investments		11,259
	28,554	27	Long term debtors		27,191
	2,684,996		Total long term assets		2,533,042
			Current assets		
218			Stocks and work in progress	161	
120,904		28	Debtors	168,615	
152,677		32	Short term investments	92,034	
23,651		29	Cash and bank	22,679	
	297,450				283,489
	2,982,446		Total assets		2,816,531
			Current liabilities		
(1,991)		26	Finance lease obligations - short term	(2,173)	
(291,315)		30	Creditors	(351,803)	
(5,037)		32	Short-term borrowing	(5,068)	
	(298,343)				(359,044)
	2,684,103		Total assets less current liabilities		2,457,487
			Long term liabilities		
	(342,744)	32	Long term borrowing		(323,718)
	(20,932)	33	Deferred credits		(20,186)
	(27,520)	34	Provisions		(33,086)
	(255,122)	36	Deferred grants and contributions		(312,188)
	(115,851)	26	Finance lease obligations - long term		(114,515)
	(549,732)	12	Pension liability		(757,831)
	1,372,202		Total assets less liabilities		895,963
			Financed by:		
	(106,924)	38	Revaluation reserve		(101,644)
	(1,542,338)	39	Capital Adjustments Account		(1,310,187)
	3,551	41	Financial Instruments Adjustment Account		3,382
	(3,370)	14	Collection Fund Adjustment Account		(1,501)
	549,732	12	Pension reserve		757,831
	(14,254)	40	Usable capital receipts reserve		(13,685)
	(9,721)	40	Deferred capital receipts		(7,221)
	(26,460)		General Fund Balance		(33,071)
	(222,418)	16	Earmarked reserves		(189,867)
	(1,372,202)		Total equity		(895,963)

Note: The 2008/09 comparative figures have been restated to take account of changes in the accounting policies for Council Tax income and PFI arrangements.

Accounting Statements

Cash Flow Statement

For the year ended 31 March 2010

2008/09 (restated)		Notes	2009/10	
£000	£000		£000	£000
		Revenue Activities		
		Cash outflows		
1,027,205		Cash paid to and on behalf of employees	1,053,628	
1,031,741		Other operating cash payments	1,129,221	
2,762		Precepts paid	2,966	
	2,061,708			2,185,815
		Cash inflows		
(550,838)		Council tax receipts	(564,277)	
(204,415)		National non-domestic rates receipts from national pool	(194,095)	
(79,872)		General government grants (incl. Revenue Support Grant)	(110,140)	
(1,020,954)		Other government grants	(1,100,088)	
(333,758)		Cash received for goods and services	(305,624)	
	(2,189,837)			(2,274,224)
	(128,129)	44 Revenue activities net cash flow		(88,409)
		Returns on investments and servicing of finance		
		Cash outflows		
16,691		Interest paid	13,999	
14,349		Interest element of finance lease rental payments	12,674	
		Cash inflows		
(13,472)		Interest received	(10,871)	
	17,568			15,802
		Capital activities		
		Cash outflows		
152,431		Purchase of fixed assets	149,277	
42,909		Other capital cash payments	89,801	
	195,340			239,078
		Cash inflows		
(21,579)		Sale of fixed assets	(4,256)	
(38,116)		Capital grants received	(61,850)	
(12,016)		Other capital cash receipts	(4,961)	
	(71,711)			(71,067)
	13,068	45 Net cash outflow before financing		95,404
	(19,752)	46 Management of liquid resources		
(16,897)		Net decrease in short term deposits		(60,643)
		Net decrease in long term deposits		(53,938)
		Financing		
		Cash outflows		
50,009		Repayment of amounts borrowed		33,432
2,027		Capital element of finance lease rental payments		1,154
		Cash inflows		
(30,978)		New loans raised		(14,984)
286		New short-term loans		547
	(2,237)	Net (increase) / decrease in cash		972

Note:

The 2008/09 comparative figures have been restated to take account of changes in the accounting policies for Council Tax income and PFI arrangements.

Notes to the Accounts

1. Introduction

This section contains notes that are intended to aid interpretation of the financial statements (as set out on pages 19 to 22) and provide further information upon the financial performance of the Council during 2009/10. The notes set out within this section are listed below for ease of reference.

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Notes to the Accounts

2. Accounting policies

The basis for the recognition, measurement and disclosure of transactions and other events in the Council's accounts are explained within the Statement of Accounting Policies, which is set out on pages 92 to 110.

3. Prior period adjustments

3.1 Background

The Council has implemented two changes in accounting policy this year, in order to meet the requirements of the CIPFA Code of Practice in Local Authority Accounting in the UK 2009: A Statement of Recommended Practice. These changes are as follows:

■ Council tax

Previously, Council Tax income in the Income and Expenditure Account represented the amount required by Regulation to be transferred from the Collection Funds of the district and borough councils. This year, Council Tax income included in the Income and Expenditure Account is the total of the Council's precept upon the Collection Funds of the district and borough councils, and the Council's share of the actual surplus / deficit on the Collection Funds at the end of the current year, adjusted for the Council's share of the surplus/deficit on the Fund at the preceding year end that was not distributed or recovered in the current year.

The difference between the income included in the Income and Expenditure Account and the amount required by Regulation to be credited to the General Fund is included as a reconciling item in the Statement of Movement on the General Fund Balance, to ensure the impact of the change in accounting policy is mitigated.

In addition to these changes, the Council's Balance Sheet also now includes:

- An attributable share of debtors for Council Tax arrears (net of any impairment allowance for doubtful debts);
- An attributable share of creditors for overpaid Council Tax; and
- A debtor for the billing authorities for cash collected from council taxpayers but not paid across, or a creditor for the cash paid in advance of receipt from council taxpayers.



Notes to the Accounts

- A Collection Fund Adjustment Account, which records the difference between the income included in the Income and Expenditure Account and the amount required by Regulation to be credited to the General Fund.
- **Private Finance Initiative/Public Private Partnership schemes**
Private Finance Initiative (PFI) and Public Private Partnership (PPP) schemes involve operators designing, building, financing and ultimately operating properties or roads on behalf of the Council. Where the substance of these transactions is such that the risks and rewards of ownership remain with the Council, the assets and liabilities are included on the Council's Balance Sheet. Prior to 2009/10, the Council's PFI/PPP schemes were assessed as off-balance sheet.

Previously, the annual unitary payment was recorded in the Income and Expenditure Account, within the Net Cost of Services. Now, the unitary payment is separated into the following component parts:

- Payment for the fair value of services received;
- Payment for the PFI asset, including finance costs; and
- Payment for the replacement of components of the asset during the life of the contract (i.e. lifecycle replacement costs).

The services received under the contract are recorded in the Income and Expenditure Account, within the Net Cost of Services, on an accruals basis. The annual finance cost is charged as 'interest payable and similar charges' within the Income and Expenditure. Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the Council's criteria for capital expenditure.

Further details of the accounting policy change are set out within Accounting Policy Note 12, which commences on page 104.

The 2008/09 comparative figures have been restated in compliance with these new accounting policies. The effect of the prior period adjustments on the 2008/09 comparative figures in the Accounting Statements are explained in the paragraphs 3.2 to 3.5 below.

The 2008/09 comparative figures included within the Notes to the Accounts have also been restated, where appropriate, to take account of the accounting policy changes. The relevant notes include an explanation of the effect of restating the 2008/09 comparative figures.

3.2 Income and Expenditure Account & Statement of Movement on the General Fund Balance

The following table shows the impact on the Income and Expenditure Account and Statement of Movement on the General Fund Balance of restating the 2008/09 comparatives.

Notes to the Accounts

	2008/09			
	2008/09 Statement of Accounts £000	Prior period adjustments		Restated
		Council Tax income £000	PFI / PPP schemes £000	£000
Central services to the public	2,898	-	-	2,898
Court services	1,650	-	-	1,650
Cultural, environmental and planning services	114,159	-	-	114,159
Children's and Education services	431,849	-	(6,916)	424,933
Highways, roads and transportation services	97,762	-	(8,154)	89,608
Housing services	2,250	-	-	2,250
Adult Social Care	354,613	-	-	354,613
Corporate and democratic core	18,932	-	-	18,932
Non distributed costs	7,410	-	-	7,410
Net cost of services	1,031,523	-	(15,070)	1,016,453
Amounts due to precepting authorities	2,762	-	-	2,762
Interest payable and similar charges	15,422	-	14,314	29,736
Interest and investment income	(14,678)	-	-	(14,678)
Loss on disposal of fixed assets	35,138	-	-	35,138
Net surplus on trading activities	(1,111)	-	-	(1,111)
Pension interest and expected return on pension assets	29,045	-	-	29,045
Net operating expenditure	1,098,101	-	(756)	1,097,345
Financed by				
General government grant	(81,365)	-	-	(81,365)
National non domestic rates	(204,415)	-	-	(204,415)
Demand on the Collection Fund	(550,838)	2,302	-	(548,536)
	(836,618)	2,302	-	(834,316)
Deficit for the year on the Income and Expenditure Account	261,483	2,302	(756)	263,029
Net additional amount required by statute and non- statutory proper practices to be debited to the General Fund Balance for the year	(249,016)	(2,302)	756	(250,562)
Decrease in the General Fund Balance for the year	12,467	-	-	12,467
General Fund Balance brought forward	(38,927)	-	-	(38,927)
General Fund Balance carried forward	(26,460)	-	-	(26,460)

Whilst these changes have increased the deficit on the Income and Expenditure Account, the impact has been neutralised in the Statement of Movement on the General Fund Balance, to ensure that the General Fund Balance remains unchanged.

3.3 Statement of Total Recognised Gains and Losses

The following table shows the impact on the Statement of Total Recognised Gains and Losses of restating the 2008/09 comparatives:

	2008/09			Restated £000
	2008/09 Statement of Accounts £000	Prior period adjustments		
		Council	PFI / PPP	
		Tax income £000	schemes £000	
Deficit for the year on the Income and Expenditure Account	261,483	2,302	(756)	263,029
Deficit arising on revaluation of fixed assets	61,172	-	4,741	65,913
Actuarial gains on Pension Fund assets and liabilities	(35,500)	-	-	(35,500)
Total recognised losses for the year	287,155	2,302	3,985	293,442

Notes to the Accounts

3.4 Balance Sheet

The following table shows the impact on the Balance Sheet of restating the 2008/09 comparatives:

	2008/09 Statement of Accounts £000	2008/09 Prior period adjustments		Restated £000
		Council Tax income £000	PFI / PPP schemes £000	
Intangible fixed assets	713	-	-	713
Tangible fixed assets				
Operational assets				
Land and buildings	1,960,152	-	48,083	2,008,235
Vehicles, plant and equipment	7,421	-	-	7,421
Infrastructure	419,004	-	60,273	479,277
Community assets	2,257	-	-	2,257
Non operational assets				
Assets under construction	83,866	-	-	83,866
Surplus assets held pending disposal	9,476	-	-	9,476
Total fixed assets	2,482,889	-	108,356	2,591,245
Long term investments	65,197	-	-	65,197
Long term debtors	28,554	-	-	28,554
Deferred consideration	5,025	-	(5,025)	-
Total long term assets	2,581,665	-	103,331	2,684,996
Current assets				
Stocks and work in progress	218	-	-	218
Debtors	102,356	18,548	-	120,904
Short term investments	152,677	-	-	152,677
Cash and bank	23,651	-	-	23,651
Total assets	2,860,567	18,548	103,331	2,982,446
Current liabilities				
Creditors	(276,137)	(15,178)	-	(291,315)
Short-term borrowing	(5,037)	-	-	(5,037)
Finance lease obligations	-	-	(1,991)	(1,991)
Total assets less current liabilities	2,579,393	3,370	101,340	2,684,103
Long term liabilities				
Long term borrowing	(342,744)	-	-	(342,744)
Deferred credits	(19,845)	-	(1,087)	(20,932)
Provisions	(27,520)	-	-	(27,520)
Deferred grants and contributions	(255,122)	-	-	(255,122)
Finance lease obligations	(139)	-	(115,712)	(115,851)
Pension liability	(549,732)	-	-	(549,732)
Total assets less liabilities	1,384,291	3,370	(15,459)	1,372,202
Financed by:				
Revaluation reserve	(111,591)	-	4,667	(106,924)
Capital Adjustments Account	(1,553,130)	-	10,792	(1,542,338)
Financial Instruments Adjustment Account	3,551	-	-	3,551
Collection Fund Adjustment Account	-	(3,370)	-	(3,370)
Pension reserve	549,732	-	-	549,732
Usable capital receipts reserve	(14,254)	-	-	(14,254)
Deferred capital receipts	(9,721)	-	-	(9,721)
General Fund Balance	(26,460)	-	-	(26,460)
Earmarked reserves	(222,418)	-	-	(222,418)
Total equity	(1,384,291)	(3,370)	15,459	(1,372,202)

Notes to the Accounts

3.5 Cash Flow Statement

The following table shows the impact on the Balance Sheet of restating the 2008/09 comparatives:

	2008/09 Statement of Accounts £000	2008/09 Prior period adjustments		Restated £000
		Council Tax income £000	PFI / PPP schemes £000	
Revenue Activities				
Cash outflows				
Cash paid to and on behalf of employees	1,027,205	-	-	1,027,205
Other operating cash payments	1,049,012	-	(17,271)	1,031,741
Precepts paid	2,762			2,762
	2,078,979	-	(17,271)	2,061,708
Cash inflows				
Council tax receipts	(550,838)	-	-	(550,838)
National non-domestic rates receipts from national pool	(204,415)	-	-	(204,415)
General government grants (incl. Revenue Support Grant)	(79,872)	-	-	(79,872)
Other government grants	(1,020,954)	-	-	(1,020,954)
Cash received for goods and services	(333,758)	-	-	(333,758)
	(2,189,837)	-	-	(2,189,837)
Revenue activities net cash flow	(110,858)	-	(17,271)	(128,129)
Returns on investments and servicing of finance				
Cash outflows				
Interest paid	16,691	-	-	16,691
Interest element of finance lease rental payments	35	-	14,314	14,349
Cash inflows				
Interest received	(13,472)	-	-	(13,472)
	3,254	-	14,314	17,568
Capital activities				
Cash outflows				
Purchase of fixed assets	152,431	-	-	152,431
Other capital cash payments	41,818	-	1,091	42,909
	194,249	-	1,091	195,340
Cash inflows				
Sale of fixed assets	(21,579)	-	-	(21,579)
Capital grants received	(38,116)	-	-	(38,116)
Other capital cash receipts	(12,016)	-	-	(12,016)
	(71,711)	-	-	(71,711)
Net cash outflow before financing	14,934	-	(1,866)	13,068
Management of liquid resources				
Net decrease in short term deposits	(19,752)	-	-	(19,752)
Net decrease in long term deposits	(16,897)	-	-	(16,897)
Financing				
Cash outflows				
Repayment of amounts borrowed	50,009	-	-	50,009
Capital element of finance lease rental payments	161	-	1,866	2,027
Cash inflows				
New loans raised	(30,978)	-	-	(30,978)
New short-term loans	286	-	-	286
Net increase in cash	(2,237)	-	-	(2,237)

Notes to the Accounts

4. Service expenditure analysis

The CIPFA Best Value Accounting Code of Practice 2008 (BVACOP) aims to promote consistent financial reporting, by requiring local authorities to analyse services' expenditure, specific grants and income in a standard format. Accordingly, the Council's Income and Expenditure Account provides an analysis of expenditure, specific grant and income over the mandatory headings defined by the BVACOP. The service expenditure analysis provided within the Income and Expenditure Account differs from the Council's internal financial management arrangements, which are centred on the responsibilities of the members of the Council's Cabinet.

The total cost of each service includes all costs arising in the provision of those services, including employee costs, expenditure related to premises and transport, supplies and services, support services, third party and transfer payments and depreciation.

5. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by a grant awarded by the Department for Education, the Dedicated Schools Grant (DSG).

DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008.

The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.



Notes to the Accounts

Details of the deployment of DSG receivable for 2009/10 are provided in the following table.

2008/09	Notes		2009/10 Total	Deployment in 2009/10	
£000			£000	Central Expenditure £000	Individual Schools Budget £000
(761,680)	(i)	Final DSG for the year	(762,095)		
6,685	(ii)	Adjustment for the 'fast track' transfer of schools	-		
(3,192)	(iii)	Brought forward from previous year	(1,444)		
-	(iv)	Carry forward to next year agreed in advance	-		
(758,187)	(v)	Agreed budgeted distribution	(763,539)	(74,803)	(688,736)
756,743	(vi)	Actual central expenditure / ISB deployed	769,670	80,934	688,736
-	(vii)	Council's contribution for year	(5,203)	(5,203)	-
(1,444)	(viii)	Carry forward to next year	928	928	-

Notes:

- (i) The Final DSG for 2009/10 was issued by the Department for Education on 30th November 2009.
- (ii) The adjustment reflects the 'fast track' transfer of three secondary schools to Academy status from 1 September 2008. The schools were Greensward College, Hockley; and the John Bramston and Rickstones Schools, Witham.
- (iii) The amount brought forward from the previous year has been agreed with the Department for Education.
- (iv) No amounts were agreed in advance to be carried forward into next year.
- (v) Budgeted distribution agreed by the Schools Forum.
- (vi) Actual amount of central expenditure and the amount of ISB actually distributed to schools.
- (vii) Any contribution from the Council which had the effect of substituting DSG in the funding of the schools budget.
- (viii) For central expenditure, the carry forward into next year is the difference between the budgeted distribution of DSG and actual expenditure, plus the contribution by the Council.

For the ISB, the carry forward is the difference between the budget and amount actually deployed to schools, plus the contribution by the Council.

An over or under deployment of ISB can arise from transfers from central expenditure during the year (e.g. for contingencies or for adjustments to schools' budget shares during the year (e.g. for named SEN pupils or excluded pupils). Thus, the total carry forward is the carry forward on central expenditure plus the carry forward on the ISB, plus or minus any carry forward to 2010/11 already agreed.

Notes to the Accounts

6. Audit costs

The following table provides a summary of the fees incurred by the Council in relation to external audit and inspection.

2008/09 £000		2009/10 £000 £000	
Fees payable to the appointed auditor			
403	External audit services carried out by appointed auditor	404	
35	Certification of grant claims and returns	79	
-	Other services carried out by appointed auditor	21	
<u>438</u>			504
Fees payable to the Audit Commission in respect of statutory inspections			
93			18
<u>531</u>			<u>522</u>

7. Members' allowances

The Local Authorities (Members' Allowances) (England) Regulations 2003 provide for the circumstances in which allowances are payable to members and to the maximum amounts payable in respect of certain allowances. The total of members' allowances paid in 2009/10 amounted to:

2008/09 £000		2009/10 £000
813	Basic allowances	814
652	Special responsibility allowances	629
<u>1,465</u>		<u>1,443</u>

8. Amounts due to precepting bodies

The following precepts and levies were paid by the Council:

2008/09 £000		2009/10 £000
1,596	Lee Valley Regional Park	1,618
944	Environment Agency	1,114
222	Kent and Essex Sea Fisheries Committee	230
-	Financial Reporting Council	4
<u>2,762</u>		<u>2,966</u>

Notes to the Accounts

9. Gains / losses on the disposal of fixed assets

The gain or loss on disposal of fixed assets is the amount by which the disposal proceeds (net of disposal costs) are more (gain) or less (loss) than the carrying amount of the assets.

The gains / losses arising from the disposal of assets comprise:

2008/09 £000		2009/10 £000
(11,475)	Disposal proceeds	(2,206)
<u>45,146</u>	Carrying value of assets disposed of during the year	<u>26,772</u>
33,671		24,566
1,467	Disposal costs	47
<u>35,138</u>	Net loss charged to Income & Expenditure Account	<u>24,613</u>

The disposal costs are the only items that are actually charged against the General Fund Balance in the year.

10. Trading activities

The Council has a number of trading activities that are required to operate in a commercial manner and balance their budget by generating income from other parts of the Council and other organisations. The net surplus or deficit on these trading activities is brought into account when determining the net operating expenditure of the Council.

Details of the Council's trading activities, and a summary of their financial results for 2009/10, are provided in the following table.



Notes to the Accounts

	Balance 1 April 2009 £000	2009/10					Balance 31 March 2010 £000
		Income	Expend- iture	Financing items	Net (Surplus) / deficit £000	Approp- riations £000	
School support services							
School improvement and advisory service Delivery of advisory and inspection, governor services, music services and school library service.	(332)	(9,835)	8,897	-	(938)	938	(332)
School Support (Finance) Delivery of financial management support.	(449)	(1,549)	1,444	-	(105)	105	(449)
School staffing insurance scheme A self insurance scheme for schools, supporting sickness and relocation expenses.	(1,023)	(4,527)	4,128	-	(399)	-	(1,422)
Essex equipment service (see note i) Provision of procurement, warehousing, distribution, collection and refurbishment of equipment to disabled people and patients of social care services, partner NHS Trusts and local councils.	(756)	(4,233)	4,275	-	42	41	(673)
Smarte East Procures framework arrangements for construction projects.	(4)	(221)	216	-	(5)	-	(9)
Information Services Infrastructure (see note ii) To monitor the decommissioning and refresh of IT equipment within the County Council.	-	(70)	549	-	479	(479)	-
	(2,564)	(20,435)	19,509	-	(926)	605	(2,885)

Notes:

- (i) The Essex Equipment Service Trading Account ceased trading at the end of June 2009, when activities transferred to the Essex Equipment Service Ltd, which is part of the Essex Cares Ltd group. The accumulated revenue reserves of the Trading Activity have been retained, pending distribution to partners in 2010/11.
- (ii) The Information Services Infrastructure trading activity was established in 2009/10 to account for the refresh and decommissioning of IT equipment. The trading activity incurred a loss in 2009/10, which was financed by an appropriation from the General Fund Balance. It is expected that the trading activity will achieve surpluses within three to five years.

Notes to the Accounts

11. Teachers Pensions

The following table shows the amounts the Council paid to the Department for Education in respect of teachers' pension costs.

2008/09 £000		2009/10 £000
55,023	Employer's contributions	55,369
25,255	Employee contributions	25,448
<u>80,278</u>	Total paid to Department For Education	<u>80,817</u>

These amounts reflect:

- An employer contribution of **14.1%**.
- An employee contribution of **6.4%** of teachers' pensionable pay.

The Council is responsible for all pension payments relating to added years that it has awarded, together with the related increases. In 2009/10, these amounted to **£3.1m** (2008/09: £3.5m), representing **0.75%** of pensionable pay.

The Council's contributions are set in relation to the current service period only. As such, the Council is not entitled to, or liable for, any of the underlying assets or liabilities of the scheme.

12. Local Government Pensions Scheme

12.1 Participation in the Pension Scheme

The Council maintains a pension fund for its employees (other than teachers) and those of other scheduled bodies within its area, in accordance with the Local Government Pension Scheme Regulations 1997. The Fund is also empowered to admit the employees of certain other bodies.

The Council and employees pay contributions into the Pension Fund, calculated at a level intended to balance the pension liabilities with investment assets. The rate of contributions payable by employees is between **5.5%** and **7.5%** (2008/09: between 5.5% and 7.5%). Employers are required to contribute at rates prescribed by the Fund's actuary that aim to preserve the Fund's long term financial viability.



Notes to the Accounts

12.2 Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the Income and Expenditure Account (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 in the Statement of Movement on 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 £000		2009/10 £000 £000	
Income and Expenditure Account			
	Net cost of Services		
53,771	Current service cost	37,390	
328	Past service cost	293	
1,753	Curtailments	1,046	
-	Settlements	(1,504)	
<u>55,852</u>			37,225
	Net operating expenditure		
102,395	Interest cost	100,695	
(73,350)	Expected return on assets in the scheme	(57,313)	
<u>29,045</u>			43,382
<u>84,897</u>	Net charge to the Income and Expenditure Account		<u>80,607</u>
Statement of Movement on the General Fund Balance			
(21,193)	Reversal of net charges made for retirement benefits in accordance with FRS17		(14,072)
<u>63,704</u>	Actual amount charged against the General Fund Balance in the year: employers' contributions payable to the Scheme		<u>66,535</u>

In addition to the recognised gains and losses included in the Income and Expenditure account, actuarial losses of **£194.027m** (2008/09: actuarial gains of £35.5m) are included in the Statement of Recognised Gains and Losses. The cumulative value of actuarial losses recognised in the Statement of Recognised Gains and Losses is **£339.256m** (2008/09: £145.229m).

Notes to the Accounts

12.3 Assets and liabilities in relation to retirement benefits

Scheme liabilities

The following table provides a reconciliation of the present value of scheme liabilities:

2008/09 £000		2009/10 £000
1,671,192	Balance as at 1 April	1,441,202
53,771	Current service cost	37,390
102,395	Interest Cost	100,695
19,246	Contributions by scheme participants	20,385
(349,288)	Actuarial (gains) / losses	446,089
(58,195)	Benefits paid	(58,244)
328	Past service costs	293
-	Settlements	(33,873)
1,753	Curtailments	1,046
<u>1,441,202</u>	Balance as at 31 March	<u>1,954,983</u>

Scheme assets

The following table provides a reconciliation of the fair value of scheme assets:

2008/09 £000		2009/10 £000
1,107,153	Balance as at 1 April	891,470
73,350	Expected return on scheme assets	57,313
(313,788)	Actuarial gains / (losses)	252,062
63,704	Contributions by the Council	66,535
19,246	Contributions by scheme participants	20,385
(58,195)	Benefits paid	(58,244)
-	Settlements	(32,369)
<u>891,470</u>	Balance as at 31 March	<u>1,197,152</u>

Notes to the Accounts

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. In summary, expected yields / returns are based on the following:

- **Government bonds:** Yield on 20 year fixed interest gilts at the relevant date;
- **Corporate bonds:** Market yields at the relevant date, less a reduction to reflect a risk of default in the corporate bond yield. As at 31st March 2010, the reduction is about 0.5% per annum; and
- **Equities:** Yield on 20 year fixed interest gilts plus an allowance of approximately 3% per annum for the 'risk premium' associated with equity investment.



The actual return on scheme assets for the year was a gain of **£309.375m** (2008/09: loss of £239.345m).

Scheme history

	Present value of liabilities	Fair value of scheme assets	Surplus / (deficit) in the Scheme
	£000	£000	£000
2005/06	(1,468,359)	1,044,995	(423,364)
2006/07	(1,491,817)	1,143,602	(348,215)
2007/08	(1,671,192)	1,107,153	(564,039)
2008/09	(1,441,202)	891,470	(549,732)
2009/10	(1,954,983)	1,197,152	(757,831)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total net deficit of the Scheme of **£757.831m** (2008/09: £549.732m) has a substantial impact on the net worth of the Council, as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. That is, the deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the Scheme's actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2011 is **£62.196m**.

Notes to the Accounts

12.4 Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis to estimate the pensions that will be payable in future years. The liabilities have been assessed using the projected unit method which is dependent on assumptions about mortality rates, salary levels etc. The Pension Fund liabilities have been assessed by Mercer Human Resource Consulting, an independent firm of actuaries. The liabilities have been estimated, based upon the latest full valuation of the scheme as at 31 March 2007.

The principal assumptions used by the Actuary in its calculations have been:



2008/09		2009/10
3.30%	Rate of inflation	3.30%
4.80%	Rate of increase in salaries	4.80%
3.30%	Rate of increase in pensions	3.30%
7.10%	Discount rate	5.60%
Mortality assumptions:		
<u>Post retirement</u>		
PA92mc YOB Tables	Non retired members (retiring in the future in normal health)	PA92mc YOB Tables
PA92mc YOB Tables	Current pensioners (retired in normal health)	PA92mc YOB Tables
<u>Life expectancy</u>		
Future pensioner aged 65 in 20 years time:		
23.1 years	Male	23.1 years
25.9 years	Female	25.9 years
Current pensioner aged 65		
22.0 years	Male	22.1 years
24.9 years	Female	25 years
Commutation of pension for lump sum at retirement		
50.00%	% taking maximum cash	50.00%
50.00%	% taking 3/80 ^{ths} cash	50.00%
Long term expected rate of return on assets in the scheme		
7.50%	Equities	7.50%
4.00%	Government bonds	4.50%
6.00%	Other bonds	5.20%
6.50%	Property	6.50%
0.50%	Cash / liquidity	0.50%

Notes to the Accounts

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

2008/09 %		2009/10 %
74.5	Equities	67.5
8.7	Government bonds	7.9
5.3	Other bonds	10.0
9.8	Property	9.3
1.7	Cash / liquidity	5.3
<u>100.0</u>		<u>100.0</u>

12.5 History of experience gains and losses

The actuarial gains and losses identified as movements in the Pension Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets and liabilities at 31st March.

	Difference between expected and actual return on assets %	Experience gains and losses on liabilities %
2005/06	+ 15.50%	+ 1.90%
2006/07	+ 1.10%	0.00%
2007/08	- 11.10%	+ 1.10%
2008/09	- 35.10%	0.00%
2009/10	+ 21.1%	0.00%

Notes to the Accounts

12.6 Pension Reserve

The change in the Pension Reserve for the year is shown in the following table:

2008/09 £000		2009/10 £000	
564,039	Balance as at 1 April		549,732
	Appropriation from Pension Reserve		
53,771	Current service (pension) costs	37,390	
328	Past service cost	293	
1,753	Curtailment	1,046	
-	Settlement	(1,504)	
102,395	Interest cost	100,695	
(73,350)	Expected return on assets	(57,313)	
(63,704)	Pension costs payable from Council Tax	(66,535)	
<u>21,193</u>	Total appropriation from Pension Reserve		14,072
(35,500)	Actuarial loss / (gain)		194,027
<u>549,732</u>	Balance as at 31 March		<u>757,831</u>

13. General government grants

The following general government grants were received by the Council:

2008/09 £000		2009/10 £000
28,456	Revenue Support Grant	44,800
50,914	Area Based Grant	54,155
502	Local Authority Business Growth Incentive Grant	635
-	Local Area Agreement - Performance Reward Grant	5,274
1,493	General Government Grant Deferred	6,374
<u>81,365</u>		<u>111,238</u>

General government grants deferred represents government grant or contributions that have been applied to the financing of capital expenditure that cannot be identified to particular assets which are likely to depreciate.

Notes to the Accounts

14. Council Tax income

14.1 Demands on the Collection Fund

District councils are responsible for the billing and collection of the Council Tax (i.e. they are the billing authorities). They calculate the amount to be raised from Council Tax after taking account of their own needs, those of the County Council, Police Authority and Fire Authority and those of any parish councils.

Billing authorities are required to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax (i.e. the Collection Fund).

Regulations determine that the income released from this Fund each year will be the total of the each authority's precept/demand for the year, plus their share of the estimated surplus or deficit for the previous financial year.



In previous years, Council Tax income in the Council's Income and Expenditure Account represented the amount required under Regulation to be transferred from the billing authorities' Collection Funds. With effect from 2009/10, Council Tax income included in the Income and Expenditure account is the total of the:

- Precept on the Collection Fund; and
- The Council's share of the actual surplus / deficit on the Collection Fund at the end of the current year, adjusted for the Council's share of the surplus / deficit on the Fund at the preceding year end that has not been distributed or recovered in the current year.

The difference between the income included in the Income and Expenditure Account and the amount required by Regulation to be credited to the General Fund is included as a reconciling item in the Statement of Movement on the General Fund Balance, and taken to the Collection Fund Adjustment Account. The purpose of this reconciling adjustment is to mitigate the impact of the change in accounting practice upon the General Fund Balance.

Notes to the Accounts

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 £000		2009/10 £000	£000
Income and Expenditure Account			
	Financing		
(547,316)	Council Tax precept	(561,419)	
(3,522)	Collection Fund surpluses receivable	(2,858)	
(550,838)	Amount received in year		(564,277)
2,302	Movement in the Council's share of the Collection Funds		1,869
(548,536)	Amount credited to the Income and Expenditure A/c		(562,408)
Statement of Movement on the General Fund Balance			
	Reconciling transaction with the Collection Fund Adjustment Account		
(2,302)			(1,869)
(550,838)	Actual amount credited to the General Fund in the year:		(564,277)
	Amount payable to the Council under Regulation		

Note: The comparative figures for 2008/09 have been restated on a basis consistent with 2009/10.

14.2 Balance Sheet

Under the legislative framework for the Collection Fund, billing authorities and major preceptors share proportionately the risks and rewards that the amount of Council Tax collected could be more or less than predicted. For this reason, the County Council's Balance Sheet includes:

- An attributable share of debtors for Council Tax arrears (net of any impairment allowance for doubtful debts);
- An attributable share of creditors for overpaid Council Tax;
- A debtor for the billing authorities for cash collected from council taxpayers but not paid across, or a creditor for the cash paid in advance of receipt from council taxpayers.



In addition, the Council's Balance Sheet includes a Collection Fund Adjustment Account, which records the difference between the income included in the Income and Expenditure Account and the amount required by Regulation to be credited to the General Fund.

Notes to the Accounts

The balances included within the Council's Balance Sheet are summarised as follows:

2008/09 £000		2009/10 £000 £000	
	Current assets		
	Debtors		
23,732	Council tax arrears	25,450	
(8,550)	Impairment for doubtful debts	(9,814)	
<u>15,182</u>			15,636
3,366	Billing authorities		2,885
<u>18,548</u>	Total assets		<u>18,521</u>
	Current liabilities		
	Creditors		
(7,866)	Council tax overpayments and pre-payments	(7,898)	
(7,312)	Billing authorities	(9,122)	
<u>(15,178)</u>	Total current liabilities		<u>(17,020)</u>
<u>3,370</u>	Total assets less liabilities		<u>1,501</u>
	Financed by:		
(3,370)	Collection Fund Adjustment Account		(1,501)
<u>(3,370)</u>	Total equity		<u>(1,501)</u>

Note: The comparative figures for 2008/09 have been restated on a basis consistent with 2009/10.

14.3 Collection Fund Adjustment Account

The Collection Fund Adjustment Account records the difference between the income included in the Income and Expenditure Account and the amount required by Regulation to be credited to the General Fund.

The movements in the Council's share of the Collection Fund of the billing authorities are illustrated in the following table.

Notes to the Accounts

2008/09 £000		2009/10 £000 £000	
(5,672)	Balance at 1 April		(3,370)
	Movement in the Council's share of the Collection Funds of:		
43	Basildon District Council	579	
327	Braintree District Council	114	
200	Brentwood Borough Council	(228)	
2	Castle Point Borough Council	(45)	
483	Chelmsford Borough Council	471	
540	Colchester Borough Council	184	
317	Epping Forest District Council	210	
(160)	Harlow District Council	(24)	
37	Maldon District Council	158	
339	Rochford District Council	235	
343	Tendring District Council	295	
(169)	Uttlesford District Council	(80)	
<u>2,302</u>			<u>1,869</u>
<u>(3,370)</u>	Balance as at 31 March		<u>(1,501)</u>

Note: The comparative figures for 2008/09 have been restated on a basis consistent with 2009/10.

15. Movement on the General Fund Balance

The Income and Expenditure Account (see page 19) shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated in 2009/10. 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.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending 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.

Notes to the Accounts

The following table provides an analysis of the amounts, apart from the outturn on the Income and Expenditure Account, required by statute or non statutory proper practices to be debited or credited to the General Fund Balance for the year.

Statement of Accounts	2008/09		Restated	Note	2009/10
	Prior period adjustments				
£000	Council Tax £000	PFI / PPP Schemes £000	£000		£000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance					
(391)	-	-	(391)		(403)
(38,678)	-	(3,319)	(41,997)	39	(55,919)
(211,626)	-	856	(210,770)	39	(184,166)
(208)	-	208	-	39	-
23,686	-	-	23,686	36	81,107
(41,818)	-	-	(41,818)		(89,801)
(33,671)	-	-	(33,671)	9	(24,566)
108	-	-	108	41	108
Transfer to / from the General Fund for the difference between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to:					
1,063	-	-	1,063	41	61
-	(2,302)	-	(2,302)	14	(1,869)
(84,897)	-	-	(84,897)	12	(80,607)
(386,432)	(2,302)	(2,255)	(390,989)		(356,055)
Amounts not included in the Income and Expenditure Account but required by statute when determining the movement on the General Fund Balance					
21,076	-	3,011	24,087	39	26,127
26,626	-	-	26,626	24	-
63,704	-	-	63,704	12	66,535
111,406	-	3,011	114,417		92,662
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					
133	-	-	133	39	81
25,877	-	-	25,877	16	(32,551)
26,010	-	-	26,010		(32,470)
(249,016)	(2,302)	756	(250,562)		(295,863)

Note:

The comparative figures for 2008/09 have been restated on a basis consistent with 2009/10 (i.e. to reflect the changes in the accounting policies for council tax income and PFI arrangements).

Notes to the Accounts

16. Earmarked revenue reserves

The Council maintains a number of earmarked revenue reserves, which are amounts that have been set aside for specific policy purposes, as follows:

Reserves	Purpose and usage
Schools	Schools are permitted to retain unspent resources (whether planned or unplanned), which are held in the Schools Reserves. The statutory authority to commit such resources rests with school governors.
Future capital funding	Comprises revenue contributions to be used to supplement the resources available to finance future capital expenditure.
PFI reserves	Equalise the timing differences between expenditure and government grant over the life of the PFI contracts.
Waste reserve	To smooth the effects of future increases in the costs of waste disposal.
Essex Pledges	Used to help meet the costs of achieving the annual pledges for delivery of the priorities outlined in our 'EssexWorks' vision.
Carry Forwards	This reserve consists of unspent revenue budgets that Services have indicated that they wish to utilise in a subsequent financial year, to meet existing commitments or to fund new initiatives. Funds are allocated from this reserve on the basis of business case submissions.
Service improvements	Used to initially meet the costs of restructuring where these cannot be met by the relevant services in-year, and to hold savings that will be used to re-invest in corporate priorities, as well as 'pump prime' proven efficiency projects.
ExDRA partnership	To meet costs associated with the Council's former partnership with the Essex Development and Regeneration Agency (ExDRA).
Trading activities	Surpluses generated by trading activities, to be applied by these activities in subsequent years.
IMT development	Provides for future costs of developing the Council's information technology strategy.
LAA performance reward	This reserve represents the setting aside of Local Area Agreement performance reward grant to support projects over the medium term.
Developing partnerships	Used to develop effective partnership working in order to spend more on key services.
Carbon reduction	Used to finance measures aimed at reducing the Council's carbon footprint.

Notes to the Accounts

Reserves	Purpose and usage
Essex Transport	The revenue reserves of the former Essex Transport trading activity which have been set aside to meet costs arising subsequent to the outsourcing of the service in 2009/10.
Partnerships	To retain unspent contributions from partners and apply them in subsequent years.
Health and safety	Used to meet the costs of undertaking asbestos, legionella and disability discrimination act surveys.
Capital receipts pump priming	Used to meet costs associated with bringing properties into readiness for disposal.
Life raft pledges	Used to support Essex attractions during the economic downturn.
Quadrennial elections	Reserve established to meet costs associated with the Council's quadrennial elections.
Insurance	Provides for future potential and contingent liabilities for insurance claims.
Tendring PPP	To meet costs associated with the Tendring PPP contract.
Severe weather	To mitigate the impact on the Roads and Footways revenue budget of severe weather.
Essex Art Fund	Used to purchase and commission art by Essex artists.
Newton bequest	Funds bequeathed to the Council for use by the Essex Records Office.
Children's reserve	To help meet the costs of children in the care of the Council.
Debt financing	To meet costs arising from the refinancing and management of the Council's debt portfolio.
Pension deficit	Used to mitigate the impact of increases in employers' pension contributions arising as a consequence of actuarial valuations of the Pension Fund.
Transformation	Used to meet costs associated with project management and change management aspects of the Council's ambitious programme of transformation.

Notes to the Accounts

A summary of the balances on the Earmarked Reserves is set out in the following table.

	Balance 1 April 2009	2009/10 Movements in Reserves			Balance 31 March 2010
		Contributions	Withdrawals	Net Movement	
	£000	£000	£000	£000	£000
Schools	(55,377)	(8,076)	14,902	6,826	(48,551)
Future capital funding					
General	(6,370)	2,853	-	2,853	(3,517)
Bellhouse landfill site	(61)	-	-	-	(61)
Historic buildings	(120)	-	-	-	(120)
	(6,551)	2,853	-	2,853	(3,698)
Equalisation reserves					
PFI equalisation reserves					
A130 PFI	(49,532)	(2,331)	-	(2,331)	(51,863)
Debden PFI	(5,339)	(194)	-	(194)	(5,533)
Clacton secondary schools	(4,590)	(95)	-	(95)	(4,685)
Waste Reserve	(23,138)	(19,269)	6,979	(12,290)	(35,428)
	(82,599)	(21,889)	6,979	(14,910)	(97,509)
Other reserves					
Essex pledges	(9,021)	(5,705)	7,200	1,495	(7,526)
Carry forwards	(8,223)	(6,044)	8,223	2,179	(6,044)
Service improvements	(22,365)	(3,384)	20,585	17,201	(5,164)
ExDRA partnership	(3,344)	(1,000)	123	(877)	(4,221)
Trading activities	(2,564)	(403)	82	(321)	(2,885)
IMT development	(6,488)	(1,735)	6,276	4,541	(1,947)
LAA Performance Reward	-	(12,962)	11,089	(1,873)	(1,873)
Developing partnerships	(1,500)	-	-	-	(1,500)
Carbon reduction	(1,521)	(57)	42	(15)	(1,536)
Essex Transport	(1,482)	-	84	84	(1,398)
Partnerships	(1,364)	(82)	230	148	(1,216)
Health and safety	(3,005)	(207)	2,125	1,918	(1,087)
Capital receipts pump priming	(1,357)	(8)	499	491	(866)
Life Raft pledges	-	(1,000)	272	(728)	(728)
Quadrennial elections	(1,480)	-	886	886	(594)
Insurance	(4,514)	-	4,047	4,047	(467)
Tendring PPP	(430)	-	1	1	(429)
Severe weather	-	(252)	-	(252)	(252)
Essex Art Fund	(233)	(25)	-	(25)	(258)
Newton bequest	-	(118)	-	(118)	(118)
Children's reserve	-	(2,000)	2,000	-	-
Debt financing	(5,600)	-	5,600	5,600	-
Pension deficit	(2,627)	-	2,627	2,627	-
Transformation	(773)	(2,273)	3,046	773	-
	(77,891)	(37,255)	75,037	37,782	(40,109)
Total	(222,418)	(64,367)	96,918	32,551	(189,867)

Notes to the Accounts

17. Officers' remuneration

Officers' remuneration includes all sums paid to or receivable by employees, expense allowances chargeable to tax and the money value of benefits. Pension payments made, whether from a funded or unfunded scheme, do not count as remuneration for this purpose.

The number of officers whose remuneration in 2009/10 was £50,000 or more, grouped in rising bands of £5,000, are listed in the following table.

2008/09			Remuneration band	2009/10		
Non-schools	Schools	Total		Non-schools	Schools	Total
90	304	394	£50,000 to £54,999	128	394	522
56	199	255	£55,000 to £59,999	79	220	299
44	95	139	£60,000 to £64,999	45	149	194
27	45	72	£65,000 to £69,999	35	54	89
19	21	40	£70,000 to £74,999	27	37	64
10	18	28	£75,000 to £79,999	13	18	31
5	10	15	£80,000 to £84,999	9	10	19
12	12	24	£85,000 to £89,999	9	9	18
6	8	14	£90,000 to £94,999	12	16	28
6	3	9	£95,000 to £99,999	6	3	9
6	5	11	£100,000 to £104,999	4	5	9
1	1	2	£105,000 to £109,999	3	2	5
1	-	1	£110,000 to £114,999	2	4	6
3	-	3	£115,000 to £119,999	2	-	2
2	1	3	£120,000 to £124,999	1	-	1
3	1	4	£130,000 to £134,999	2	2	4
1	-	1	£140,000 to £144,999	-	-	-
-	-	-	£150,000 to £154,999	1	-	1
-	-	-	£155,000 to £159,999	2	-	2
1	-	1	£160,000 to £164,999	1	-	1
1	-	1	£165,000 to £169,999	1	-	1
-	-	-	£175,000 to £179,999	1	-	1
-	-	-	£185,000 to £189,999	1	-	1
-	-	-	£195,000 to £199,999	1	-	1
-	-	-	£230,000 to £234,999	-	1	1
-	-	-	£235,000 to £239,999	1	-	1
1	-	1	£260,000 to £264,999	-	-	-
295	723	1,018	Total	386	924	1,310

Note:

These figures were published in rising bands of £10,000 previously.

18. Senior officers' remuneration

18.1 Background

In order to increase transparency and accountability in relation to remuneration of senior employees, details of individual remuneration for senior officers are provided. For this purpose, senior officers include all members of the Council's Corporate Leadership Team, the Chief Financial Officer and the County Solicitor.

Notes to the Accounts

Senior officer's salaries, rather than their total remuneration, have been used to determine whether full disclosure of individual remuneration is required. Where a senior officer's salary is £50,000 or more, but less than £150,000, remuneration is disclosed individually by way of job title. For those senior officers whose salary is £150,000 or more, their name is also disclosed.

18.2 Disclosure by job title

Remuneration of senior officers whose salary was £50,000 or more, but less than £150,000 was as follows:

	Notes	Remuneration						
		Salaries, fees or allowances	Bonus payments	Expense allowances	Compensation for loss of employment	Total remuneration Excl pension contributions	Employer's contribution to pension	Total remuneration Incl. pension contributions
		£	£	£	£	£	£	£
2008/09								
Director for Corporate Resources	(i)	1,167	4,260	79	35,922	41,428	878	42,306
Director for Adult Social Care		150,100	13,500	929	-	164,529	32,260	196,789
Director for Childrens Services	(ii)	142,000	-	929	-	142,929	27,810	170,739
Executive Director for IS, Performance & Programmes	(iii)	128,432	5,209	929	-	134,570	26,823	161,393
Director for Environment & Commerce		157,957	6,200	1,018	-	165,175	30,537	195,712
Director for Development, Highways & Transportation	(iv)	72,314	-	607	-	72,921	14,330	87,251
Director of Human Resource & Customer Excellence	(v)	114,583	-	714	-	115,297	22,660	137,957
Head of Information Services	(vi)	66,904	-	82	-	66,986	-	66,986
Assistant Chief Executive		122,500	9,400	929	-	132,829	24,210	157,039
Chief Financial Officer		105,417	3,900	929	-	110,246	21,094	131,340
County Solicitor		103,552	-	929	-	104,481	20,817	125,298
2009/10								
Director for Adult Social Care		150,100	-	783	-	150,883	29,479	180,362
Director for Childrens Services	(ii)	47,333	-	-	-	47,333	9,270	56,603
Executive Director for IS, Performance & Programmes	(iii)	64,936	2,500	1,145	-	68,581	12,235	80,816
Director of Human Resource & Customer Excellence		125,000	30,000	1,041	-	156,041	30,900	186,941
Head of Information Services		122,500	10,000	514	-	133,014	-	133,014
Assistant Chief Executive		122,500	9,600	1,041	-	133,141	26,698	159,839
Chief Financial Officer		109,500	7,490	1,041	-	118,031	23,585	141,616
County Solicitor		103,552	4,042	1,041	-	108,635	21,649	130,284

Notes:

- (i) The Director for Corporate Resources left the County Council on 31st March 2009, but received severance and bonus payments in April 2009.
- (ii) The Director for Children's Services left the County Council on 31st July 2009.
- (iii) The Executive Director for IS, Performance & Programmes left the County Council on 14th September 2009.
- (iv) The Director for Development, Highways & Transportation left the County Council on 19th October 2008.
- (v) The Director of Human Resource & Customer Excellence joined the County Council on 1st May 2008.

Notes to the Accounts

(vi) The Head of Information Services joined the County Council on 15th September 2008.

18.3 Disclosure by name

Remuneration of those senior officers whose salary was £150,000 or more was as follows:

	Notes	Remuneration					
		Salaries, fees or allowances	Bonus payments	Expense allowances	Total remuneration Excl pension contributions	Employer's contribution to pension	Total remuneration Incl. pension contributions
		£	£	£	£	£	£
2008/09							
Chief Executive - Ms Joanna Killian	(i)	237,000	15,000	8,986	260,986	50,470	311,456
Executive Director for Finance and Transformation - Mr James N Bell	(ii)	131,133	-	634	131,767	25,975	157,742
Executive Director - Environment, Sustainability & Highways - Mr Robert Overall	(iii)	117,750	-	634	118,384	23,175	141,559
2009/10							
Chief Executive - Ms Joanna Killian	(i)	237,000	-	772	237,772	47,380	285,152
Executive Director for Finance and Transformation - Mr James N Bell		182,000	13,600	1,041	196,641	38,852	235,493
Executive Director for Commercial Services - Mr Graham Tombs	(iv)	162,000	13,950	1,130	177,080	34,804	211,884
Executive Director - Environment, Sustainability & Highways - Mr Robert Overall		157,000	-	3,272	160,272	30,900	191,172

Notes:

- (i) The Council's Chief Executive also fulfils the role of Chief Executive for Brentwood Borough Council, providing strategic management and coordination under a contract for services (see note 19 for further details).
- (ii) Employed by Essex County Council with effect from 14th July 2008.
- (iii) Employed by Essex County Council with effect from 1st July 2008.
- (iv) Became the Executive Director for Commercial Services in October 2009. Employed in various other roles, as member of the Council's Corporate Leadership, prior to that.

19. Related party declarations

The Council is required to disclose material transactions with bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council.

The intention, in making this disclosure, is to make explicit the extent to which the Council might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Council.

Notes to the Accounts

Related Party	Declaration
Central Government	Central government has effective control over the general operations of the Council. It is responsible for the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties.
Elected members	<p>Members of the Council have direct control over the general operations of the Council's financial and operating policies.</p> <p>During 2009/10, works and services were commissioned from organisations in which certain members had an interest. Contracts were entered into in full compliance with the Council's Standing Orders and procurement rules, and were minor in nature and value.</p> <p>In addition, grants were paid to voluntary organisations in which several members had an interest. The decisions to award the grants were made with proper consideration of declarations of interest.</p>
Officers	Members of the Council's Corporate Leadership Team, and other officers with independent statutory powers, could influence significantly the policies of the authority.
Pension Fund	<p>The Council administers the Pension Fund on behalf of its employees and those of the Essex district councils and other admitted bodies. The Council charged £1.519m for administering the Fund during 2009/10 (2008/09: £1.491m).</p> <p>The interest earned on the cash balances of the Pension Fund that were held temporarily by the Council was attributed to the Fund. This amounted to £116,000 in 2009/10 (2008/09: £904,000).</p>
Essex Police Authority	The Council provided support services to the Essex Police Authority in 2009/10 to the value of £921,000 (2008/09: £752,000).
Essex Fire Authority	The Council's Monitoring Officer is also employed as the Monitoring Officer for the Essex Fire Authority. The total value of these services in 2009/10 was £155,000 (2008/09: £247,000).
Essex Probation Board	<p>The Council provided financial and other support services to the Essex Probation Board during 2009/10. The value of the services provided in 2009/10 was £329,000 (2008/09: £266,000).</p> <p>The Council undertakes the management of the Probation Board's surplus cash balances. The Council paid interest of £5,000 on the amounts borrowed (determined at the prevailing Local Authority Seven Day Rate) (2008/09: £73,000).</p>
London Probation Board	The Council provided legal services to the London Probation Board during 2009/10. The charge levied for these services amounted to £219,000 (2008/09: £102,000).

Notes to the Accounts

Related Party	Declaration
Brentwood Borough Council	<p>The Council has entered into an agreement with Brentwood Borough Council to create a strategic partnership to improve two tier working. The objective is to improve service delivery and enhance the authorities' understanding of each other.</p> <p>The Council's Chief Executive, Joanna Killian, also fulfils the role of Chief Executive for Brentwood Borough Council, providing strategic management and coordination under the terms of a contract for services.</p> <p>Brentwood Borough Council pays an agreed sum (£30,000 per annum) to the Council in recognition of the role and time involved.</p>
ExDRA	<p>During 2008/09, the Council's Executive Director for Commercial Services was on the Board of Directors for the Essex Development and Regeneration Agency (ExDRA). ExDRA paid the Council approximately £9,000 per annum in recognition of the role and time involved.</p> <p>On 31st March 2009, ExDRA entered voluntary administration and ceased to trade. Assets and liabilities were transferred to the Council.</p>
Essex Cares	<p>Essex Cares Ltd is a 100% owned subsidiary of the Council. It provides services for people requiring care, support and assistance living in the community. Essex Cares transactions are consolidated fully within the Group Accounts, which are set out on pages 111 to 123.</p> <p>The Council provided financial and other support services to Essex Cares Ltd during 2009/10. The value of the services provided in 2009/10 was £249,000.</p> <p>The Council also provides cash flow management support to Essex Cares Ltd. The Council received interest of £160,000 on the amounts it lent to Essex Cares Ltd.</p>
Thames Chase Joint Committee	<p>Thames Chase is a local partnership project between Essex County Council, Brentwood Borough Council, Thurrock Council and the London Boroughs of Havering and Barking and Dagenham.</p> <p>The Council provided support services to the Joint Committee in 2008/09 to the value of £5,000. No services were provided in 2009/10.</p>

Notes to the Accounts

20. Net fixed assets

The following table summarises the net movement in fixed assets during 2009/10.

	Intangible Assets	Operational fixed assets			Non operational assets		Total
		Land and buildings	Vehicles and equipment	Infra-structure	Community Assets	Surplus assets held for disposal	Assets under construction
	£000	£000	£000	£000	£000	£000	£000
Gross book value							
As at 1 April 2009	1,744	2,036,172	13,865	603,880	2,282	9,540	83,866
Additions	117	7,765	1,430	421	-	-	152,707
Disposals	-	(26,082)	(133)	-	-	(1,393)	-
Revaluations	-	61,319	-	-	232	5,731	-
Impairments	-	(264,973)	-	-	(435)	(1,935)	-
Transfers	25	62,363	-	84,759	564	76	(147,787)
As at 31 March 2010	1,886	1,876,564	15,162	689,060	2,643	12,019	88,786
Depreciation							
Total as at 1 April 2009	(1,031)	(27,937)	(6,444)	(124,603)	(25)	(64)	-
Revaluations and restatements	-	3,596	-	-	-	21	-
Impairments	-	20,668	-	-	12	14	-
Depreciation for the year	(403)	(32,993)	(1,987)	(19,991)	(14)	(934)	-
Depreciation on assets sold	-	295	131	-	-	161	-
Total as at 31 March 2010	(1,434)	(36,371)	(8,300)	(144,594)	(27)	(802)	(191,528)
Net book value at 31 March 2010	452	1,840,193	6,862	544,466	2,616	11,217	88,786
Net book value as at 1 April 2009	713	2,008,235	7,421	479,277	2,257	9,476	83,866
							2,591,245

Notes to the Accounts

21. Valuation of fixed assets

The freehold and leasehold properties within the Council's property portfolio are valued, under a rolling five year programme, by the Council's property advisors (Lambert Smith Hampton). All valuations are undertaken in accordance with the Statement of Asset Valuation Practice and Guidance notes of the Royal Institute of Chartered Surveyors (RICS).

The timing and amounts of the valuations of each class of asset are summarised in the following table:

	Held at historical cost value £000	Year of valuation for assets valued at 'current value'					Total Gross book value £000
		2005/06	2006/07	2007/08	2008/09	2009/10	
		£000	£000	£000	£000	£000	
Intangible assets	1,886	-	-	-	-	-	1,886
Land and buildings	-	343,329	434,112	299,460	595,124	204,539	1,876,564
Vehicles, plant & equipment	15,162	-	-	-	-	-	15,162
Infrastructure	689,060	-	-	-	-	-	689,060
Community assets	2,643	-	-	-	-	-	2,643
Non operational assets							
Surplus assets held for disposal	-	-	-	-	-	12,019	12,019
Fixed assets under construction	88,786	-	-	-	-	-	88,786
Gross book value	797,537	343,329	434,112	299,460	595,124	216,558	2,686,120

The value of land and buildings are also reviewed by Lambert Smith Hampton at the end of each financial year for evidence of diminution in value. In accordance with their advice, the Council has impaired the value of all land and buildings that were not subject to formal revaluation in 2009/10. The impairment of land and buildings was accounted for in accordance with Accounting Policy Note 11.4, on page 102.

Notes to the Accounts

22. Foundation, voluntary aided and academy schools

Fixed assets and long term liabilities of individual foundation, voluntary aided/controlled and academy schools are not incorporated into the Council's Balance Sheet (see note 11.9 of the Statement of Accounting Policies, on page 104).

There are **107** foundation schools, with an estimated fixed asset valuation of **£1,133.6m** (31 March 2009: £1,390.6m). A number of these schools have taken out long term loans with the permission of the Department for Education. The outstanding balance on these loans at 31 March 2010 was **£0.2m** (31 March 2009: £0.3m), repayable over an average period of **4** years (31 March 2009: 5 years).



There are a further **150** schools that are not incorporated into the Council's Balance Sheet, namely voluntary aided schools that are mainly owned by churches. These schools have an estimated fixed assets valuation of **£614.9m** (31 March 2009: £932.5m).

A number of the foundation and voluntary aided schools have acquired the use of a variety of assets under lease agreements, including equipment, plant and vehicles. These schools are committed to making payments under these lease agreements for several years into the future. The following table provides an analysis of the payments which these schools are committed to make, as at 31 March 2010:

2009/10				2010/11		
Operating £000	Finance £000	Total £000		Operating £000	Finance £000	Total £000
725	68	793	One year	576	83	659
1,433	326	1,759	Two to five years	1,263	198	1,461
21	2	23	Over five years	9	-	9
2,179	396	2,575	Total lease rentals	1,848	281	2,129

Notes to the Accounts

23. Analysis of land and property assets

The land and property assets held by the Council as at 31 March are as follows:

2009		2010
1,265	Freehold land (hectares)	
		1,261
	Infrastructure (kilometres)	
594	Principal roads	587
6,805	Other roads	6,899
7,399	Total Infrastructure (kilometres)	7,486
	Property assets (number)	
1	County Hall	1
	Education	
2	Nursery schools	2
278	Primary schools (<i>excl. aided and foundation schools</i>)	276
24	Secondary schools (<i>excl. aided and foundation schools</i>)	24
18	Special schools (<i>excl. aided and foundation schools</i>)	18
49	Youth, adult and community centres	49
158	Teachers' and caretakers' houses	158
46	Other education properties	45
	Social Care	
39	Children's centres	39
13	Community homes for children	12
9	Day nurseries and family centres	9
7	Adult residential homes	7
34	Adult day care centres	33
30	Other Social Services properties	30
	Highways	
13	Highway depots	13
16	Other highway properties	14
57	Libraries (<i>including Library Headquarters</i>)	58
	Other	
17	Civic amenity points	17
24	Farms and cottages	24
13	Gypsy sites	13
9	Country parks	9
20	Other country park properties	20
10	Register offices	10
2	Records Offices	2
1	Shire Hall	1
1	Cressing Temple	1
38	Other miscellaneous county properties	45
929	Property assets (number)	930

Notes to the Accounts

24. Financing of capital expenditure

The following table provides an analysis that shows the way in which capital expenditure (which is recognised in the Balance Sheet) and revenue expenditure funded from capital under statute (which forms part of the deficit on the Income and Expenditure Account), was financed.

2008/09			Sources of finance	2009/10		
Capital expenditure	Revenue expenditure funded from capital	Total		Capital expenditure	Revenue expenditure funded from capital	Total
£000	£000	£000		£000	£000	£000
46,304	14,829	61,133	Borrowing	55,632	7,197	62,829
8,108	-	8,108	Unsupported Borrowing	41,939	3,070	45,009
51,052	16,865	67,917	Government grants & contributions	63,930	74,259	138,189
19,900	-	19,900	Capital receipts	-	5,275	5,275
16,502	10,124	26,626	Earmarked revenue reserves applied	-	-	-
141,866	41,818	183,684	Total	161,501	89,801	251,302

25. Significant commitments under capital contracts

The estimated value of significant commitments under capital contracts as at 31 March is summarised in the following table.

2009 £000		2010 £000
1,769	Highways and Transportation	98,532
29,813	Education (schools)	13,412
4,787	Other	284
36,369		112,228



26. Leases

26.1 Council as lessee

The Council has acquired the use of equipment, plant, vehicles, properties and infrastructure under operating and finance lease agreements, including PFI/PPP arrangements. The arrangements for accounting for these leases are explained within Accounting Policy note 13, which commences on page 107.

Notes to the Accounts

An analysis of the lease rental payments made in 2009/10 is provided in the following table.

2008/09 (restated)			2009/10	
Operating leases £000	Finance Leases £000		Operating leases £000	Finance Leases £000
2,673	-	Property (excl PFI/PPP schemes)	2,866	7
-	16,181	PFI/PPP schemes	-	14,246
5,668	200	Vehicles, plant and equipment	5,322	107
8,341	16,381	Lease rental payments	8,188	14,360

Note:

The 2008/09 comparative figures have been restated to incorporate the lease payments made in respect of the Council's PFI/PPP schemes.

The Council is committed to making payments under these lease arrangements for several years into the future.

The following table shows the payments which the Council is committed to make during the next year (2010/11) in relation to operating leases, analysed between those in which the commitments expire within a year, in the second to fifth year inclusive and over five years from the Balance Sheet date.

31 March 2009				31 March 2010		
Property £000	Other £000	Total £000		Property £000	Other £000	Total £000
269	2,578	2,847	One year	383	552	935
1,090	3,920	5,010	Two to five years	1,026	6,891	7,917
1,567	614	2,181	Over five years	1,494	1,061	2,555
2,926	7,112	10,038	Total lease rentals	2,903	8,504	11,407

Note:

The 2008/09 comparative figures have been restated to incorporate the lease payments made in respect of the Council's PFI/PPP schemes.

Notes to the Accounts

The following table discloses the gross amounts of assets held under finance leases, together with accumulated depreciation:

2008/09 Total (restated)	£000	2009/10			Total £000
		Vehicles plant & equipment £000	Property £000	PFI / PPP assets £000	
128,912	Balance at 1 April	140	-	126,695	126,835
1,096	Additions	52	885	1,127	2,064
-	Revaluations	-	501	-	501
(3,173)	Depreciation	(102)	-	(3,027)	(3,129)
126,835	Balance at 31 March	90	1,386	124,795	126,271

Note:

The 2008/09 comparative figures have been restated to incorporate the lease payments made in respect of the Council's PFI/PPP schemes.

Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2010, accounted for as part of current and long term liabilities, are as follows:

2008/09		2009/10			
Total		Vehicles	Property	PFI / PPP	Total
(restated)		plant &		Schemes	
		equipment			
£000		£000	£000	£000	£000
Short term					
2,061	Short term - within next year	47	15	2,111	2,173
2,061		47	15	2,111	2,173
Long term					
9,956	In the second to fifth year	44	59	11,356	11,459
105,825	From the sixth subsequent year onwards		811	102,245	103,056
115,781		44	870	113,601	114,515
117,842	Total liabilities as at 31 March	91	885	115,712	116,688

Note:

The 2008/09 comparative figures have been restated to incorporate the lease payments made in respect of the Council's PFI/PPP schemes.

26.2 Council as lessor

In certain circumstances, the Council rents properties to third parties under operating lease arrangements.

The following table shows the gross amounts of these assets, and the related accumulated depreciation.

Notes to the Accounts

2008/09 Net book value £000		2009/10		Net book value £000
		Gross book value £000	Accumulated depreciation £000	
7,717	Balance at 1 April	8,904	(102)	8,802
1,085	Movement in year	(1,685)	(52)	(1,737)
<u>8,802</u>	Balance at 31 March	<u>7,219</u>	<u>(154)</u>	<u>7,065</u>

The rent receivable for leasing properties to third parties amounts to **£451,000** per annum (2008/09: £540,000).

The Council does not acquire any assets specifically for the purpose of letting under operating or finance lease.

27. Long term debtors

An analysis of long term debtors is provided in the following table.

31 March 2009 £000		31 March 2010 £000
	Debt outstanding on assets transferred to:	
18,001	Southend Unitary Authority	17,240
1,027	Further Education Colleges	912
891	Amounts due from district councils in relation to local enforcement of on-street parking schemes	789
27	Loans to staff for purchase of cars for use on Council business	-
491	Amounts due from care homes and day care providers	491
29	Private street work advances	29
7,221	Deferred capital receipts	6,221
867	Firstsite - payment in advance	797
-	- Capital contribution from developer	240
-	- Payments in advance	472
<u>28,554</u>	Balance as at 31 March	<u>27,191</u>

Notes to the Accounts

28. Short Term Debtors

An analysis of short term debtors is provided in the following table.

2008/09			2009/10	
2008/09 Statement of accounts £000	Prior Period Adjustment £000	Restated £000	£000	£000
75,036	-	75,036	89,759	
2,315	-	2,315	2,399	
22,041	-	22,041	25,623	
99,392	-	99,392		117,781
-	23,732	23,732	25,450	
-	3,366	3,366	2,885	
-	27,098	27,098		28,335
12,943	-	12,943		41,064
114	-	114		101
112,449	27,098	139,547		187,281
(10,093)	-	(10,093)		(8,852)
-	(8,550)	(8,550)		(9,814)
102,356	18,548	120,904		168,615

Note:

The 2008/09 comparative figures have been restated on a basis comparable with 2009/10, to reflect the impact of implementing a change in the accounting policy for Council Tax.

29. Cash and Bank

An analysis of the cash included in the Balance Sheet is provided in the following table:

2008/09 £000		2009/10 £000	
62,309	Cash in hand	62,013	
2,547	Schools' local bank accounts	2,554	
(28,540)	Trading activities	(29,608)	
	Bank overdraft		34,959
748	Petty cash		694
37,064	Total cash held		35,653
(13,413)	Cash held on behalf of external bodies		(12,974)
23,651	Council's cash balance		22,679

Notes to the Accounts

30. Creditors

An analysis of creditors is provided in the following table.

2008/09				2009/10
2008/09 Statement of accounts £000	Prior Period Adjustment £000	Restated £000		£000
			Sundry creditors	
139,371	-	139,371	Revenue	162,366
34,139	-	34,139	Capital	45,870
12,998	-	12,998	Receipts in advance	19,925
41,549	-	41,549	Government grant deferred	53,195
41,202	-	41,202	Sums held on deposit with the Council	48,123
			Council tax income	
-	7,866	7,866	Council tax over payments / pre-payments	7,898
-	7,312	7,312	Amounts paid by Billing Authorities in advance of receipt	9,122
6,860	-	6,860	Amounts due to employees	5,286
18	-	18	Other	18
276,137	15,178	291,315	Total creditors	351,803

Note:

The 2008/09 comparative figures have been restated on a basis comparable with 2009/10, to reflect the impact of implementing a change in the accounting policy for Council Tax.

31. Private Finance Initiative / Private Partnership schemes

31.1 Payment for services provided

The Council has entered into several PFI and PPP schemes, as detailed within accounting policy note 12, on page 104.

The following table provides:

- An analysis of the payments the Council has made for services provided under these contracts; and
- The government grants received towards the capital element of these schemes, and the amounts appropriated to the PFI earmarked revenue reserves.

Notes to the Accounts

2008/09 (restated)					2009/10			
A130 Road scheme PFI £000	Debden Park school PFI £000	Clacton Secondary school PFI £000	Tendring Primary Schools PPP £000		A130 Road scheme PFI £000	Debden Park school PFI £000	Clacton Secondary school PFI £000	Tendring Primary Schools PPP £000
				Payments to Operators				
(725)	586	2,155	788	Services provided	877	592	3,628	865
9,983	1,570	2,939	1,689	Payment for assets	8,393	1,203	2,897	1,753
-	159	637	295	Lifecycle replacement	-	570	653	280
9,258	2,315	5,731	2,772	Net payment	9,270	2,365	7,178	2,898
(10,173)	(1,139)	(3,285)	-	Grant received	(9,766)	(1,093)	(3,154)	-
4,479	406	671	-	Appropriation to earmarked revenue reserve	2,331	194	95	-
3,564	1,582	3,117	2,772		1,835	1,466	4,119	2,898

Payments to the service providers under these schemes depend upon a number of factors, including the performance of the contractors.

The following table provides the best estimate of payments in future periods on each scheme, on the assumption that the contractors provide a reliable service.

	Estimated timing of payments to PFI/PPP operators							Total £000
	Within one year	1 - 5 years	6 - 10 years	11 - 15 years	16 - 20 years	21 - 25 years	26 - 30 years	
	£000	£000	£000	£000	£000	£000	£000	
A130								
Service charges	1,093	4,654	6,502	7,357	8,323	-	-	27,929
Interest and similar charges	9,452	39,609	51,674	56,493	13,788	-	-	171,016
Repayment of liability	1,021	6,464	14,749	40,013	10,807	-	-	73,054
Lifecycle replacement	-	-	2,751	3,307	6,903	-	-	12,961
Total	11,566	50,727	75,676	107,170	39,821	-	-	284,960
Debden Park School								
Service charges	522	2,223	3,107	3,515	1,089	-	-	10,456
Interest and similar charges	1,201	4,867	6,099	5,706	1,589	-	-	19,462
Repayment of liability	373	1,771	2,932	4,097	1,588	-	-	10,761
Lifecycle replacement	244	1,098	1,776	2,425	613	-	-	6,156
Total	2,340	9,959	13,914	15,743	4,879	-	-	46,835
Clacton Secondary Schools								
Service charges	2,002	8,644	12,397	14,447	16,851	19,429	2,095	75,865
Interest and similar charges	2,292	8,560	8,954	7,693	6,189	3,416	65	37,169
Repayment of liability	539	2,604	2,421	2,438	3,533	8,417	1,235	21,187
Lifecycle replacement	673	2,475	5,073	5,849	5,554	2,030	90	21,744
Total	5,506	22,283	28,845	30,427	32,127	33,292	3,485	155,965
Tendring Primary Schools								
Service charges	673	2,867	4,006	4,532	5,128	4,025	-	21,231
Interest and similar charges	1,647	6,733	9,051	9,472	10,199	5,941	-	43,043
Repayment of liability	178	517	952	1,522	3,738	3,803	-	10,710
Lifecycle replacement	259	1,628	2,392	3,031	1,931	2,707	-	11,948
Total	2,757	11,745	16,401	18,557	20,996	16,476	-	86,932
	22,169	94,714	134,836	171,897	97,823	49,768	3,485	574,692

Notes to the Accounts

Under existing legislation, the Council expects to continue to receive additional government grant that will broadly cover the capital elements of the payments to contractors.

31.2 Impact of change in accounting policy

Prior to 2009/10, the Council's PFI/PPP schemes were assessed as off-balance sheet. However, the substance of these transactions is such that the risks and rewards of ownership remain with the Council and so the assets and liabilities are now included on the Council's Balance Sheet.

Previously, the annual unitary payments to the PFI/PPP operators were recorded in the Income and Expenditure Account, within the Net Cost of Services. Now, the unitary payments are separated into the following component parts:

- Payment for the fair value of services received;
- Payment for the PFI assets, including finance costs; and
- Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

The services received under the contract are recorded in the Income and Expenditure Account, within the Net Cost of Services, on an accruals basis. The annual finance cost is charged as 'interest payable and similar charges' within the Income and Expenditure Account. Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the Council's criteria for capital expenditure.

Further details of the accounting policy change are set out within Accounting Policy Note 12, which commences on page 104.

Notes to the Accounts

32. Financial Instruments

32.1 Balances

The following categories of financial instruments are held within the Council's Balance Sheet:

31 March 2009			31 March 2010	
Long term	Current		Long term	Current
£000	£000		£000	£000
Financial assets - Loans and receivables				
65,197	152,677	Investments	11,259	92,034
-	23,651	Cash	-	22,679
28,554	89,413	Debtors (contractual)	27,191	109,030
<u>93,751</u>	<u>265,741</u>	Total	<u>38,450</u>	<u>223,743</u>
Financial liabilities at amortised cost				
-	(221,590)	Creditors	-	(267,437)
(342,744)	(5,037)	Borrowing	(323,718)	(5,068)
<u>(342,744)</u>	<u>(226,627)</u>	Total	<u>(323,718)</u>	<u>(272,505)</u>

Investments include amounts deposited with UK and non UK financial institutions, the UK government and other local authorities.

Borrowing is primarily secured from the Public Works Loans Board and from UK financial institutions. Borrowing may also be undertaken as part of the Council's agreement to temporarily borrow the surplus cash balances of the Essex Probation Board and Essex Cares Ltd and to cover temporary shortfalls in cash arising as a consequence of timing differences between receipts and payments.



Notes to the Accounts

32.2 Interest payable and similar charges

The following table provides an analysis of the items included within the Income and Expenditure Account under the heading of interest payable and similar charges.

2008/09				2009/10
Statement of Accounts £000	Prior period adjustment £000	Restated £000		£000
17,443	14,314	31,757	External interest payable	26,210
(1,033)	-	(1,033)	Premiums & discounts on early repayment of debt	(127)
(132)	-	(132)	Discounts arising	(128)
(856)	-	(856)	Loan charges grant	(766)
			Contributions by other local authorities towards the repayment of debt	
15,422	14,314	29,736		25,189

The 2008/09 comparative figures have been restated as a consequence of the change in accounting policy related to PFI/PPP schemes. 'Interest payable and similar charges' now incorporates the annual finance costs element of the unitary payments to the PFI/PPP operators. These payments were previously accounted for within the Income and Expenditure Account (Net Cost of Services).

Premiums and discounts arising as a consequence of the early redemption of debt are charged in full to the Income and Expenditure Account. Premiums and discounts associated with the early redemption of debt prior to 1 April 2007 are being amortised to the Statement of Movement on the General Fund Balance over a period of years, where the premiums and discounts can be linked to the refinancing of debt.

32.3 Interest receivable

The following table shows the external interest earned from investments, and the amounts that have been allocated in respect of sums held on behalf of individuals and other organisations:

2008/09 £000		2009/10 £000
(17,173)	External interest received	(4,960)
2,495	Amounts allocated to sums held on deposit with the Council	263
(14,678)	Balance retained in the Income and Expenditure Account	(4,697)

Notes to the Accounts

32.4 Fair value of assets and liabilities carried at amortised cost

The fair value of borrowings has been determined with reference to the 'premature repayment' set of PWLB rates in force at 31 March 2010. This demonstrates how much it would cost the Council to buy itself out of an unfavourable position or how much it could generate from liquidating a favourable position.

Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.

The fair value of trade and other receivables is taken to be the invoiced or billed amount.

In some cases, there is no difference between the carrying value and fair value of financial instruments. The following table provides an analysis of those instruments where the carrying value and fair value differ:

31 March 2009			31 March 2010		
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000	
(347,781)	(358,239)	Borrowing	(328,786)	(328,345)	
217,874	224,502	Investments	103,293	104,439	

The fair value of borrowings varies from the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is either higher or lower than the rates available for similar loans at the balance sheet date.

The fair value of investments was higher than the carrying amount in 2008/09 because the Council's portfolio of investments included a number of fixed rate loans where the interest rate receivable was higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates demonstrated the financial consequences of the Council continuing to hold the investments. Conversely it increases the amount that the Council would receive if it agreed to early repayment of the deposits.

Notes to the Accounts

32.5 Disclosure of the nature and extent of risks arising from financial instruments

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

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

The Council's overall treasury risk management framework focuses on the unpredictability of financial markets and arrangements for minimising these risks. An annual treasury management strategy is produced in compliance with statutory regulations and the CIPFA Treasury Management Code of Practice (ie. the CIPFA Treasury Management in the Public Services Code of Practice and Cross Sectoral guidance notes).

Overall, these procedures require the Council to manage risks in the following ways:

- By approving annually limits on the overall level of borrowing, exposure to fixed and variable interest rates, maturity structure of debt and amount that can be invested beyond one year.
- By approving an annual investment strategy that establishes criteria for both investing and selecting counterparties in compliance with government guidance.

Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. In addition, the Council provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as from credit exposures associated with the Authority's customers.

The Council aims to minimise the credit risks associated with depositing funds with banks and financial institutions by only placing funds with those counterparties that have credit ratings equivalent to, or better than, the credit rating criteria set out within the Council's annual investment strategy.

Counterparties are only considered for inclusion on the Council's lending list if they have all of the following credit ratings:

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- **Short term rating** – provides an indication of the capacity of the financial institution to meet its financial commitments in the short term.
- **Long term rating** – provides an indication of the capacity of the financial institution to meet its financial commitments over the longer term.
- **Individual / financial strength rating** – provides a measure of the likelihood that a bank will require financial assistance from third parties such as its owners, its industry group or official institutions. It also considers how a bank would be viewed if it were entirely independent and could not rely upon external support.
- **Support rating** – provides an assessment of a potential supporter's (either a sovereign state or an institutional owner) propensity to support the bank or of its ability to support it.

Institutions that satisfy the Council's minimum criteria across each of these categories may be included on the Council's lending list. However, the short and long term ratings are further applied to determine the maximum amount that can be invested with individual counterparties and the maximum period of those investments. This approach ensures that the Council applies a consistent approach to the amount, and period, of investments with institutions exposed to similar risks.

Application of the credit rating criteria set out within the Annual Investment Strategy means that investment limits of **£25m, £40m or £50m** may be applied.

Surplus cash balances are usually invested on a short term basis (ie: for periods of up to 364 days) until the funds are next required. Funds invested on this basis are either placed 'on-call' or in short term 'fixed' period deposits. Because of the short term nature of these investments, it is possible for the Council to respond to changes in credit risks reasonably quickly.

The Council may invest its underlying cash balances on a longer term basis (ie: for periods beyond 364 days). Because it is not possible to respond to changes in credit risk as quickly, a limit is set within the annual treasury management strategy, upon the total amount that can be invested for periods beyond 364 days. For 2009/10, this limit was **£60m** (2008/09: £100m).



No credit limits were exceeded during 2009/10 and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

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The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five years, adjusted to reflect current market conditions:

	Amount at 31 March 2010	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2010	Estimated maximum exposure to default and uncollectability
	£000	%	%	£000
Deposits with banks and other financial institutions				
AA rated	100,300	0.03%	0.03%	30
A rated	-	0.08%	0.08%	-
	100,300			30
Debtors (contractual)	136,221	13.70%	13.70%	18,666
Potential maximum exposure to credit risk	236,521			18,696

Of the total amount of debtors at 31 March 2010, **£26.658m** are past their due date for payment (31 March 2009: £30.030m). The past due amount can be analysed by age as follows:

2008/09 £000		2009/10 £000
10,047	Less than three months	7,251
2,689	Three to six months	2,754
5,705	Six months to one year	5,359
11,589	More than one year	11,294
30,030	Total	26,658

Liquidity risk

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The strategy is to ensure a relatively even debt maturity profile through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

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The maturity analysis of financial liabilities is as follows:

2008/09	Repayment period	2009/10				Total
		PWLB	Money Market	Castle Point DC	Other	
£000		£000	£000	£000	£000	£000
5,037	Less than one year	2,525	916	8	1,619	5,068
5,037	Short term borrowing	2,525	916	8	1,619	5,068
10	Between 1 and 2 years	3	-	6	-	9
5,011	Between 2 - 5 years	5,000	-	4	-	5,004
5	Between 5 - 10 years	-	-	3	-	3
2	Between 10 - 25 years	15,000	-	3	-	15,003
52,688	Between 25 - 40 years	47,688	-	-	-	47,688
208,028	Between 40 - 50 years	179,011	-	-	-	179,011
77,000	Over 50 years	-	77,000	-	-	77,000
342,744	Long term borrowing	246,702	77,000	16	-	323,718
347,781	Total borrowing	249,227	77,916	24	1,619	328,786

The maximum amount of PWLB debt that matures in any one year is **£30m**, with maturities averaging at approximately **£15m** per annum.

Assuming that the money market loans run full term, they will mature over three consecutive years. However, the lender has the option, at fixed intervals over the life of the loans, to require repayment sooner.

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

Market risk

Interest rate risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates could have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- Borrowings at fixed rates – the fair value of the liability borrowings will fall;
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- Investments at fixed rates – the fair value of the assets will fall.

Borrowing and investments are not carried at fair value, so nominal gains and losses on fixed rate borrowing and investments would not impact on the Income

Notes to the Accounts

and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the General Fund Balance pound for pound.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of **30%** of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances are favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2010, if interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

2008/09 £000		2009/10 £000
328	Interest payable on variable rate borrowing	273
(188)	Interest receivable on variable rate investments	(893)
<u>140</u>	Impact on Income and Expenditure Account	<u>(620)</u>

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 and is therefore not exposed to gains or losses arising from movements in the prices of shares except where this impacts on its share of the liability of the Pension Fund.

■ Foreign exchange risk

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

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33. Deferred credits

Deferred credits represent income still to be received, where the Council has agreed that amounts are payable beyond the next year, either at a specific point in the future, or by an annual sum over a period of time.

The following table provides an analysis of the amounts recognised on the Balance Sheet as deferred credits.

31 March 2009				31 March 2010
2008/09 Statement of Accounts £000	Prior Period Adjustments £000	Restated £000		£000
18,001	-	18,001	Repayment of debt Southend Unitary Authority	17,240
867	-	867	Firstsite visual arts centre	797
977	-	977	Local enforcement of on-street parking schemes	874
-	-	-	Capital contribution from developer	240
-	1,087	1,087	PFI / PPP schemes - deferred income	1,035
19,845	1,087	20,932	Balance as at 31 March	20,186

Note:

The restatement of the 2008/09 comparatives reflects the impact of implementing a change in the accounting policy for PFI/PPP schemes.

The amount shown in respect of Southend Unitary Authority represents future contributions to the Income and Expenditure Account arising from the repayment of debt (principal) consequent upon local government reorganisation.

The Council has previously made an annual contribution towards the 'Firstsite' visual arts centre. In 2008/09 the Council made a consolidated payment to the project equivalent to the annual contributions that it would otherwise have made over a number of years.

The sum shown in respect of decriminalisation of parking enforcement schemes represents amounts due from various Essex district and borough councils.

The capital contribution from a developer represents an amount that it has been agreed will be paid, over a number of years, as a contribution towards a capital project being undertaken by the Council.

The deferred income in relation to PFI schemes represents income that the PFI / PPP operators expect to generate from the PFI assets over the life of the contracts. This is amortised to the Income and Expenditure Account (Net Cost of Services).

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34. Provisions

The Council maintains several provisions, which represent amounts set aside to meet obligations related to events that have taken place which probably require settlement by the transfer of economic benefits. An explanation of the provisions currently held is as follows:

Provision	Background
Insurance Provision	<p>The Insurance Provision represents the estimated outstanding liabilities of the Council that are likely to be paid over a number of years. They arise due to the self insured elements of the Council's insurance programme and other claims related to the period when Municipal Mutual Insurance and Independent Insurance were the Council's insurers.</p> <p>Municipal Mutual insured the Council's liability risks from 1977 to 1992 and ceased trading in 1992. They are now operating under a scheme of arrangements dealing with the outstanding claims.</p> <p>Independent Insurance was the Council's insurer for the liability classes of business from 1st April 1993 to 31st March 2001, and went into provisional liquidation on 17th June 2001.</p> <p>It is currently not expected that any payments will be received from Independent Insurance.</p>
Highways provision	<p>This provision relates to claims for compensation in relation to the construction of a road.</p>
Section 117	<p>This Provision represents estimated outstanding claims by service users who were charged for care under Section 117 of the Mental Health Act 1983. Settlement of these claims is likely to be spread over a number of years. When the Act was introduced, it did not clearly indicate whether service users receiving aftercare under Section 117 could be charged. The Council, along with many other authorities, charged service users for residential care. Following a ruling by the House of Lords, and the Local Government ombudsman, it is now clear that Section 117 aftercare is not chargeable. The Council therefore has a duty to repay charges already made.</p>
Recycling of household waste (RCHW) incentive scheme	<p>This provision relates to a claim regarding the effectiveness of the RCHW incentive payment scheme.</p>
Schools' capital provisions	<p>Provision has been made for various loss and expense claims related to the construction work at various schools.</p>
Other	<p>Provisions have been established for various minor matters and for one commercially sensitive matter.</p>

The timing of settlement of these obligations is uncertain, although the Council expects to settle the majority within one year. The Insurance and Section 117 provisions are likely to be settled over a number of years into the future.

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A summary of the movement in the level of the provisions maintained by the Council is provided in the following table.

Provisions	Balance 1 April 2009	2009/10 movement in Provisions				Balance 31 March 2010
		Amounts arising	Provisions reversed	Utilised	Net Movement	
	£000	£000	£000	£000	£000	£000
Insurance	(25,512)	(9,560)	-	4,968	(4,592)	(30,104)
Highways	(860)	(187)	-	-	(187)	(1,047)
Section 117	(357)	-	-	8	8	(349)
RCHW incentive scheme	-	(256)	-	-	(256)	(256)
Schools capital provisions	-	(437)	-	-	(437)	(437)
Other	(791)	(235)	133	-	(102)	(893)
Total	(27,520)	(10,675)	133	4,976	(5,566)	(33,086)

35. Contingent liabilities

The Council was awarded money from the European Social Fund. Subsequent audit review of these funds identified problems with demonstrating that the terms and conditions of the grant had been met. The results of the audit are still awaited. Hence, it is not possible to make a reliable estimate of any liability at this stage.

36. Deferred grants and contributions

When a government grant or contribution has been applied to the financing of capital expenditure on fixed assets, a balance is established in the Deferred Grants and Contributions Account which is then released to the Income and Expenditure Account to offset the depreciation that is charged on the assets. The write down of the government grants deferred balance is based upon the relevant depreciation policies adopted for the assets. However, where the grants cannot be identified to particular assets that are likely to depreciate, the grant is credited fully to the Income and Expenditure Account. The movements on the Deferred Grants and Contributions Account are summarised as follows:

2008/09			2009/10		
Unapplied grant £000	Applied grant £000	Total £000	Unapplied grant £000	Applied grant £000	Total £000
(10,728)	(210,846)	(221,574)	(46)	(255,076)	(255,122)
8,066	(8,066)	-	17	(17)	-
2,616	(42,986)	(40,370)	-	(63,913)	(63,913)
-	6,822	6,822	-	6,847	6,847
(46)	(255,076)	(255,122)	(29)	(312,159)	(312,188)

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37. Movement in reserves

The Council keeps a number of reserves on the Balance Sheet. Some are held for statutory reasons, some are needed to comply with proper accounting practice and others have been established to earmark resources for future spending.

The movements in these reserves during 2009/10 are summarised in the following table, which includes references to other notes that provide further information on these reserves.

Reserves	Balance at 1 April 2009	Balance at 31 March 2010	Net movement in year	Purpose of Reserve	Further details on movement in notes
	Restated £000	£000	£000		
Revaluation Reserve	(106,924)	(101,644)	5,280	Store of gains on revaluation of fixed assets since 1 April 2007 not yet realised through sales.	38
Capital Adjustment Account	(1,542,338)	(1,310,187)	232,151	Store of capital resources set aside to meet past expenditure and gains/losses on fixed assets prior to 1 April 2007.	39
Financial Instruments Adjustment Account	3,551	3,382	(169)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments.	41
Collection Fund Adjustment Account	(3,370)	(1,501)	1,869	Balancing account to allow for differences in statutory requirements and proper accounting practices for Council Tax income.	14
Usable Capital Receipts	(14,254)	(13,685)	569	Proceeds of fixed asset sales available to meet future capital investment.	40
Deferred Capital Receipts	(9,721)	(7,221)	2,500	Capital income still to be received from the sale of fixed assets because deferred payment has been agreed.	40
Pensions Reserve	549,732	757,831	208,099	Balancing account against the Pensions Liability in the Balance Sheet.	12
General Fund	(26,460)	(33,071)	(6,611)	Resources available to meet future running costs of services.	
Earmarked revenue reserves	(222,418)	(189,867)	32,551	Reserves set aside for policy purposes to meet specific costs in the future.	16
	(1,372,202)	(895,963)	476,239		

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38. Revaluation Reserve

This reserve records the gains and losses arising on the revaluation of the Council's fixed assets from 1 April 2007. Previously, such gains and losses were taken to the Fixed Asset Restatement Account. The balance on the Fixed Asset Restatement Account as at 31 March 2007 was transferred to the Capital Adjustment Account on 1 April 2007 in accordance with the Statement of Recommended Practice 2007.

The following table provides an analysis of the movements on the Revaluation Reserve:

2008/09				2009/10
Statement of Accounts	Prior period adjustments	Restated		
£000	£000	£000		£000
(173,543)	-	(173,543)	Balance as at 1 April	(106,924)
(54,823)	4,741	(50,082)	Revaluation of fixed assets (increases)	(69,522)
115,995	-	115,995	Revaluation of fixed assets (subsequent decreases)	62,482
(129)	(74)	(203)	Depreciation on revaluation gains	7,543
909	-	909	Revaluation gains outstanding upon disposal of fixed asset	4,777
(111,591)	4,667	(106,924)	Balance as at 31 March	(101,644)

Note:

The restatement of the 2008/09 comparatives reflects the impact of implementing a change in the accounting policy for PFI/PPP schemes.

39. Capital Adjustment Account

The balance on this account consists of:

- The consolidation of gains arising from the revaluation of fixed assets prior to 1 April 2007 (as previously taken to the Fixed Asset Restatement Account); and
- Revenue funds set aside as a provision to repay external loans and the financing of capital payments from capital receipts and revenue reserves.

An analysis of the movement in the capital adjustment account is provided overleaf.

Notes to the Accounts

Statement of Accounts	2008/09			2009/10		
	Prior period adjustments	Restated		£000	£000	£000
£000	£000	£000				
(1,798,796)	11,474	(1,787,322)	Balance as at 1 April			(1,542,338)
			Revaluation of fixed assets			
129	74	203	Current value depreciation/impairment to historic cost	(7,543)		
(909)	-	(909)	Revaluation gains outstanding for assets upon disposal	(4,777)	(12,320)	
45,146	-	45,146	Cost / value of assets disposed of during the year		26,772	
(19,900)	-	(19,900)	Capital receipts applied		(5,275)	
			Revenue resources set aside			
(26,626)	-	(26,626)	Reserves applied	-		
(21,076)	(3,011)	(24,087)	Minimum revenue provision for repayment of debt	(26,127)		
(133)	-	(133)	Voluntary revenue provision for repayment of debt	(81)		
39,069	3,319	42,388	Depreciation	56,322		
211,626	(856)	210,770	Impairment of fixed assets	184,166		
41,818	-	41,818	Revenue expenditure financed from capital under statute	89,801		
208	(208)	-	Deferred consideration	-		
					304,081	
			Deferred capital grants			
(6,822)	-	(6,822)	Applied to finance capital expenditure	(6,847)		
(16,864)	-	(16,864)	Applied to finance revenue expenditure funded from capital	(74,260)	(81,107)	
245,666	(682)	244,984	Total movement			232,151
(1,553,130)	10,792	(1,542,338)	Balance as at 31 March			(1,310,187)

Note:

The restatement of the 2008/09 comparatives reflects the impact of implementing a change in the accounting policy for PFI/PPP schemes.

40. Capital Receipts

40.1 Usable Capital Receipts Reserve

This reserve contains the proceeds from the sale of fixed assets which have not yet been used to finance capital expenditure. The movements in the Usable Capital Receipts Reserve are summarised in the following table.

2008/09 £000		2009/10 £000
(13,883)	Balance as at 1 April	(14,254)
(20,271)	Disposal proceeds - receipts	(4,706)
19,900	Applied to finance capital expenditure	5,275
(14,254)	Balance as at 31 March	(13,685)

Notes to the Accounts

40.2 Deferred Capital Receipts

This balance represents the level of capital income still to be received from the sale of fixed assets, because deferred payment has been agreed.

2008/09 £000		2009/10 £000
(18,517)	Balance as at 1 April	(9,721)
-	Amounts arising	-
8,796	Amounts received	2,500
<u>(9,721)</u>	Balance as at 31 March	<u>(7,221)</u>

It is anticipated that outstanding capital receipts will be received over the period 2010/11 to 2015/16.

41. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments. Under UK Generally Accepted Accounting Practice, premiums and discounts from the early redemption of loans and investments are written off to the Income and Expenditure Account. However, the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2007 allow transfer of these items from the Statement of Total Movement on the General Fund Balance to the Financial Instruments Adjustment Account. They are subsequently released back to the Statement of Total Movement on the General Fund Balance over the following periods:

- **Premiums:** Longer of the outstanding term on the replaced loan or the term of the replacement loans.
- **Discounts:** Outstanding term on the replaced loan or 10 years (if shorter).

This allows the cost or benefit relating to the early redemption of loans and investments to be spread across the financial period considered to be affected by the early redemption. As a result, the impact on the Council's general fund, and therefore Council Tax payers, is evenly spread.

Notes to the Accounts

The following table provides a summary of the movements in this account:

2008/09		2009/10		
Total		Premiums	Discounts	Total
£000		£000	£000	£000
4,722	Balance as at 1 April	8,570	(5,019)	3,551
(108)	Amortisation of premiums / discounts to the General Fund	(127)	19	(108)
(1,063)	Transfer from the General Fund for the difference between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to premiums and discounts on the early repayment of debt	(95)	34	(61)
3,551	Balance as at 31 March	8,348	(4,966)	3,382

42. Partnership arrangements

The Council is involved in a number of partnership arrangements, as follows:

42.1 Youth Offending Service

Under the Crime and Disorder Act 1998, the Council is required to establish a Youth Offending Service to co-ordinate the provision of Youth Justice Services by the Youth Offending Teams in Essex and to ensure the effective contribution by partnership agencies in support of the aim of the Youth Justice System - the prevention of offending by children and young people.

The Council works in partnership with the following bodies to run the service:

- Essex Probation Service;
- Essex Police Authority;
- South East Essex Primary Care Trust (PCT); and
- South West Essex PCT.

The Youth Offending Service has a Management Board on which every partner is represented as well as other relevant agencies. The Board meets twice a year and is supported by an Executive Group which meets quarterly.

The Council accounts for all of the expenditure and income (including funding received from its partners) within the Statement of Accounts. Any surplus/deficit at the end of the year in relation to the service is held in a ring-fenced account by the Council and carried forward to the following financial year for use/replenishment by the service.

Notes to the Accounts

42.2 Essex Drugs and Alcohol Partnership

The Essex Drugs and Alcohol Partnership (EDAP) works with the communities of Essex to help reduce and prevent usage of illegal drugs and alcohol, minimise their harm, treat and rehabilitate users, reduce related offending and crime, and thereby make a contribution to community well being.

The EDAP has the following partners:

- Essex County Council;
- West Essex PCT;
- South East Essex PCT;
- South West Essex PCT;
- Mid Essex PCT;
- North East Essex PCT
- Essex Police;
- Essex Probation Service; and
- HMP Chelmsford.

Each EDAP partner has the dual responsibility of owning “substance misuse” within their organisations and for championing partnership substance misuse working Essex wide. All of the partners are represented on the EDAP partnership board of which there are a minimum of four meetings per year.

West Essex PCT receives Pooled Treatment Funding from the Department of Health and the National Treatment Agency for the provision of substance misuse services on behalf of all of the PCTs within Essex. These funds are transferred to the Council, as lead commissioner, under sections 75 and 256 of the National Health Services Act 2006 to support substance misuse services within Essex under the terms of the partnership.

The Council undertakes its role as lead commissioner for the partnership in consultation with the EDAP Board. As lead commissioner, it accounts for the receipt of funding and related expenditure within its Statement of Accounts.

Any under spends incurred by the partnership must be returned to the Department of Health or approval sought to carry the money forward to the following financial year for use in EDAP substance misuse projects. Overspends are shared between EDAP partners on the following basis: 50% of the total liability is shared by West Essex Primary Care Trust, South East Essex Primary Care Trust, South West Essex Primary Care Trust, Mid Essex Primary Care Trust and North East Essex Primary Care Trust on a capitation basis. The remaining 50% liability is shared by the Council, Essex Police, Essex Probation Service and HMP Chelmsford based on a ratio defined by each organisation’s last reported total annual budget.

Notes to the Accounts

42.3 Essex Safety Camera Partnership

The Essex Safety Camera Partnership is designed to combine resources and activities for working on safety camera activities throughout Essex. Joint activities relate to conducting safety camera enforcement and integrated safety camera activities with other casualty reduction strategies.

The bodies working in partnership to achieve these joint goals are: Essex County Council; Thurrock Borough Council; Southend Borough Council; the Highways Agency; Essex Police Authority and the Magistrates Court Service.

The County Council acts as treasurer for the partnership, accounting for the related income and expenditure. It receives contributions from Thurrock Borough Council and Southend Borough Council towards the cost of partnership activities. Any surplus monies held at the end of the financial year are returned to the appropriate authority.

42.4 Haven Gateway Partnership

Essex County Council acts as the accountable body for the Haven Gateway Partnership. The purpose of the partnership is to provide a framework to promote economic opportunities and secure the future prosperity of the following five ports: Felixstowe, Harwich International, Harwich Navyard, Ipswich and Mistley. The partners involved are:

- Essex County Council;
- Suffolk County Council;
- Suffolk Coastal District Council;
- Ipswich Borough Council;
- Babergh District Council;
- Colchester Borough Council;
- Tendring District Council;
- Hutchinson Ports;
- British Telecom;
- Mid Suffolk District Council; and
- Harwich Haven Authority.

Notes to the Accounts

43. Analysis of government grants

43.1 Revenue grants

The following table provides an analysis of the revenue government grants received by the Council, as presented in the Cash Flow Statement on page 22.

2008/09 £000	Revenue grants	2009/10 £000
754,995	Dedicated schools grant	762,095
28,205	Education Standards Fund	136,508
62,983	Learning and Skills Council Funding	62,802
39,711	School standard grant	38,937
29,623	Supporting People	29,773
17,305	Early years and childcare	24,562
14,597	PFI Grant	14,013
2,000	Social Care Reform	4,710
15	European Social Fund	4,000
2,341	Training & Development Agency - graduate teachers	2,724
-	Extra Care housing grant	2,653
1,422	Asylum seekers	2,277
1,933	Economic participation	1,533
1,052	Partnerships	527
41,784	Schools Development grant	-
9,758	Education Standards Fund - foundation schools	-
2,710	Mental Illness	-
1,073	Connexions Transitions Grant	-
9,447	Other	12,974
1,020,954	Total revenue grants	1,100,088

Notes to the Accounts

43.2 Capital grants

The following table provides an analysis of the capital government grants received by the Council, as presented in the Cash Flow Statement on page 22.

2008/09 £000	Capital grants	2009/10 £000
20,837	Education Standards Fund	21,068
729	Dept for Transport Highways grant	12,247
-	- Sadlers Farm	4,593
-	- Colchester Junction	4,330
-	- First Avenue Arlow	3,580
-	- Harlow A414 dualling	3,470
2,804	Basildon enterprise corridor	3,400
805	Waste infrastructure	1,578
709	Roscommon Way	1,537
2,700	Pitsea Flyover refurbishment (Phase IV)	1,528
1,635	Sure Start	937
-	- Colchester cycle town	720
579	Education Other Grants	571
-	- Former Hadleigh Fire Station	496
915	Speed camera hypothecation	370
487	Information Management	90
556	Colchester & Tendring land use model	45
3,386	Fryerns and Craylands regeneration	-
1,974	Other	1,290
<u>38,116</u>	Total capital grants	<u>61,850</u>

Notes to the Accounts

44. Reconciliation of revenue activities net cash flow

The following table reconciles the net surplus / deficit on the Income and Expenditure Account (as set out on page 19) with the revenue activities net cash flow shown in the Cash Flow Statement (as set out on page 22).

2008/09				2009/10
2008/09 Statement of accounts £000	Prior period restatement £000	Restated £000		£000
261,483	1,546	263,029	Net deficit on Income & Expenditure Account	289,252
			Non cash transactions	
9,422	-	9,422	Government grants deferred amortisation	7,056
(21,193)	-	(21,193)	Net changes made for retirement benefits	(14,072)
(33,671)	-	(33,671)	Loss on disposal fixed assets	(24,566)
(209)	209	-	Capital Financing Account - deferred consideration	-
(3,443)	-	(3,443)	Increase in provisions	(10,238)
(250,695)	(2,463)	(253,158)	Depreciation & impairment of fixed and intangible assets	(240,488)
-	53	53	Deferred income - PFI schemes	52
(35)	-	(35)	Interest on finance leases	(43)
(41,818)	-	(41,818)	Revenue expenditure funded from capital under statute	(89,801)
-	(2,302)	(2,302)	Council tax income	(1,869)
(341,642)	(4,503)	(346,145)		(373,969)
			Accruals	
(29,895)	-	(29,895)	Increase in creditors	(41,273)
(3,516)	-	(3,516)	(Increase)/decrease in debtors	47,655
(70)	-	(70)	Increase in long term debtors	-
(56)	-	(56)	Decrease in stocks and work in progress	(57)
(33,537)	-	(33,537)		6,325
			Other transactions	
5,201	-	5,201	Use of provisions	4,976
856	-	856	Contribution by other local auth's to the repayment of debt	766
6,057	-	6,057		5,742
(3,219)	(14,314)	(17,533)	Servicing of finance	(15,759)
(110,858)	(17,271)	(128,129)	Revenue activities net cash flow	(88,409)

Notes to the Accounts

45. Movement in net debt

The following table reconciles the movement in cash to the movement in net debt.

	Balance 1 April 2009 Restated £000	Balance 31 March 2010 £000	2009/10 Cash Flow £000
Cash in hand	23,651	22,679	(972)
Borrowing			
Due after one year	(342,744)	(323,718)	19,026
Due within one year	(5,037)	(5,068)	(31)
	<u>(347,781)</u>	<u>(328,786)</u>	<u>18,995</u>
Finance lease obligations			
Due after one year	(1,991)	(2,173)	(182)
Due within one year	(115,851)	(114,515)	1,336
	<u>(117,842)</u>	<u>(116,688)</u>	<u>1,154</u>
Investments			
Short term investments	152,677	92,034	(60,643)
Long term investments	65,197	11,259	(53,938)
	<u>217,874</u>	<u>103,293</u>	<u>(114,581)</u>
Total net debt	<u>(224,098)</u>	<u>(319,502)</u>	<u>(95,404)</u>

46. Financing and management of liquid resources

The following table provides a reconciliation of the items shown within the Financing and Management of liquid resources sections of the Cash Flow Statement (as set out on page 22) to the related items in the opening and closing balance sheets.

2008/09 Net total Restated		2009/10						Net total
		Investments		Borrowing		Finance leases		
		Long term	Short term	Long term	Short term	Long term	Short term	
£000		£000	£000	£000	£000	£000	£000	£000
(232,444)	Balance at 1 April	65,197	152,677	(342,744)	(5,037)	(115,851)	(1,991)	(247,749)
	Management of liquid resources							
(19,752)	Decrease in short term deposits	-	(60,643)	-	-	-	-	(60,643)
(16,897)	Decrease in long term deposits	(53,938)	-	-	-	-	-	(53,938)
(36,649)		(53,938)	(60,643)	-	-	-	-	(114,581)
	Financing							
50,009	Repayment of amounts borrowed							
2,027	Repayment of principal	-	-	34,010	(578)	-	-	33,432
	Capital element of finance leases	-	-	-	-	1,336	(182)	1,154
	New loans raised							
(30,978)	New loans raised	-	-	(14,984)	-	-	-	(14,984)
286	Interest payable	-	-	-	547	-	-	547
21,344		-	-	19,026	(31)	1,336	(182)	20,149
(247,749)	Balance at 31 March	11,259	92,034	(323,718)	(5,068)	(114,515)	(2,173)	(342,181)

Notes to the Accounts

The Council includes all short term borrowings and investments (those that must be repaid or relinquished within one year of their original contract date) within liquid resources.

Occasionally, long term loans are refinanced, in order to reduce the Council's interest burden. In certain circumstances, the original loans are deemed to have been modified; the carrying value of the replacement loans are therefore adjusted by the premiums or discounts arising as a result of the refinancing.

47. Trust Funds

At 31 March 2010 the Council acted as sole trustee for 3 trust funds and as administrator for 9 other trust funds (31 March 2009: 3 and 9 respectively). The funds do not represent assets of the Council and have not been incorporated into the Council's Balance Sheet. Details of the trust funds administered by the Council are provided in the following table.

	Balance 1 April 2009 £000	2009/10 transactions		Balance 31 March 2010 £000
		Income	Expenditure	
	£000	£000	£000	
Sole Trustee Funds				
Saffron Walden Library	(22)	-	-	(22)
F W Powell scholarship	(30)	-	-	(30)
Kendrick trust	(27)	-	-	(27)
	(79)	-	-	(79)
Administrator Funds				
Great and Little Leighs educational trust	(111)	(9)	8	(112)
Paslow common foundation	(85)	(4)	-	(89)
Essex awards (incl. former Florence Knapton and other funds)	(85)	-	3	(82)
J H Burrows scholarship	(20)	-	-	(20)
Other	(20)	(1)	-	(21)
	(321)	(14)	11	(324)
Total Trust Funds	(400)	(14)	11	(403)

Note: The individual funds have not been subject to audit.

Notes to the Accounts

48. Charitable Trust Funds

The Council act as sole trustee for two charitable trust funds:

- **Saffron Walden Public Library** (also known as Saffron Walden Town Library). This charity was created in 1967 and the Council is the sole trustee. The charity's purpose is to maintain / improve the library and / or provide library facilities additional to those normally provided by the Council under the Public Libraries and Museums Act 1964.
- **The Writtle Library and Reading Room** was created in 1967 and the Council is the sole trustee. The charity's purposes are to advance the education of local inhabitants through classes and / or by means of a library or reading room and other educational facilities for children and young persons.

The Council provides library services to the public within the buildings owned by the charitable trusts. In neither case, do the charities' funds represent assets of the Council and they have not been included in the Council's Balance Sheet.

Details of the charitable trust funds are provided in the following table.

2008/09			2009/10	
Saffron Walden Library	Writtle Library & reading room		Saffron Walden Library	Writtle Library & reading room
£000	£000		£000	£000
49	9	Expenditure	58	10
(48)	(8)	Income	(11)	(8)
1	1	Total	47	2
1,633	313	Assets	1,656	329
(3)	-	Liabilities	(5)	-
1,630	313	Total	1,651	329

Notes to the Accounts

49. Post Balance Sheet Events

From 2010/11, local authorities' Statement of Accounts will be prepared under International Financial Reporting Standards (IFRS). This is part of a wider public sector move to international standards. The Council's processes and transactions are being reviewed to ensure compliance with the new accounting standards. When the 2010/11 accounts are prepared, the comparative figures for 2008/09 and 2009/10 will be restated on an IFRS basis.

50. Authorisation of the accounts for issue

The Statement of Accounts 2009/10 was authorised for issue by the Director for Finance on [*date to be inserted when the accounts are authorised for issue*]. This is the date up to which events after the Balance Sheet date of 31 March 2010 have been considered.

Accounting Policies

1. Introduction

The purpose of the Statement of Accounting Policies is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the Council's accounts.

The accounting policies adopted, that are material in the context of the Council's 2009/10 financial statements, are set out within the following paragraphs and are listed below for ease of reference.

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Accounting Policies

2. General principles

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year, and its position as at 31 March 2010. The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2008 (the '2008 SORP'). The accounting convention adopted is historic cost, modified by the revaluation of certain categories of tangible fixed assets.

3. Accruals of income and expenditure

The Council accounts for income and expenditure in the year that the effects of the transactions are experienced, not simply when the cash payments are made or received. In particular:

- Fees, charges and other receipts are accounted for as income at the date the Council provides the relevant goods or services.
- Goods and services are accounted for as expenditure when they are received or consumed.
- Interest payable on borrowings and receivable on investments is accounted for in line with the amounts due in the year under the related contracts and other agreements.
- Where income and expenditure has been recognised, but the cash has not been received or paid, a debtor or creditor for the relevant amount is recognised in the Balance Sheet.
- Where it is doubtful that debts will be settled, the balance of debtors is reduced and a charge is made to revenue for the income that might not be recoverable.

4. Provisions

Provisions are made when an event has taken place that gives the Council an obligation that requires settlement by a transfer of economic benefits, but the timing of the transfer is uncertain.

The Council establishes provisions by charging the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged directly to the relevant provision in the Balance Sheet.

The provisions are reviewed annually to ensure that the amounts held on the Balance Sheet represent the best estimates of the expenditure required to settle the obligation.

Accounting Policies

Where a lower settlement is made than anticipated, the excess provision is reversed and credited back to the relevant service revenue account.

5. Reserves

The Council sets aside specific amounts as reserves for contingency or future policy purposes. Reserves are established by appropriating amounts from the Statement of Movement on the General Fund Balance.

When expenditure is incurred that is to be financed from a reserve, it is charged to the appropriate service revenue account in that year, to score against the Net Cost of Services in the Income and Expenditure Account. An amount is then appropriated from the reserve, back into the Statement of Movement on the General Fund Balance, so that there is no net charge against Council Tax for the expenditure.

6. Government grants and contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grant and third party contributions are recognised as income at the date the Council satisfies the conditions of entitlement to the grant / contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant has been given has been incurred.

Revenue grants are matched in service revenue accounts with the service expenditure to which they relate.

Grants to cover general expenditure are credited to the Income and Expenditure Account after Net Operating Expenditure.

7. Retirement benefits

7.1 Pension schemes

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

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

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

Accounting Policies

7.2 Teachers' Pension Scheme

The arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Education Service revenue account is charged with the employer's contributions payable to Teachers' pensions in the year.

7.3 Local Government Pension Scheme (LGPS)

The Local Government Pension Scheme (LGPS) is accounted for as a defined benefits scheme. Hence:

- The liabilities of the LGPS attributable to the Council are included in the Balance Sheet on an actuarial basis, using the projected unit method. The projected unit method assesses the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of **5.6%** (2008/09: 7.1%). This discount rate is based upon the indicative rate of return on a high quality corporate bond of equivalent currency and term to the scheme's liabilities.
- The assets of the LGPS attributable to the Council are included in the Balance Sheet at their fair value:
 - **Quoted securities** – current bid price
 - **Unquoted securities** – professional estimate of fair value
 - **Unitised securities** – current bid price
 - **Property** – Market value
- The changes in the pension assets / liabilities are analysed into the following components:
 - **Current service cost** – the increase in liabilities as a result of service earned during the year is allocated in the Income and Expenditure Account to the revenue accounts of the services for which the employees work.
 - **Past service cost** - the increase in liabilities arising from current year decision, whose effect relates to years of service earned in earlier years, is



Accounting Policies

debited to the Net Cost of Services, within the Income and Expenditure Account, as part of Non Distributed Costs.

- **Interest cost** - the expected increase in the present value of liabilities during the year, as they move one year closer to being paid, is debited to Net Operating Expenditure within the Income and Expenditure Account.
 - **Expected return on assets** - the annual investment return on the LGPS's assets attributable to the Council is based on an average of the expected long term return, and is credited to Net Operating Expenditure within the Income and Expenditure Account.
 - **Gains/losses on settlements and curtailments** - the results of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees are debited to the Net Cost of Services, within the Income and Expenditure Account, as part of Non Distributed Costs.
 - **Actuarial gains and losses** - changes in the net pension's liability, because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions, are debited to the Statement of Total Recognised Gains and Losses.
 - **Contributions paid to the LGPS** – cash paid as employer's contributions to the Pension Fund.
- Statutory provisions limit the Council to raising Council Tax to cover the amounts payable by the Council to the Pension Fund each year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional entries referred to above, and replace them with the amount payable to the Fund for the year.
 - The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8. 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.

Accounting Policies

9. Overheads and support services

The costs of overheads and support services are recharged to those that benefit from the supply or service, in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008. The full cost of overhead and support services are shared between services on agreed basis of allocation, with the exception of:

- Corporate and democratic core costs, which relate to the Council's status as a multi-functional, democratic organisation.
- Non distributed costs, which represent the costs of discretionary benefits awarded to employees retiring early.

These two cost categories are accounted for as separate headings in the Income and Expenditure Account, as part of the Net Cost of Services.

10. Council Tax

10.1 Release of income from Collection Funds

District Councils are responsible for the billing and collection of Council Tax for their own needs and those of the County Council and the Essex Police and Fire authorities. The billing authorities maintain a Collection Fund for the collection and distribution of amounts due in respect of Council Tax. Regulations determine that the income released from this Fund each year will be the total of each authority's precept / demand for the year, plus their share of the estimated surplus or deficit for the previous financial year.

10.2 Accounting for Council Tax income

The CIPFA Code of Practice on Local Authority Accounting in the UK 2010: A Statement of Recommended Practice (the 2009 SORP) has required the Council to make a change in its accounting policy for the treatment of Council Tax income.

In previous years, the income included in the Income and Expenditure Account represented the amount required by Regulation to be released from the Collection Funds of the district and borough councils. The 2009 SORP now requires the Council to include within the Income and Expenditure Account the total of the:

- Council's precept upon the Collection Funds of its district and borough councils; and
- Council's share of the actual surplus / deficit on the Collection Funds at the end of the current year, adjusted for the Council's share of the surplus/deficit on the Fund at the preceding year end that was not distributed or recovered in the current year.

Accounting Policies

The difference between the income included in the Income and Expenditure Account and the amount required by Regulation has been credited as a reconciling item in the Statement of Movement on the General Fund Balance to mitigate the impact of the accounting policy change.

10.3 Assets and liabilities

Under the legislative framework for the Collection Fund, the billing authorities, the County Council and the Essex Police and Fire authorities share proportionately the risks and rewards that the amount of Council Tax collected could be more or less than predicted. For this reason, the 2009 SORP requires the Council to include within its Balance Sheet:

- An attributable share of debtors for Council Tax arrears (net of any impairment allowance for doubtful debts);
- An attributable share of creditors for overpaid Council Tax; and
- A debtor for the billing authorities for cash collected from Council Taxpayers but not paid across, or a creditor for the cash paid in advance of receipt from council taxpayers.
- A Collection Fund Adjustment Account, which records the difference between the income included in the Income and Expenditure Account and the amount required by Regulation to be credited to the General Fund.



10.4 Prior period restatement

The 2008/09 comparative figures have been restated in compliance with the change in the accounting policies for Council Tax. The effect of the prior period adjustments on the 2008/09 comparative figures are explained in Note 3 to the accounts, which commences on page 25, and in Note 14, which commences on page 42.

Accounting Policies

11. Fixed assets

11.1 Asset categories

Fixed assets include the provision, enhancement or replacement of the following permanent assets:

Category	Asset type
Intangible fixed assets	<ul style="list-style-type: none">IT software
Tangible fixed assets – operational	<ul style="list-style-type: none">Land and buildingsVehicles, plant and equipment (<i>including IT hardware</i>)Infrastructure (<i>roads and highways</i>)Community assets (<i>including parks and historic buildings</i>)
Tangible fixed assets - Non operational	<ul style="list-style-type: none">Assets under constructionSurplus assets held pending disposal

Intangible assets do not have physical substance, but are identifiable and controlled by the Council for more than one financial year.

Tangible fixed assets have a physical substance and are held for the provision of services, for rental to others, or for administrative purposes on a continuing basis.

11.2 Recognition of fixed assets

Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts, provided that it yields benefits to the Council, and the services that it provides, for more than one financial year.

The Council operates de-minimis limits below which items will be charged to revenue rather than to capital on the grounds of materiality. The limits are as follows:

- **General limit** - £10,000
- **Trading activities** - £6,000
- **School projects** - £2,000

No de-minimis limit is applied in respect of land purchases and highways infrastructure.

Expenditure that secures, but does not extend, the previously assessed standards of performance of assets is charged to revenue as it is incurred. This includes expenditure on furniture and fittings.

Accounting Policies

Expenditure that extends the previously assessed standards of performance of assets is only taken to the Balance Sheet where it is considered to have a material effect on the value of the asset. Otherwise it is written off to the Revaluation Reserve to the extent that there are accumulated gains within the reserve in respect of that specific asset. Any remaining balance is charged to the relevant service's revenue account before being charged to the Capital Adjustment Account via the Statement of Movement on the General Fund Balance. See accounting policy note 11.6 (page 103) for further details.

11.3 Measurement and depreciation

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing assets into working condition for its intended use. Assets are then carried in the Balance Sheet using one of the following bases:

- Net current replacement cost (assessed as existing use value, depreciated replacement cost or market value)
- Net realisable value
- Depreciated historic cost

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.



Depreciation is provided for on all assets with a determinable finite life, by allocating the value of the assets in the Balance Sheet over the periods expected to benefit from their use.

Accounting Policies

The bases upon which fixed assets are measured and depreciated are set out in the following table.

Assets	Measurement bases	Depreciation bases
IT hardware and software	Historical cost value	<p>Hardware and purchased software are amortised on a straight line basis over 5 years.</p> <p>Internally developed software is categorised as ‘revenue expenditure funded from capital under statute’ (see accounting policy note 11.8 on page 104).</p>
Land and buildings	Current use value (subject of 5 yearly revaluation cycle)	<p>Buildings are depreciated, on a straight line basis, over a period commensurate with the useful economic life (UEL) of each asset. The UELs are re-assessed every time the assets are re-valued over the Council’s five year rolling re-valuation programme.</p> <p>Previously, buildings were depreciated over 60 years, on a straight-line basis.</p> <p>The effect of moving from 60 years to the Valuer’s UEL has been to increase the depreciation charge to the Income and Expenditure Account in 2009/10 by £6.7m.</p> <p>Land is not depreciated.</p>
Community assets	Historical cost value	Depreciated over 60 years, on a straight-line basis.
Vehicles and equipment	Historical cost value	Depreciated on a straight-line, over an expected lifetime ranging between 5 and 20 years.
Roads and other infrastructure	Historical cost value	<p>Depreciation on additions to Fixed Assets in 2009/10 is provided on a straight-line basis over the following useful economic lives:</p> <ul style="list-style-type: none"> ▪ Roads and highway lighting – 40 years; ▪ Structures (eg: bridges) – 120 years; ▪ Off-highways drainage – 100 years; and ▪ Other infrastructure – between 15 and 20 years. <p>Additions to fixed assets in prior years are depreciated over 30 – 35 years.</p>

Accounting Policies

Assets	Measurement bases	Depreciation bases
Surplus assets held pending disposal	Net realisable value	Depreciation is determined according to the policies outlined above.
Assets under construction	Held at cost, until they reach practical completion.	Assets are re-categorised upon completion, from which point depreciation will be charged in accordance with the policies set out above.

11.4 Impairment of fixed assets

The values of each category of assets, including material individual assets that are not being depreciated, are reviewed at the end of each financial year for evidence of reductions in value.

Where a permanent reduction in the value of the assets is identified, due to consumption of economic benefits, the impairment loss is recognised, within the Income and Expenditure Account, against the relevant service's revenue account. To ensure that the impairment does not impact on the level of Council Tax, an appropriation is then made from the Capital Adjustment Account to the General Fund equal to the value of the impairment. An adjustment is also made between the Revaluation Reserve and the Capital Adjustment Account to remove any balances within the Revaluation Reserve relating to the impaired asset.

Where impairment results from a general fall in prices, or where the cause cannot be clearly determined, the loss is treated as a downward revaluation that is charged to the Revaluation Reserve to the extent that there are accumulated gains within the reserve in respect of that specific asset. Any remaining balance is charged to the relevant service's revenue account before being charged to the Capital Adjustment Account via the Statement of Movement on the General Fund Balance. See accounting policy note 11.6 (page 103) for further details.

11.5 Capital grants and contributions

Where grants and contributions are received that are identifiable to fixed assets with a finite life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

Where capital grants and contributions are received and are used to fund revenue expenditure funded from capital under statute, the grant or contribution is credited to the relevant service revenue account to match the qualifying expenditure that has been debited to that service. An appropriation is then made to the Capital

Accounting Policies

Adjustment Account from the General Fund to reflect the financing of this expenditure within the capital reserves and ensure there is no impact on the level of Council Tax.

11.6 Basis of charges to Revenue for fixed assets

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

- Depreciation attributable to the assets used by the relevant service.
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. The Council's policy is:

- **For borrowing incurred prior to 1 April 2008 and for government supported borrowing:** to contribute an amount equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement.
- **For unsupported borrowing undertaken since 1 April 2008:** to contribute an amount equal to the value of capital expenditure incurred from unsupported borrowing over the useful economic life of the asset financed in this way.

Depreciation, impairment losses and amortisations are therefore replaced by a revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

11.7 Disposals

When an asset is disposed of or decommissioned:

- The value of the asset in the Balance Sheet is written off to the Income and Expenditure Account.
- Receipts from disposals are credited to the Income and Expenditure Account.

The net of these two entries represents part of the gain or loss on disposal.



The receipts are then appropriated from the Statement of Movement on the General Fund Balance to the Usable Capital Receipts Reserve (see note 40 to the accounts, on page 80). The reserve is then applied to finance future capital spending.

Accounting Policies

The value of asset disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance. Only the costs of disposal are charged against the General Fund Balance.

11.8 Revenue expenditure funded from capital under statute

The Council classifies the following items as revenue expenditure funded from capital under statute:

- Improvement grants and advances to finance capital investments by other parties, where there is no expectation of repayment.
- Expenditure which is capitalised by direction of the Secretary of State.
- Capital expenditure related to Foundation Schools.
- Capital investment in information technology where the costs relate to the Council's IT development staff.

The Council accounts for revenue expenditure funded from capital under statute by charging the expenditure funded from capital under statute to the relevant service revenue account on an accruals basis. An appropriation is then made from the Capital Adjustment Account to the General Fund to reflect the financing of this expenditure from capital resources, thereby ensuring that there is no impact upon the level of Council Tax.

11.9 Foundation, voluntary aided/controlled and academy schools

In accordance with the Council's interpretation of the accounting guidance set out within LAAP bulletin 46 issued by CIPFA, fixed assets and long term liabilities remain vested in the governing bodies of individual foundation, voluntary aided/controlled and academy schools. Therefore, values and amounts have not been incorporated into the Council's Balance Sheet.

12. Private Finance Initiative and Public Private Partnership schemes

12.1 Schemes

Private Finance Initiative (PFI) and Public Private Partnership (PPP) schemes involve operators designing, building, financing, and ultimately operating properties or roads on behalf of the Council.

Accounting Policies

The Council has entered into the following PFI and PPP contracts to date:

Scheme	Scheme Type	Year of commencement
A130 road scheme	PFI	1999/2000
Debden Park School	PFI	1999/2000
Tendring Primary Schools	PPP	2001/2002
Clacton Primary Schools	PFI	2003/2004

From 2009/10 HM Treasury has determined that Councils should account for infrastructure PFI schemes where the Council controls the use of the infrastructure and residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of IFRIC 12.

Under IFRIC 12, where the substance of the transaction is such that the risks and rewards of ownership remain with the Council, the assets and liabilities are reported on the Council's Balance Sheet. PFI assets are recognised as items of property, plant and equipment, together with a corresponding liability. This is a change in accounting policy. Prior to 2009/10, the Council's PFI schemes were assessed as off-balance sheet.

PFI assets are recognised as fixed assets when they come into use. The assets are measured at fair value, which is kept up to date in accordance with the Council's approach for each relevant class of asset (see accounting policy note 11.3 on page 100). A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently accounted for as a finance lease liability in accordance with accounting policy note 13 (see page 107).

Deferred income (recognised as deferred credits in the Balance Sheet) is recognised where a proportion of the PFI operator's revenue is expected to arise from payments from third parties (e.g. renting a PFI school's facilities to members of the local community). The deferred income balance represents the benefits that the Council is deemed to receive over the life of the PFI contract through its control of the services to be provided through the use of the property, plant and equipment. This deferred income is written off to the Income and Expenditure Account over the term of the contract.

12.2 Payments for services provided

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- Payment for the fair value of services received;
- Payment for the PFI asset, including finance costs; and

Accounting Policies

- Payment for the replacement of components of the asset during the contract ‘lifecycle replacement’.

The services received under the contract are recorded in the Income and Expenditure Account on an accruals basis. An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged as ‘Interest payable and similar charges’ within the Income and Expenditure Account.

Dowry payments, made to the PFI contractors to secure future reduced annual payments over the life of the contracts, are accounted for as pre-payments for services receivable. Prior to 2009/10, these were written down to the Net Cost of Services within the Income and Expenditure Account over the lives of the PFI contracts to reflect their real cost to the Council. From 2009/10, these pre-payments are treated as an initial payment towards the finance lease liability and are set against the carrying value of the liability.

12.3 Government grants

The Government provides specific grants to the Council in support of the PFI schemes. These grants are credited to the Net Cost of Services within the Income and Expenditure Account, to partially offset the payments the Council makes under the contracts. The annual PFI grants receivable during the early years of the contracts are in excess of the amounts that will be received in later years. In order to equalise the impact of these grants upon the Income and Expenditure Account over the life of the contracts, the Council currently sets aside a proportion of these grants, by an appropriation from the Statement of Movement on the General Fund Balance to earmarked revenue reserves. These earmarked reserves will be drawn upon to compensate for the diminishing revenue grants during the later years of the contracts.

12.4 Lifecycle replacement

Components of the asset replaced by the operator during the contract (‘lifecycle replacement’) are capitalised where they meet the Council’s criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value. The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator’s planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short term finance lease liability or pre-payment is recognised respectively.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a ‘free’ asset and a deferred income balance is recognised. The deferred income is released to operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

Accounting Policies

13. Leases

13.1 Finance leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased asset transfer to the Council.

Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the asset (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable).
- A finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

13.2 Operating leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

The Council also leases properties to third parties. The rental income is taken directly into the Income and Expenditure Account, within the net cost of services, as it becomes due.



14. Repurchase of borrowing

Gains or losses on the repurchase or early settlement of borrowing are usually credited or debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. These credits/debits are then reversed in the Statement of Total Movement on the General Fund Balance to the Financial Instruments Adjustment Account as permitted by statute. They are subsequently released back to the Statement of Total Movement on the General Fund Balance over the following periods:

- **Premiums:** Longer of the outstanding term on the replaced loan or the term of the replacement loans.
- **Discounts:** Outstanding term on the replaced loan or 10 years (if shorter).

Accounting Policies

However, where the repurchase has taken place as part of a restructuring of the loan portfolio, with substantially the same overall effect when viewed as a whole, gains and losses are recognised on the Balance Sheet and are then written down to revenue on a straight line basis over the term of the replacement loans.

15. Stocks and work in progress

Stock is included in the Balance Sheet at the lower of cost and net realisable value.

16. Interest in companies and other entities

The Council is required to produce Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates and/or joint ventures. The Council has involvement with a number of companies, and has concluded that the requirement to produce Group Accounts applies, with effect from 2009/10, in relation to its interest in Essex Cares Ltd.

17. Financial Instruments

The Council accounts for financial instruments in accordance with UK Generally Accepted Accounting Practice.

17.1 Recognition

Financial Instruments are recognised when the Council becomes a party to the contractual provisions of the instrument. For example, the recognition of a financial asset (e.g. investment) is when the Council becomes committed to a date to buy or sell the asset. Debtors and creditors are recognised once the related goods or services have been delivered or rendered.

Some financial instruments are not disclosed within the note to the accounts on financial instruments because they are covered by disclosures made elsewhere within the accounts. These are:

- Rights and obligations under leases – see accounting policy note 13 on page 107 ; and
- The Council's rights and obligations under pension schemes – see accounting policy note 7 on page 94.

The Council discloses all financial instruments that are considered material to the Council's financial position and performance in the year.

17.2 De-recognition

All financial assets are de-recognised when the rights to receive cash flows from the

Accounting Policies

assets have expired or the Council has transferred substantially all of the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

17.3 Measurement

Financial instruments are initially measured at fair value less the transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.



Subsequent measurement depends on the classification of the instrument:

Classification	Description	Measurement base
<u>Financial liabilities:</u>		
Amortised cost	All financial liabilities not held for trading or are derivatives, e.g. operational creditors and borrowings.	Amortised cost
<u>Financial Assets:</u>		
Loans and receivables	Financial assets that have fixed or determinate payments that are not quoted in an active market, e.g. operational debtors and bank deposits.	Amortised cost

As all of the Council's financial instruments should be carried at amortised cost, no financial instruments are carried at fair value within the balance sheet.

Accounting Policies

17.4 Basis for charging to revenue

The impact on the Income and Expenditure account depends upon the type of financial instrument:

Classification	Measurement base	Impact on Income and Expenditure account
<u>Financial liabilities</u>		
Amortised cost	Amortised cost	The interest payable using the effective interest rate is charged.
<u>Financial Assets</u>		
Loans and receivables	Amortised cost	The interest receivable using the effective interest rate is charged together with any impairment losses and any gain or loss on de-recognition.

As a result of the different measurement bases prescribed above, the expenditure or income taken to the Council's Income and Expenditure account is different to the actual expenditure or income payable/receivable. The SORP 2008 and Capital Finance Regulations allow the Council to reverse the impact on the General Fund Balance within the Statement of Total Movement on the General Fund Balance. This is achieved by removing the original transactions and replacing them with the actual amount receivable/payable. The difference is posted to the Financial Instruments Adjustment Account. Such differences are not material to the Council's financial statements.

Group Accounts

Introduction

In order to provide a full picture of the Council's economic activities and financial position, the accounting statements of the Council and Essex Cares Ltd have been consolidated. The Group Accounts are presented in addition to the Council's 'single entity' financial statements and comprise:

- Group Income and Expenditure account;
- Reconciliation of the 'single entity' surplus or deficit to the Group surplus or deficit;
- Group Statement of Total Recognised Gains and Losses;
- Group Balance Sheet;
- Group Cash Flow Statement.

These statements, together with explanatory notes and accounting policies, are set out in the following pages, as detailed below.

	Page
Group Income and Expenditure Account	112
Reconciliation of the single entity surplus/deficit to the group surplus/deficit	113
Group Statement of Total Recognised Gains and Losses	113
Group Balance Sheet	114
Group Cash flow Statement	115
Notes to the Group Financial Statements	116

Group Accounts

Group Income and Expenditure Account

	2009/10			
	Gross expenditure	Income	Specific grants	Net expenditure
	£000	£000	£000	£000
Central services to the public	5,972	(2,381)	-	3,591
Court services	3,320	(1,085)	-	2,235
Cultural, environmental and planning services	149,263	(14,695)	(5,612)	128,956
Children's and Education services	1,588,823	(171,865)	(987,419)	429,539
Highways, roads and transportation services	149,399	(41,472)	(10,603)	97,324
Housing services	2,101	(762)	-	1,339
Adult Social Care	545,349	(132,683)	(35,507)	377,159
Corporate and democratic core	27,017	(256)	(1)	26,760
Non distributed costs	39,961	(34,229)	(61)	5,671
Net cost of services	2,511,205	(399,428)	(1,039,203)	1,072,574
Amounts due to precepting authorities	2,966	-	-	2,966
Interest payable and similar charges	26,115	(766)	-	25,349
Interest and investment income	263	(4,960)	-	(4,697)
Loss on disposal of fixed assets	24,613	-	-	24,613
Net surplus on trading activities	(926)	-	-	(926)
Pension interest and expected return on pension assets	102,232	(58,867)	-	43,365
Taxation on ordinary activities	156	-	-	156
Net operating expenditure	2,666,624	(464,021)	(1,039,203)	1,163,400
Financed by				
General government grant (incl. Revenue Support Grant)				(111,238)
National non domestic rates				(194,095)
Demand on the Collection Fund				(562,408)
				(867,741)
Deficit for the year				295,659

Group Accounts

Reconciliation of the Single Entity Surplus or Deficit for the Year to the Group Surplus or Deficit

	2009/10
	£000
Deficit for the year on the Income and Expenditure Account	289,252
Subsidiary dividend income	-
Deficit included in the group accounts arising from Essex Cares Ltd	6,407
Group Accounts deficit for the year	295,659

Group Statement of Total Recognised Gains and Losses

	2009/10
	£000
Deficit for the year on the Income and Expenditure Account	295,659
Surplus arising on revaluation of fixed assets	(7,040)
Actuarial losses on Pension Fund assets and liabilities	190,375
Total recognised losses for the year	478,994

Group Accounts

Group Balance Sheet

	2009/10	
	£000	£000
Intangible fixed assets		97
Tangible fixed assets		
Operational assets		
Land and buildings	1,840,193	
Vehicles, plant and equipment	7,022	
Infrastructure	544,466	
Community assets	2,616	
Non operational assets		
Assets under construction	88,786	
Surplus assets held pending disposal	11,217	
		<u>2,494,300</u>
Total fixed assets		2,494,397
Long term investments		11,259
Long term debtors		27,191
Deferred consideration		-
Total long term assets		<u>2,532,847</u>
Current assets		
Stocks and work in progress	950	
Debtors	166,982	
Short term investments	90,343	
Cash and bank	22,736	
		<u>281,011</u>
Total assets		<u>2,813,858</u>
Current liabilities		
Finance lease obligations - short term	(2,173)	
Creditors	(349,893)	
Short-term borrowing	(5,068)	
		<u>(357,134)</u>
Total assets less current liabilities		<u>2,456,724</u>
Long term liabilities		
Long term borrowing		(323,718)
Deferred credits		(20,186)
Provisions		(39,547)
Deferred grants and contributions		(312,188)
Finance lease obligations - long term		(114,515)
Pension liability		(753,362)
Total assets less liabilities		<u>893,208</u>
Financed by:		
Revaluation reserve		(101,644)
Capital Adjustments Account		(1,310,187)
Financial Instruments Adjustment Account		3,382
Collection Fund Adjustment Account		(1,501)
Pension reserve		753,362
Usable capital receipts reserve		(13,685)
Deferred capital receipts		(7,221)
General Fund Balance		(25,847)
Earmarked reserves		(189,867)
Total equity		<u>(893,208)</u>

Group Accounts

Group Cash Flow Statement

	2009/10	
	£000	£000
Revenue Activities		
Cash outflows		
Cash paid to and on behalf of employees	1,065,185	
Other operating cash payments	1,137,663	
Precepts paid	2,966	
		2,205,814
Cash inflows		
Council tax receipts	(564,277)	
National non-domestic rates receipts from national pool	(194,095)	
General government grants (incl. Revenue Support Grant)	(110,140)	
Other government grants	(1,100,088)	
Cash received for goods and services	(324,299)	
		(2,292,899)
Revenue activities net cash flow		(87,085)
Returns on investments and servicing of finance		
Cash outflows		
Interest paid	13,999	
Interest element of finance lease rental payments	12,674	
Cash inflows		
Interest received	(10,871)	
		15,802
Capital activities		
Cash outflows		
Purchase of fixed assets	149,587	
Other capital cash payments	89,801	
		239,388
Cash inflows		
Sale of fixed assets	(4,256)	
Capital grants received	(61,850)	
Other capital cash receipts	(4,961)	
		(71,067)
Net cash outflow/(inflow) before financing		97,038
Management of liquid resources		
Net decrease in short term deposits		(62,334)
Net decrease in long term deposits		(53,938)
Financing		
Cash outflows		
Repayment of amounts borrowed		33,432
Capital element of finance lease rental payments		1,154
Cash inflows		
New loans raised		(14,984)
New short-term loans		547
Net increase in cash		915

Group Accounts

Notes to the Group Accounts

This section contains notes which are intended to aid interpretation of the Group Accounts (as set out on pages 112 to 115) and provide further information relevant to providing an understanding of the Council's relationship with other entities.

The notes set out within this section are listed below for ease of reference.

Note	Page
1. Group boundary	117
2. Accounting policies	118
3. Revenue net cash flows	119
4. Analysis of net debt	120
5. Financing and liquid resources	120
6. Debtors	121
7. Creditors	121
8. Provisions	121

Group Accounts

1. Group boundary

1.1 Introduction

The Council has an interest in each of the following entities:

- Essex Careers and Business Partnership;
- ExWaste;
- Essex Development and Regeneration Agency;
- ReMaDe;
- Essex Trading and Investment Limited; and
- Essex Cares Limited.

The nature of each of these entities is explained in the following paragraphs. However, it is only the accounts of Essex Cares Ltd which have been consolidated into the Group Accounts, as the others are deemed immaterial.

1.2 Essex Careers and Business Partnership

The Council held 51% of the share capital of the Essex Careers and Business Partnership (ECBP), whose principal business was to deliver a universal careers service to young people aged 13 to 19, under contract from Essex, Southend and Thurrock Connexions Ltd. ECBP was placed into liquidation on 23 March 2004. There is no liability to the Council and there have been no financial transactions since that time. On this basis, ECBP is not considered to be material to the Council and has not been consolidated

1.3 ExWaste

The Council is the sole shareholder of ExWaste, a local authority waste disposal company. The company is no longer trading, and the only financial transactions in its accounts are interest receivable and tax payable. Consideration is being given to making an application for formal dormancy of the company.

1.4 Essex Development and Regeneration Agency (ExDRA)

The Council established the Essex Development and Regeneration Agency (ExDRA) on 1 October 2004 to promote urban and rural regeneration in areas of social and economic deprivation, and to promote economic, social and environmental wellbeing in Essex.

On 31 March 2009, ExDRA entered into voluntary administration and ceased to trade. Assets and liabilities were transferred to the Council.

Group Accounts

1.5 ReMaDe

ReMaDe Essex Limited was established in 2000 to create new markets and secondary uses for recycled materials in Essex. In April 2007, ownership of the Company transferred to the Essex Development and Regeneration Agency (ExDRA). As of 1 April 2009, the sole share of ReMaDe is held by the Council and the sole director is an employee of the Council.

ReMaDe is a subsidiary of the Council for accounting purposes. However, its annual income and expenditure are not material to the Council's accounts and its results have not been consolidated into the Group Accounts.

1.6 Essex Trading and Investment Limited

The Council established Essex Trade and Investment Limited (ETIL) in June 2009 as a means of establishing a representative office in Jiangsu, China. The company is limited in the United Kingdom, and is wholly owned by the Council. ETIL is a subsidiary of the Council for accounting purposes. However, its annual income and expenditure are not material to the Council's accounts and its results have not therefore been consolidated into the Group Accounts.

1.7 Essex Cares Ltd

During 2009/10, the Council transferred adult social care provider services into a Local Authority Trading Company, Essex Cares Ltd. Essex Cares Ltd commenced trading in July 2009 and was established by the Council in order to provide services for people requiring care, support and assistance living in the Community.

Essex Cares Ltd is a company limited by shares. Essex County Council owns 100% of the ordinary shares of the Essex Cares Ltd group, which are vested with the Council as a corporate shareholder.

Essex Cares Ltd is a subsidiary of the Council for accounting purposes, and its results have been consolidated into the Group Accounts on a line by line basis using acquisition accounting basis of consolidation.

2. Accounting policies

In all material respects, Group Accounts have been prepared using consistent accounting policies to those set out on pages 92 to 110.

However, Essex Cares Ltd has capitalised purchases of furniture and equipment for its own use and has accounted for items of equipment on loan to clients as stock. Neither is consistent with the Council's own accounting policies. In both cases, the expenditure has been charged to the Group Income and Expenditure Account.

Group Accounts

3. Revenue net cash flows

	2009/10
	£000
Net deficit on Income & Expenditure Account	295,659
Non cash transactions	
Government grants deferred amortisation	7,056
Net changes made for retirement benefits	(13,255)
Loss on disposal fixed assets	(24,566)
Increase in provisions	(16,699)
Depreciation & impairment of fixed and intangible assets	(240,488)
Deferred income - PFI schemes	52
Interest on finance leases	(43)
Revenue expenditure funded from capital under statute	(89,801)
Council tax income	(1,869)
	<u>(377,744)</u>
Accruals	
Increase in creditors	(44,363)
Decrease in debtors	50,517
Decrease in stocks and work in progress	732
	<u>6,886</u>
Other transactions	
Use of provisions	4,976
Contribution by other local auth's to the repayment of debt	766
	<u>5,742</u>
Servicing of finance	(15,759)
Revenue activities net cash flow	(87,085)

Group Accounts

4. Analysis of net debt

	Balance 1 April 2009 Restated £000	Balance 31 March 2010 £000	2009/10 Cash Flow £000
Cash in hand	23,651	22,736	(915)
Borrowing			
Due after one year	(342,744)	(323,718)	19,026
Due within one year	(5,037)	(5,068)	(31)
	<u>(347,781)</u>	<u>(328,786)</u>	<u>18,995</u>
Finance lease obligations			
Due after one year	(115,851)	(114,515)	1,336
Due within one year	(1,991)	(2,173)	(182)
	<u>(117,842)</u>	<u>(116,688)</u>	<u>1,154</u>
Investments			
Short term investments	152,677	90,343	(62,334)
Long term investments	65,197	11,259	(53,938)
	<u>217,874</u>	<u>101,602</u>	<u>(116,272)</u>
Total net debt	<u>(224,098)</u>	<u>(321,136)</u>	<u>(97,038)</u>

5. Financing and liquid resources

	2009/10						Net total
	Investments		Borrowing		Finance leases		
	Long term	Short term	Long term	Short term	Long term	Short term	
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April	65,197	152,677	(342,744)	(5,037)	(115,851)	(1,991)	(247,749)
Management of liquid resources							
Decrease in short term deposits	-	(62,334)	-	-	-	-	(62,334)
Decrease in long term deposits	(53,938)	-	-	-	-	-	(53,938)
	(53,938)	(62,334)	-	-	-	-	(116,272)
Financing							
Repayment of amounts borrowed							
Repayment of principal	-	-	34,010	(578)	-	-	33,432
Capital element of finance leases	-	-	-	-	1,336	(182)	1,154
New loans raised							
New loans raised	-	-	(14,984)	-	-	-	(14,984)
Interest payable	-	-	-	547	-	-	547
	-	-	19,026	(31)	1,336	(182)	20,149
Balance at 31 March	11,259	90,343	(323,718)	(5,068)	(114,515)	(2,173)	(343,872)

Group Accounts

6. Debtors

The debtors and prepayments included within the Group Accounts exclude any amounts owed within the 'Group'; for this reason, debtors as at year ending 31st March 2010, are **£1.633m** lower than those reflected in the Council's own Balance Sheet.

7. Creditors

In addition to the figures in Note 30 (Page 64), the Group Accounts include a total of **£1.910m** of creditors and receipts in advance at year ending 31st March 2010, all of which are external to the group.

8. Provisions

The Group Accounts include a provision of **£6.461m**, which represents the liability Essex Cares Ltd has to issue refunds in respect of items of equipment that are returned before the end of their assumed useful life.

9. Retirement benefits

9.1 Participation in the Local Government Pension Scheme

Note 12 to the Council's Accounts explains the Council's participation in the Local Government Pension Scheme. Essex Cares Ltd also participates in this scheme, as an admitted body.

The following paragraphs provide details of the Group transactions relating to retirement benefits, the Group assets and liabilities within the scheme, the basis for estimating those assets and liabilities and the change in the Group Pension Reserve.

Group Accounts

9.2 Transactions relating to retirement benefits

The following transactions have been made in the Group Income and Expenditure Account during 2009/10:

	2009/10	
	£000	£000
Income and Expenditure Account		
Net cost of Services		
Current service cost	38,674	
Past service cost	293	
Curtailment loss	1,046	
Settlement/Business Combination	(2,439)	
		37,574
Net operating expenditure		
Interest cost	102,232	
Expected return on assets in the scheme	(58,867)	
		43,365
Net charge to the Income and Expenditure Account		80,939

9.3 Assets and liabilities in relation to retirement benefits

Scheme liabilities

The following table provides a reconciliation of the present value of scheme liabilities for the Group:

	2009/10 £000
Balance as at 1 April	1,441,202
Current service cost	38,674
Interest Cost	102,232
Contributions by scheme participants	20,889
Actuarial losses	449,666
Benefits paid	(58,359)
Past service costs	293
Settlements/Business Combinations	(2,439)
Curtailments	1,046
Balance as at 31 March	1,993,204

Group Accounts

Scheme assets

The following table provides a reconciliation of the fair value of scheme assets for the Group:

	2009/10 £000
Balance as at 1 April	891,470
Expected return on scheme assets	58,867
Actuarial losses	259,291
Contributions by the Council	67,684
Contributions by scheme participants	20,889
Benefits paid	(58,359)
Settlements/Business Combinations	-
Balance as at 31 March	1,239,842

9.4 Basis for estimating assets and liabilities

Liabilities are assessed on an actuarial basis to estimate the pensions that will be payable in future years. Note 12.4 to the Council's Accounts (see page 39) sets out the principal assumptions used by the Actuary in the calculation of the Council's liability. These assumptions have also been applied in respect of Essex Cares Ltd, with the exception of the rate of increase in salaries. Essex Cares Ltd assumed a rate of increase in salaries of **4.05%** (this compares with a rate of **4.8%** applied by the Council).

9.5 Pension Reserve

The change in the Pension Reserve for the year is shown in the following table:

	2009/10 £000	£000
Balance as at 1 April		549,732
Appropriation from Pension Reserve		
Current service (pension) costs	38,674	
Past service cost	293	
Curtailment	1,046	
Settlement/Business Combination	(2,439)	
Interest cost	102,232	
Expected return on assets	(58,867)	
Pension costs payable from Council Tax/Employer	(67,684)	
Total appropriation from Pension Reserve		13,255
Actuarial loss		190,375
Balance as at 31 March		753,362

Pension Fund Accounts

Introduction

The Pension Fund accounts, and accompanying notes, summarise the financial transactions and net assets related to the provision of pensions and other benefits payable to former employees of the Council, Essex district, borough and unitary councils, and for other scheduled and admitted bodies. The Pension Fund accounts are set out in the following pages, as detailed below.

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Pension Fund Accounts

Pension Fund Accounts

Fund account for the year ended 31 March 2010

2008/09 £000	Note		2009/10 £000	£000
		Contributions and Benefits		
		Income		
		Contributions receivable		
(47,271)	5	Employees' contributions	(49,558)	
(163,956)	5	Employers' contributions	(154,488)	
(22,358)	5	Transfers from other schemes	(25,264)	
(192)		Other income	(201)	
<u>(233,777)</u>		Total income		<u>(229,511)</u>
		Expenditure		
		Benefits payable		
115,672	5	Pensions	125,384	
32,020		Commutation of pensions and lump sums	31,826	
3,510		Death benefits	3,986	
		Payments to and on account of Leavers		
6		Refunds of contributions	14	
6		State scheme premiums	5	
13,701	5	Transfers to other schemes	16,141	
1,812	7	Administration expenses	1,869	
<u>166,727</u>		Total expenditure		<u>179,225</u>
(67,050)		Net additions from dealings with members		<u>(50,286)</u>
		Returns on investments		
(69,956)	6	Investment income	(46,999)	
822,540	9	Change in market value of investments	(778,401)	
3,340		Taxation	2,512	
13,687	8	Investment management expenses	13,627	
<u>769,611</u>		Net returns on investments		<u>(809,261)</u>
702,561		Net (increase)/decrease in the Fund during the year		<u>(859,547)</u>
(2,927,368)		Net assets as at 1 April		<u>(2,224,807)</u>
<u>(2,224,807)</u>		Net assets as at 31 March		<u>(3,084,354)</u>

Pension Fund Accounts

Pension Fund Accounts

Net assets statement as at 31 March 2010

31 March 2009		Note	31 March 2010	
£000	£000		£000	£000
Restated				
		9		
		Investments at market value		
		Investment assets		
149,665		Fixed interest securities	217,771	
1,348,654		Equities	1,905,749	
72,068		Index linked securities	172,895	
120,822		Property unit trusts	186,281	
325,981		Managed funds	380,603	
4,996		Derivative Contracts	1,631	
83,165		Property	117,700	
103,882		Cash/deposits	92,716	
15,479		Other investments	24,408	
	2,224,712			3,099,754
		Investment liabilities		
(38,908)		Derivative Contracts	(28,896)	
(4,003)		Other Investments	(4,787)	
	(42,911)			(33,683)
	2,181,801	Total Investments		3,066,071
		11		
		Current assets and liabilities		
	14,413	Cash invested with the County Council		5,065
	32,151	Debtors and payments in advance		19,337
	2,228,365			3,090,473
	(3,558)	Creditors and receipts in advance		(6,119)
	2,224,807			3,084,354

Note:

Figures as at 1 April 2009 for Derivative Contracts pending fx debtors and creditors have been restated. These now exclude the economic exposure of the foreign exchange (fx) trades and disclose solely the market value of the unrealised profit or loss.

Pension Fund Accounts

Notes to the Pension Fund Accounts

1. Background

Under the Local Government Pension Scheme (LGPS) Regulations 1997, Essex County Council is required to maintain a pension fund (the Fund) for its employees and those of other scheduled Bodies within its area. The Fund is also empowered to admit the employees of certain other bodies, town and parish councils, educational establishments, contractors providing services transferred from scheduled bodies and community interest bodies. As a result the Fund now contains around 350 employing bodies. A complete list of the employers participating in the Fund is contained in the Pension Fund Annual Report & Accounts. The Fund does not provide pensions for teachers, for whom separate arrangements exist. Uniformed police and fire staff are also subject to separate pension arrangements.

Independent investment managers have been appointed to manage the investments of the Fund. The Fund also invests in private equity and shareholder activism through the use of limited partnerships. The Investment Steering Committee (ISC) oversees the management of these investments and meets regularly with the investment managers to monitor their performance against agreed benchmarks. The ISC in turn reports to the Essex Pension Fund Board. The Fund's Statement of Investment Principles is contained in the Pension Fund Annual Report & Accounts.

2. Basis of preparation

The Pension Fund Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting issued by CIPFA, and the main recommendations of the Statement of Recommended Practice (SORP): 'Financial Reports of Pension Schemes' (Revised May 2007).

The Pension Fund publishes a number of statutory documents, including a Statement of Investment Principles, a Funding Strategy Statement and Statements of Compliance. Copies can be obtained by contacting the Council's Investments team or alternatively can be found on the Essex County Council website.

The Pension Fund Statement of Accounts summarises the transactions of the scheme and the net assets of the Fund. The accounts do not reflect obligations to pay pensions and benefits that fall due after the financial year.

Pension Fund Accounts

3. Actuarial valuation

The most recent actuarial valuation of the Pension Fund was at 31 March 2007, when the market value of the assets was **£3,043m**. The assets of the Fund were valued on the market value approach and showed that the assets held were sufficient to cover **79.6%** of the Fund's liabilities at that time. The valuation was carried out using the projected unit method. Contribution rates are set after the valuation has been completed and appropriate deficit recovery periods set. The Fund's Funding Strategy Statement is contained in the Pension Fund Annual Report & Accounts.

The main economic assumptions used in the actuarial valuation were:

	Past service liabilities % per annum	Future service liabilities % per annum
Rate of return on investments		
Pre retirement	6.90%	6.50%
Post retirement	5.40%	6.50%
Rate of pay increases	4.60%	4.25%
Rate of increase to pensions in payment	3.10%	2.75%

The actuary has set a common contribution rate of **12.7%** of pensionable pay. This rate is varied for each participating body depending on their individual circumstances. In addition, a past service deficiency contribution of **7.0%** has been set to enable the Fund to reach 100% funding in 20 years from the date of the last actuarial valuation. This rate and recovery period are also varied for individual employers, to reflect their individual circumstances. The report of the actuary can be found in the Pension Fund Annual Report & Accounts.

A triennial actuarial valuation of the Fund as at 31 March 2010 has been commissioned.

4. Accounting policies

4.1 Accounting convention

The Pension Fund Statement of Accounts has been prepared on an accruals basis, except for transfers to and from the scheme which are accounted for on a cash basis.

Pension Fund Accounts

4.2 Investments

In the majority of cases, equity investments are valued at the last traded price recorded on the Stock Exchange Electronic Trading Service or bid market price at 31 March 2010.

For unquoted equity in the private equity limited partnerships, there is usually a time delay in receiving information from the private equity fund managers. The valuations shown in the net asset statement for these investments are the latest valuations provided to the County Council. In general these are valuations at 31 March 2010 and are compiled in accordance with the guidelines issued by the British Venture Capital Association or an equivalent body. In a limited number of cases, an estimate of the valuation as at 31 March 2010 has been made. To estimate the valuation at 31 March 2010, the Fund amends the 31 December 2009 valuation for payments made to and payments received from the private equity managers in the period 1 January 2010 to 31 March 2010.

Unit Trusts and managed funds are valued at the average of the bid prices provided by the relevant fund managers, which reflect the market value of the underlying investments.

The value of fixed interest investments in the Fund's investment portfolio excludes interest earned but not paid over at the Fund year end, which is included separately within accrued investment income (as disclosed in Note 9).

Futures are valued at the closing market price published by the relevant futures exchange (eg. London International Financial Futures Exchange).

Forward foreign exchange contracts outstanding at year end are stated at fair value, which is determined as the loss or gain that would arise if the outstanding contract was required to be settled on 31st March.

Direct property investments have been valued, at open market value, at 31 March 2010, by Jones Lang LaSalle, Chartered Surveyors.

Acquisition costs are included in the purchase cost of investments.

4.3 Investment income

Investment income is taken into account where dividends have been declared at the end of the financial year. Investment income also includes withholding tax where this cannot be recovered. The amount of irrecoverable withholding tax is disclosed as a separate line item on the face of the fund account.

Income from fixed interest and index linked securities, cash and short-term deposits is accounted for on an accruals basis.

Income from other investments is accounted for on an accruals basis.

Pension Fund Accounts

The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

4.4 Foreign currencies

Transactions in foreign currencies are taken into account at the ruling rate of exchange at the time of the transaction. In the financial statements, balances are recorded at rates ruling on 31 March 2010.

4.5 Contributions

Normal contributions, both from the employees and from employers, are accounted for in the payroll month to which they relate at rates as specified in the rates and adjustments certificate. Additional contributions from employers are accounted for when received.

4.6 Benefits payable

Under the rules of the Fund, retirees receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose whether to take a greater retirement grant in return for reduced pension these lump sums are accounted for on an accruals basis from the date that the option is exercised. Other benefits are accounted for on the date the member leaves the Fund or on death.

4.7 Transfers to / from other schemes

Transfer values are normally accounted for on a payment/receipts basis since not only do they frequently apply to several past years but, in the case of transfer values due, information is not available at the year end on which to make an accrual.

4.8 Administrative and other expenses

Administration and investment management expenses are accounted for on an accruals basis. Expenses are recognised net of any recoverable VAT. A proportion of relevant officers' salaries have been charged to the Fund on the basis of time spent on investment related matters and pension administration.

Pension Fund Accounts

5. Membership activities

5.1 Membership

31 March 2009		31 March 2010 (Provisional)
46,857	Contributors	45,696
26,272	Deferred pensioners	31,024
27,992	Pensioners	29,299

Deferred pensioners are former employees who have chosen not to transfer their pension rights.

5.2 Pension benefits payable

2008/09 £000		2009/10 £000
44,551	County Council	47,629
51,539	District / unitary authorities	55,122
9,944	Other scheduled bodies	11,588
9,638	Other admitted bodies	11,045
<u>115,672</u>		<u>125,384</u>

5.3 Contributions receivable

Contributions receivable from employers are set out below:

2008/09 £000		2009/10 £000
88,097	Normal	94,680
145	Augmentation	105
69,731	Deficit	55,390
5,983	Other	4,313
<u>163,956</u>		<u>154,488</u>

Other employers' contributions relate to payments for the cost of early retirements.

Pension Fund Accounts

2008/09			2009/10	
Employee £000	Employer £000		Employee £000	Employer £000
16,315	51,634	County Council	17,167	53,130
14,588	52,860	District / unitary authorities	15,020	54,742
12,272	31,131	Other scheduled bodies	12,886	33,969
4,096	28,331	Other admitted bodies	4,485	12,647
47,271	163,956		49,558	154,488

During 2009/10 no lump sum employer contributions in respect of actuarial deficit were received.

The 2008/09 employer contributions reflect the payment of **£16.235m** by the Department of Health for the deficit valuation arising out of the termination of Fund membership of the Central Council for the Education and Training of Social Workers. Also during 2008/09 lump sum contributions in respect of the Actuarial deficit were received from Chelmsford Borough Council (**£1.419m**) and the Social Care Institute of Excellence (**£265,000**).

5.4 Transfers from other schemes

There were no amounts received in respect of group transfers from other schemes during 2008/09 or 2009/10.

5.5 Transfers to other schemes

During 2009/10 **£1.249m** was paid out to HPSS and a further **£0.436m** was paid to Tayside Council as a result of the termination of fund membership of the Central Council for the Education and Training of Social Workers. No amounts were payable in respect of group transfers to other schemes during 2008/09.

6. Investment income

2008/09 £000		2009/10 £000
5,021	Income from fixed interest securities	2,325
42,872	Dividends from equities	26,492
416	Income from index linked securities	3,677
7,396	Net rent from properties	7,904
12,892	Interest from cash deposits	5,295
1,359	Other	1,306
69,956	Total	46,999

Pension Fund Accounts

7. Administrative expenses

2008/09 £000		2009/10 £000
1,491	Administration and Processing	1,540
128	Actuarial Fees	175
193	Legal and other Professional Fees	154
<u>1,812</u>		<u>1,869</u>

8. Investment expenses

2008/09 £000		2009/10 £000
13,266	Administration, Management and custody	13,228
89	Performance Measurement Services	55
332	Other Advisory Services	344
<u>13,687</u>	Total	<u>13,627</u>

Pension Fund Accounts

9. Investments

9.1 The value of investments held by each manager together with investments in private equity and shareholder activism partnerships on 31 March was as follows:

2009			2010		
£m	%		£m	%	
146	6.7	Alliance Bernstein	224	7.3	
271	12.4	Aviva Investors	357	11.6	
160	7.3	Baillie Gifford and Co	248	8.1	
218	10.0	Capital International	1	0.0	
-	-	Fidelity International	224	7.3	
97	4.5	First State Investments (UK) Ltd	154	5.0	
133	6.1	Goldman Sachs Asset Management International	161	5.2	
711	32.6	Legal and General Investment Management	1,051	34.3	
146	6.7	Marathon Asset Management Ltd	245	8.0	
14	0.6	Mellon Capital Management	24	0.8	
111	5.1	Prudential M&G Alpha Opportunities	137	4.5	
48	2.2	Prudential M&G Infracapital	46	1.5	
65	3.0	Private Equity	112	3.7	
(9)	-0.4	Record Currency Management	33	1.1	
71	3.2	Shareholder activism	49	1.6	
2,182	100.0		3,066	100.0	

Pension Fund Accounts

- 9.2** The table below shows the movements in the market value of the investments held during the financial year, including profits and losses realised on the sales of investments since 1 April.

	Value at 1 April 2009 Re-stated £000	2009/10 Movement				Value at 31 March 2010 £000
		Purchases plus net transfers £000	Sale Proceeds £000	Change in Market Value £000	Cash Movement £000	
Fixed interest	149,665	128,412	(88,350)	28,044	-	217,771
Equities						
UK	237,351	63,077	(88,239)	117,394	-	329,583
Overseas	1,111,303	549,752	(630,681)	545,792	-	1,576,166
Index Linked	72,068	105,056	(16,617)	12,388	-	172,895
Managed & Unitised						
PUTS	120,822	87,257	(24,515)	2,717	-	186,281
Other	325,981	33,805	(52,415)	73,232	-	380,603
Derivative Contracts	(1,905)	-	-	1,926	-	21
Properties	83,165	25,015	(2,650)	12,170	-	117,700
Cash Deposits	101,600	106,138	13,140	(13,139)	(115,182)	92,557
Margin Account	2,282	-	2,123	(2,123)	(2,123)	159
	2,202,332	1,098,512	(888,204)	778,401	(117,305)	3,073,736
Debtors - outstanding sales	7,978					18,687
Creditors - outstanding purchases	(3,838)					(4,609)
Investment income debtors	7,501					5,721
Investment income creditors	(165)					(178)
Derivative Contracts pending fx debtors	1,804					1,610
Derivative Contracts pending fx creditors	(33,811)					(28,896)
	2,181,801					3,066,071

Figures as at 1 April 2009 for Derivative Contracts pending fx debtors and creditors have been restated. These now exclude the economic exposure of the foreign exchange (fx) trades and disclose solely the market value of the unrealised profit or loss.

For 2009/10, the total transaction costs were **£2.0m** (2008/09: £1.9m).

Pension Fund Accounts

9.3 An analysis of investment assets at 31 March is shown below.

2009 £000 Restated		2010 £000
	Fixed interest securities	
63,278	UK public sector quoted	57,037
42,409	UK quoted	160,734
267	Overseas public sector	-
43,711	Overseas quoted	-
	Equities	
57,807	UK quoted	78,128
684,967	Overseas quoted	993,734
179,544	UK unit trusts	251,455
426,336	Overseas unit trusts	582,432
	Index linked securities	
72,068	UK public sector quoted	172,895
-	UK quoted	-
	Managed funds	
171,542	UK unquoted	195,008
115,616	Overseas quoted	128,238
38,823	Active currency	57,357
	Derivative Contracts	
4,996	Derivative Assets	1,631
(38,908)	Derivative Liabilities	(28,896)
	Property	
21,950	UK properties (leasehold)	27,650
61,215	UK properties (freehold)	90,050
120,822	Property unit trusts	186,281
	Cash deposits	
84,484	Sterling	80,875
17,116	Foreign currency	11,682
2,282	Margin accounts	159
	Investment accruals	
7,978	Debtors - outstanding sales	18,687
(3,838)	Creditors - outstanding purchases	(4,609)
7,501	Income accrual - Debtor	5,721
(165)	Income accrual - Creditor	(178)
2,181,801	Value at 31 March	3,066,071

Figures as at 1 April 2009 for Derivative Contracts pending fx debtors and creditors have been restated. These now exclude the economic exposure of the foreign exchange (fx) trades and disclose solely the market value of the unrealised profit or loss.

Pension Fund Accounts

- 9.4** The Fund holds the following investments in unit trusts / pooled vehicles at 31 March which are in excess of 5% of the value of the Fund:

2009		Unit trust / pooled vehicle	2010	
£000	%		£000	%
179,544	8.1	Legal and General - UK Equity Index	251,456	8.2
139,221	6.3	Legal and General - North America Equity Index	192,169	6.2
139,490	6.3	Legal and General - Europe (Ex UK) Equity Index	188,021	6.1
n/a	n/a	Goldman Sachs - UK Sterling Credit Portfolio	160,734	5.2

As at 31 March 2010, the Fund had a commitment to contribute a further **£133m** to existing partnership investments, including private equity (31 March 2009: £113m). It is anticipated that payments against these commitments will be made over the next 1 – 5 financial years.

- 9.5** A breakdown of derivative contracts is as follows:

31 March 2009 £000 Economic Exposure (restated)	31 March 2009 £000 Market Value (restated)		31 March 2010 £000 Economic Exposure	31 March 2010 £000 Market Value
		Futures contracts - exchange traded		
32,899	523	UK Government fixed interest	-	-
(40,182)	(132)	Overseas government fixed interest	-	-
125,291	2,669	UK equities	-	-
(123,327)	(4,965)	Overseas equities	1,229	21
5,319	-	Cash backing open futures	(1,229)	-
-	(1,905)		-	21
		Forward foreign exchange contracts		
652,455	-	Sterling	830,955	-
(684,462)	-	Foreign currency	(858,241)	-
-	1,804	Pending foreign exchange assets	-	1,610
-	(33,811)	Pending foreign exchange liabilities	-	(28,896)
(32,007)	(33,912)	Total Derivative Contracts held at year end	(27,286)	(27,265)

Futures contracts are used to gain exposure to investment markets without the need to purchase underlying stocks and shares.

Forward foreign exchange contracts are used to hedge against the currency risk of the Fund's overseas investments.

Pension Fund Accounts

10. Additional Voluntary Contributions (AVC) Investments

2008/09 £000		2009/10 £000
6,355	Value of AVC fund at beginning of year	5,446
646	Employees contributions	365
(768)	Investment income and change in market value	1,098
(787)	Benefits paid and transfers out	(859)
<u>5,446</u>		<u>6,050</u>

In accordance with regulations 5 (2) c of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998, additional voluntary contributions (AVCs) are not included within the transactions recorded within the Fund Account.

The AVC providers to the Fund are The Equitable Life Assurance Society and Standard Life Assurance Company. The assets of these investments are held separately from the Fund. The AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in these arrangements each receive an annual statement confirming the amounts held in their account and the movements in the year.

The Fund relies on individual contributors to check that deductions made on their behalf are accurately reflected in the statements provided by the AVC providers. A summary of the information provided by Equitable Life and Standard Life to the Fund is shown in the table above.

Pension Fund Accounts

11. Current assets and liabilities

31 March 2009 £000		31 March 2010 £000
	Current assets	
14,413	Cash	5,065
	Debtors and payments in advance	
32,151	Contributions due	19,337
	Current liabilities	
	Creditors and receipts in advance	
(1,968)	Benefits due	(3,523)
(1,590)	Investment management expenses	(2,596)
<u>43,006</u>	Net total	<u>18,283</u>

12. Related party transactions

Under FRS8 'Related Party Disclosures' it is a requirement that material transactions with related parties, not disclosed elsewhere, should be included in a note to the financial statements.

During the year, none of the Essex Pension Fund Board Members, Investment Steering Committee Members or Senior Officers undertook any material transactions with the Essex County Council Pension Fund. There were no material contributions due from employer bodies at the year end which remained outstanding after the due date for payment.

Note 11 to the accounts shows the Pension Fund cash held with the County Council at 31 March and note 7 shows the charges made to the Pension Fund by the County Council for administration costs.

13. Further information

The Council publishes a separate Pension Fund Report and Accounts. Copies may be obtained from:

Group Manager Investments
PO Box 11
County Hall
Chelmsford CM1 1LX

Telephone 01245 431301 E-mail pensions.investments.web@essex.gov.uk

Governance Statement

1. Scope of responsibility

Essex County Council ('the Council') is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The 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 the Council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulation 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. The purpose of the governance framework

The governance framework comprises of the systems, processes, cultures and values, by which the Council is directed and controlled. It controls the activities through which the Council engages with and leads the community. The governance framework enables the authority 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 achievements of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and their impact, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ending 31 March 2010 and up to the date of approval of the statement of accounts dated 28 June 2010.

Governance Statement

3. The governance framework

This section of the Annual Governance Statement describes the key elements of the systems and processes that make up the Council's governance arrangements.

Essex County Council's vision

- The Council's vision, its purpose and outcomes for its communities are set out in the four year work programme, EssexWorks, which has now been in place since 2008. EssexWorks is fundamental to the Council's vision and in meeting the outcomes that it will deliver directly through its services, and plays a key role in meeting the commitments and targets that have been agreed with our partners as part of Essex's second Local Area Agreement (LAA).
- The EssexWorks programme is fundamentally linked with and reflected in the Essex Strategy, LAA, Corporate Plan and the Council's Budget. The EssexWorks intended outcomes for citizens and service users are in the Council's website at www.essex.gov.uk/documents/essexworks.pdf.
- The Corporate Plan was prepared in 2008 to run alongside the EssexWorks programme. Whilst there was no refresh of the Corporate Plan during 2009/10, a new Corporate Plan was prepared in February 2010 to ensure that it continues to reflect the manifesto of the new administration elected in June 2009.
- EssexWorks contains 10 pledges which are reviewed annually and were refreshed during 2009 to ensure the Council moves towards achieving the long term ambitions of this programme.
- Cabinet is accountable to Full Council for the delivery of the EssexWorks programme. As a result progress reports are routinely provided to the Corporate Leadership Team (CLT), the last was submitted in March 2010, setting out the Council's progress towards the outcomes and pledges and launching the new pledges for 2010-11.
- The Policy and Scrutiny Committees are required to scrutinise the performance of the Council against its objectives as set out in EssexWorks and the Corporate Plan. Throughout the duration of the EssexWorks programme, the Projects Board, a non-decision making group, continues to monitor progress against the pledges outlined within the programme.

Service Quality

- Since 2008 performance against a set of national indicators aligning with central government delivery priorities is measured at a local strategic partnership level.
- The Council continue to use a performance management framework which enables it to measure how well it is delivering the outcomes and pledges of EssexWorks. This framework sets out the arrangements for ensuring that the Council deliver services in accordance with its objectives.

Governance Statement

- The Council's Corporate Plan 2008 has continued throughout 2009/10 and is monitored through a monthly corporate scorecard and action plan, alongside finance and risk management reports. Performance is reviewed regularly across the Council and with our LAA partners at various levels including the Essex Partnership, Cabinet, Scrutiny Committees, CLT and Directorate Management teams.
- The Scrutiny arrangements play a key role in ensuring that quality is delivered providing an independent and robust challenge to the Council's objectives, holding the Council to account for its service delivery.
- The Council's employees continue to be supported by a comprehensive individual performance management process, including performance contracts which define the outcomes required from each employee to enable the Council to successfully deliver its Corporate Plan.
- During 2009/10 the Council developed an Integrated Budget and Corporate Plan which brings together the Council's vision and ambitions for the County, setting out the pledges and outcomes that form the foundation of EssexWorks. It maps how the Council will deliver those pledges and how success will be measured, and was launched for the financial year 2010/11.
- The Corporate Plan 2008-11 contains targets for demonstrating value for money. Performance is monitored on a monthly basis through the use of CLT Scorecard reports and PB Views. These targets will be incorporated into the Integrated Budget and Corporate Plan 2010-11 and will continue to be monitored going forward. In June 2009, the Use of Resources Assessment 2008/09 was published, showing that the Council was delivering Value for Money.

Key Roles and Responsibilities

- The roles and responsibilities for Members of the Executive, Non-Executive, Scrutiny, Officer and Committee functions are defined in the Constitution. This also sets out the key responsibilities of the Statutory Officers (Section 151 Officer, Head of Paid Service and the Monitoring Officer).
- The Scheme of Delegation sets out the roles and responsibility of officers and the powers delegated to officers by the Executive. The Protocol for Member and Officer Relations defines further the day-to-day roles and responsibilities of Officers and Members. The delegation arrangements are reviewed in response to changes in the configuration of Cabinet responsibilities and reorganisations within the Council's officer core.
- Throughout 2009/10 various aspects of the Constitution have undergone a review and have been updated accordingly to reflect changes in the Council's structure and processes. A copy of the Constitution can be found on the Council's website.

Codes of Conduct and Standards of Behaviour

- Employees and Members of the Council must abide by the rules clearly defined within Officer, Member and Officer/Member Codes of Conduct, set out within the

Governance Statement

Constitution and protocols. Following the local government elections in June 2009, all Members have now signed up to these Codes of Conduct.

- A comprehensive induction programme is provided to Members following the elections, which also contains arrangements for their ongoing development.
- The Codes of Conduct and supporting protocols have undergone a review during 2009 and updated accordingly to reflect changes within the Council's structure and processes.

Decisions, Processes and Controls

- The Council undertakes an ongoing review of its regulations and standing orders to ensure that they reflect the changes in the Council's risk environment and activities.
- The Corporate Governance Group incorporates senior managers from various service areas, namely risk, governance, finance and legal services, and reviews a range of Council documents, procedures, and manuals including the Constitution, scheme of delegation and standing orders.
- The Corporate Governance Group carries out an ongoing review of the above documents throughout the year; a further review of the Council's standing orders will be undertaken in 2010/11, including a review of the Procurement Procedure Rules and the establishment of a Value for Money Strategy, and continued review of the Constitution.
- The Decision Making Protocol, which forms part of the Constitution, sets out the principles of Decision Making. Agendas and minutes from all meetings, including decisions taken by Cabinet Members are available to the public through the Council's website. During 2010/11 a new Committee Management IS System will be implemented, this will improve the quality of information available through the Council's website and will enable committee processes to be efficiently managed.
- The Public Engagement Strategy, which engages the public in the decision making of the Council in shaping the places they live through the use of surveys, user groups and forums, remains in place.

The Audit Committee

- The Council continue to have a close working relationship with both the internal and external auditors. The Audit Committee Chairman has signed a letter of compliance setting out an understanding of how those charged with governance exercise oversight of management's processes for identifying and reporting the risk of fraud and possible breaches of internal control in the Council. In 2008 the new terms of reference for the Audit Committee were agreed by the Council, and the delegations remain set out within the Constitution.
- As part of the AGS 2008/09 action plan, the Council sought to develop a corporate tracking mechanism for reporting external audit, high risk internal audit and inspection recommendations to CLT and the Audit Committee. Work towards

Governance Statement

this has continued throughout 2009/10 and the Planning and Improvement Team have established a register of all external assessments and audits at corporate and operational levels. This register will be reviewed and updated every 6 months, and progress against improvement actions contained within those external assessments and audits will be monitored on a quarterly basis and recorded using a progress tracker spreadsheet.

- In March 2009, the Audit Committee approved the 2009/10 audit plan, and Internal audit have reviewed, appraised and reported on the efficiency, effectiveness and economy of financial and other management controls, finding that the systems of internal control were adequate.
- In June/July 2010 the Council will undergo an Ethical Governance Audit, conducted by the Audit Commission, which will further seek to assess the Council's ethical agenda against a comprehensive set of criteria including the standards of conduct for Members and Officers, and the Council's focus on a healthy organisational culture.

Compliance with relevant laws and regulations

- The Head of Essex Legal Services, as Monitoring Officer, is responsible for ensuring lawfulness and fairness in decision making. The Chief Financial Officer, as the Section 151 Officer is responsible for ensuring lawfulness and financial probity and prudence in decision making.
- The Head of Internal Audit and Risk Management is responsible for providing assurance on internal controls, ensuring that there are adequate mechanisms in place for the reporting and the investigation of fraud, and ensuring that the risk management framework is robust. The Head of Internal Audit and Risk Management is also a member of the Policy and Standards Council consulting on new processes and their implementation.
- Quarterly meetings are held between each Executive Director, the Section 151 Officer and Head of Internal Audit and Risk Management to review working processes and practices, and consider the system of internal control operating within the specific service areas. Each Executive Director is required to complete an evidence based self-assessed assurance statement accompanied by a plan setting out actions to be taken to strengthen any areas of weakness. These statements are formally signed off by the Executive Director at the end of the year.
- The Council has a strong legal service providing advice throughout the organisation, and is able to seek specialist opinion where necessary. The reports prepared for Cabinet require legal advice to be sought prior to submission, and all reports to both Cabinet and CLT must incorporate the comments of both the Section 151 Officer and Monitoring Officer.
- Accordingly the Council actively recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on it by public law, integrating the key principles of good administrative law into their processes and decision making.

Governance Statement

Whistle-blowing and complaints

- The Council is committed to achieving high standards of integrity and accountability and expects the same commitment from its employees, promoting an open environment that enables staff to raise issues with confidence that they will be acted upon appropriately without fear of recrimination.
- In December 2009 the Council's Whistle Blowing policy was revised and continues to be available for staff through the 'Working Here' intranet site. This policy provides staff with a formal process to raise concerns relating to wrongdoing, impropriety or breach of procedure.
- The Council has a strong Counter-Fraud team that supports investigations of allegations raised through the Whistle Blowing policy.
- The Council values complaints, comments and compliments received from its customers and the feedback obtained is used within its planning processes to help develop the services. The Council has a comprehensive complaints procedure which is accessible by the public through its website. In addition the Council has a corporate policy 'Responding to Complaints, Comments and Compliments' which sets out the expectations and timescales to be applied in responding to its customers.
- In 2008 a pilot scheme was introduced for a new complaints process and accompanying IT system to allow greater tracking of individual complaints. At the end of the pilot, the initiative was rolled out across the service areas and has resulted in the percentage of customers who receive a response within the corporate standard improving dramatically.

Development and Training

- The Council places significant emphasis on organisational development and the support for all staff within an overall framework of organisational value and behaviour.
- In identifying staff training and development needs the Council uses the 'My Performance' process, which identifies individual's training needs annually. A wide range of training courses are available to staff specific to their service area and a schedule of forthcoming corporate training events is contained within the 'Working Here' intranet site.
- In 2008-09 the Council had an ad-hoc Member training programme, and following the June 2009 local elections this was replaced with a comprehensive induction programme, in which arrangements for ongoing development can be addressed.
- As part of the 2008/09 AGS action plan, the Council continue to take steps to further improve its data security. Developing an e-learning package which will be rolled out across the Council. The modules cover data security and information handling with a key focus on data protection. All employees' who use a computer will be required to complete the course and online test to demonstrate their learning and understanding of the issues.

Governance Statement

Channels of Communication

- The Council continues to develop clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- A bi-monthly magazine 'EssexWorks' is issued by the Council to all households in Essex, which includes an editorial from the Leader of the Council. The Council continues to develop its website to ensure that it is accessible to a wide audience. The website includes relevant news articles and is regularly updated.
- All communication issued by the Council is branded to ensure that it is easily recognised, and the information can be translated into different languages and alternative formats. This facility is widely publicised and applies to both printed materials and the Council's website.
- The Council continue to ensure that employees are updated through the use of a bi-monthly magazine 'Zest' and a 7 day newsletter which was introduced during 2009. This newsletter provides updates to employees on topical issues across the authority.
- Both publications were acknowledged at the British Association of Communications in Business Regional (Central) Awards in February 2010. Zest received the highest recognition by receiving the Award of Excellence within the category New Publication, and the Editor of Zest won best Editor. Under the category of Electronic Media, the 7 Day newsletter was awarded the Certificate of Merit.
- In order to provide a further method of communication, in 2009 the Council piloted webcasting of Council meetings. This pilot is due to run until September 2010, and will be reviewed in June 2010. The webcasting allows members of the public to remotely view these meetings live, or at their convenience.

Partnership Governance

- The Council continues to incorporate good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the 'Governance of Partnerships', and reflects these in the Council's overall governance arrangements.
- During 2009 the Essex Partnership Website has undergone a transformation and is now the Essex Partnership Portal. This provides all relevant documents regarding thematic and local strategic partnership arrangements.
- In working in partnership the Council ensures that Members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Council, through the LAA and the Essex Co-operation Framework, both of which are available through the portal.
- Performance indicators have been assigned to each thematic partnership with the LAA Performance Management Group maintaining an overview and a monthly LAA performance scorecard being prepared. The partnership's performance is embedded within the Council's performance reporting process, so that progress

Governance Statement

is reported to Members and Senior Officers routinely. The partnership performance information is published on the portal.

4. Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is formed by the work of the Executive Managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit and Risk Management's annual report, and from comments received from external auditors and other review agencies and inspectorates.

The Annual Audit Report includes a review of the effectiveness of internal audit and the effectiveness of the systems of internal control. Senior Officers have signed the annual Service Assurance Statement, confirming that during the year they have ensured that there are effective control arrangements for:

- Service Planning and Performance Management,
- Management of Staff,
- Financial Management,
- Risk Management,
- Partnerships, and
- Data and Information Management.

An analysis of the Service's self assessments indicates that overall, the systems of internal control were adequate. This conclusion is in line with the Annual Audit Opinion.

The Council have been advised on the implications of the result of the review of the effectiveness of the governance framework through the Corporate Governance Group, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. Significant governance issues

As part of the AGS 2008/09 action plan, the Council sought to update the Code of Corporate Governance into the appropriate format as published in the 'Delivering Good Governance in Local Government' issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). The Council is continuing to undertake research into the content of the revised Code, and a draft is currently being prepared by the Corporate Governance Group. The revised Code will be submitted for approval by Council in 2010/11.

Governance Statement

Good governance is essential for the effective and efficient management of the Council; accordingly a plan which supports the development of corporate governance across the authority is fundamental in taking the Council forward.

The Council has a Constitution which describes the roles, functions and responsibilities of Councillors and key Officers. It contains information about how decisions are made and provides guidance on the rules and procedures which govern the Council, pulling information from various documents and policies. The Council is seeking to review the Constitution and move towards a Code of Governance which will incorporate all necessary information, delegations, policies and decision making processes in one place. This will enable all those who have recourse to the governance mechanisms to view the relevant documents in a more coherent and easily accessible form.

Internal audit activities during 2009/10 indicated that whilst the Council has a number of strong or improving controls in areas such as Asset Management and Budget setting, there are governance deficits around the management of expenses, use of the Council's resources and a lack of compliance with some policies.

The Audit Committee are overseeing the actions following the activities referred to above and will ensure that there is a revision of appropriate policies and guidelines. The Corporate Governance Group will oversee the work and provide the Audit Committee with regular progress reports.

Whilst the systems of internal control were deemed adequate during 2009/10, this was diluted by the governance issues referred to above. The implementation of recommendations made as a result of audit activity linked to a reporting structure on progress will ensure that significant progress is made to enhance the governance arrangements for the Council.

Appendix A sets out the actions necessary to address these issues. The Council is satisfied that these steps will address the need for improvements and will monitor their implementation and operation as part of the annual review process.

Cllr Peter Martin
Leader of the Council

Joanna Killian
Chief Executive of the Council

Governance Statement – Appendix A

This table contains key action points to be implemented during 2010/11.

Findings	Action	Lead Officer
1. Update the Code of Corporate Governance into an appropriate format as published in 'Delivering Good Governance in Local Government' issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), in July 2007.	We will update the Code of Corporate Governance to ensure that it is consistent with the format published by CIPFA.	Philip Thomson as Chair of the Corporate Governance Group
2. The Corporate Governance Group to continue its ongoing review of Council documentation.	To include a review the Council's Standing Orders, including the Procurement Procedure Rules.	Margaret Lee, Director for Finance
3. Ensure the Council has the information needed to review value for money and performance effectively through the development of a VFM Strategy	Develop strategy to enable effective review of VFM.	Margaret Lee, Director for Finance
4. Ensure that recommendations of internal audit are implemented, monitored and reviewed, where governance deficits have been identified.	Implement recommendations from Internal Audit	Philip Thomson as Chair of the Corporate Governance Group

Glossary of terms

Terms	Explanation
Accrual	An accrual is a sum included in the accounts to cover income or expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received / made, by the end of that accounting period.
Actuary	An actuary is a suitably qualified independent consultant employed to advise the Council upon the financial position of either the Pension Fund or the Council's insurance arrangements.
Actuarial gains and losses	Actuarial gains or losses for defined benefit pension schemes arise because events have not coincided with the assumptions previously made by the actuary, or the actuarial assumptions have changed compared to the prior year.
Accrued benefits valuation method	<p>A valuation method in which the Pension scheme's liabilities at the valuation date relate to:</p> <ul style="list-style-type: none"> ▪ The benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and ▪ The accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.
Additional voluntary contributions	Additional voluntary contributions (AVC's) are an option available to individuals to secure additional pension benefits by making regular payments in addition to those payable on basic earnings.
Amortisation	Amortisation is the writing down of costs to the Income and Expenditure Account over a number of years.
Amortised cost	The value of a contractual asset or liability based upon the underlying cost to the Council of that activity as opposed to the actual cash flows incurred. This is calculated using the effective interest method.
Appropriations	Appropriations are the transfer of resources between, to and from the various reserves.
Acquisition accounting	A basis for consolidating subsidiaries into the Group Accounts. This basis makes the presumption that the Council has taken control of the subsidiary.
Balance Sheet	This is a summary of the financial position of the Council. It shows the balances and reserves at the Council's disposal, long term indebtedness and fixed and net current assets employed. It excludes the balances and reserves relating to the Pension Fund and the Council's Trust Funds.
Billing authority	District and borough councils are responsible for the billing and collection of Council Tax. They calculate the amount to be raised from Council Tax after taking into consideration their needs and those of the County Council and the Police and Fire Authorities.

Glossary of terms

Terms	Explanation
Cabinet	The Cabinet comprises the Leader of the Council, who is its chairman, and nine other Members appointed by the County Council. Each member of the Cabinet has a defined portfolio of responsibilities for the discharge of the Council's business; these portfolios are assigned by the Council annually.
Capital Adjustment Account	<p>This account represents:</p> <ul style="list-style-type: none"> ▪ Amounts set aside from revenue resources to repay external loans; ▪ The financing of capital payments from capital receipts and revenue reserves; and ▪ The consolidation of gains arising from the revaluation of fixed assets prior to 1 April 2007. <p>The account was created on 1 April 2007 by amalgamating the Council's Capital Financing Account and Fixed Asset Restatement Account as required by the SORP 2007.</p>
Capital expenditure	This is expenditure on the acquisition of fixed assets (with certain minor exceptions) that will be of use or benefit to the Council in providing its services for more than one year.
Capital financing costs	Costs associated with the financing of fixed assets, representing interest and principal repayments on loans and contributions from revenue reserves towards capital payments.
Capital Financing Requirement	This is a measure of the Council's underlying need to borrow for capital financing purposes.
Capital programme	The Council's plans for capital spending over future years, including the purchase of land and buildings, erection of new buildings and works, design fees, information technology development and the acquisition of vehicles and major items of equipment.
Capital receipts	Proceeds from the sale of assets, which may be used to finance new capital expenditure or set aside for the repayment of external loans.
Chartered Institute of Public Finance and Accountancy	CIPFA is the main professional body for accountants working in the public service.
Collection Fund	Account maintained by billing authorities for the collection and distribution of Council Tax and business rates.
Collection Fund Adjustment Account	This account represents the difference between the Collection Fund income included within the Income and Expenditure Account and the amount of Council Tax required by regulation to be credited to the General Fund.
Community assets	Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and monuments.
Company limited by guarantee	A company limited by guarantee is one in which the liability of its members has been limited to the amount they have agreed to contribute towards the company's assets in the event of the company being wound up.

Glossary of terms

Terms	Explanation
Contingent liability	Contingent liabilities are possible or present obligations that arise from past events, whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Contingent liabilities are not recognised in the accounts as an item of expenditure.
Council tax	A local tax set by local authorities in order to finance their revenue expenditure. The level set by a Council will be dependent on the level by which its budgeted expenditure exceeds income from other sources (for example, grants awarded by central government).
Creditors	Amounts due, but not yet paid, for work done, goods received or services rendered during the financial year.
Debtors	Amounts due, but not yet received, for work done or services supplied, during the financial year.
Deferred credits	Deferred credits represent income still to be received, where the Council has agreed that amounts are payable beyond the next year, either at some point in the future, or by an annual sum over a period of time.
Defined benefit pension scheme	A defined benefit pension scheme is any scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
Defined contribution pension scheme	A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current or prior periods.
Depreciation	Depreciation is a measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset, whether arising from use, passing of time or obsolescence through technical or other changes.
Discount (PWLb)	In the event of the Council prematurely repaying a loan to the Public Works Loan Board (PWLb) it will be required to pay to the PWLB the present value of the remaining payments of principal and interest due on the loan. The present value is calculated with reference to the rates of interest in force when the repayment is confirmed. To the extent that the rate in force is above the rate of interest payable on the loan being repaid, the Council is compensated by the PWLB for the interest rate differential. This differential is referred to as a 'discount' arising from early settlement of the loan.
Discount rate (actual)	Pensions liabilities are assessed on an actuarial basis, to estimate the pensions that will be payable in future years. In assessing these liabilities the Actuary uses an actual discount rate to reflect the time value and characteristics of the liability.
Discount rate (real)	The real discount rate represents the difference between the actual discount rate used by the Pension Fund Actuary to determine the pension's liabilities, and the rate of inflation assumed by the Actuary.

Glossary of terms

Terms	Explanation
Discretionary benefits	Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Council's discretionary powers, such as the Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits (Scotland) Regulations 1998, or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.
Dormant company	The term 'dormant' applies to a company that, in legal terms, has no significant accounting transactions during a financial year. Companies can be dormant in order to hold an asset, or to protect the company name. Whilst the company is dormant, various returns and the annual company Balance Sheet must nevertheless be prepared and filed with Companies House.
Effective Interest Rate	The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset. It is used to calculate the amortised cost of an asset or liability.
Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Fees and charges	Charges made to the public for a variety of services such as the provision of school meals, meals-on-wheels, letting of school halls and the hire of sporting facilities.
Finance leases	Finance leases transfer all, or the majority of, the risks and rewards of ownership of a fixed asset to the lessee. Consequently, the fixed asset is included within the Balance Sheet of the lessee, even though the lessor retains legal title of the asset (also see 'Leasing' and 'Operating Leases').
Financial Instruments	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Examples include the borrowing or lending of money and the making of investments.
Financial Instruments Adjustment Account	An account within the Balance Sheet used to manage the difference between the rules for accounting for financial instruments and the statutory provisions for charging amounts to the General Fund Balance.
Fixed Asset Restatement Account	This account represented the balance of the surpluses or deficits arising on the revaluation of fixed assets and was written down by the net book value of assets on their disposal. The SORP 2007 removed the need for this account on 1 April 2007, transferring its balance to the Capital Adjustment Account and creating in its place a Revaluation Reserve.
Fixed assets - intangible	Assets that do not have physical substance but are identifiable and controlled by the Council and will bring benefits to the Council for more than one financial year. Examples include software licences.
Fixed assets - tangible	Assets that have a physical substance and are held for the provision of services, or for administration purposes, on a continuing basis.

Glossary of terms

Terms	Explanation
Interest – Local Authority Seven Day Rate	A published interest rate, representing the return that local authorities could expect to achieve from temporarily investing their cash balances via the money markets.
Investments (non Pension Fund)	<p>A long term investment is intended to be held for use on a continuing basis in the activities of the Council. Investments are so classified only where an intention to hold the investment for the long term (greater than one year) can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.</p> <p>Investments, other than those related to the pensions fund that do not meet the above criteria, are classified as current assets.</p>
Investments (Pension Fund)	The investments of the Pensions Fund are accounted for in the statements of the Fund. However, authorities (other than town parish and community councils and district councils in Northern Ireland) are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.
Joint venture	A joint venture is an entity that the Council is able to apply some influence over the operating and financial policies of, in conjunction and with the consent of the other participants in the entity.
LAAP Bulletin	These are bulletins issued by CIPFA's Local Authority Accounting Panel (LAAP) on topical accounting issues and developments, to provide clarification upon detailed accounting guidance.
Leasing	Leasing is a method of acquiring the use of capital assets without legal title (ownership). There are two main types of leasing arrangements – namely finance leases and operating leases.
Monitoring Officer	The Monitoring Officer is responsible for promoting and maintaining high standards of financial conduct. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the Council and/or Cabinet.
National Non Domestic Rates	These rates are the means by which local businesses contribute to the cost of providing local authority services. Business rates are paid into a national pool. The pool is then divided between all authorities in proportion to their formula grant allocation.
Net expenditure	Net expenditure is arrived at after deduction of income and specific grants, and includes the costs of support services.
Non operational assets	Fixed assets not directly used or consumed in the delivery of services, or for the service or strategic objectives of the Council. Examples include assets that are surplus to requirements (pending sale or redevelopment) and assets under construction.
Operating leases	Operating leases are agreements for the rental of assets where the rewards and risks of ownership of the asset remain with the leasing company. The annual rentals are charged directly to the Income and Expenditure Account (also see Leasing and Finance Leases).

Glossary of terms

Terms	Explanation
Operational assets	Fixed assets held and occupied, used or consumed in the direct delivery of services.
Precept income	The amount the County Council requires the Borough / District Councils to pay from the Council Tax they have collected (on behalf of all authorities that set Council Tax) to meet the cost of County Council services.
Premium (PWLB)	In the event of the Council prematurely repaying a loan to the Public Works Loan Board (PWLB) it will be required to pay to the PWLB the present value of the remaining payments of principal and interest due on the loan. The present value is calculated with reference to the rates of interest in force when the repayment is confirmed. To the extent that the rate in force is below the rate of interest payable on the loan being repaid, the Council is required to recompense the PWLB for the interest rate differential. This differential is referred to as a 'premium' arising from early settlement of the loan.
Private Finance Initiative	A long-term contractual public private partnership under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to agreed standards of performance.
Provisions	An amount set aside to provide for a liability that is likely to be incurred as a result of a past event, prior to the balance sheet date, but where the exact amount and the date on which it will arise is uncertain.
Public Private Partnership	An arrangement where the private sector partner agrees to provide a service to a public sector organisation. The PFI is one form of a PPP.
Projected unit method	The projected unit method is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.
Public Works Loan Board	The PWLB is a government agency that provides longer-term loans to local authorities, at interest rates marginally above the Government's own borrowing rate.
Remuneration	Remuneration includes all amounts paid to or receivable by a person, including sums due by way of expense allowances (so far as these are chargeable to tax) and the estimated money value of any other benefits received by an employee otherwise than in cash.
Reserves	<p>The Council's accumulated surplus income in excess of expenditure, which can be used to finance future spending and is available to meet unforeseen financial events.</p> <p>Earmarked reserves are amounts set aside for a specific purpose in one financial year and can be carried forward to meet expenditure in future years.</p>
Revaluation Reserve	This reserve records the net gains arising on the revaluation of the Council's fixed assets from 1 April 2007. Prior to April 2007, gains and losses were taken to the Fixed Asset Restatement Account. The balance on the Fixed Asset Restatement Account as at 31 March 2007 was transferred to the Capital Adjustment Account on 1 April 2007 in accordance with the SORP 2007.

Glossary of terms

Terms	Explanation
Revenue Provision	The minimum amount which must be charged to the revenue account each year and set aside for repaying external loans, currently 4% of the capital financing requirement.
Revenue Support Grant	This is the central government financial support towards the general expenditure of local authorities.
Retirement benefits	<p>All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:</p> <ul style="list-style-type: none"> an employer's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits. <p>This is because these are not given in exchange for services rendered by employees.</p>
Salary	Salary represents the amounts received under contract of employment for services rendered, other than bonuses, allowances, benefits in kind or compensation payments.
Scheme liabilities	The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the 'projected unit method' reflects the benefits that the employer is committed to provide for service up to the valuation date.
Section 151 Officer	Section 151 of the Local Government Act 1972 requires the Council to appoint an officer responsible for the proper administration of the Council's financial affairs. The Director for Finance is the Council's Section 151 Officer.
Senior Officer	<p>A senior officer is defined as an employee whose salary is more than £150,000 per year; or at least £50,000 per year and who is:</p> <ul style="list-style-type: none"> The designated Head of Paid Service, a statutory chief officer or a non statutory chief officer, as defined under the Local Government and Housing Act 1989; Head of staff for a relevant body which does not have a designated Head of Paid Service; or Any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with other persons.
Settlement	An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement.

Glossary of terms

Terms	Explanation
	<p>Settlements include:</p> <ul style="list-style-type: none"> ▪ A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits. ▪ The purchase of an irrevocable annuity contract sufficient to cover vested benefits. <p>The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.</p>
Specific Government Grants	These represent central government financial support towards particular local authority services, which the Government wishes to target.
Subsidiary	An entity over which the Council is able to exercise control (by controlling its operating and financial policies) and gain benefits from it, or have exposure to the risk of loss arising from this control.
Supported borrowing	Borrowing for capital financing purposes which attracts revenue funding from the government towards the debt financing costs.
Transaction costs	Costs incurred as a direct result of undertaking a business transaction. They may include fees and commissions paid to agents, advisers, brokers and dealers, as well as transfer taxes and duties. They do not include internal administration costs.
Trust Funds	Funds administered by the Council for such purposes as prizes, charities and special projects.
Unsupported borrowing	Borrowing undertaken for capital financing purposes in excess of the level supported by the Government.
Vested rights	<p>In relation to a defined benefit pension scheme, these are:</p> <ul style="list-style-type: none"> ▪ For active members, benefits to which they would unconditionally be entitled on leaving the scheme. ▪ For deferred pensioners, their preserved benefits. ▪ For pensioners, pensions to which they are entitled. <p>Vested rights include, where appropriate, the related benefits for spouses or other dependants.</p>

Feedback Form

We would appreciate it if you could take the time to complete this questionnaire and return it to use at Essex County Council, Corporate Finance, PO Box 11, County Hall, Chelmsford, Essex CM1 1LX.

If you would rather complete this form online, you can access a copy at:

<http://www.essex.gov.uk/financefeedback>

1. Is the information provided useful? Yes / No *
2. Is the document easy to read? Yes / No *
3. Is the information provided easy to understand? Yes / No *
- If no, what would aid your understanding? Yes / No *
- (eg. increased use of charts/graphs, written explanations, more non financial information).

4. Is there any additional information that you would like to see in the document?

5. Are there any ways we could improve the document?

6. Are you responding as an Essex resident / an Essex business / other stakeholder?*

* Please delete as applicable

Thank you for taking the time to complete this questionnaire.

Statement of Accounts 2009/10