

# Statement of Accounts

## 2008/09





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# Foreword

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## 1. Introduction

The purpose of these accounts is to present fairly the financial results of the Council's activities for the year ended 31 March 2009, and to summarise the overall financial position of the Council as at 31 March 2009.

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 16 to 19) and the notes to the Accounts (pages 20 to 78).

## 2. Accounting Statements

The Council's accounting statements for 2008/09 comprise:

- **Income and Expenditure Account**

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**

The Statement of Movement in 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**

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**

This sets out the financial position of the Council as at 31 March 2009. 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 summarises the inflows and outflows of cash with third parties.

Supplementary information is set out within the notes to the accounts (see pages 20 to 78) to aid interpretation of these financial statements, and to provide further information on the financial performance of the Council during 2008/09.

# Foreword

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## 3. 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 summarises the financial transactions of the Pension Fund for the year.

- **Net Assets Statement**

This statement 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 97 to 110).

## 4. Revenue Expenditure

### 4.1 Background to the Budget

The Council's 2008/09 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.



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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 2008/09 were to:

- Make Essex the **safest place to live** in England within five years.
- Deliver **12 congestion busting schemes** across the County.
- Introduce radical initiatives to **ensure diverse, high quality secondary schools** in every area of the County.
- Increase tenfold the number of Adult Social Care users who, through Personal Budgets, have **greater choice and control over their care**.
- **Increase recycling of waste to over 40%** in 2008, in partnership with the Districts and Borough Councils.
- Promote an **Essex 'Year of Culture'** to increase tourism and inward investment.
- **Plant an additional 250,000 trees** to support the ecology of Essex.
- Support young people in Essex to **fulfil their sporting potential**.
- Keep **next year's council tax increase below the level of inflation**.



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.



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We set a budget for 2008/09 that provided **£831.258m** for delivery of our EssexWorks priorities; we planned to set a further **£2.873m** aside in our General Fund Balance. The 2008/09 budget was financed from general government grants (**£78.878m**), non domestic rates (**£204.415m**) and local taxpayers (**£550.838m**). This budget allowed for inflationary pressures of **£27.669m** and provided for new investment of **£74.765m**. As a consequence of the review process, savings and efficiencies of **£68.650m** were identified to allow us to re-direct resources to our priorities.

The Council Tax for band D amounted to **£1,046.61**. This represented an increase of **4.2%** over that for 2007/08.

## 4.2 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 to **£848.068m** during the year. The increase of **£16.333m**, which primarily related to unspent budget brought forward from 2007/08, was funded from the General Fund Balance.

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

	Final Approved budget £000	Actual net expenditure £000	Variance overspent / (underspent) £000
<b>Net revenue expenditure</b>			
Schools, Children and Families	279,938	391,410	111,472
Adults, Health and Community Wellbeing	379,711	385,806	6,095
Highways and Transportation	100,400	98,542	(1,858)
Environment and Waste	69,089	71,760	2,671
Leader	14,470	13,505	(965)
Localism and Planning	5,922	7,692	1,770
Heritage, Culture and the Arts	7,854	8,575	721
Economic Development, Regeneration & 2012 Games	7,439	7,301	(138)
Deputy Leader	2,158	2,999	841
Finance and Change Management	6,930	7,165	235
Operating costs	(25,843)	(145,670)	(119,827)
<b>Total net expenditure</b>	<b>848,068</b>	<b>849,085</b>	<b>1,017</b>
<b>Financed by</b>			
General government grant	(79,355)	(81,365)	(2,010)
National non-domestic rates	(204,415)	(204,415)	-
Council taxpayers	(550,838)	(550,838)	-
<b>Total financing</b>	<b>(834,608)</b>	<b>(836,618)</b>	<b>(2,010)</b>
<b>Deficit / (surplus) for the year</b>	<b>13,460</b>	<b>12,467</b>	<b>(993)</b>

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This analysis combines the information presented in the Income and Expenditure Account and the Statement of Movement on the General Fund Balance (see page 16).

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 3 to the accounts on page 22 for further details).

## 4.3 General Fund Balance

Actual net expenditure for 2008/09 amounted to **£848.991m**, giving rise to a deficit for the year of **£12.467m**. The deficit has been financed from the Council's General Fund Balance, reducing the balance to **£26.460m** as at 31 March 2009.

## 4.4 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 **£55.377m** at 31 March 2009. Other earmarked reserves totalled **£167.041m** at 31 March 2009.

The purpose and usage of the Council's earmarked reserves is set out within note 16 to the Accounts (see page 36).

## 5. Capital Expenditure

### 5.1 Background to the Budgets

Capital expenditure was originally estimated to amount to **£197.284m** in 2008/09; this sum included **£183.128m** for specific schemes, with a further **£14.156m** 'headroom' for investment in schemes that had not reached 'approved business case' stage. Each major capital project was subject to the Council's programme management governance process, which tracks projects through the phases of development.

The Council can determine the level of its borrowing for capital financing purposes, based upon its own views regarding the affordability, prudence and sustainability of that borrowing. The Council determined that it would borrow up to **£85.5m** for capital financing purposes in 2008/09.





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The remainder of the capital programme was to be financed from grants and contributions (£65.789m), capital receipts (£35.215m) and earmarked reserves (£10.780m).

## 5.2 Outturn position

Capital payment guidelines were increased to £201.407m during the year to take account of slippage in schemes from 2007/08 and to add schemes to the programme that had specific funding streams. In comparison, actual expenditure amounted to £183.684m, giving rise to an under spend of £17.723m.

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
<b>Capital payments</b>					
Schools, Children and Families	99,464	62,594	29,896	92,490	(6,974)
Adults, Health & Community Wellbeing	5,675	2,821	2,000	4,821	(854)
Highways and Transportation	78,487	71,794	5	71,799	(6,688)
Environment and Waste	4,414	898	3,379	4,277	(137)
Leader	1,148	88	783	871	(277)
Localism and Planning	2,767	629	1,570	2,199	(568)
Heritage, Culture and the Arts	462	167	110	277	(185)
Economic Development, Regeneration and	6,555	(119)	5,208	5,089	(1,466)
Deputy Leader	2,364	1,596	162	1,758	(606)
Finance and Change Management	71	103	-	103	32
<b>Total of capital payments financed</b>	<b>201,407</b>	<b>140,571</b>	<b>43,113</b>	<b>183,684</b>	<b>(17,723)</b>
<b>Financed by</b>					
Borrowing	(61,133)	(45,228)	(15,905)	(61,133)	-
Unsupported Borrowing	(20,934)	(8,108)	-	(8,108)	(12,826)
Government grants and contributions	(74,629)	(51,696)	(16,221)	(67,917)	(6,712)
Capital receipts	(31,139)	(19,900)	-	(19,900)	(11,239)
Earmarked reserves applied	(13,572)	(15,639)	(10,987)	(26,626)	13,054
<b>Total financing</b>	<b>(201,407)</b>	<b>(140,571)</b>	<b>(43,113)</b>	<b>(183,684)</b>	<b>(17,723)</b>

The under spend largely results from slippage in capital schemes. £16.943m of the under spend will therefore be carried forward to meet the costs of these schemes in 2009/10.

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## 5.3 Capital projects undertaken

The most significant of the capital projects undertaken during 2008/09 are as follows:

Major schemes in 2008/09	Capital Payments £000
<b>Education</b>	
Formula capital grant to schools	19,240
Capitalised building maintenance	9,329
Colchester Queen Boudica primary	6,788
Basildon Academies	5,824
Minor works - Asset Management plan / internal seed funding	4,366
Basildon Pioneer special school	3,992
Felsted new primary school	3,261
School meals accommodation	2,316
Epping primary school relocation	2,170
Schools access improvement projects	2,071
Billericay Ramsden Hall	2,012
Pitsea Felmores school	1,407
Wickford Abacus primary school	1,365
<b>Highways and Transportation</b>	
Bus lane - First Avenue, Harlow	4,243
Pitsea Flyover Refurbishment, Phase IV	3,252
Brentwood High Street improvements	3,085
Basildon enterprise corridor (A127, A130 and A1245 Fairglens left turn slip roads)	2,941
Tackling congestion improvement scheme	2,155
Basildon A13 / A130 Sadlers Farm	2,104
Pitsea Flyover Phase III	1,500
Life-extending maintenance of unclassified carriageways:	
Basildon	1,239
Chelmsford	1,220
Tendring	1,120
Braintree	1,046
A127 route management infrastructure upgrade	1,163
<b>Other</b>	
Consolidation of Wilson Marriage site	1,766
Saffron Walden civic amenity recycling centre	1,720
Integrated Childrens System (part funded by government grant)	1,351
Harlow environment and outdoor pursuit centre	1,199

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.

## 5.4 Capital reserves

At 31 March 2009, 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 **£14.254m**. A further **£9.721m** has been recognised as deferred capital income. Further details are provided on page 66.

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## 6. Borrowing

### 6.1 Long term borrowing

The Council undertakes long term borrowing, for periods of in excess of one year, in order to finance capital spending. The Council satisfies its borrowing requirement for this purpose by securing external loans. However, the Council is able to temporarily defer the need to borrow externally by using the cash it has set aside for longer term purposes; this practice, referred to as ‘internal borrowing’, means that there is no immediate link between the need to borrow to pay for capital spend and the level of external 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 secured **£31m** of new loans during the early part of 2008/09; these loans were taken from the Public Works Loan Board (PWLb). However, the Council subsequently substituted **£49m** of its external debt for ‘internal borrowing’; this was achieved by prematurely repaying loans previously secured from the PWLB. The purposes 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 successive reductions in the bank base rate of interest.



Further details of long term borrowing activities are provided within Note 31, which commences on page 53.

### 6.2 Short term borrowing

The Council undertook short term borrowing during 2008/09 for the following purposes:

- In accordance with its agreement to temporarily borrow the surplus cash balances of the Essex Probation Board.
- 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 31, which commences on page 53.

# Foreword

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## 7. Investments

The Council invested its surplus cash balances in 2008/09 in accordance with guidance issued by the Government. The primary objectives were:

- To ensure that the Council's funds were invested prudently;
- To give priority to security and risk rather than to yield; and
- To maintain sufficient liquidity to meet cash outgoings.

The majority of funds were invested according to the Secretary of State's definition of specified investments, these being sterling deposits made for periods of less than one year and offering high security and high liquidity. Specified investments include deposits with the UK Government, other local authorities, money market funds and bodies with high credit ratings.

The remainder of funds were invested according to the Secretary of State's definition of non specified investments. Non specified investments are undertaken for longer periods, or with bodies that are not highly credit rated; their sole use by the Council was for the purpose of investing funds for periods in excess of one year.



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 and Moody's.

Further details of investment activities are provided within Note 31, which commences on page 53.

## 8. 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.

# Foreword

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As at 1 April 2008, the Council's liability for meeting the future cost of retirement benefits amounted to **£564.039m**. In comparison, the liability amounts to **£549.732m** at 31 March 2009.

Note 7 of the Statement of Accounting Policies, on page 81, explains the basis on which the Council accounts for retirement benefits, and the change to the pension liability in 2008/09 is analysed in note 13 to the accounts, which commences on page 28.

## 9. 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.

All of the accounting policies adopted, that are material in the context of the Council's 2008/09 financial statements, are described in the Statement of Accounting Policies, which is set out on pages 79 to 96.

In the 2008/09 Statement of Accounts, the Council has adopted changes to the following accounting policies:

- **Local Government Pension Scheme** (see Accounting Policy 7.3, which commences on page 82);
- **Capital grants and contributions** (see Accounting Policy 10.5, on page 87); and
- **Revenue expenditure funded from capital under statute** (see Accounting Policy 10.8, on page 89).

The reasons for these changes, and the effect on the accounts, are explained within the Accounting Policy notes.

## 10. Glossary of terms

A glossary of the terminology used throughout the Statement of Accounts is provided on pages 120 to 127.

**Margaret Lee**  
**Chief Financial Officer**  
**29 June 2009**

# Statement of responsibilities

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## 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 Chief Financial Officer.
- 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 **29 June 2009**.

**Cllr Michael Lager**  
**Chairman of the Audit Committee**  
**29 June 2009**



# Statement of responsibilities

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## 3. Chief Financial Officer's responsibilities

The Chief Financial Officer 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 Chief Financial Officer 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. Chief Financial Officer's certificate

I certify that this Statement of Accounts has been prepared in accordance with proper practices, and presents fairly the financial position of the Council at 31 March 2009 and its expenditure and income for the year then ended.

**Margaret Lee**  
**Chief Financial Officer**  
**29 June 2009**

# Auditor's Report

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

### **1. Opinion on the accounting statements**

To be inserted upon conclusion of the audit.

### **2. Respective responsibilities of the Responsible Financial Officer and auditor**

To be inserted upon conclusion of the audit.

### **3. Basis of audit opinion**

To be inserted upon conclusion of the audit.

### **4. Opinion**

To be inserted upon conclusion of the audit.

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

### **5. Authority's Responsibilities**

To be inserted upon conclusion of the audit

### **6. Auditor's Responsibilities**

To be inserted upon conclusion of the audit.

### **7. Conclusion**

To be inserted upon conclusion of the audit.

### **8. Certificate**

To be inserted upon conclusion of the audit.

# Accounting Statements

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## Introduction

The Accounting Statements comprise:

- **Income and Expenditure Account – page 16**

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 16**

The Statement of Movement in 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 17**

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 18**

This sets out the financial position of the Council as at 31 March 2009. 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 19**

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

# Accounting Statements

## Income and Expenditure Account

For the year ended 31 March 2009

2007/08 Net Expenditure £000	Note		2008/09			
			Gross expenditure £000	Income £000	Specific grants £000	Net expenditure £000
2,203	3	Central services to the public	5,096	(2,218)	-	2,878
1,392		Court services	2,299	(649)	-	1,650
96,197		Cultural, environmental and planning services	133,288	(16,482)	(2,899)	113,907
199,133		Children's and Education services	1,485,225	(129,814)	(961,493)	393,918
87,104		Highways, roads and transportation services	148,223	(39,942)	(10,810)	97,471
1,471		Housing services	2,776	(683)	-	2,093
302,115		Adult Social Care	506,099	(110,891)	(42,081)	353,127
18,571		Corporate and democratic core	19,101	(186)	(1)	18,914
15,341		Non distributed costs	7,267	(401)	(89)	6,777
<b>723,527</b>		<b>Net cost of services</b>	<b>2,309,374</b>	<b>(301,266)</b>	<b>(1,017,373)</b>	<b>990,735</b>
2,479	9	Amounts due to precepting authorities	2,762	-	-	2,762
3,562	31	Interest payable and similar charges	16,278	(856)	-	15,422
(16,374)	31	Interest and investment income	2,495	(17,173)	-	(14,678)
1,637	10	Loss / (gain) on disposal of fixed assets	(233)	-	-	(233)
996	11	Net (surplus) / deficit on trading activities	(1,111)	-	-	(1,111)
5,556	13	Pension interest and expected return on pension assets	102,395	(73,350)	-	29,045
<b>721,383</b>		<b>Net operating expenditure</b>	<b>2,431,960</b>	<b>(392,645)</b>	<b>(1,017,373)</b>	<b>1,021,942</b>
(31,580)	14	<b>Financed by</b> General government grant (incl. Revenue Support Grant)				(81,365)
(176,496)		National non domestic rates				(204,415)
(522,291)		Demand on the Collection Fund				(550,838)
<b>(730,367)</b>						<b>(836,618)</b>
<b>(8,984)</b>		<b>(Surplus) / deficit for the year</b>				<b>185,324</b>

## Statement of the Movement on the General Fund Balance

For the year ended 31 March 2009

2007/08 £000	Note		2008/09 £000
(8,984)		(Surplus) / deficit on the Income and Expenditure Account	185,324
256	15	Net additional amount required by statute and non-statutory proper practices to be debited to the General Fund Balance for the year	(172,857)
<b>(8,728)</b>		<b>(Increase) / decrease in the General Fund Balance for the year</b>	<b>12,467</b>
(30,199)		General Fund Balance brought forward	(38,927)
<b>(38,927)</b>		<b>General Fund Balance carried forward</b>	<b>(26,460)</b>

# Accounting Statements

## Statement of Total Recognised Gains and Losses

For the year ended 31 March 2009

2007/08 £000	Note		2008/09 £000
(8,984)		(Surplus) / deficit for the year on the Income and Expenditure Account	185,324
(184,356)	38	Surplus arising on revaluation of fixed assets	(157,043)
209,858	13	Actuarial (gains) / losses on Pension Fund assets and liabilities	(35,500)
16,518		<b>Total recognised (gains) and losses for the year</b>	(7,219)
2,877		Cumulative effect on reserves of prior period adjustments made in respect of financial instruments	-
<b>19,395</b>			<b>(7,219)</b>

# Accounting Statements

## Balance Sheet

As at 31 March 2009

2007/08		Note		2008/09	
£000	£000			£000	£000
	969	19 - 24	Intangible fixed assets		713
			<b>Tangible fixed assets</b>		
			<b>Operational assets</b>		
2,217,973			Land and buildings	2,246,797	
8,910			Vehicles, plant and equipment	7,421	
384,153			Infrastructure	419,004	
1,793			Community assets	2,353	
			<b>Non operational assets</b>		
60,480			Assets under construction	84,951	
23,755			Surplus assets held pending disposal	16,097	
	2,697,064				2,776,623
	2,698,033		<b>Total fixed assets</b>		2,777,336
	82,094	31	Long term investments		65,197
	21,576	26	Long term debtors		28,554
	5,233		Deferred consideration		5,025
	2,806,936		<b>Total long term assets</b>		2,876,112
			<b>Current assets</b>		
274			Stocks and work in progress	218	
114,675		27	Debtors	102,356	
172,429		31	Short term investments	152,677	
-		32	Landfill allowances	-	
21,414		28	Cash and bank	22,591	
	308,792				277,842
	3,115,728		<b>Total assets</b>		3,153,954
			<b>Current liabilities</b>		
(242,033)		30	Creditors	(275,077)	
(5,340)		31	Short-term borrowing	(5,037)	
	(247,373)				(280,114)
	2,868,355		<b>Total assets less current liabilities</b>		2,873,840
			<b>Long term liabilities</b>		
(361,758)		31	Long term borrowing	(342,744)	
(19,960)		33	Deferred credits	(19,845)	
(29,278)		34	Provisions	(27,520)	
(221,574)		36	Deferred grants and contributions	(255,195)	
(300)		25	Finance lease obligations	(139)	
(564,039)		13	Pension liability	(549,732)	
	1,671,446		<b>Total assets less liabilities</b>		1,678,665
			<b>Financed by:</b>		
(173,543)		38	Revaluation reserve	(330,683)	
(1,798,796)		39	Capital Adjustments Account	(1,628,412)	
4,722		41	Financial Instruments Adjustment Account	3,551	
564,039		13	Pension reserve	549,732	
(13,883)		40	Usable capital receipts reserve	(14,254)	
(18,517)		40	Deferred capital receipts	(9,721)	
(38,927)			General Fund Balance	(26,460)	
(196,541)		16	Earmarked reserves	(222,418)	
	(1,671,446)		<b>Total equity</b>		(1,678,665)



# Accounting Statements

## Cash Flow Statement

For the year ended 31 March 2009

2007/08 (restated)		Notes		2008/09	
£000	£000			£000	£000
			<b>Revenue Activities</b>		
			<b>Cash outflows</b>		
977,023			Cash paid to and on behalf of employees	1,027,205	
964,987			Other operating cash payments	1,050,072	
2,479			Precepts paid	2,762	
	1,944,489				2,080,039
			<b>Cash inflows</b>		
(522,291)			Precepts received	(550,838)	
(176,496)			National non-domestic rates receipts from national pool	(204,415)	
(31,580)			General government grants (incl. Revenue Support Grant)	(79,872)	
(1,047,604)		42	Other government grants	(1,020,954)	
(297,234)			Cash received for goods and services	(333,660)	
	(2,075,205)				(2,189,739)
	(130,716)	43	<b>Revenue activities net cash flow</b>		(109,700)
			<b>Returns on investments and servicing of finance</b>		
			<b>Cash outflows</b>		
22,834			Interest paid	16,691	
-			Interest element of finance lease rental payments	35	
			<b>Cash inflows</b>		
(19,905)			Interest received	(13,472)	
	2,929				3,254
			<b>Capital activities</b>		
			<b>Cash outflows</b>		
133,676			Purchase of fixed assets	151,136	
45,183			Other capital cash payments	43,113	
	178,859				194,249
			<b>Cash inflows</b>		
(24,498)			Sale of fixed assets	(21,579)	
(45,950)		42	Capital grants received	(38,214)	
(20,938)			Other capital cash receipts	(12,016)	
	(91,386)				(71,809)
	(40,314)	44	<b>Net cash outflow/(inflow) before financing</b>		15,994
	(19,904)	45	<b>Management of liquid resources</b>		
82,094			Net increase / (decrease) in short term deposits		(19,752)
			Net increase / (decrease) in long term deposits		(16,897)
			<b>Financing</b>		
			<b>Cash outflows</b>		
142,561			Repayment of amounts borrowed	50,009	
243			Capital element of finance lease rental payments	161	
			<b>Cash inflows</b>		
(168,004)			New loans raised	(30,978)	
(4,273)			New short-term loans	286	
	(7,597)		<b>Net increase in cash</b>		(1,177)

Note:

The 2007/08 figures have been restated to reflect a change in the accounting treatment of grants and contributions received for the financing of revenue expenditure funded from capital under statute. Previously, these grants were treated as capital grants; the 2007/08 comparative figures have been restated to recognise these as revenue grants. Note 43, on page 72, shows the effect of reclassifying these grants, and Accounting Policy note 10.5 explains the change in further detail.

# 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 16 to 19) and provide further information upon the financial performance of the Council during 2008/09. The notes set out within this section are listed below for ease of reference.

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# Notes to the Accounts

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## 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 79 to 96.

## 3. 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.

## 4. Dedicated Schools Grant

The Council's expenditure on schools is funded by a grant awarded by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget.

The Schools Budget includes elements for a restricted range of services provided on an authority wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and under spends on the two elements are required to be accounted for separately. The Council is able to supplement the Schools Budget from its own resources, but has not done so during 2008/09.



# Notes to the Accounts

Details of the deployment of DSG receivable for 2008/09 are provided in the following table.

2007/08		2008/09		
		Central Expenditure	Individual Schools Budget	Total
£000		£000	£000	£000
(733,178)	Original grant allocation to Schools Budget for the year	(37,750)	(722,937)	(760,687)
(67)	Adjustment to final grant allocation	(925)	6,617	5,692
(733,245)	<b>DSG receivable for the year</b>	(38,675)	(716,320)	(754,995)
726,802	Actual expenditure for the year	40,441	713,845	754,286
(6,443)	<b>Over / (under) spend for the year</b>	1,766	(2,475)	(709)
(49,669)	Under spend from prior year	(3,210)	(52,902)	(56,112)
(56,112)	<b>Over / (under) spend carried forward</b>	(1,444)	(55,377)	(56,821)

The net under spend against the Individual Schools Budget is held within the Schools 'earmarked revenue reserve' (see note 16 on page 36).

## 5. Local Authorities (Goods and Services) Act 1970

The Council is empowered, under the Local Authorities (Goods and Services) Act 1970 to enter into agreements with other local authorities and certain prescribed bodies for any of the following purposes:

- Supply of goods and materials
- Provision of administrative, professional or technical services
- Provision of vehicles, plants or apparatus
- Maintenance of land or buildings



The charges levied upon other local authorities and prescribed bodies reflect the estimated full cost of service provision – the aim is to break even, so that the income earned meets the costs incurred.

# Notes to the Accounts

Set out in the following table is the income earned from the provision of goods and services by the Council under the 1970 Act.

2007/08 £000		2008/09 £000
	<b>Services</b>	
382	Library services	396
315	Coroners' courts	372
194	Spatial planning	121
187	Emergency Planning	154
164	Historic environment and archaeology	240
157	Education service units	144
147	Urban design and historic buildings advice	271
89	Essex record office	91
25	Environmental Planning	3
24	Tree Inspections	5
	<b>Recharged Strategic Support Services</b>	
1,159	Human resources	979
591	Law and administration	372
539	Finance	227
17	Procurement (incl. Car Provision Scheme)	12
	<b>Trading activities</b>	
91	Essex Transport	3
5	Reprographics	-
<b>4,086</b>		<b>3,390</b>

Goods and services were provided to bodies that were established to take over functions previously provided by the Council, including to the Essex Police and Fire authorities, the Essex Probation Board, schools and Southend and Thurrock Unitary Authorities.

## 6. Publicity

In accordance with the requirements of Section 5 (1) of the Local Government Act 1986 the Council's spending on publicity was:

2007/08 £000		2008/09 £000
	<b>Advertising</b>	
1,630	Recruitment	1,734
2,498	Other advertising	3,480
647	<b>Other publicity</b>	785
<b>4,775</b>		<b>5,999</b>



# Notes to the Accounts

## 7. Audit costs

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

2007/08 £000		2008/09 £000	2008/09 £000
	<b>Fees payable to the appointed auditor</b>		
449	External audit services carried out by appointed auditor	403	
75	Certification of grant claims and returns	35	
48	Other services carried out by appointed auditor	-	
<u>572</u>			438
	<b>Fees payable to the Audit Commission in respect of statutory inspections</b>		
16			93
<u>588</u>			<u>531</u>

## 8. 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 2008/09 amounted to:

2007/08 £000		2008/09 £000
790	Basic allowances	813
632	Special responsibility allowances	652
<u>1,422</u>		<u>1,465</u>

## 9. Amounts due to precepting bodies

The following precepts and levies were paid by the Council:

2007/08 £000		2008/09 £000
1,571	Lee Valley Regional Park	1,596
699	Environment Agency	944
209	Kent and Essex Sea Fisheries Committee	222
<u>2,479</u>		<u>2,762</u>

# Notes to the Accounts

## 10. 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:

2007/08 £000		2008/09 £000
(27,583)	Disposal proceeds	(11,475)
<u>28,342</u>	Carrying value of assets disposed of during the year	<u>9,775</u>
759		(1,700)
1,198	Disposal costs	1,467
(320)	Government grant deferred	-
<u>1,637</u>	Net loss / (gain) charged to Income & Expenditure Account	<u>(233)</u>

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

## 11. 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 2008/09, are provided in the following table.



# Notes to the Accounts

	Balance 1 April 2008  £000	2008/09					Balance 31 March 2009  £000
		Income	Expend- iture	Financing items	Net (Surplus) / deficit £000	Approp- riations  £000	
<b>School support services</b>							
<b>School improvement and advisory service</b> <i>Delivery of advisory and inspection, governor services, music services and school library service.</i>	(742)	(9,542)	8,594	-	(948)	1,358	(332)
<b>School Support (Finance)</b> <i>Delivery of financial management support.</i>	(394)	(1,542)	1,235	-	(307)	252	(449)
<b>School staffing insurance scheme</b> <i>A self insurance scheme for schools, supporting sickness and relocation expenses.</i>	(1,352)	(4,191)	4,520	-	329	-	(1,023)
<b>Essex equipment service (see note i)</b> <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.</i>	(452)	(10,975)	10,644	-	(331)	27	(756)
<b>Viking community transport (see note ii)</b> <i>Community transport operation for the district area of Maldon.</i>	(5)	-	5	-	5	-	-
<b>Essex Transport (see note iii)</b> <i>Provision of transport management and vehicle maintenance services.</i>	(1,625)	(378)	466	55	143	1,482	-
<b>Reprographics (see note iv)</b> <i>Provision of reprographics services.</i>	(186)	-	2	-	2	184	-
<b>Smarte East (see note v)</b> <i>Procures framework arrangements for construction projects.</i>	-	(109)	105	-	(4)	-	(4)
	(4,756)	(26,737)	25,571	55	(1,111)	3,303	(2,564)

## Notes:

- (i) The Essex Equipment Service Trading Account will close in 2009/10 with activities transferring to the Essex Equipment Service Ltd. See note 49 to the Accounts on page 78 for further details.
- (ii) The Viking Community Transport trading activity was closed in March 2008, when the service was outsourced to the Maldon and District Council for Voluntary Services (Maldon CVS). A contribution of **£52,000** was made to the Maldon CVS as initial funding in 2007/08. The residual reserves of the former trading activity (**£5,000**) were paid to the Maldon CVS during 2008/09.
- (iii) Essex Transport ceased trading on 1 May 2008, following the outsourcing of the service to Vehicle Leasing Services (VLS). The assets held by Essex Transport were sold to VLS, generating a capital receipt which has been added to the Council's Usable Capital Receipts Reserve. The residual revenue reserves of the former trading activity were appropriated to the General Fund Balance upon closure of the 2008/09 accounts.
- (iv) Reprographics ceased trading with effect from 31 March 2008, following the outsourcing of the service to Corporate Document Services. Minor items of expenditure, associated with closure of the trading account, were incurred during 2008/09. The residual revenue reserves of the former trading activity were appropriated to the General Fund Balance upon closure of the 2008/09 accounts.
- (v) Smarte East is a new trading activity established in 2008/09 to procure framework arrangements for construction projects for Essex, Suffolk and Hertfordshire Council Councils.

# Notes to the Accounts

## 12. Teachers Pensions

The following table shows the amounts the Council paid to the Department for Children, Schools and Families (DCSF) in respect of teachers' pension costs.

2007/08 £000		2008/09 £000
54,715	Employer's contributions	55,023
24,659	Employee contributions	25,255
<u>79,374</u>	Total paid to DCSF	<u>80,278</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 2008/09, these amounted to **£3.5m** (2007/08: £3.1m), representing **0.85%** 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.

## 13. Local Government Pensions Scheme

### 13.1 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%** (2007/08: 6% with certain exceptions). 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

## 13.2 Change in accounting policy

Under the 2008 Statement of Recommended Practice for Local Government bodies, the Council has adopted the amendment to FRS 17 – Retirement Benefits. As a result, quoted securities held as assets in the Council's pension scheme are now valued at bid price rather than mid-market value.

The impact of this change on the value of scheme assets is a decrease of **£1.093m**, which has been accounted for within the actuarial gains and losses balance for 2008/09. This, in turn, impacts on the pension liability, which has increased by the same amount.

## 13.3 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:

2007/08 £000		2008/09 £000      £000	
<b>Income and Expenditure Account</b>			
	Net cost of Services		
43,719	Current service cost	53,771	
11,633	Past service cost / (gain)	328	
1,839	Curtailment loss/(gain)	1,753	
<u>57,191</u>			55,852
	Net operating expenditure		
80,597	Interest cost	102,395	
(75,041)	Expected return on assets in the scheme	(73,350)	
<u>5,556</u>			29,045
<u>62,747</u>	<b>Net charge to the Income and Expenditure Account</b>		<u>84,897</u>
<b>Statement of Movement on the General Fund Balance</b>			
(5,966)	Reversal of net charges made for retirement benefits in accordance with FRS17		(21,193)
<u>56,781</u>	<b>Actual amount charged against the General Fund Balance in the year: employers' contributions payable to the Scheme</b>		<u>63,704</u>

# Notes to the Accounts

In addition to the recognised gains and losses included in the Income and Expenditure account, actuarial gains of **£35.5m** (2007/08: actuarial loss of £209.858m) 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 **£145.229m** (2007/08: £180.729m).

## 13.4 Assets and liabilities in relation to retirement benefits

### Scheme liabilities

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

2007/08 £000		2008/09 £000
1,491,817	<b>Balance as at 1 April</b>	<b>1,671,192</b>
43,719	Current Service Cost	53,771
80,597	Interest Cost	102,395
16,753	Contributions by scheme participants	19,246
83,879	Actuarial (gains) / losses	(349,288)
(59,045)	Benefits paid	(58,195)
11,633	Past service costs	328
1,839	Curtailements	1,753
<b>1,671,192</b>	<b>Balance as at 31 March</b>	<b>1,441,202</b>

### Scheme assets

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

2007/08 £000		2008/09 £000
1,143,602	<b>Balance as at 1 April</b>	<b>1,107,153</b>
75,041	Expected return on scheme assets	73,350
(125,979)	Actuarial gains / (losses)	(313,788)
56,781	Contributions by the Council	63,704
16,753	Contributions by scheme participants	19,246
(59,045)	Benefits paid	(58,195)
<b>1,107,153</b>	<b>Balance as at 31 March</b>	<b>891,470</b>



# 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 but restricted to 2% per annum over and above that available on gilts, reflecting in increased risk of default in the corporate bond yield; and
- **Equities:** Yield on 20 year interest gilts plus an allowance of approximately 3.5% per annum for the 'risk premium' associated with equity investment.



The actual return on scheme assets for the year was a loss of **£239.345m** (2007/08: loss of £48.288m). This reflects the difficult financial conditions over the last year.

## Scheme history

	Present value of liabilities	Fair value of scheme assets	Surplus / (deficit) in the Scheme £000
	£000	£000	£000
2004/05	(1,290,637)	824,418	(466,219)
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)

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 **£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 2010 is **£58.840m**.

# Notes to the Accounts

## 13.5 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:



2007/08		2008/09
3.60%	Rate of inflation	3.30%
5.10%	Rate of increase in salaries	4.80%
3.60%	Rate of increase in pensions	3.30%
6.10%	Discount rate	7.10%
<b>Mortality assumptions:</b>		
<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	22.0 years
24.8 years	Female	24.9 years
<b>Commutation of pension for lump sum at retirement</b>		
50.00%	% taking maximum cash	50.00%
50.00%	% taking 3/80 <sup>th</sup> cash	50.00%
<b>Long term expected rate of return on assets in the scheme</b>		
7.50%	Equities	7.50%
4.60%	Government Bonds	4.00%
6.10%	Other bonds	6.00%
6.50%	Property	6.50%
5.25%	Cash / liquidity	0.50%

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

2007/08		2008/09
%		%
70.2	Equities	74.5
9.4	Government Bonds	8.7
6.6	Other Bonds	5.3
10.7	Property	9.8
3.1	Cash / liquidity	1.7
<u>100.0</u>		<u>100.0</u>

# Notes to the Accounts

## 13.6 History of experience gains and losses

The actuarial gains and losses identified as movements in the Pension Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets and liabilities at 31<sup>st</sup> March.

	Difference between expected and actual return on assets %	Experience gains and losses on liabilities %
2004/05	4.40%	0.50%
2005/06	15.50%	1.90%
2006/07	1.10%	0.00%
2007/08	11.10%	1.10%
<b>2008/09</b>	<b>35.10%</b>	<b>0.00%</b>

## 13.7 Pension Reserve

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

2007/08 £000		2008/09 £000	£000
348,215	Balance as at 1 April		564,039
	Appropriation from Pension Reserve		
43,719	Current service (pension) costs	53,771	
11,633	Past service cost / (gain)	328	
1,839	Curtailment	1,753	
80,597	Interest cost	102,395	
(75,041)	Expected return on assets	(73,350)	
(56,781)	Pension costs payable from Council Tax	(63,704)	
<u>5,966</u>	Total appropriation from / (to) Pension Reserve		<u>21,193</u>
209,858	Actuarial loss / (gain)		(35,500)
<u>564,039</u>	Balance as at 31 March		<u>549,732</u>

# Notes to the Accounts

## 14. General government grants

The following general government grants were received by the Council:

2007/08 £000		2008/09 £000
29,620	Revenue Support Grant	28,456
-	- Area Based Grant	50,914
1,960	Local Authority Business Growth Incentive Grant	502
-	- General Government Grant Deferred	1,493
<u>31,580</u>		<u>81,365</u>

In 2008/09, the Council received an Area Based Grant (ABG) from the Government. This was a new grant which replaced the Local Area Agreement (LAA) Grant received in 2007/08. Unlike the Local Area Agreement Grant, the use of the Area Based Grant is not restricted to supporting the achievement of Local Area Agreement targets. As a result, the ABG is accounted for as a general grant (the LAA Grant, being a restricted grant, was included as income within net cost of services in the Income and Expenditure Account. The Council's share of LAA grant received in 2007/08 to fund its own services amounted to **£9.462m**).

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 (see note 36 on page 63).

## 15. Movement on the General Fund Balance

The Income and Expenditure Account (see page 16) shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated in 2008/09. 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.

2007/08 £000	Note		2008/09 £000
		<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance</b>	
(34,190)	39	Depreciation of fixed assets	(40,735)
(26,541)	39	Impairment of fixed assets	(167,804)
(208)	39	Capital Adjustment Account - deferred consideration	(208)
32,732	36	Government Grant Deferred amortisation	23,613
(45,186)		Revenue expenditure funded from capital under statute	(43,113)
(759)	10	Net (loss) / gain on the sale of fixed assets	1,700
109	41	Amortisation of premiums / discounts to the General Fund	108
(1,954)	41	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 discounts on the early repayment of debt	1,063
(62,747)	13	Net charges made for retirement benefits in accordance with FRS 17	(84,897)
(138,744)			(310,273)
		<b>Amounts not included in the Income and Expenditure Account but required by statute when determining the movement on the General Fund Balance</b>	
20,759	39	Minimum revenue provision for capital financing	21,076
29,568	23	Capital expenditure charged in year to the General Fund Balance	26,626
56,781	13	Employer's contributions payable to the Pension Fund	63,704
107,108			111,406
		<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>	
14,847	39	Voluntary revenue provision for capital financing	133
17,045	16	Net transfers to earmarked reserves	25,877
31,892			26,010
256		<b>Net additional amount required to be credited to the General Fund Balance of the year</b>	(172,857)

# 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
<b>Schools</b>	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.
<b>Future capital funding</b>	Comprises revenue contributions to be used to supplement the resources available to finance future capital expenditure.
<b>PFI reserves</b>	Equalise the timing differences between expenditure and government grant over the life of the PFI contracts.
<b>Waste reserve</b>	To smooth the effects of future increases in the costs of waste disposal.
<b>Service improvements</b>	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.
<b>Essex Pledges</b>	Used to help meet the costs of achieving the annual pledges for delivery of the priorities outlined in our ‘EssexWorks’ vision.
<b>Carry Forwards</b>	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 will be allocated from this reserve on the basis of business case submissions.
<b>IMT development</b>	Provides for future costs of developing the Council’s information technology strategy.
<b>Debt financing</b>	To meet costs arising from the refinancing and management of the Council’s debt portfolio.
<b>Insurance</b>	Provides for future potential and contingent liabilities for insurance claims.
<b>ExDRA partnership</b>	To meet costs associated with the Council’s partnership with the Essex Development and Regeneration Agency (ExDRA).
<b>Health and safety</b>	Used to meet the costs of undertaking asbestos, legionella and disability discrimination act surveys.
<b>Pension deficit</b>	Used to mitigate the impact of increases in employers’ pension contributions arising as a consequence of actuarial valuations of the Pension Fund.

# Notes to the Accounts

Reserves	Purpose and usage
Trading activities	Surpluses generated by trading activities, to be applied by these activities in subsequent years.
Carbon reduction	Used to finance measures aimed at reducing the Council's carbon footprint.
Developing partnerships	Used to develop effective partnership working in order to spend more on key services.
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 2008/09.
Quadrennial elections	Reserve established to meet costs associated with the Council's quadrennial elections.
Capital receipts pump priming	Used to meet costs associated with bringing properties into readiness for disposal.
Partnerships	To retain unspent contributions from partners and apply them in subsequent years.
Transformation	Used to meet costs associated with project management and change management aspects of the Council's ambitious programme of transformation.
Tendring PPP	To meet costs associated with the Tendring PPP contract.
Essex Art Fund	Used to purchase and commission art by Essex artists.





# Notes to the Accounts

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

	Balance 1 April 2008	2008/09 Movements in Reserves			Balance 31 March 2009
		Contributions	Withdrawals	Net Movement	
	£000	£000	£000	£000	£000
<b>Schools</b>	<b>(52,902)</b>	<b>(12,097)</b>	<b>9,622</b>	<b>(2,475)</b>	<b>(55,377)</b>
<b>Future capital funding</b>					
General	(13,305)	(19,691)	26,626	6,935	(6,370)
Bellhouse landfill site	(61)	-	-	-	(61)
Historic Buildings	(120)	-	-	-	(120)
	<b>(13,486)</b>	<b>(19,691)</b>	<b>26,626</b>	<b>6,935</b>	<b>(6,551)</b>
<b>Equalisation reserves</b>					
PFI equalisation reserves					
A130 PFI	(45,053)	(4,679)	200	(4,479)	(49,532)
Debden PFI	(4,933)	(406)	-	(406)	(5,339)
Clacton Secondary schools	(3,919)	(671)	-	(671)	(4,590)
Waste Reserve	(11,035)	(14,829)	2,726	(12,103)	(23,138)
	<b>(64,940)</b>	<b>(20,585)</b>	<b>2,926</b>	<b>(17,659)</b>	<b>(82,599)</b>
<b>Other reserves</b>					
Service Improvements	(36,123)	(1,747)	15,505	13,758	(22,365)
Essex Pledges	-	(10,000)	979	(9,021)	(9,021)
Carry forwards	-	(8,223)	-	(8,223)	(8,223)
IMT Development	(6,279)	(876)	667	(209)	(6,488)
Debt financing	(5,600)	-	-	-	(5,600)
Insurance	(3,032)	(1,482)	-	(1,482)	(4,514)
ExDRA partnership	(1,825)	(1,519)	-	(1,519)	(3,344)
Health and safety	(2,012)	(1,150)	157	(993)	(3,005)
Pension deficit	-	(2,627)	-	(2,627)	(2,627)
Trading activities	(4,756)	(363)	2,555	2,192	(2,564)
Carbon reduction	(1,105)	(416)	-	(416)	(1,521)
Developing partnerships	-	(1,500)	-	(1,500)	(1,500)
Essex Transport	-	(1,482)	-	(1,482)	(1,482)
Quadrenniel elections	-	(1,480)	-	(1,480)	(1,480)
Partnerships	(870)	(494)	-	(494)	(1,364)
Capital Receipts pump priming	-	(1,730)	373	(1,357)	(1,357)
Transformation	(3,000)	(340)	2,567	2,227	(773)
Tendring PPP	(430)	-	-	-	(430)
Essex Art Fund	(181)	(52)	-	(52)	(233)
	<b>(65,213)</b>	<b>(35,481)</b>	<b>22,803</b>	<b>(12,678)</b>	<b>(77,891)</b>
<b>Total</b>	<b>(196,541)</b>	<b>(87,854)</b>	<b>61,977</b>	<b>(25,877)</b>	<b>(222,418)</b>



# 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.

The number of officers whose remuneration in 2008/09 were £50,000 or more, grouped in rising bands of £10,000, are listed in the following table.

2007/08 No. of employees	Remuneration band			2008/09 No. of employees
575	£50,000	to	£59,999	613
187	£60,000	to	£69,999	188
55	£70,000	to	£79,999	56
39	£80,000	to	£89,999	39
21	£90,000	to	£99,999	20
5	£100,000	to	£109,999	10
8	£110,000	to	£119,999	3
1	£120,000	to	£129,999	3
2	£130,000	to	£139,999	2
-	£140,000	to	£149,999	-
1	£150,000	to	£159,999	2
2	£160,000	to	£169,999	-
-	£170,000	to	£179,999	-
1	£200,000	to	£209,999	-
-	£240,000	to	£249,999	1
1	£250,000	to	£259,999	-

## 18. 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 2008/09 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 <b>£1.491m</b> for administering the Fund during 2008/09 (2007/08: £2.047m).</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 <b>£904,000</b> in 2008/09 (2007/08: £842,000).</p>
Essex Police Authority	The Council provided support services to the Essex Police Authority in 2008/09 to the value of <b>£752,000</b> (2007/08: £720,000).
Essex Fire Authority	<p>The Council's Monitoring Officer is also employed as the Monitoring Officer for the Essex Fire Authority. The total value of these services in 2008/09 was <b>£167,000</b>. In 2007/08, the Council also provided financial and other support services to the Fire Authority; this arrangement ceased on 31<sup>st</sup> March 2008. The total cost of services provided in 2007/08 amounted to £464,000.</p> <p>In 2007/08, the Council borrowed the surplus cash balances of the Fire Authority and lent to it, to offset its temporary shortfalls in cash. The Council paid interest on the amounts borrowed from the Fire Authority of <b>£177,000</b> and recovered interest of <b>£69,000</b> on amounts it invested with the Fire Authority. This arrangement ceased on 31st March 2008.</p>

# Notes to the Accounts

Related Party	Declaration
<b>Essex Probation Board</b>	<p>The Council provided financial and other support services to the Essex Probation Board during 2008/09. The value of the services provided in 2008/09 was <b>£266,000</b> (2007/08: £296,000).</p> <p>The Council undertakes the management of the Probation Board's surplus cash balances. The Council paid interest of <b>£73,000</b> on the amounts borrowed (determined at the prevailing Local Authority Seven Day Rate) (2007/08: £137,000).</p>
<b>London Probation Board</b>	<p>The Council provided legal services to the London Probation Board during 2008/09. The charge levied for these services amounted to <b>£102,000</b> (2007/08: £201,000).</p>
<b>Brentwood Borough Council</b>	<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. Brentwood Borough Council pays an agreed sum (<b>£30,000</b> per annum) to the Council in recognition of the role and time involved.</p>
<b>ExDRA</b>	<p>The Council's Executive Director for Schools, Children and Families, Graham Tombs, also sits on the Board of Directors for the Essex Development and Regeneration Agency (ExDRA). ExDRA pays the Council approximately £9,000 per annum in recognition of the role and time involved.</p>
<b>Thames Chase Joint Committee</b>	<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 2007/08 to the value of <b>£5,000</b>.</p>

# Notes to the Accounts

## 19. Net fixed assets

The following table summarises the net movement in fixed assets during 2008/09.

	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
<b>Gross book value</b>							
As at 1 April 2008	1,609	2,252,761	14,444	480,231	1,815	24,046	60,480
Additions							2,835,386
Disposals							-
Revaluations							-
Impairments							-
Transfers							-
<b>As at 31 March 2009</b>							
<b>Depreciation</b>							
Total as at 1 April 2008	(640)	(34,788)	(5,534)	(96,078)	(22)	(291)	(137,353)
Revaluations and restatements							-
Impairments							-
Depreciation for the year							-
Depreciation on assets sold							-
<b>Total as at 31 March 2009</b>							
<b>Net book value at 31 March 2009</b>							
<i>Net book value as at 1 April 2008</i>	969	2,217,973	8,910	384,153	1,793	23,755	60,480
							<b>2,698,033</b>

# Notes to the Accounts

## 20. 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:

Valuation year	Intangible assets	Land & Buildings	Vehicles, plant and equipment	Infra-structure	Community Assets	Non-operational assets
	£000	£000	£000	£000	£000	£000
Valued at historical cost						
Valued at current value in:						
2004/05						
2005/06						
2006/07						
2007/08						
2008/09						

An estimate has been made of the increase in value of land and buildings using the average price increase indices since March 2001, supplied by the Council's property advisors, relative to the last valuations undertaken under the rolling programme.

If applied to the land and buildings fixed assets, this would increase the gross book value of standard assets as follows:

	Land and Buildings	Surplus assets held pending disposal
	£m	£m
Gross book value per rolling revaluation programme		
Estimate of gross book value using average price increase indices		

# Notes to the Accounts

## 21. Foundation and voluntary aided schools

Fixed assets and long term liabilities of individual foundation schools are not incorporated into the Council's Balance Sheet (see note 10.9 of the Statement of Accounting Policies, on page 90).

There are **103** (2007/08: 106) foundation schools, with an estimated fixed asset valuation of **£1,390.6m** at 31 March 2009 (31 March 2008: £1,725.9m). A number of these schools have taken out long term loans with the permission of the Department for Education and Skills. The outstanding balance on these loans was **£0.3m** (31 March 2008: £0.4m), repayable over an average period of **5 years** (31 March 2008: 6 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 asset valuation of **£932.5m** as at 31 March 2009 (31 March 2008: £1,052.1m).

A number of 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 in 2009/10:

2008/09		2009/10		
£000		Operating £000	Finance £000	Total £000
626	One year	725	68	793
1,907	Two to five years	1,433	326	1,759
62	Over five years	21	2	23
<b>2,595</b>	<b>Total lease rentals</b>	<b>2,179</b>	<b>396</b>	<b>2,575</b>

# Notes to the Accounts

## 22. Analysis of land and property assets

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

2008		2009
1,298	<b>Freehold land</b> (hectares)	1,265
	<b>Infrastructure</b> (kilometres)	
594	Principal roads	594
6,805	Other roads	6,805
<u>7,399</u>	<b>Total Infrastructure</b> (kilometres)	<u>7,399</u>
	<b>Property assets</b> (number)	
1	County Hall	1
	Education	
2	Nursery schools	2
282	Primary schools ( <i>excl. aided and foundation schools</i> )	281
24	Secondary schools ( <i>excl. aided and foundation schools</i> )	27
19	Special schools ( <i>excl. aided and foundation schools</i> )	18
53	Youth, adult and community centres	49
165	Teachers' and caretakers' houses	158
46	Other education properties	46
	Social Care	
37	Children's centres	39
13	Community homes for children	13
9	Day nurseries and family centres	9
7	Adult residential homes	7
34	Adult day care centres	34
34	Other Social Services properties	30
	Highways	
14	Highway depots	13
14	Other highway properties	16
56	Libraries ( <i>including Library Headquarters</i> )	57
	Other	
15	Civic amenity points	17
27	Farms and cottages	24
13	Gypsy sites	13
9	Country parks	9
21	Other country park properties	20
10	Register offices	10
2	Records Offices	2
1	Shire Hall	1
1	Cressing Temple	1
1	Trading depots	-
42	Other miscellaneous county properties	38
<u>952</u>	<b>Property assets</b> (number)	<u>935</u>

# Notes to the Accounts

## 23. 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.

2007/08			Sources of finance	2008/09		
Capital expenditure	Revenue expenditure funded from capital	Total		Capital expenditure	Revenue expenditure funded from capital	Total
£000	£000	£000		£000	£000	£000
38,265	5,709	43,974	Borrowing	45,228	15,905	61,133
-	-	-	Unsupported Borrowing	8,108	-	8,108
50,662	25,673	76,335	Government grants & contributions	51,696	16,221	67,917
15,638	-	15,638	Capital receipts	19,900	-	19,900
373	-	373	Earmarked revenue reserves applied:	-	-	-
15,391	13,797	29,188	Trading activities	-	-	-
7	-	7	Reserve for future capital funding	15,639	10,987	26,626
			Bellhouse landfill site reserve	-	-	-
120,336	45,179	165,515	Total	140,571	43,113	183,684

## 24. Significant commitments under capital contracts

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

2008 £000		2009 £000
858	Highways and Transportation	1,769
20,520	Education (schools)	29,813
2,760	Other	4,787
24,138		36,369



## 25. Leases

### 25.1 Council as lessee

The Council has acquired the use of a variety of assets under operating and finance lease agreements, including equipment, plant, vehicles and properties. The arrangements for accounting for these leases are explained within Accounting Policy note 12, which commences on page 92.



# Notes to the Accounts

An analysis of the lease rental payments made in 2008/09 is provided in the following table.

2007/08			2008/09		
Operating leases £000	Finance Leases £000		Operating leases £000	Finance Leases £000	
2,570	-	Property	2,673	-	
5,103	289	Other	5,668	200	
<b>7,673</b>	<b>289</b>	<b>Lease rental payments</b>	<b>8,341</b>	<b>200</b>	

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 (2009/10) 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 2008				31 March 2009		
Property £000	Other £000	Total £000		Property £000	Other £000	Total £000
698	1,361	2,059	One year	269	2,578	2,847
716	3,355	4,071	Two to five years	1,090	3,920	5,010
1,222	55	1,277	Over five years	1,567	614	2,181
<b>2,636</b>	<b>4,771</b>	<b>7,407</b>	<b>Total lease rentals</b>	<b>2,926</b>	<b>7,112</b>	<b>10,038</b>

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

2007/08 £000		2008/09 £000
543	Balance at 1 April	300
-	Additions	5
(243)	Depreciation	(165)
<b>300</b>	<b>Balance at 31 March</b>	<b>140</b>

# Notes to the Accounts

Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2009, accounted for as part of long term liabilities, are as follows:

2008 £000		2009 £000
	Obligations payable:	
139	In 2009/10	70
159	Between 2010/11 and 2013/14	69
2	After 2013/14	1
<u>300</u>	Total liabilities as at 31 March	<u>140</u>

## 25.2 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.

	31 March 2009		
	Gross book value £000	Accumulated depreciation £000	Net book value £000
Balance at 1 April 2008	7,810	(93)	7,717
Movement in 2008/09	1,094	(9)	1,085
Balance at 31 March 2009	<u>8,904</u>	<u>(102)</u>	<u>8,802</u>

The rent receivable for leasing properties to third parties amounts to **£540,000** per annum (2007/08: £379,000).

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

# Notes to the Accounts

## 26. Long term debtors

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

31 March 2008 £000		31 March 2009 £000
	Debt outstanding on assets transferred to:	
18,853	Southend Unitary Authority	18,001
1,141	Further Education Colleges	1,027
	Amounts due from district councils in relation to local enforcement of on-street parking schemes	
964		891
	Loans to staff for purchase of cars for use on Council business	
97		27
491	Amounts due from care homes and day care providers	491
30	Private street work advances	29
-	Deferred capital receipts	7,221
-	Firstsite - payment in advance	867
<u>21,576</u>	<b>Balance as at 31 March</b>	<u>28,554</u>

## 27. Short Term Debtors

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

2007/08 £000		2008/09 £000	£000
	Sundry debtors		
88,484	Revenue	75,036	
11,061	Capital	2,315	
<u>99,545</u>			77,351
19,940	Payments in advance		22,041
4,838	Government grant debtors		12,943
92	Amounts owed by employees		114
<u>124,415</u>	<b>Total debtors</b>		<u>112,449</u>
(9,740)	Provision for bad debts		(10,093)
<u>114,675</u>	<b>Net total of Debtors</b>		<u>102,356</u>

# Notes to the Accounts

## 28. Cash and Bank

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

2007/08 £000		2008/09 £000      £000	
	Cash in hand		
59,419	Schools' local bank accounts	62,309	
4,985	Trading activities	2,546	
(17,198)	Bank overdraft	(29,599)	
			35,256
718	Petty cash		748
47,924	<b>Total cash held</b>		<b>36,004</b>
(26,510)	Cash held on behalf of external bodies		(13,413)
21,414	<b>Council's cash balance</b>		<b>22,591</b>

## 29. Creditors

An analysis of creditors is provided in the following table.

2007/08 £000		2008/09 £000      £000	
	Sundry creditors		
120,030	Revenue	138,311	
29,931	Capital	34,139	
149,961			172,450
5,281	Employee accruals		6,860
40,293	Sums held on deposit with the Council		41,202
15,049	Receipts in advance		12,998
31,447	Government grant deferred		41,549
2	Other		18
242,033	<b>Total creditors</b>		<b>275,077</b>

# Notes to the Accounts

## 30. Private Finance Initiative / Private Partnership schemes

### 30.1 Private Finance Initiative (PFI) schemes

The Council has entered into several PFI schemes, as detailed within accounting policy note 11, on page 90.

The following table provides:

- An analysis of the payments the Council has made for services provided under these contracts, which are charged to the Net Cost of Services within the Income and Expenditure Account.
- The government grants received towards the capital element of these schemes, and the amounts appropriated to the PFI earmarked revenue reserves.
- The effect of writing down the deferred consideration, which reflects the attributable amount of implicit abatement that the Council receives for assets leased to the PFI / PPP contractors.

2007/08				2008/09		
A130 Road scheme	Debden Park school	Clacton Secondary school		A130 Road scheme	Debden Park school	Clacton Secondary school
£000	£000	£000		£000	£000	£000
8,897	2,328	11,733	Payments to contractors	9,258	2,315	5,731
-	2	28	Deferred consideration	-	2	28
(10,597)	(1,186)	(3,422)	Grant received	(10,173)	(1,139)	(3,285)
6,227	487	(5,245)	Appropriation to earmarked revenue reserve	4,479	406	671
4,527	1,631	3,094		3,564	1,584	3,145

Note:

Clacton PFI reserve was reduced in 2007/08. The reduction was made to correspond with the de-recognition of payments made to finance the scheme at the beginning of the project.

### 30.2 Public / Private Partnership (PPP) schemes

The Council has also entered into a PPP scheme, to enhance primary school provision within the Tendring area. Payments to the contractor for services provided are accounted for within the Income and Expenditure Account, within the Net Cost of Services.

# Notes to the Accounts

The payments, and a consideration for assets leased to the contractor, are set out within the following table.

2007/08 £000		2008/09 £000
2,568	Payments to contractor	2,772
178	Deferred consideration	178
<u>2,746</u>	<b>Total</b>	<u>2,950</u>

## 30.3 Payments to service providers

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, discounted at the Treasury Discount Rate of **3.5%** (2007/08: 3.5%).

Timing of estimated payments	PFI schemes			PPP scheme
	A130 Road scheme £m	Debden Park school £m	Clacton Secondary school £m	Tendring Primary schools £m
Within one year	9	2	6	3
Between 1 and 5 years	35	8	22	10
Between 5 and 10 years	40	9	23	10
Between 10 and 15 years	42	8	19	9
Between 15 and 20 years	18	6	16	7
Between 20 and 25 years	2	2	13	6
Between 25 and 30 years	-	-	4	-
	<u>146</u>	<u>35</u>	<u>103</u>	<u>45</u>

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.

# Notes to the Accounts

## 31. Financial Instruments

### 31.1 Balances

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

31 March 2008			31 March 2009	
Long term	Current		Long term	Current
£000	£000		£000	£000
<b>Financial assets - Loans and receivables</b>				
82,094	172,429	Investments	65,197	152,677
-	21,414	Cash	-	22,591
21,576	109,198	Debtors (contractual)	28,554	89,413
103,670	303,041	Total	93,751	264,681
<b>Financial liabilities at amortised cost</b>				
-	(210,482)	Creditors	-	(220,530)
(361,758)	(5,340)	Borrowing	(342,744)	(5,037)
(361,758)	(215,822)	Total	(342,744)	(225,567)

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



# Notes to the Accounts

## 31.2 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.

2007/08 £000		2008/09 £000      £000	
17,422	External interest payable		17,443
	Premiums and discounts on early repayment of debt		
5,318	Premiums arising	-	
(3,317)	Discounts arising	(1,033)	(1,033)
(135)	Loan charges grant		(132)
(15,726)	Contributions by other local authorities towards the repayment of debt		(856)
<u>3,562</u>			<u>15,422</u>

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.

The significant increase, in 2007/08, in the contributions by other local authorities towards the repayment of debt relates to the full repayment by Thurrock Council of its share of debt.

## 31.3 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:

2007/08 £000		2008/09 £000	
(19,396)	External interest received		(17,173)
3,022	Amounts allocated to sums held on deposit with the Council		2,495
<u>(16,374)</u>	Balance retained in the Income and Expenditure Account		<u>(14,678)</u>



# Notes to the Accounts

## 31.4 Fair value of assets and liabilities carried at amortised cost

The fair values of borrowings have been determined with reference to the 'premature repayment' set of PWLB rates in force at 31 March 2009. 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 2008			31 March 2009		
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000	
(367,098)	(384,603)	Borrowing	(347,781)	(358,239)	
254,523	257,501	Investments	217,874	224,502	

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

The fair value of investment is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates demonstrates 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 loans.

## 31.5 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.

# Notes to the Accounts

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- **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:

- **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

# Notes to the Accounts

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 2008/09, this limit was £80m.

No credit limits were exceeded during 2008/09 and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Of the total amount of debtors at 31 March 2009, **£30.030m** are past their due date for payment (31 March 2008: £30.261m). The past due amount can be analysed by age as follows:

2007/08 £000		2008/09 £000
13,182	Less than three months	10,047
2,296	Three to six months	2,689
5,732	Six months to one year	5,705
9,051	More than one year	11,589
<u>30,261</u>	<b>Total</b>	<u>30,030</u>

# Notes to the Accounts

## 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.

The maturity analysis of financial liabilities is as follows:

2007/08	Repayment period	2008/09				Total
		PWLB	Money Market	Castle Point DC	Other	
£000		£000	£000	£000	£000	£000
5,340	Less than one year	3,057	928	17	1,035	5,037
5,340	<b>Short term borrowing</b>	3,057	928	17	1,035	5,037
18	Between 1 and 2 years	3	-	7	-	10
24	Between 2 - 5 years	5,002	-	9	-	5,011
5,003	Between 5 - 10 years	-	-	5	-	5
-	Between 10 - 25 years	-	-	2	-	2
85,488	Between 25 - 40 years	52,688	-	-	-	52,688
194,225	Between 40 - 50 years	208,028	-	-	-	208,028
77,000	Over 50 years	-	77,000	-	-	77,000
361,758	<b>Long term borrowing</b>	265,721	77,000	23	-	342,744
367,098	<b>Total borrowing</b>	268,778	77,928	40	1,035	347,781

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

# Notes to the Accounts

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.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income 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 **25%** 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 2009, if interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

2007/08 £000		2008/09 £000
425	Interest payable on variable rate borrowing	328
(212)	Interest receivable on variable rate investments	(188)
<u>213</u>	<b>Impact on Income and Expenditure Account</b>	<u>140</u>

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

# Notes to the Accounts

## 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.

## 32. Landfill allowances

The Landfill Allowances Trading Scheme (LATS) commenced operation on 1 April 2005, and will operate until 31 March 2020. LATS is a 'cap and trade' scheme under which the Council receives tradable landfill allowances that it may use to meet its liability for biodegradable municipal waste landfill usage or sell to another waste disposal authority. Where the Council uses more landfill than can be covered by the LATS allowances allocated to it, it must purchase allowances from another authority, or pay a financial penalty to the Department for Environment, Food and Rural Affairs (DEFRA). The basis upon which the Council accounts for LATS allowances is explained within Accounting Policy note 16 on page 93.



LATS allowances are initially measured at their fair value, and subsequently measured at the lower of initial recognition value and net realisable value. The allowances traded during 2008/09 were mostly at nil value. The Council has therefore taken the view that its allowances have no net realisable value (2007/08: £0).

The following table provides a summary of movements in the value of landfill allowances held on the Council's Balance Sheet:

2007/08 £000		2008/09 £000      £000	
2,122	Balance at 1 April		-
(472)	Write down of allowances to net realisable value	-	
(1,650)	Allowances discharged	-	
(2,122)			-
-	Balance as at 31 March		-

# Notes to the Accounts

## 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 2008 £000		31 March 2009 £000
18,853	Repayment of debt Southend Unitary Authority	18,001
-	Firstsite visual arts centre	867
1,107	Local enforcement of on-street parking schemes	977
<u>19,960</u>	<b>Balance as at 31 March</b>	<u>19,845</u>

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 2007/08 the Council made a consolidated payment to the project equivalent to the annual contributions that it would otherwise have made over the next 12.5 years.

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

## 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, but the timing of the transfer is uncertain. Details of the provisions currently held are as follows:

Provision	Background
<b>Insurance Provision</b>	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.



# Notes to the Accounts

Provision	Background
<b>Insurance provision (continued)</b>	<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 1<sup>st</sup> April 1993 to 31<sup>st</sup> March 2001, and went into provisional liquidation on 17<sup>th</sup> June 2001. It is currently not expected that any payments will be received from Independent Insurance.</p>
<b>Section 117</b>	<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>
<b>Landfill allowances</b>	<p>This Provision represents the Council's liability in respect of landfill allowances incurred as biodegradable municipal waste is sent to landfill. This obligation is recognised as a provision on the Council's Balance Sheet.</p>
<b>Capital gain share</b>	<p>This provision represents the outstanding liabilities of the Council arising from capital contracts.</p>
<b>Highways provision</b>	<p>This provision relates to claims for compensation in relation to the construction of a road.</p>
<b>Other</b>	<p>This provision has been established in respect of a commercially sensitive matter.</p>

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 2008  £000	2008/09 movement in Provisions				Balance 31 March 2009  £000
		Amounts arising  £000	Amounts returned to I & E Account  £000	Utilised  £000	Net Movement  £000	
Insurance	(26,949)	(3,764)	-	5,201	1,437	(25,512)
S117 Provision	(399)	-	42	-	42	(357)
Landfill allowances	-	-	-	-	-	-
Capital gain share	(130)	(3)	-	-	(3)	(133)
Highways	-	(860)	-	-	(860)	(860)
Other	(1,800)	-	1,142	-	1,142	(658)
<b>Total</b>	<b>(29,278)</b>	<b>(4,627)</b>	<b>1,184</b>	<b>5,201</b>	<b>1,758</b>	<b>(27,520)</b>



# Notes to the Accounts

## 35. Contingent liabilities

The owners of a care home have made a claim against the Council for loss of business as a consequence of the Council moving residents from the home. The claim amounts to **£60,000** plus costs. The case is at an early stage but the probability of the Council being liable is considered to be low.

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 of Round 2 are still awaited. Hence, it is not possible to make a reliable estimate of any liability at this stage.

The Council is bringing to a close its contract with BT for the provision of information technology services. There is potential for litigation, but it is not possible to determine whether this will result in a liability to the Council.

## 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 Government Grants Deferred Account are summarised as follows:

2007/08 (restated)				2008/09		
Unapplied grant £000	Applied grant £000	Total £000		Unapplied grant £000	Applied grant £000	Total £000
(7,231)	(167,243)	(174,474)	Balance as at 1 April	(10,728)	(210,846)	(221,574)
4,872	(4,872)	-	Application of amounts previously unapplied	8,066	(8,066)	-
(8,369)	(42,928)	(51,297)	Grants and contributions received	2,616	(43,545)	(40,929)
-	4,186	4,186	Allocations to:	-	7,308	7,308
-	11	11	Income and Expenditure Account	-	-	-
			Trading Activities' Revenue Account			
(10,728)	(210,846)	(221,574)	Balance as at 31 March	(46)	(255,149)	(255,195)

The 2007/08 figures have been restated to only include grants and contributions received and applied for the financing of capital expenditure; grants received and

# Notes to the Accounts

applied for the financing of revenue expenditure funded from capital under statute (£28.535m) have been re-categorised as revenue grants. The 2007/08 comparative figures are presented on a basis consistent with 2008/08.

## 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 2008/09 are summarised in the following table, which includes references to other notes that provide further information on these reserves.

Reserves	Balance at 1 April 2008	Balance at 31 March 2009	Net movement in year	Purpose of Reserve	Further details on movement in notes
	£000	£000	£000		
Revaluation Reserve	(173,543)	(330,683)	(157,140)	Store of gains on revaluation of fixed assets since 1 April 2007 not yet realised through sales.	38
Capital Adjustment Account	(1,798,796)	(1,628,412)	170,384	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	4,722	3,551	(1,171)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments.	41
Usable Capital Receipts	(13,883)	(14,254)	(371)	Proceeds of fixed asset sales available to meet future capital investment.	40
Deferred Capital Receipts	(18,517)	(9,721)	8,796	Capital income still to be received from the sale of fixed assets because deferred payment has been agreed.	40
Pensions Reserve	564,039	549,732	(14,307)	Balancing account against the Pensions Liability in the Balance Sheet.	13
General Fund	(38,927)	(26,460)	12,467	Resources available to meet future running costs of services.	
Earmarked revenue reserves	(196,541)	(222,418)	(25,877)	Reserves set aside for policy purposes to meet specific costs in the future.	16
	(1,671,446)	(1,678,665)	(7,219)		

# Notes to the Accounts

## 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:

2007/08 £000		2008/09 £000
-	Balance as at 1 April	(173,543)
(184,356)	Revaluation of fixed assets (increases)	(207,127)
-	Revaluation of fixed assets (subsequent decreases)	50,084
813	Depreciation on revaluation gains	(224)
10,000	Revaluation gains outstanding upon disposal of fixed asset	127
<u>(173,543)</u>	Balance as at 31 March	<u>(330,683)</u>

## 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.

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The following table provides an analysis of the movement in the capital adjustment account.

2008 £000		2009		
		£000	£000	£000
(1,811,780)	Balance as at 1 April			(1,798,796)
	<b>Revaluation of fixed assets</b>			
(813)	Current value depreciation/impairment to historic cost	224		
(10,000)	Revaluation gains outstanding for assets upon disposal	(127)		
			97	
28,342	Cost / value of assets disposed of during the year		9,775	
(15,638)	Capital receipts applied		(19,900)	
	<b>Revenue resources set aside</b>			
(29,568)	Reserves applied	(26,626)		
(35,606)	Revenue provision for repayment of debt	(21,209)		
34,683	Depreciation	40,735		
28,922	Impairment of fixed assets	167,804		
45,186	Revenue expenditure financed from capital under statute	43,113		
208	Deferred consideration	208		
			204,025	
	<b>Deferred capital grants</b>			
(4,197)	Applied to finance capital expenditure		(7,308)	
(28,535)	Applied to finance revenue expenditure funded from capital		(16,305)	
12,984	<b>Total movement</b>			170,384
(1,798,796)	Balance as at 31 March			(1,628,412)

## 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.

2007/08 £000		2008/09 £000
(1,938)	Balance as at 1 April	(13,883)
(27,583)	Disposal proceeds - receipts	(20,271)
15,638	Applied to finance capital expenditure	19,900
(13,883)	Balance as at 31 March	(14,254)

# 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.

2007/08 £000		2008/09 £000
(18,517)	Balance as at 1 April	(18,517)
-	Amounts received	8,796
<u>(18,517)</u>	Balance as at 31 March	<u>(9,721)</u>

It is anticipated that outstanding capital receipts will be received over the period 2009/10 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:

2007/08 Total £000		2008/09		Total £000
		Premiums £000	Discounts £000	
-	Balance as at 1 April	8,792	(4,070)	4,722
2,877	Write out of premiums / discounts previously recognised on the Balance Sheet	-	-	-
(109)	Amortisation of premiums / discounts to the General Fund	(127)	19	(108)
1,954	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)	(968)	(1,063)
4,722	Balance as at 31 March	8,570	(5,019)	3,551

## 42. Interest in companies and other entities

The Council has involvement with a number of companies and other entities, as follows:

### 42.1 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 well being in Essex.

The Council is currently the only member of ExDRA, which is a private company limited by guarantee, with no share capital. The Council's liability is limited to the amount that it has agreed to contribute to the Company's assets if it is wound up (ie. to a maximum of £1). Other local councils may ultimately also become guarantors on a similar basis.

The income and property of the Company can only be applied towards the promotion of its objectives. No proportion of the Company's income or assets can be paid or transferred, directly or indirectly, by way of dividends or bonuses, to the Council (or any other members of the company).

If, upon the winding up, or dissolution of the company, there remains any property, this will be given or transferred to some other institution having objectives similar to the company. The property will not be paid or distributed to the Council (or any other members of the company).

ExDRA is primarily funded by the Council and the East of England Development Agency.

# Notes to the Accounts

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A legal contract sets out the relationship between the Council and ExDRA. The contract operates in conjunction with an annual commissioning agreement framework that sets out the Council's requirements of ExDRA together with performance measures and targets.

In addition to commissioned activities, ExDRA also manages certain projects on behalf of the Council, including management of its Enterprise Centres and administration of various grant funded schemes. The Council is the administering body for these grant funded schemes.

The Council provided indemnity to ExDRA until 31 March 2007, to ameliorate against potential decreases in the level of funding provided by the Council. A new contract makes a reducing provision to cover part of the redundancy costs of former ECC staff. In addition, the Council has provided an undertaking to underwrite the property lease for ExDRA's office accommodation until 31 March 2013. The annual lease cost amounts to **£111,000**.

## **42.2 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.

## **42.3 Essex Careers and Business Partnership (ECBP)**

The Council held 51% of the share capital of 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.

## **42.4 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 PCT; and
- South West Essex PCT.

# Notes to the Accounts

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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.

## 42.5 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.



# Notes to the Accounts

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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.

## **42.6 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.

## **42.7 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;

# Notes to the Accounts

- Mid Suffolk District Council; and
- Harwich Haven Authority.

As accountable body, the County Council accounts for all income and expenditure related to the partnership within its Statement of 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 19.

2007/08			Revenue grants	2008/09
2007/08 Statement of accounts £000	Prior period restatement £000	Restated £000		£000
733,229	-	733,229	Dedicated schools grant	754,995
62,952	-	62,952	Learning and Skills Council Funding	62,983
41,453	-	41,453	Schools Development grant	41,784
38,928	-	38,928	School standard grant	39,711
30,566	-	30,566	Supporting People	29,623
25,254	-	25,254	Education Standards Fund	28,205
12,869	-	12,869	Early years and childcare	17,305
13,955	-	13,955	Access and Systems Capacity	14,597
-	16,857	16,857	Education Standards Fund - foundation schools	9,179
-	-	-	Mental Illness	2,710
-	-	-	EDRB TDA funds	2,341
-	-	-	Invest to Save	2,000
-	-	-	Economic participation	1,933
880	-	880	Asylum seekers	1,422
-	-	-	Haven Gateway	1,279
-	-	-	Connexions Transitions Grant	1,073
-	-	-	Partnerships	1,052
1,137	2,113	3,250	Sure Start	529
886	-	886	Young persons substance misuse	480
19	-	19	Dept of Environment - Food & Rural Affairs	230
1,959	-	1,959	Rural bus subsidy	22
1,024	-	1,024	European Social Fund	15
15,205	-	15,205	PFI grant	-
12,092	2,753	14,845	Local Area Agreement pooled funds	-
5,426	-	5,426	Preserved Rights	-
4,870	-	4,870	Carers' Initiative	-
3,617	256	3,873	Speed camera hypothecation	-
2,589	-	2,589	Delayed Discharge	-
2,481	-	2,481	Children's Fund	-
2,253	-	2,253	National Training Strategy	-
1,582	-	1,582	Mental Health - CAMHS	-
-	1,365	1,365	Care Home improvement grant	-
1,302	-	1,302	Preventative technology - older people	-
1,044	-	1,044	Human Resources Development Strategy	-
4,943	1,745	6,688	Other	7,486
1,022,515	25,089	1,047,604	Total revenue grants	1,020,954

Note:

The 2007/08 comparative figures above have been restated to include grants received to finance revenue expenditure funded from capital under statute; these grants were categorised as capital grants in the 2007/08 Accounts. The restated figures are presented on a basis consistent with 2008/09.

# 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 19.

2007/08			Capital grants	2008/09
2007/08 Statement of accounts £000	Prior period restatement £000	Restated £000		
37,560	(16,857)	20,703	Education Standards Fund	21,416
297	-	297	Fryerns and Craylands regeneration	3,386
-	-	-	Basildon enterprise corridor	2,804
-	-	-	Pitsea Flyover refurbishment (Phase IV)	2,700
7,318	(2,113)	5,205	Sure Start	1,636
355	(256)	99	Speed camera hypothecation	920
-	-	-	Waste infrastructure	805
13,720	-	13,720	Dept for Transport Highways grant	729
-	-	-	Roscommon Way	709
191	-	191	Education Other Grants	579
-	-	-	Colchester & Tendring land use model	556
4,149	-	4,149	Great Notley Bypass	-
520	-	520	First Avenue Harlow	-
2,753	(2,753)	-	Local Area Agreement Safer and Stronger Communities	-
1,365	(1,365)	-	Care Home improvement grant	-
839	(839)	-	Information Management	-
606	(606)	-	Youth Capital Fund	-
1,366	(300)	1,066	Other	1,974
71,039	(25,089)	45,950	Total capital grants	38,214

Note:

The 2007/08 comparative figures above have been restated to exclude grants received to finance revenue expenditure funded from capital under statute. The restated figures are presented on a basis consistent with 2008/09.

# 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 16) with the revenue activities net cash flow shown in the Cash Flow Statement (as set out on page 19).

2007/08				2008/09
2007/08 Statement of accounts £000	Prior period restatement £000	Restated £000		£000
(8,984)	-	(8,984)	<b>Net (surplus) / deficit on Income &amp; Expenditure Account</b>	<b>185,324</b>
			<b>Non cash transactions</b>	
32,732	(25,089)	7,643	Government grants deferred amortisation	9,447
(5,966)	-	(5,966)	Net changes made for retirement benefits	(21,193)
(2,122)	-	(2,122)	Landfill allowances	-
(759)	-	(759)	Loss on disposal fixed assets	1,700
(207)	-	(207)	Capital Financing Account - deferred consideration	(208)
(2,875)	-	(2,875)	Contribution to trading activities reserves	-
(11,041)	-	(11,041)	Increase in provisions	(3,443)
(60,383)	-	(60,383)	Depreciation & impairment of fixed and intangible assets	(208,539)
-	-	-	Interest on finance leases	(35)
(45,186)	-	(45,186)	Revenue expenditure funded from capital under statute	(43,113)
(95,807)	(25,089)	(120,896)		(265,384)
			<b>Accruals</b>	
(10,024)	-	(10,024)	Increase in creditors	(28,836)
(9,061)	-	(9,061)	Decrease in debtors	(3,516)
397	-	397	(Increase) / decrease in long term debtors	(70)
(20)	-	(20)	Decrease in stocks and work in progress	(56)
(18,708)	-	(18,708)		(32,478)
			<b>Other transactions</b>	
5,075	-	5,075	Use of provisions	5,201
15,726	-	15,726	Contribution by other local auth's to the repayment of debt	856
20,801	-	20,801		6,057
(2,929)	-	(2,929)	<b>Servicing of finance</b>	<b>(3,219)</b>
(105,627)	(25,089)	(130,716)	<b>Revenue activities net cash flow</b>	<b>(109,700)</b>

### Note:

The 'Government grant deferred amortisation' comparative figure for 2007/08 has been restated to recognise grants received for the financing of revenue expenditure funded from capital under statute as revenue grants; these grants were accounted for as capital grants in the 2007/08 accounts. The restated figures are presented on a basis consistent with 2008/09.

# 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 2008 £000	Balance 31 March 2009 £000	2008/09 Cash Flow £000
Cash in hand	21,414	22,591	1,177
<b>Borrowing</b>			
Due after one year	(361,758)	(342,744)	19,014
Due within one year	(5,340)	(5,037)	303
Finance lease obligations	(300)	(139)	161
	<u>(367,398)</u>	<u>(347,920)</u>	<u>19,478</u>
<b>Investments</b>			
Short term investments	172,429	152,677	(19,752)
Long term investments	82,094	65,197	(16,897)
	<u>254,523</u>	<u>217,874</u>	<u>(36,649)</u>
<b>Total net debt</b>	<u>(91,461)</u>	<u>(107,455)</u>	<u>(15,994)</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 19) to the related items in the opening and closing balance sheets.

2007/08 Net total £000		2008/09					Net total £000
		Investments		Borrowing		Finance leases	
		Long term £000	Short term £000	Long term £000	Short term £000	£000	
(145,592)	Balance at 1 April	82,094	172,429	(361,758)	(5,340)	(300)	(112,875)
	<b>Management of liquid resources</b>						
(19,904)	Inc / (dec) in short term deposits	-	(19,752)	-	-	-	(19,752)
82,094	Inc/ (dec) in long term deposits	(16,897)	-	-	-	-	(16,897)
62,190		(16,897)	(19,752)	-	-	-	(36,649)
	<b>Financing</b>						
142,561	Repayment of amounts borrowed						
243	Repayment of principal	-	-	49,992	17	-	50,009
	Capital element of finance leases	-	-	-	-	161	161
(166,000)	New loans raised						
(4,273)	New loans raised	-	-	(30,978)	-	-	(30,978)
(2,004)	Interest payable	-	-	-	286	-	286
	Modification of new loans	-	-	-	-	-	-
(29,473)		-	-	19,014	303	161	19,478
(112,875)	Balance at 31 March	65,197	152,677	(342,744)	(5,037)	(139)	(130,046)

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.

# Notes to the Accounts

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 2009 the Council acted as sole trustee for 3 trust funds and as administrator for 9 other trust funds (31 March 2008: 2 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 2008 £000	2008/09 transactions		Balance 31 March 2009 £000
		Income £000	Expenditure £000	
<b>Sole Trustee Funds</b>				
Saffron Walden Library	(22)	-	-	(22)
F W Powell scholarship	(29)	(1)	-	(30)
Kendrick trust	(27)	-	-	(27)
	(78)	(1)	-	(79)
<b>Administrator Funds</b>				
Great and Little Leighs educational trust	(109)	(11)	9	(111)
Paslow common foundation	(80)	(5)	-	(85)
Essex awards (incl. former Florence Knapton and other funds)	(86)	(2)	3	(85)
J H Burrows scholarship	(20)	-	-	(20)
Other	(18)	(2)	-	(20)
	(313)	(20)	12	(321)
<b>Total Trust Funds</b>	<b>(391)</b>	<b>(21)</b>	<b>12</b>	<b>(400)</b>

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 a 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.

2007/08			2008/09		
Saffron Walden Library	Writtle Library & reading room		Saffron Walden Library	Writtle Library & reading room	
£000	£000		£000	£000	
55	6	Expenditure	49	9	
(51)	(6)	Income	(48)	(8)	
<b>4</b>	<b>-</b>	Total	<b>1</b>	<b>1</b>	
1,641	314	Assets	1,633	313	
(10)	-	Liabilities	(3)	-	
<b>1,631</b>	<b>314</b>	Total	<b>1,630</b>	<b>313</b>	

# Notes to the Accounts

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## 49. Post Balance Sheet Events

The Council is in the process of establishing a Local Authority Trading Company (LATC), Essex Cares Ltd, which will receive, following negotiation within the Council, three year contracts for an initial range of services, under formal contract to the County Council. It will be able to trade, within the Council's wellbeing powers, with the Council, private funders, other local authorities and commercial companies in furtherance of its objectives. In addition, three subsidiary companies to Essex Cares Ltd will also be established, as follows:

- Essex Equipment Service Ltd;
- Essex Community Support Ltd; and
- Essex Employment and Inclusion Ltd.

The company has been running in shadow form since 1 April 2009, testing procedures and working within a new culture. The commencement of formal trading and the legal transfer of staff are due to take place on 1<sup>st</sup> July 2009.

Several transactions currently accounted for by the Council will effectively be transferred to the Essex Cares Ltd in 2009/10. The most significant transactions relate to:

- Essex Equipment Service Trading Activity: this trading activity will be transferred to Essex Equipment Service Ltd (further details of the Essex Equipment Service trading activity are detailed within note 11 to the accounts, on page 26).
- The provision of re-ablement and other community support services, which will transfer to Essex Community Support Ltd. The direct costs previously incurred by the Council in the delivery of these services will be replaced by a contract price under the terms of the contract. The direct cost of providing this service in 2008/09 was £9.4m.
- The employment and inclusion service will be contracted out to Essex Employment and Inclusion Ltd and be paid for through a contract price. The direct cost of providing this service in 2008/09 was £8.5m.

## 50. Authorisation of the accounts for issue

The Statement of Accounts 2008/09 was authorised for issue by the Chief Finance Officer on [date to be inserted]. This is the date up to which events after the Balance Sheet date of 31 March 2009 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 2008/09 financial statements, are set out within the following paragraphs and are listed below for ease of reference.

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# Accounting Policies

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## 2. General principles

The Statement of Accounts summarises the Council's transactions for the 2008/09 financial year, and its position as at 31 March 2009. 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

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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 Children, Schools and Families (DCSF).
- 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 **6.1%** (2007/08: 6.1%). 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 bases of valuation have changed since the prior year. Further details of the change are provided within Note 13.2 of the Accounts, on page 29.

- 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.

# Accounting Policies

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- **Past service cost** - the increase in liabilities arising from current year decision, whose effect relates to years of service earned in earlier years, is 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. Fixed assets

### 10.1 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"><li>▪ IT software</li></ul>
Tangible fixed assets – operational	<ul style="list-style-type: none"><li>▪ Land and buildings</li><li>▪ Vehicles, plant and equipment (<i>including IT hardware</i>)</li><li>▪ Infrastructure (<i>roads and highways</i>)</li><li>▪ Community assets (<i>including parks and historic buildings</i>)</li></ul>
Tangible fixed assets - Non operational	<ul style="list-style-type: none"><li>▪ Assets under construction</li><li>▪ Surplus assets held pending disposal</li></ul>

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.

# Accounting Policies

## 10.2 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.

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.



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 section 10.6 for further details.

## 10.3 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.

# Accounting Policies

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.

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 software associated with projects costing in excess of <b>£1m</b> are amortised on a straight line basis over 5 years.</p> <p>Hardware and software associated with smaller projects are fully amortised in the year that the capital expenditure arises.</p>
Land and buildings	Current use value (subject of 5 yearly revaluation cycle)	<p>Buildings are depreciated over <b>60</b> years, on a straight-line basis.</p> <p>Land is not depreciated.</p>
Community assets	Historical cost value	Depreciated over <b>60</b> years, on a straight-line basis.
Trading activities' vehicles and equipment	Current use value (re-valued annually)	Depreciated on straight-line basis, over expected lifetime ranging between <b>4</b> and <b>31</b> years.
Other vehicles and equipment	Historical cost value	Depreciated on a straight-line, over an expected lifetime ranging between <b>5</b> and <b>20</b> years.
Roads and other infrastructure	Historical cost value	<p>Depreciation on additions to Fixed Assets in 2008/09 is provided on a straight-line basis over the following useful economic lives:</p> <ul style="list-style-type: none"> <li>▪ Roads and highway lighting – <b>40</b> years;</li> <li>▪ Structures (eg: bridges) – <b>120</b> years;</li> <li>▪ Off-highways drainage – <b>100</b> years; and</li> <li>▪ Other infrastructure – between <b>15</b> and <b>20</b> years.</li> </ul> <p>Additions to fixed assets in prior years are depreciated over <b>30 – 35</b> 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.

## 10.4 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 section 10.6 for further details.

## 10.5 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

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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.

This represents a change in accounting policy from the previous year. Previous practice was to follow the practice outlined in the first paragraph above, initially recognising the amount in the Government Grant Deferred Account and amortising the grant in line with revenue expenditure funded from capital under statute (formerly 'deferred charges').

There is no monetary impact to the Income and Expenditure Account, Balance Sheet or Statement of Movement on the General Fund Balance as a result of this change in accounting policy as, in prior years, the full balance of grants and contributions used to finance revenue expenditure funded from capital under statute has been fully amortised to the Income and Expenditure Account. However, adjustments have been made to the comparative figures within the Government Grant Deferred Account to remove amounts previously credited.

The change in policy has had an impact upon the Cash Flow Statement as cash balances associated with grants and contributions applied to finance revenue expenditure funded from capital under statute now falls within revenue rather than capital activities. The impact of this change is explained within the Notes to the Accounts (see notes 43 and 44).

## 10.6 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

# Accounting Policies

way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

## 10.7 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 66). The reserve is then applied to finance future capital spending.



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.

## 10.8 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 associated with individual projects are less than **£1.0m** in value or where the costs relate to the Council's IT development staff.

The 2008 Statement of Recommended Practice (SORP) has required the Council to make a change in its accounting policy in relation to the treatment of revenue expenditure funded from capital under statute (formerly known as deferred charges).

# Accounting Policies

In prior years, revenue expenditure funded from capital under statute represented expenditure that was capitalised under statutory provisions but which did not result in the creation of tangible fixed assets. As a result, this expenditure was capitalised in the Balance Sheet and then amortised over a period appropriate to the benefit received by the Council from the expenditure.

As a result of the change in the SORP, the Council now 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.

There is no monetary impact upon the Income and Expenditure Account, Balance Sheet or Statement of Movement on the General Fund Balance as a result of this change in accounting policy as, in prior years, the full balance of revenue expenditure funded from capital under statute was amortised to the Income and Expenditure Account. However, updates been made to reflect changes in description headings within the note to the Statement of Movement on the General Fund Balance.

However, the change in policy has had an impact upon the Cash Flow Statement, as cash balances associated with revenue expenditure funded from capital under statute now fall within revenue rather than capital activities. The impact of this change is explained within the Notes to the Accounts (see notes 43 and 44).

## 10.9 Foundation and voluntary aided 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 schools. Therefore, values and amounts have not been incorporated into the Council's Balance Sheet.

## 11. Private Finance Initiative and Public Private Partnership schemes

### 11.1 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. 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

# Accounting Policies

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

## 11.2 Payments for services provided

Payments made against the contracts for services provided under these schemes are charged to the Net Cost of Services within the Income and Expenditure Account on an accruals basis.

Dowry payments, made to the PFI contractors to secure future reduced annual payments over the life of the contracts, were accounted for as pre-payments for services receivable. These are being 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.



## 11.3 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.

## 11.4 Properties used to provide contracted services

Where properties are needed to fulfil the PFI / PPP contracts for services, the Council evaluates whether it has an economic interest in the properties in accordance with



Financial Reporting Standard (FRS) 5 (Reporting the substance of transactions), and Application Note F (Private Finance Initiative and similar contracts). Application Note F, issued by the Accounting Standards Board, clarifies how the principles and requirements of FRS 5 should apply to transactions conducted under the UK Government's Private Finance Initiative.

Where the Council has leased assets to the PFI / PPP contractors, these assets are recognised within the Council's Balance Sheet at their residual value to the Council at the end of the lease contracts.

# Accounting Policies

## 11.5 Deferred consideration

The Council receives consideration for assets leased to the PFI / PPP operators through an implicit or explicit abatement of the contract payments. The value of the abatement of the contract is recorded on the Council's Balance Sheet as a deferred consideration. The deferred consideration is being written down to the Net Cost of Services within the Income and Expenditure Account over the period of the reduced PFI / PPP payments, in order that the Service revenue account reflects the full cost of the contracts, and not just that element that is paid to the contractors each year. As the charge from the deferred consideration account is a notional figure, an appropriation is made to the Statement of Movement on the General Fund Balance from the Capital Adjustment Account to remove the impact of this on the Council's general fund balance.

## 12. Leases

### 12.1 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.

### 12.2 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.





# Accounting Policies

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## 13. 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).

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.

## 14. Stocks and work in progress

Stock is included in the Balance Sheet at the lower of cost and net realisable value, with the exception of stock held by the Essex Transport and Reprographics trading activities, which is held at replacement cost.

## 15. 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, as explained within note 42 to the Accounts on page 68. The Council has reviewed the nature of its involvement with these companies and is satisfied that the requirement to produce Group Accounts does not currently apply.

## 16. Landfill Allowances Trading Scheme

Landfill allowances, whether allocated by the Department for Environment, Food and Rural Affairs (DEFRA) without charge or purchased from another Waste Disposal Authority (WDA), are recognised as current assets on the Council's Balance Sheet. They are initially measured at their fair value, which is market value for allowances allocated by DEFRA and cost for purchased allowances. Allowances are subsequently measured at the lower of initial recognition value and net realisable value.

# Accounting Policies

The fair value of the landfill allowances allocated by DEFRA without charge is accounted for as a government grant. Accordingly, the grant is initially recognised as deferred income in the Balance Sheet, and subsequently recognised as income to the Income and Expenditure Account.

As biodegradable municipal waste is sent to landfill a liability is incurred for the obligation to hold allowances equal to the landfill usage. This liability is recognised as a provision on the Council's Balance Sheet. The provision is established by charging the Cultural, Environmental and Planning service, within the Income and Expenditure Account, with the amount of the liability.

Where income exceeds expenditure, because less biodegradable municipal waste has been sent to landfill than the allocation of allowances would cover, the Council appropriates the excess income into an earmarked revenue reserve to meet a future year's landfill usage liability.



## 17. Financial Instruments

The SORP 2008 requires the Council to account for financial instruments in accordance with UK Generally Accepted Accounting Practice, as modified by the SORP 2008 and Capital Financing Regulations.

### 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.

In accordance with the SORP 2008 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 note 12 on page 92 ; and
- The Council's rights and obligations under pension schemes – see note 7 on page 81.

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



# Accounting Policies

## 17.2 De-recognition

All financial assets are de-recognised when the rights to receive cash flows from the 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 as detailed by Financial Reporting Standard 26: Financial Instruments – Measurement and permitted by the SORP 2008:

Classification	Description	Measurement base
<b><u>Financial liabilities:</u></b>		
Amortised cost	All financial liabilities not held for trading or are derivatives, e.g. operational creditors and borrowings.	Amortised cost
<b><u>Financial Assets:</u></b>		
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.

# 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 2009

2007/08 £000	Note		2008/09 £000	£000
		<b>Contributions and Benefits</b>		
		<b>Income</b>		
		Contributions receivable		
(41,374)	5	Employees' contributions	(47,296)	
(148,846)	5	Employers' contributions	(164,151)	
(19,548)	5	Transfers from other schemes	(22,358)	
(198)		Other income	(192)	
<u>(209,966)</u>		<b>Total income</b>		(233,997)
		<b>Expenditure</b>		
		Benefits payable		
107,856	5	Pensions	115,672	
30,323		Commutation of pensions and lump sums	32,020	
1,705		Death benefits	3,510	
		Payments to and on account of Leavers		
7		Refunds of contributions	6	
3		State scheme premiums	6	
14,499	5	Transfers to other schemes	13,701	
2,267	7	Administration expenses	1,812	
<u>156,660</u>		<b>Total expenditure</b>		166,727
(53,306)		<b>Net additions from dealings with members</b>		(67,270)
		<b>Returns on investments</b>		
(69,130)	6	Investment income	(69,956)	
220,614	8	Change in market value of investments	821,996	
4,006		Taxation	3,340	
13,327		Investment management expenses	13,687	
<u>168,817</u>		<b>Net returns on investments</b>		769,067
115,511		<b>Net (increase)/decrease in the Fund during the year</b>		701,797
(3,042,879)		<b>Net assets as at 1 April</b>		(2,927,368)
<u>(2,927,368)</u>		<b>Net assets as at 31 March</b>		<u>(2,225,571)</u>

# Pension Fund Accounts

## Pension Fund Accounts

### Net assets statement as at 31 March 2009

31 March 2008		Note	31 March 2009	
£000	£000		£000	£000
Restated				
		<b>8</b>		
		<b>Investments at market value</b>		
		Investment assets		
209,489		Fixed interest securities	149,665	
1,692,485		Equities	1,348,654	
157,128		Index linked securities	72,068	
187,194		Property unit trusts	120,822	
435,523		Managed funds	326,510	
701,629		Derivative Contracts	1,303,142	
119,995		Property	83,165	
122,244		Cash/deposits	101,992	
16,529		Other investments	15,479	
	3,642,216			3,521,497
		Investment liabilities		
(745,705)		Derivative Contracts	(1,335,149)	
(5,340)		Other Investments	(4,003)	
	(751,045)			(1,339,152)
	2,891,171	<b>Total Investments</b>		<b>2,182,345</b>
		<b>10</b>		
		<b>Current assets and liabilities</b>		
	23,888	Cash invested with the County Council		14,413
	16,302	Debtors and payments in advance		32,133
	2,931,361			2,228,891
	(3,993)	Creditors and receipts in advance		(3,320)
	2,927,368			2,225,571

#### Note:

Figures for 31 March 2008 have been restated in line with two changes required by the Statement of Recommended Practice (SORP).

Firstly, LGPS Pension Funds are no longer required to disclose the full economic exposure of Futures contracts in the Net Asset Statement. These figures have been included within the totals for fixed interest securities and equities. In turn, these amounts were then offset by cash backing futures which had been included in the cash/deposit total. Details of the economic exposure to futures are now included within Note 8.5.

Secondly, the SORP now requires investments to be categorised as either Assets or Liabilities and to separately disclose derivative contracts.

# Pension Fund Accounts

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## Notes to the Pension Fund Accounts

### 1. Background

The Essex Pension Fund (the Fund) is governed by the Local Government Pension Scheme Regulations 1997, as amended. The Fund provides pensions and other benefits to employees of the County Council, district, borough and unitary councils and other scheduled and admitted bodies. A complete list of the employers participating in the Fund is contained in the Pension Fund Annual Report and 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.

### 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 2008).

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 and Insurance 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.

### 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

# Pension Fund Accounts

projected unit method. Contribution rates are set after the valuation has been completed and appropriate deficit recovery periods set.

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 and Accounts.

An interim valuation of the Fund as at 31 March 2009 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.

### 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 2009.

For 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 December 2008 and are

# Pension Fund Accounts

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compiled in accordance with the guidelines issued by the British Venture Capital Association or an equivalent body. To estimate the valuation at 31 March 2009, the Fund amends the 31 December 2008 valuation for payments made to and payments received from the private equity managers in the period 1 January 2009 to 31 March 2009.

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 8).

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

Direct property investments have been valued, at open market value, at 31 March 2009, 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.

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 2009.



# Pension Fund Accounts

## 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. However, where a transfer value has been agreed prior to the year end but the payment has not been made, this has been accrued.

## 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.

## 5. Membership activities

### 5.1 Membership

31 March 2008		31 March 2009
43,152	Contributors	46,857
24,995	Deferred pensioners	26,272
27,118	Pensioners	27,992

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

# Pension Fund Accounts

## 5.2 Pension benefits payable

2007/08 £000		2008/09 £000
42,076	County Council	44,551
48,685	District / unitary authorities	51,539
8,573	Other scheduled bodies	9,944
8,522	Other admitted bodies	9,638
<u>107,856</u>		<u>115,672</u>

## 5.3 Contributions receivable

Contributions receivable from employees are set out below:

2007/08 £000 Restated		2008/09 £000
78,491	Normal	88,292
20	Augmentation	145
62,973	Deficit	69,731
7,362	Other	5,983
<u>148,846</u>		<u>164,151</u>

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

2007/08			2008/09	
Employee £000	Employer £000		Employee £000	Employer £000
14,021	46,728	County Council	16,360	51,623
12,957	53,169	District / unitary authorities	14,570	53,071
10,617	28,948	Other scheduled bodies	12,270	31,129
3,779	20,001	Other admitted bodies	4,096	28,328
<u>41,374</u>	<u>148,846</u>		<u>47,296</u>	<u>164,151</u>

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**).

# Pension Fund Accounts

In 2007/08 lump sum contributions were received from Chelmsford Borough Council (£1.843m) and Greenfields Community Housing (£6.277m).

## 5.4 Transfers from other schemes

There were no amounts received in respect of group transfers from other schemes during 2007/08 or 2008/09.

## 5.5 Transfers to other schemes

No amounts were payable in respect of group transfers to other schemes during 2007/08 or 2008/09.

## 6. Investment income

2007/08 £000		2008/09 £000
6,393	Income from fixed interest securities	5,021
46,610	Dividends from equities	42,872
1,217	Income from index linked securities	416
8,253	Net rent from properties	7,396
5,212	Interest from cash deposits	12,892
1,445	Other	1,359
<u>69,130</u>	<b>Total</b>	<u>69,956</u>

## 7. Administrative expenses

	2007/08 £000	2008/09 £000
Administration and Processing	2,047	1,491
Actuarial Fees	185	128
Legal and other Professional Fees	35	193
	<u>2,267</u>	<u>1,812</u>

# Pension Fund Accounts

## 8. Investments

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

2008			2009		
£m	%		£m	%	
141	4.9	Alliance Bernstein	146	6.7	
443	15.3	Baillie Gifford and Co	161	7.4	
281	9.7	Capital International	218	10.0	
98	3.4	First State Investments (UK) Ltd	97	4.4	
135	4.7	Goldman Sachs Asset Management International	132	6.0	
648	22.3	Legal and General Investment Management	712	32.6	
144	5.0	Marathon Asset Management Ltd	146	6.7	
52	1.8	Martin Currie Investment Management Ltd	-	0.0	
34	1.2	Mellon Capital Management	14	0.6	
61	2.1	Mirabaud Investment Management Ltd	-	0.0	
351	12.1	Morley Fund Management	270	12.4	
94	3.3	Nomura Asset Management UK Ltd	-	0.0	
123	4.3	Prudential M&G Alpha Opportunities	111	5.1	
52	1.8	Prudential M&G Infracapital	48	2.2	
51	1.8	Private Equity	65	3.0	
38	1.3	Record Currency Management	(9)	-0.4	
145	5.0	Shareholder activism	71	3.3	
2,891	100.0		2,182	100.0	

**8.2** 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.

2007/08 £m		2008/09 £m	
3,010	Value at 1 April		2,891
	Change from Mid to Bid market value		(3)
	Restated value at 1 April (Bid market value)		2,888
2,698	Purchases at cost	1,170	
(2,674)	Sale proceeds	(961)	
(221)	Change in market value	(819)	
75	Cash movement	(109)	
3	Other investments	13	
(119)			(706)
2,891	Value at 31 March		2,182

For 2008/09, the total transaction costs were **£1.9m** (2007/08: £2.2m).

# Pension Fund Accounts

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

2008 £000 Restated		2009 £000
	<b>Fixed interest securities</b>	
86,051	UK public sector quoted	63,278
67,410	UK quoted	42,409
6,551	Overseas public sector	267
49,477	Overseas quoted	43,711
	<b>Equities</b>	
357,251	UK quoted	57,807
871,132	Overseas quoted	684,967
314,678	UK unit trusts	179,544
149,424	Overseas unit trusts	426,336
	<b>Index linked securities</b>	
128,702	UK public sector quoted	72,068
28,427	UK quoted	-
	<b>Managed funds</b>	
228,526	UK unquoted	171,542
136,714	Overseas quoted	116,145
70,283	Active currency	38,823
	<b>Derivative Contracts</b>	
701,629	Derivative Assets	652,455
(745,705)	Derivative Liabilities	(684,462)
	<b>Property</b>	
27,390	UK properties (leasehold)	21,950
92,605	UK properties (freehold)	61,215
187,194	Property unit trusts	120,822
	<b>Cash deposits</b>	
110,225	Sterling	84,485
9,627	Foreign currency	17,116
2,392	Margin accounts	391
	<b>Investment accruals</b>	
5,586	Debtors - outstanding sales	7,978
(4,743)	Creditors - outstanding purchases	(3,838)
10,943	Income accrual - Debtor	7,501
(598)	Income accrual - Creditor	(165)
<b>2,891,171</b>	<b>Value at 31 March</b>	<b>2,182,345</b>

Figures for 31 March 2008 have been restated in line with two changes required by the Statement of Recommended Practice (SORP).

Firstly, LGPS Pension Funds are no longer required to disclose the full economic exposure of Futures contracts. These figures had been included within the totals for fixed interest securities and equities. In turn, these amounts were then offset by cash backing futures which had been included in the cash/deposit total. Details of economic exposure to futures are now included within Note 8.5.

Secondly, the SORP now requires investments to be categorised as either Assets or Liabilities and to furthermore separately disclose derivative contracts.

# Pension Fund Accounts

- 8.4** 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:

2008		Legal & General Investment Management Unit trust / pooled vehicle	2009	
£000	%		£000	%
Restated				
304,812	10.6	UK Equity Index	179,544	8.1
128,702	4.5	Europe (Ex UK) Equity Index	139,490	6.3
12,402	0.4	North America Equity Index	139,221	6.3

As at 31 March 2009, the Fund had a commitment to contribute a further **£114m** to existing partnership investments, including private equity (31 March 2008: £76m). It is anticipated that payments against these commitments will be made over the next 1 – 5 financial years.

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

31 March 2008 £000		31 March 2009 £000
	Futures Contracts	
30,167	UK Government Fixed Interest	32,899
16,785	Overseas Government Fixed Interest	(40,182)
(972)	UK Equities	125,291
999	Overseas Equities	(123,327)
(46,979)	Cash backing open futures	5,319
-		-
	Forward Foreign Exchange Contracts	
701,629	Sterling	1,303,142
(745,705)	Foreign Currency	(1,335,149)
(44,076)	Total Derivative Contracts held at year end	(32,007)

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

## 9. Additional Voluntary Contributions (AVC) Investments

2007/08 £000		2008/09 £000
6,447	Value of AVC fund at beginning of year	6,355
537	Employees contributions	646
42	Investment income and change in market value	(768)
(671)	Benefits paid and transfers out	(787)
<u>6,355</u>		<u>5,446</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

## 10. Current assets and liabilities

31 March 2008 £000 Restated		31 March 2009 £000
	Current assets	
23,888	Cash invested with the Council	14,413
	Debtors and payments in advance	
16,302	Contributions due	32,133
	Current liabilities	
	Creditors and receipts in advance	
(1,875)	Benefits due	(1,731)
(2,118)	Investment management expenses	(1,589)
<u>36,197</u>	Net total	<u>43,226</u>

## 11. 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 10 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.

## 12. 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](mailto:pensions.investments.web@essex.gov.uk)



# Governance Statement

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## 1. Scope of responsibility

Essex County 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, Essex County Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes 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*. **The Code of Corporate Governance will be refreshed following the June 2009 election.**

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 Regulations 2003 as amended by the Accounts and Audit Regulations 2006 in relation to the publication of a statement on internal control.

## 2. The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievements of its strategic objectives and to consider whether these 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 risk to the achievement of Essex County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Essex County Council for the year ended 31 March 2009 and up to the date of the approval of the Statement of Accounts on **29 June 2009**.

# Governance Statement

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## 3. The governance framework

This section describes the key elements of the systems and processes that comprise the Council's governance arrangements:

- **Identification and communication of the Council's vision of its purpose and intended outcomes for citizens and service users**
- **Reviewing the Council's vision and its implications for the Council's governance arrangements**

The Council's vision for the county and four year work programme, EssexWorks, has now been in place for just over twelve months. EssexWorks is intrinsically linked with and reflected in the Essex Strategy, Local Area Agreement, Corporate Plan and the Council's Budget and the intended outcomes for citizens and service users are clearly set out in the original EssexWorks document (<http://www.essex.gov.uk/documents/EssexWorks.pdf>). It is a programme to deliver the best quality of life in Britain for the people of Essex; it consists of three delivery programmes: our people, our economy and our world. In addition, each year the County Council makes a number of pledges based on what Essex residents have highlighted as being important issues to them.

There are significant implications for the Council's governance arrangements – both formal and informal. Ultimately, the Cabinet is accountable to full Council for delivering the EssexWorks programme. Thus at the Budget meeting of the full Council in February 2009, progress was reported towards the stated outcomes including the 2008-09 pledges, while launching new pledges for 2009-10. Policy and Scrutiny Committees have a role in scrutinising the performance of the County Council against its objectives as set out in EssexWorks and the Corporate Plan. Finally, the Projects Board, a non-decision making group, will monitor progress against the pledges outlined in EssexWorks.

A full review of the Corporate Plan, which will include reviewing its implications for the Council's governance arrangements, will commence in autumn 2009. This will enable it to reflect the incoming administration's manifesto as well as taking steps to integrate it with the Council's budget process.

- **Measuring the quality of services for users, and ensuring they are delivered in accordance with the Council's objectives and that they represent the best use of resources**

The Council's corporate performance management framework sets out the arrangements for ensuring that we deliver services in accordance with the Council's objectives. This has been strengthened and has evolved over the year. The performance framework encompasses corporate and service planning arrangements, to ensure that we are setting appropriate targets and measuring the right things to deliver high quality, value for money services. Performance

# Governance Statement

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information is captured and reported via the corporate system PBViews, 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 different levels including, for example, the Essex Partnership, Cabinet, Scrutiny Committees, Corporate Leadership Team (CLT) and Directorate management teams as well as at unit and team level, and in individual 'my Performance' reviews.

In response to findings from the 2008 Corporate Assessment and other ongoing external assessments, the Council's performance management framework and arrangements have been reviewed. We have developed improved mechanisms for improving data quality and are seeking to better integrate our financial and business planning processes. Following this process, a number of changes are planned for 2009-10 to really embed and improve performance management across the Council. This includes greater integration of the budget and business planning processes to ensure that services are being delivered in accordance with the Council's objectives, and developing a greater range of intelligence and capacity to analyse performance and provide earlier warnings.

Performance management is also closely linked to risk management, to ensure that we understand the risks to delivery and implement and monitor appropriate mitigating actions. JCAD, the Council's risk management software system, was installed in 2007 and a rolling programme of management training has followed. All reports to CLT include an assessment of potential risk and the corporate risk log is regularly reviewed by CLT. Any potential risks identified through internal audit are reported to the corporate risk manager and services for inclusion on JCAD where appropriate.

The Essex Project Approach is a Governance structure which was launched in early 2008 to support the successful delivery of projects in Essex. The governance arrangements apply to complex projects which are reviewed first by the Project Management Steering Group (an officer group of some functional Heads and experienced Project Managers from across the organisation) and then by Essex Project Board made up of Cabinet members and senior managers, including members of the Corporate Leadership Team. This has simplified the governance route for all complex and cross-directorate projects while ensuring that they are effectively and robustly managed. The Essex Project Board's key responsibility is to improve the quality of project delivery and benefits realisation of projects and accelerate the overall pace of change across the Council.

- **Defining and documenting the roles and responsibilities of the executive, non executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication**
- **Developing, communication and embedding codes of conduct, defining the standards of behaviour for members and staff**

# Governance Statement

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The roles and responsibilities of the Executive, Non-Executive, Scrutiny and Officer functions are defined in the Constitution and supporting documents. The delegation arrangements are reviewed in response to changes in the configuration of Cabinet responsibilities and reorganisations within the County Council Officer core.

There are clearly defined member, officer and officer/member codes of conduct and protocols which are regularly communicated both to members and officers alike supported by a 'whistle blowing' policy, Standards Committee, Register of Interests and induction procedures. A member induction programme, covering codes of conduct, has also been prepared for dissemination following the June 2009 local elections.

Key responsibilities of the Statutory Officers, namely the Section 151 Officer and the Monitoring Officer are to ensure internal control procedures are efficient and effective and are being complied with on a routine basis to ensure probity and sound financial standing. These procedures are tested for compliance through the assurance element of the Internal Audit programme.

The Council has responsibility for approving and maintaining the validity of the Constitution. Council approves regular updates to the Constitution to reflect changes in the Council's structures and processes.

- **Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedural notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks**
- **Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities**

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 Council has a Corporate Governance Group – incorporating senior managers from risk, governance, finance and legal services - which reviews a range of council documents, procedures and manuals including the constitution, scheme of delegation and standing orders. The 2009 County Council election also provides a further opportunity to review and refresh these documents and to bring them to the attention of all members.

Internal Audit performs annual reviews of the scheme of delegation structures and provides recommendations for policy and procedural improvement. The work of Internal Audit is also carefully aligned to understanding and mapping processes and ensuring that process design incorporates key oversight controls around decision-making. As part of the assurance programme for 2008/09 we have introduced a much clearer link between the registration and subsequent auditing of risks and are now able to provide key assurance on the effectiveness

# Governance Statement

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of governance risk management as well as recommendations for its constant improvement.

To improve the effectiveness of audit and scrutiny even further, we have reviewed the Executive and Audit Scrutiny Committee and the Audit Sub-Committee and have redefined them into an Executive Scrutiny, and a separate Audit Committee. The broader scrutiny function has been in operation in its current form for just over a year and has also recently been reviewed to evaluate its effectiveness and determine whether any amendments are needed to improve it.

Ongoing links are maintained with the Audit Committee, not only through presentation of progress in delivering the Internal Audit programme, but also by frequent meetings with the Chair of the Audit Committee. At this meeting the Head of Internal Audit & Risk Management and the Chair have reviewed reports, particularly those with limited assurance, reviewed the continuing embedding of risk management and evaluated ways to ensure that the internal audit/external audit relationship is functioning effectively.

Both the Audit Committee and the Executive Scrutiny Committees meet frequently.

- **Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful**

Our programme of Internal Audit work is risk-based and incorporates efficiency, effectiveness, compliance, value for money, anti-fraud and specialist audit work in the year and our planned reviews have a strong emphasis on compliance with established procedures. This extends to central and cross-cutting processes as well as establishment visits. The Head of Internal Audit & Risk Management also participates in the Policy and Standards Council and is consulted in terms of how new processes should be established from a controls perspective.

The annual audit plan has a significant amount of transaction based testing orientated towards review of expenditure to ensure that both Members and Senior Management have assurance that the Council's money is being spent in accordance with the financial regulations.

Bi-monthly meetings are also held between each Executive Director, the Chief Financial Officer (S151) and the Head of Internal Audit & Risk Management to review working processes and practices, and consider the system of internal control operating within the specific service areas. Each 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.

The Council has a strong legal team that gives advice throughout the organisation, and seeks additional specialist opinion where it is deemed necessary. Legal advice is also required as a component of reports that go to Cabinet as well as to relevant senior management meetings. All reports to both

# Governance Statement

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CLT and Cabinet have to incorporate the comments of both the Chief Financial Officer (S151) and the Monitoring Officer.

- **Whistle blowing and arrangements for receiving and investigating complaints from the public**

Essex County Council is committed to achieving high standards of integrity and accountability and expects the same commitment from its employees and others working for or in the Council. Essex promotes an open environment that enables staff to raise issues with confidence that they will be acted upon appropriately without fear of recrimination. Published on the intranet, within the 'Working here' site, the

Whistle Blowing Policy provides staff with a formal process to raise concerns relating to wrongdoing, impropriety or breach of procedure. Essex County Council values complaints, comments and compliments from its customers and uses the feedback within its planning processes to help shape services that support its customers. Customer complaints are investigated fairly and impartially. Complainants experience no effect on entitlement to services.

Essex manages and responds to customer complaints within the Corporate Complaints, Comments and Compliments policy and aims, wherever possible, to resolve the complaint as close to the original point of customer contact as possible. In 2008 we commenced a pilot of a new complaints process and accompanying IT system, which allows greater tracking of individual complaints as well as the ability to collectively analyse complaints to support overall corporate learning.

- **Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

In the last year we have continued to embed and develop our three core channels - our residents' magazine, EssexWorks, our A to Z guide to public services in Essex and our website - making them even more accessible to a wider audience. All our communication is branded in a common way to ensure that it is easily recognised, and information can be translated into different languages and alternative formats. This is widely publicised and applies to both printed materials and to our website. We are also seeking to further develop 'Engage Essex' – a new online library of public engagement work - so that it becomes a further communication and consultation channel.

An extensive consultation programme has been delivered over the past twelve months, and this continues. We have an ongoing programme of survey research and opinion polling, including biannual tracker surveys which give us data on trends and consultation with our citizen's panel. In addition, we have commissioned a number of qualitative research projects on a range of issues.

# Governance Statement

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- Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report *Governing Partnerships: Bridging the Accountability Gap*, and reflecting these in the Council's overall governance arrangements

The Council has a number of important strategic partnerships and has undertaken a review of the arrangements of these to ensure they operate in a transparent way, as well as developing a partnership register so that governance arrangements are all recorded. The Essex Partnership is our key strategic alliance and this provides a clear and accountable framework for priority setting and delivery, within which all the other thematic partnerships operate.

Specific action has been taken to strengthen partnership governance arrangements:

- An LAA governance paper 'Governance, Delivery and Performance Management' has been agreed. This sets out the roles and responsibilities of partners and individual members of the Essex Partnership;
- An Essex Compact, applying to partnership working with the voluntary and community sector has been agreed. This covers public engagement and consultation, grants, contracts and procurement, volunteering and marginalised groups;
- Performance indicators have been assigned to each thematic partnership with a specific LAA Performance Management Group maintaining an overview and a monthly LAA performance scorecard. Partnership performance is also embedded within Essex County Council's performance reporting process, so that progress is reported to members and senior officers on a regular basis. Partnership performance information is also published on the Essex Partnership website;
- It is intended that an annual report will be completed for each thematic partnership following the end of the financial year.

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## 4. Review of effectiveness

Essex County Council is responsible for conducting a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by the work of the officers within the Authority who have responsibility for the development and maintenance of the governance environment, the Annual Audit Report, and also by comments made by the external auditors and other review agencies and inspectorates. The Annual Audit Report includes a review of the effectiveness of internal audit and a review of the effectiveness of the systems of internal control. Senior officers have signed the



# Governance Statement

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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
- Data and Information Management

**An analysis of the services self assessments indicates that overall, the systems of internal control were adequate and operated effectively. This conclusion is in line with the Annual Audit Opinion.**

During the course of the year, the Corporate Governance Group undertook the management and production of the AGS. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the group. Very few weaknesses were identified and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The review of the effectiveness of Internal Audit was undertaken by the Head of Internal Audit & Risk Management using the CIPFA matrix for assessing internal audit. **It confirmed that the systems of internal audit operated effectively in accordance with CIPFA's code of practice.** The External Audit placed reliance on the work of Internal Audit.

## 5. Significant governance issues

The review of systems of internal control disclosed that they were effective in 2008/09 leading to an adequate control environment. The following concerns were identified:

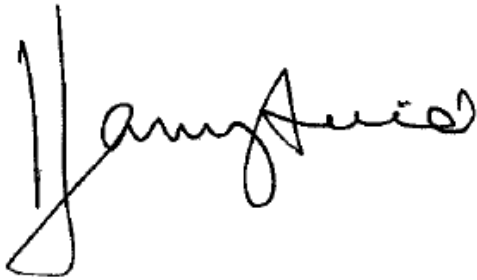
- The code of corporate governance needs to be updated and reflected into the appropriate format as published in “Delivering Good Governance in Local Government” by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), in July 2007.
- A corporate tracking mechanism for reporting external audit, high risk internal audit and inspection recommendations to CLT and the Audit Committee needs to be established and maintained.
- Appropriate arrangements needs to be put in place and monitored for the management of data and information



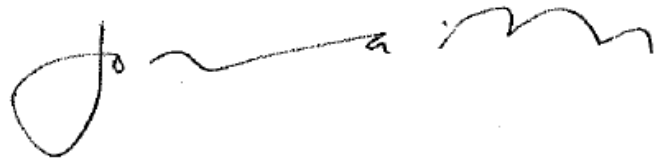
# Governance Statement

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An action plan has been created to address these issues. We will take steps over the coming year to implement the action plan and to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of the Annual Governance Statement and will monitor their implementation and operation as part of our next annual review.



**Lord Hanningfield**  
Leader of the Council



**Joanna Killian**  
Chief Executive of the Council

# Glossary of terms

Terms	Explanation
<b>Accrual</b>	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.
<b>Actuary</b>	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.
<b>Actuarial gains and losses</b>	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.
<b>Accrued benefits valuation method</b>	<p>A valuation method in which the Pension scheme's liabilities at the valuation date relate to:</p> <ul style="list-style-type: none"> <li>▪ 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</li> <li>▪ 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.</li> </ul>
<b>Additional voluntary contributions (AVC's)</b>	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.
<b>Amortisation</b>	Amortisation is the writing down of costs to the Income and Expenditure Account over a number of years.
<b>Amortised cost</b>	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.
<b>Appropriations</b>	Appropriations are the transfer of resources between, to and from the various reserves.
<b>Balance Sheet</b>	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.
<b>Cabinet</b>	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.

# Glossary of terms

Terms	Explanation
<b>Capital Adjustment Account</b>	<p>This account represents:</p> <ul style="list-style-type: none"> <li>• Amounts set aside from revenue resources to repay external loans;</li> <li>• The financing of capital payments from capital receipts and revenue reserves; and</li> <li>• The consolidation of gains arising from the revaluation of fixed assets prior to 1 April 2007.</li> </ul> <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>
<b>Capital expenditure</b>	<p>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.</p>
<b>Capital financing costs</b>	<p>Costs associated with the financing of fixed assets, representing interest and principal repayments on loans and contributions from revenue reserves towards capital payments.</p>
<b>Capital Financing Requirement</b>	<p>This is a measure of the Council's underlying need to borrow for capital financing purposes.</p>
<b>Capital programme</b>	<p>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.</p>
<b>Capital receipts</b>	<p>Proceeds from the sale of assets, which may be used to finance new capital expenditure or set aside for the repayment of external loans.</p>
<b>Chartered Institute of Public Finance and Accountancy</b>	<p>CIPFA is the main professional body for accountants working in the public service.</p>
<b>Community assets</b>	<p>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.</p>
<b>Company limited by guarantee</b>	<p>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.</p>
<b>Contingent liability</b>	<p>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.</p>
<b>Council tax</b>	<p>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).</p>

# Glossary of terms

Terms	Explanation
<b>Creditors</b>	Amounts due, but not yet paid, for work done, goods received or services rendered during the financial year.
<b>Debtors</b>	Amounts due, but not yet received, for work done or services supplied, during the financial year.
<b>Deferred credits</b>	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.
<b>Defined benefit pension scheme</b>	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).
<b>Defined contribution pension scheme</b>	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.
<b>Depreciation</b>	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.
<b>Discount (PWLb)</b>	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.
<b>Discount rate (actual)</b>	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.
<b>Discount rate (real)</b>	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.
<b>Discretionary benefits</b>	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.

# Glossary of terms

Terms	Explanation
<b>Dormant company</b>	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.
<b>Effective Interest Rate</b>	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.
<b>Fair value</b>	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
<b>Fees and charges</b>	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.
<b>Finance leases</b>	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').
<b>Financial Instruments</b>	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.
<b>Financial Instruments Adjustment Account</b>	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.
<b>Fixed asset restatement account</b>	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.
<b>Fixed assets - intangible</b>	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.
<b>Fixed assets - tangible</b>	Assets that have a physical substance and are held for the provision of services, or for administration purposes, on a continuing basis.
<b>Interest – Local Authority Seven Day Rate</b>	A published interest rate, representing the return that local authorities could expect to achieve from temporarily investing their cash balances via the money markets.

# Glossary of terms

Terms	Explanation
<b>Investments (non Pension Fund)</b>	<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>
<b>Investments (Pension Fund)</b>	<p>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.</p>
<b>Joint venture</b>	<p>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.</p>
<b>LAAP Bulletin</b>	<p>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.</p>
<b>Leasing</b>	<p>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.</p>
<b>Monitoring Officer</b>	<p>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.</p>
<b>National non domestic rates</b>	<p>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.</p>
<b>Net expenditure</b>	<p>Net expenditure is arrived at after deduction of income and specific grants, and includes the costs of support services.</p>
<b>Non operational assets</b>	<p>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.</p>
<b>Operating leases</b>	<p>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).</p>

# Glossary of terms

Terms	Explanation
<b>Operational assets</b>	Fixed assets held and occupied, used or consumed in the direct delivery of services.
<b>Precept income</b>	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.
<b>Premium (PWLB)</b>	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.
<b>Private Finance Initiative</b>	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.
<b>Provisions</b>	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.
<b>Public Private Partnership</b>	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.
<b>Projected unit method</b>	The projected unit method is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.
<b>Public Works Loan Board</b>	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.
<b>Remuneration</b>	All amounts paid to or receivable by an employee, including sums due by way of expense allowances and the estimated money value of any other benefits received by an employee otherwise than in cash. This excludes employers' pension contributions to the Pension Fund.
<b>Reserves</b>	<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>
<b>Revaluation Reserve</b>	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
<b>Revenue Provision</b>	The minimum amount which must be charged to a revenue account each year and set aside for repaying external loans, currently 4% of the capital financing requirement.
<b>Revenue Support Grant</b>	This is the central government financial support towards the general expenditure of local authorities.
<b>Retirement benefits</b>	<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"> <li>an employer's decision to terminate an employee's employment before the normal retirement date; or</li> <li>an employee's decision to accept voluntary redundancy in exchange for those benefits.</li> </ul> <p>This is because these are not given in exchange for services rendered by employees.</p>
<b>Scheme liabilities</b>	The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the 'projected unit method' reflect the benefits that the employer is committed to provide for service up to the valuation date.
<b>Section 151 Officer</b>	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 Chief Financial Officer is the Council's Section 151 Officer.
<b>Settlement</b>	<p>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. Settlements include:</p> <ul style="list-style-type: none"> <li>A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits.</li> <li>The purchase of an irrevocable annuity contract sufficient to cover vested benefits.</li> <li>The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.</li> </ul>
<b>Specific Government Grants</b>	These represent central government financial support towards particular local authority services, which the Government wishes to target.
<b>Supported borrowing</b>	Borrowing for capital financing purposes which attracts revenue funding from the government towards the debt financing costs.
<b>Transaction costs</b>	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.



# Glossary of terms

Terms	Explanation
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"><li>▪ For active members, benefits to which they would unconditionally be entitled on leaving the scheme.</li><li>▪ For deferred pensioners, their preserved benefits.</li><li>▪ For pensioners, pensions to which they are entitled.</li></ul> <p>Vested rights include, where appropriate, the related benefits for spouses or other dependants.</p>

# Feedback Form

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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).

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

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

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

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\* Please delete as applicable

Thank you for taking the time to complete this questionnaire.

Statement of Accounts 2008/09