



CASTLE POINT BOROUGH COUNCIL

STATEMENT OF ACCOUNTS FOR THE FINANCIAL YEAR 2017/18

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NARRATIVE REPORT

NARRATIVE REPORT

1 INTRODUCTION

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year, and the Council's position at the year end date, 31 March 2018.

This Narrative Report provides interested parties with an effective guide to the most significant matters reported in the accounts and although it is part of the same published document, it does not actually form part of the Statement of Accounts. Instead it serves as a summary and a source of supplementary information. The formal Statement of Accounts commences on page 18.

The Narrative Report is split into the following sections:

- **Section 2 – Financial overview and commentary** – this section includes information on the Council's accounts, financial performance and economy, efficiency and effectiveness in its use of resources over the financial year, future challenges, and other items.
- **Section 3 – Descriptions of the Financial Statements** – The Statement of Accounts contains a number of core and supplementary financial statements. This section contains descriptions of each of them, an explanation of the links between them, and also reports some of the key amounts included in these statements.
- **Section 4 – Summary of the Council's spending and income** – this section contains charts showing high level summaries of the Council's spending and income for the year, and definitions of the different Council services and types of cost and income included in the charts.
- **Section 5 – Out-turn and comparison to budget** – this section contains a more detailed analysis of the Council's financial performance for the year compared to budget.

Within the Narrative Report and the Statement of Accounts all reported amounts have generally been rounded to the nearest thousand pounds ("£000s" or "k"), or are stated in millions ("m").

2 FINANCIAL OVERVIEW AND COMMENTARY

2.1 – The framework for completion of the Statement of Accounts

The Council is required to prepare an annual Statement of Accounts in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2015. The Statement of Accounts has been prepared in accordance with proper accounting practices. These practices primarily comprise The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"), based on International Financial Reporting Standards (IFRS), and the associated Guidance Notes for Practitioners, as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The financial statements of the Council are intended to provide information on, and present a "True and Fair view" about the Council's financial position, financial performance and cash flows. They should provide such information so as to support the need for public responsibility by enabling users to assess the stewardship and accountability of elected members and senior management for the resources entrusted to them. In order to provide a true and fair view the financial statements must present a faithful representation of the effects of transactions, other events and conditions in accordance with specified definitions and recognition criteria for assets, liabilities, income and expenditure, as set out in the Code.

The presentation of the information in the statements should meet the common needs of, and be useful to, a wide range of users. As such, the financial statements should be readily understandable by users. However it is assumed that the user has a reasonable knowledge of accounting and of the functions of local authorities and the way they provide their services. Where it is unavoidable to use technical terms those terms are defined in the glossary of terms at the end of this document.

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The financial statements are prepared on a going concern basis. This means that they are prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future.

In preparing the Statement of Accounts the Council must define and apply a number of Accounting Policies. These are the principles, rules and procedures selected, and consistently followed, in preparing and reporting the financial statements. These policies are described in detail in the Summary of Significant Accounting Policies within the Statement of Accounts.

The Code sometimes requires accounting policies to be changed, and this may require prior year information to be restated. There are however no such changes applicable for the 2017/18 accounts.

2.2 – Classifications of income and expenditure, and operating/budgeting model/process

The Council has three distinct categories of expenditure and income reported within the Statement of Accounts:

- **The General Fund (GF)** – the account that is charged with any revenue expenditure incurred on delivering the Council's services or meeting its day to day expenses that is not connected to the Housing Revenue Account (as described below), and credited with revenue income generated through those services. The net of this expenditure and income is funded by grants and contributions from Central Government, Council Tax collected from residents of the borough and Non-Domestic Rates collected from shops and businesses, etc in the borough.
- **The Housing Revenue Account (HRA)** – the account that records the revenue income and expenditure relating to the Council's stock of dwellings and garages. Income received from tenants of these properties is receipted into the HRA. The Council is required to maintain the HRA as a separate account, distinct from the General Fund, for the provision of local authority housing in accordance with Part VI of the Local Government and Housing Act 1989.
- **The Capital programme** – the account that is charged with expenditure on the acquisition or enhancement of non-current (long-term) assets. These are assets with a usable life of greater than 1 year, such as property, land, vehicles and equipment. The capital expenditure programme covers non-current assets relating to both the General Fund and the Housing Revenue Account.

Section 4 of the Narrative Report describes the specific service functions and activities and categories of income and expenditure which sit within the General Fund and HRA. These are shown in accordance with the internal structure used by the Council for reporting, decision making and budget setting. Where relevant the information included within both the Narrative Report and the Statement of Accounts itself is reported under this same internal structure. This structure underwent some changes during 2017/18 and the figures for 2016/17 have been restated to ensure comparability and consistency between years.

Budgets are allocated to these services through the annual budget setting and service planning process. This process is described for the General Fund in the Council's annual Policy Framework and Budget Setting report. This report is approved by Council each February when the Council Tax for the forthcoming financial year is set, and it includes the Medium Term Financial Forecast which sets out the planned budgets for the next few years. The report also includes the Council's Pay Policy which covers staff remuneration, recruitment, development, redundancy and similar. More information on the HRA budget process can be found in the annual Housing Revenue Account (HRA) – Rent Levels, Revenue Budget and Capital Plan report, also approved each February. Both reports can be found in the Agendas and Minutes Library on the Council website:

<https://www.castlepoint.gov.uk/agendas-minutes-library>

The Statement of Accounts includes the Annual Governance Statement (AGS), which reports on the governance framework within which the Council operates, including the effectiveness of that framework as well as details on the roles and responsibilities of the Chief Financial Officer, Internal and External Audit and the Audit Committee. The AGS also includes actions to address any governance issues identified and a progress report on previously identified actions.

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At the end of each year the Council normally has unspent budgets which are carried forward into the following financial year. These arise when goods have been ordered and not yet received, or works and services have been committed to, but not yet commenced or completed. After adjusting for these carried forward budgets the overall out-turn position at the end of 2017/18 was:

General Fund -	an underspend of £163k (0.13% of the gross income and expenditure budgets of £130.0m)
Housing Revenue Account -	an underspend of £15k (0.09% of the gross income and expenditure budgets of £15.9m)
Capital programme -	an overspend of £60k (0.96% of the gross expenditure budget of £6.3m)

A detailed analysis of spend against budget is shown in section 5 of the Narrative Report including comments on significant variances.

2.3 – Council priorities and Corporate Plan

The Council has four key priorities which inform and drive its budget setting and actual spending:

- **Public Health and Wellbeing:** We will work closely with residents, local businesses and our partners to reduce crime and anti-social behaviour. We will work to improve the wellbeing and health of our community by improving our leisure and recreational facilities and by working with our partners to promote healthy living. We will work closely with the voluntary sector to provide essential services for those facing difficulties in this challenging economic climate through debt advice and support.
- **Environment:** We want to see well maintained parks and open spaces, and streets that are clean and free from litter, refuse, graffiti and fly posters. We want to improve and maximise any positive impacts on the environmental quality of the borough by encouraging a reduction in waste production and participation in our recycling services as well as promoting energy efficiency. We will continue to promote our services and facilities and to ensure that outsourced services or facilities maintained by voluntary groups are delivered to the required contract standard or in accordance with the approved management plans.
- **Transforming our Community:** We aim to transform our community to ensure we provide a sustainable future for all who live, work and play in the borough. We will do this by setting the right planning framework in place, in consultation with our community, which allows for a sustainable future and the regeneration of town centres. We will also contribute to the regeneration of the Borough by ensuring our services are fit for purpose now and in the future. We will work with the community and with partners to develop community resilience and to help the community help itself.
- **Efficient and Effective Customer Focused Services:** Council services must be as lean as possible with as little bureaucracy as necessary. We will achieve this by reviewing our services and will explore working practices and utilise new technology to maximise efficiency and working practices. We will seek to provide services in the most cost effective way and will work with partners in the private and public sectors and with the wider community to secure the best value for money service provision.

More information on these priorities can be found in the Council's Corporate Plan, which is available in the Council Strategies and Policies section of the Council's website: <https://www.castlepoint.gov.uk/council-strategies-and-policies>.

The Corporate Plan provides a great deal of information on the Council as a whole, including the Council's values, its vision for the borough, the challenges faced by the Council, how the Council consults with the community, the national framework and legislation within which the Council operates, and much more besides.

The priorities described above are those that were in place during 2017/18. The Council will be launching a new Corporate Plan for 2018 to 2021 during the summer of 2018 and the priorities have been updated as part of the new plan.

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2.4 - Financial Performance, economy, efficiency and effectiveness in the use of resources

The Council measures performance based on a set of Corporate Performance Indicators representing the Council Priorities described in section 2.3 on the previous page. Performance against these indicators is reported quarterly to Cabinet.

A selection of these indicators are provided below:

Indicator	Performance 2017/18	Target 2017/18	Performance 2016/17
Percentage of food premises that are awarded a score of at least 3 on the food hygiene rating scheme	91%	90%	90%
Number of households in Temporary Accommodation	135	140	124
Household waste recycled (including food waste)	26.7%	25%	24.9%
Percentage of streets inspected which are deemed to be unsatisfactory using Code of Practice for Litter and Refuse methodology.	14.6%	<10%	12.9%
Overall tenant satisfaction with repairs and maintenance	96.7%	97%	91.7%
Average void property turnaround time	19.7 days	21 days	22 days
Percentage of building control applications processed within statutory time limits	100%	100%	100%
Percentage of calls taken from customers by First Contact that are resolved without the need to transfer to the back office	96.7%	94%	95%
Average number of days sickness absence per full time equivalent staff member for all Council Services	8.6 days	7 days	9.2 days

In terms of financial performance the Council monitors a number of financial indicators. These include:

- **The total net expenditure on council services** - this has slightly increased from £8.1m in 2015/16 to £8.7m in 2016/17. This remains below the average of all district councils, which was £12.9m in 2016/17.
- **The total net spend per head of population on council services** – this looks at the same data as the first indicator, but per head of population. This has therefore also increased from £91.00 in 2015/16 to £97.48 in 2016/17. The average for all district councils was £118.66 in 2016/17.
- **Income from sales, fees and charges as a percentage of total spend** – this slightly decreased from 19.5% in 2015/16 to 18.4% in 2016/17, however the overall trend is still an increase over recent years – in 2012/13 the indicator was 12.1%. There is a wide variation in levels of charging between district councils with the same responsibilities, and the Council is still below the average of all district councils, which was 22.9% in 2016/17.

Other indicators look at spend per head of population on various service functions:

Indicator – spend per head on:	Castle Point 2016/17 £	Castle Point 2015/16 £	District Average 2016/17 £
Council tax collection	4.40	5.22	4.93
Culture and sport	42.56	42.47	38.38
Waste management	29.96	31.56	33.66
Street cleansing	4.89	5.14	9.76
Planning services	12.44	13.67	22.66
Housing services	23.40	19.33	14.82

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All of these indicators compare the Council to around 200 other district councils. They and many other indicators are available to view for free on a Local Government Association website at this address: <http://vfm.lginform.local.gov.uk/>

2.5 – Financial Reserves and looking ahead to the future

There are two guiding principles which the Council follows when determining its annual budget:

- The budget must be balanced, meaning that expenditure does not exceed income and the Council does not have to rely on the use of reserves to support ongoing spending, and
- Reserves must be maintained at or above the minimum recommended level determined by the Council's Senior Financial Officer (Section 151 Officer). This level is set after consideration of various potential risk factors and is currently £1.9m for 2018/19. This is the figure for General Fund reserves and does not include the Housing Revenue Account.

The Council's financial forecast currently indicates that it has a balanced budget for 2018/19 but based on current spending plans there are budget gaps of around £700k for 2019/20, £800k for 2020/21 and £1.3m for 2021/22.

The principal cause of funding gaps in future years is the significant reduction in Central Government funding over the last decade. For example, in 2007/08 Castle Point received combined Revenue Support Grant and Redistributed Business Rates in the region of £6m. Distribution mechanisms and formula have changed in this time but the nearest equivalent comparison for 2018/19 is only £1.8m, i.e. less than a third of what it was. Revenue Support Grant funding to this Council finished in 2017/18 and will no longer be received.

Despite this background of funding reductions, the Council's financial management has remained strong and prudent, and consequently it has been able to set balanced budgets every year whilst managing to maintain a prudent level of reserves. This has partly been achieved through delivery of a long established programme of work that has been used to improve efficiency and reduce costs. To date, initiatives as part of this work have included amongst other things:

- Seeking the best value procurements available;
- Reducing spending commitments by delivering more for less;
- Reviewing service delivery methods to ensure that they focus on customer need and reduce waste within the confines of a traditional service;
- Reviewing workforce planning and management to ensure staff resources are utilised in the most effective way;
- Seeking new opportunities, for example cost sharing with partners, and
- Investing to save.

These have led to further ongoing savings of approximately £800k declared for 2018/19. However the Council continues to face unavoidable costs pressures, such as from inflation and increased costs from complying with legislative changes. In addition, as well as imposing significant reductions in grant funding, the Government has continued to control the amount by which local councils may increase Council Tax. This control is exerted through a process whereby authorities are required to undertake a public referendum if they wish to increase their Council Tax charge beyond a level determined annually by Central Government. For a number of years this cap has been set at 2%, rising to 3% for 2018/19.

Whilst the Council is continuing to work on various programmes during 2018/19 and beyond in order to deliver the savings that are required to balance future years in a measured way. Given the level of spending reductions and subsequent changes that have already taken place, it is becoming increasingly apparent that any further sizeable savings will be much more difficult to deliver.

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The Council has therefore now reached a stage where it must be prepared to actively pursue other sources of income, maximise fees & charges and introduce innovative and radical changes to the way in which services are delivered, including giving serious consideration to how it can best use its assets.

In effect the Council needs to look at how it can achieve financial self-sufficiency over the medium to longer term horizon, and is now exploring how it can move to a more commercial basis of operating. This has led to a set of new key “Commercialism” principles:

- **Reputation & behaviour:** Operate at the highest standard of efficiency and effectiveness and encourage confidence and trust as a service provider;
- **Promote the borough & the Council:** Actively promote the borough and the services the Council provides;
- **Deliver services in the most appropriate ways:** Consider new and more effective ways of service delivery;
- **Procure goods & services in the best way:** Purchase only goods and services that are essential, and at the best available cost;
- **Maximise return on existing assets:** Use the assets the Council has to their full potential;
- **Maximise income from fees and charges:** Ensure the Council obtains the maximum income it can for the services it delivers, and
- **Maximise Council Tax and Business Rates revenue:** Ensure services are paid for fairly.

Work towards achieving these principles has commenced, and will continue to expand and evolve over the next few years.

In respect of the Housing Revenue Account (HRA) the biggest risks to its future viability are long-term social rent policies, welfare reforms and the Higher Value Homes levy:

- 2017/18 was the second year of a revised social rent policy determined by Central Government. This policy required implementing 1% rent reductions each year over a four year period. This policy has resulted in long-term cash-flow issues for the HRA Business Plan. This plan, which projects the long term financial position of the HRA over several decades, was previously calculated with annual increases in rent levels derived from prevailing Retail Price Index (RPI) rates plus an additional 0.5%, based on prior Government directions. Indications are that at the end of the 4 year period of rent reductions there will be a return to annual increases based upon Consumer Price Index (CPI) + 1%, but the period of decreases will have reduced the future revenue due to the council, compared to if the annual increase policy had continued.
- The roll out of universal credit and direct payment of benefits will impact the council by limiting the amount of benefits a claimant can receive whilst this is paid direct to the applicant. Evidence from pilots was that a significant increase in rent arrears resulted, thus impacting on the cash flow within the HRA Business Plan.
- The Higher Value Home levy involves an assessment of the rate of voids amongst the highest value council properties and introduces the requirement to make payments equal to the total value of these to the treasury on an annual basis. It was intended to fund the extension of the Right to Buy scheme to Housing Association properties that was due to commence during 2017/18, but has currently been deferred, as yet an implementation date has not been announced. The levy presents an additional financial commitment that was not part of the initial HRA Business Plan and will result in either an additional annual cost or reduced income if the council chooses to sell properties to fund this payment

More information on these matters can be found in the Council's annual Policy Framework and Budget Setting report and Housing Revenue Account (HRA) – Rent Levels, Revenue Budget and Capital Plan report. As previously stated the reports can be found in the Agendas and Minutes Library on the Council website: <https://www.castlepoint.gov.uk/agendas-minutes-library>

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2.6 – Other areas of financial uncertainty

As part of the process of completing the Statement of Accounts the Council has to consider a number of areas of financial uncertainty.

The Council must review if any provisions or contingencies are required. Accounting Policy AP21, Provisions and Contingencies, provides further information on the nature of these items.

- Provisions are liabilities of either uncertain timing and / or uncertain amounts. The Council had outstanding provisions as at 31 March 2018, primarily in relation to appeals on business rates. The provisions are explained in Note 19 to the Core Financial Statements.
- Contingent assets and contingent liabilities are assets and liabilities that are not certain as they are dependent on future events which may or may not occur. The Council had no contingent assets as at 31 March 2018, but did have a number of contingent liabilities. These items are also disclosed in Note 19 to the Core Financial Statements.

The Council must also make allowance for the possibility that some of the amounts at 31 March 2018 that are outstanding and due to be paid to the Council may not actually be paid. The allowances are determined in accordance with Accounting Policy AP20, and serve to reduce the value of the outstanding debts included on the Balance Sheet. These allowances are disclosed in Note 13 to the Core Financial Statements, with further analysis in Note 17.

The Council uses independent external valuers to review its non-current (long-term) assets for indications of impairment at the Balance Sheet date, which could mean that the asset values are overstated and need to be reduced. There were no indications of impairments made as at 31 March 2018, however the valuers reported an increase in the value of the Council's housing stock. Further information on impairments and revaluations is found in Note 12.7 to the Core Financial Statements and Note 3 to the Housing Revenue Account. Accounting Policy AP16.5 provides further information on impairments of non-current assets.

The Council is required to consider if there are any events after the Balance Sheet date to report in the Statement of Accounts. These are events, both favourable and unfavourable, that occur after the end of the accounting period, and before the date when the financial statements are authorised for issue. There are two types of events:

- Adjusting events: those events that provide additional evidence regarding conditions which existed at the end of the accounting period; and
- Non-Adjusting events: those events that provide evidence regarding conditions that arose after the end of the accounting period.

The audited financial statements were signed and authorised for issue by the Council's responsible financial officer by 30 July 2018, to certify that the accounts gave a true and fair view of the Council's financial position and financial performance. This establishes the date after which events have not been recognised in the Statement of Accounts. The Council had no adjusting or non-adjusting events to report at that time.

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2.7 – Borrowing and financing of the Capital Programme

The Council owns a large number of assets, including land, buildings, and vehicles. The most significant buildings owned by the Council are the Council Offices and Runnymede Leisure Centre in Benfleet, and Waterside Farm Leisure Centre on Canvey Island. The Council also owns around 1,500 council houses. The capital value of the assets owned by the Council is reported on the Balance Sheet.

The total capital expenditure for 2017/18, across both General Fund and Housing Revenue Account capital activities, was £5.9m, as shown in Section 5 of this Narrative Report.

The main items of capital expenditure during 2017/18 included:

- Council house improvements;
- Construction of new Council housing properties,
- A major project at Runnymede Leisure Centre, involving works to the existing building, external works, a new gym extension and gym equipment;
- A number of new refuse and recycling vehicles and
- Disabled Facilities and other home improvement grants.

The Local Government Act 2003 includes provisions relating to capital expenditure and borrowing controls. These provisions require local authorities to determine and keep under review the amount of their affordable borrowing. They must also have regard to the Prudential Code for Capital Finance in Local Authorities issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with these provisions and the Prudential Code the amount the Council can afford to borrow is called the Affordable Borrowing Limit. This limit ensures that total capital investment remains within affordable and sustainable limits and that any impact on future Council Tax and Dwelling rent levels is acceptable.

As at 31 March 2018 the Council had £5.3m of outstanding General Fund borrowing and £36.5m of outstanding Housing Revenue Account borrowings.

Note 12 to the core financial statements, Non-Current Assets, contains details of the Council's capital expenditure and shows how it was financed. Note 17 to the Core Financial Statements, Financial Instruments, contains details of the Council's borrowing.

2.8 – Pension Scheme

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

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

The current pension scheme liability shows the underlying commitment that the Council has in the long run to pay future retirement benefits. The net liability of £34.8m as at 31 March 2018 is recorded in the Balance Sheet. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Further detailed information in relation to the pension scheme is reported in Note 16 to the Core Financial Statements, Post-Employment Benefits and Net Pension Liability.

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3 DESCRIPTIONS OF THE FINANCIAL STATEMENTS

3.1 – Core Financial Statements

There are four core financial statements included in the Statement of Accounts, as follows:

3.1.1 – Comprehensive Income and Expenditure Statement (CI&ES)

The Comprehensive Income and Expenditure Statement consolidates all of the gains and losses of the Council during the year, so effectively reports the Council's financial performance for the year. It reports the consolidated position for both the General Fund and the Housing Revenue Account.

This statement shows the accounting cost in the year of providing services on an accounting basis, i.e. in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this taxation, or funding, position is different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement (MIRS). Therefore, in order to reflect the financial results for the year on a funding basis, i.e. as supported by Council Tax and Housing Rents, additional statutory accounting entries are required to be implemented. These "Adjustments between accounting basis and funding basis under regulations" are reported in the MIRS and analysed in further detail in the accompanying notes to the MIRS.

The services reported within the "Net Cost of Services" total on the CI&ES are disclosed in accordance with the Council's internal reporting structure used for decision making, reporting and budget setting. This structure underwent some changes during 2017/18 and the figures for 2016/17 have been restated to ensure comparability and consistency between years.

The line "(Surplus) / Deficit on the provision of services" shows the increase or decrease in the net worth of the Council as a result of incurring expenses and generating income. For 2017/18 this amount was an increase of £55k.

The line "Other Comprehensive Income and Expenditure" shows the increase or decrease in the net worth of the Council as a result of movements in the fair value of its assets, and also from movements on pension fund assets and liabilities. For 2017/18 this amount was an increase of £7.5m.

3.1.2 – Movement in Reserves Statement (MIRS)

The Movement in Reserves Statement summarises the change in the financial year across all the reserves and balances held by the Council, both from incurring expenses and generating income through the Council's services, as well as changes in the fair values of assets held by the Council, and changes in the pension fund liability.

This statement shows the movement in the year on the different reserves held by the Council, analysed into Usable Reserves (i.e. those which can be applied to fund expenditure or reduce local taxation) and other Unusable Reserves. The Surplus / (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund balance and the Housing Revenue Account for setting Council Tax and Housing Rents. The "Net Increase / (Decrease) before Transfers to / (from) Earmarked Reserves" line shows the statutory General Fund and Housing Revenue Account balances for the year before any discretionary transfers to or from earmarked reserves undertaken by the Council.

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3.1.3 – Balance Sheet

The Balance Sheet summarises the Council's overall financial position at the end of the financial year (or accounting period), i.e. as at 31 March 2018. It shows the value of the assets and liabilities recognised by the Council, which are presented in the top section. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council, which are reported in the bottom section. Reserves are reported in two categories, as follows:

- The first category of reserves is Usable Reserves, i.e. those reserves that the Council may use to fund the provision of services and meet future expenditure, both revenue and capital in nature. These are subject to the need to maintain a prudent level of reserves and any statutory limitation on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The total as at 31 March 2018 was £23.0m.
- The second category of reserves is Unusable Reserves. These are reserves that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations." These represent the differences between the outcome of applying proper accounting practices, and the requirements of statutory arrangements for funding expenditure from Council Tax and Housing Rent receipts. The total as at 31 March 2018 was £87.8m.

3.1.4 – Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the accounting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Cash and Cash Equivalents are defined in accounting policy AP5, Cash and Cash Equivalents. The total movement in Cash and Cash Equivalents during 2017/18 was a decrease of £27k.

3.2 – Connections between the core financial statements

The relationship between the core financial statements can be described as follows:

- The Movement in Reserves Statement (MIRS) shows the changes in the Council's financial resources over the year;
- The Comprehensive Income and Expenditure Statement (CI&ES) shows the gains and losses that have contributed to those changes in resources;
- The Balance Sheet shows how the resources available to the Council are held in the form of the Council's assets and liabilities; and
- The Cash Flow Statement shows how the movement in reserves has been reflected in cash flows.

The total movement in the year on the MIRS is equivalent to the Total Comprehensive Income and Expenditure on the CI&ES, and also equivalent to the change in both Net Assets and Total Reserves between the previous and current financial years on the Balance Sheet.

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3.3 – Expenditure and Funding Analysis (EFA)

The Expenditure and Funding Analysis (EFA) shows how the funding available to the authority (government grants, rents, Council Tax and business rates) has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The EFA also shows how this expenditure is allocated between the Council's directorates. As with the CI&ES the prior year figures have been restated into the Council's revised internal structure.

The EFA is included as Note 1 to the Core Financial Statements and can be found on page 46 of the Statement of Accounts.

3.4 – Supplementary Financial Statements

There are three supplementary financial statements included in the Statement of Accounts, as follows:

3.4.1 – Housing Revenue Account (HRA) Income and Expenditure Statement

The Housing Revenue Account reflects a statutory obligation to maintain a separate revenue account for local authority housing provision in accordance with the Local Government and Housing Act 1989.

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The Council charges rent to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the funding basis through which rents are raised, is shown in the Movement on the Housing Revenue Account (HRA) Statement.

The majority of amounts shown on this statement are also included within the whole Council Comprehensive Income and Expenditure Statement.

The total on the HRA Income and Expenditure Statement for 2017/18 was an increase of £1.3m.

3.4.2 – Movement on the Housing Revenue Account (HRA) Statement

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

The final total HRA balance at the end of 2017/18 was £3.5m.

3.4.3 – Collection Fund Income and Expenditure Account

The Collection Fund is an agent's statement that reflects the statutory obligation for the Council, as a billing authority, to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and Central Government of Council Tax and Non-Domestic Rates (NNDR).

At the end of 2017/18 the Collection Fund reported a surplus on Council Tax of £1.5m and a deficit on NNDR of £322k. These amounts will be shared between the Council, Central Government and the other major precepting authorities (Essex County Council, Essex Police, Fire and Crime Commissioner (PFCC) - Fire and Rescue Authority and Essex PFCC - Policing and Community Safety) in subsequent years.

NARRATIVE REPORT

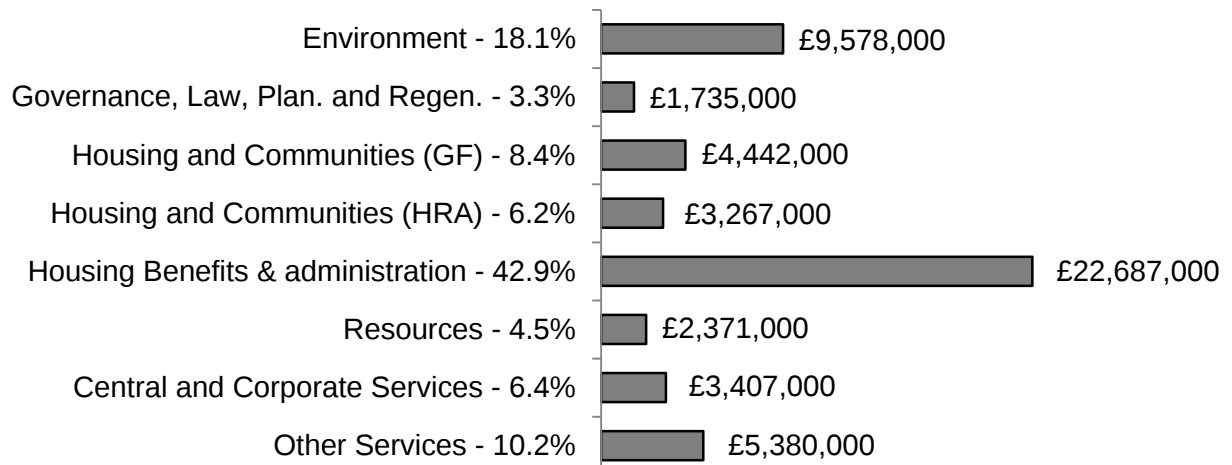
4 SUMMARY OF THE COUNCIL'S SPENDING AND INCOME

The following bar charts show in broad terms where the Council's money came from and what that money was spent on during the year.

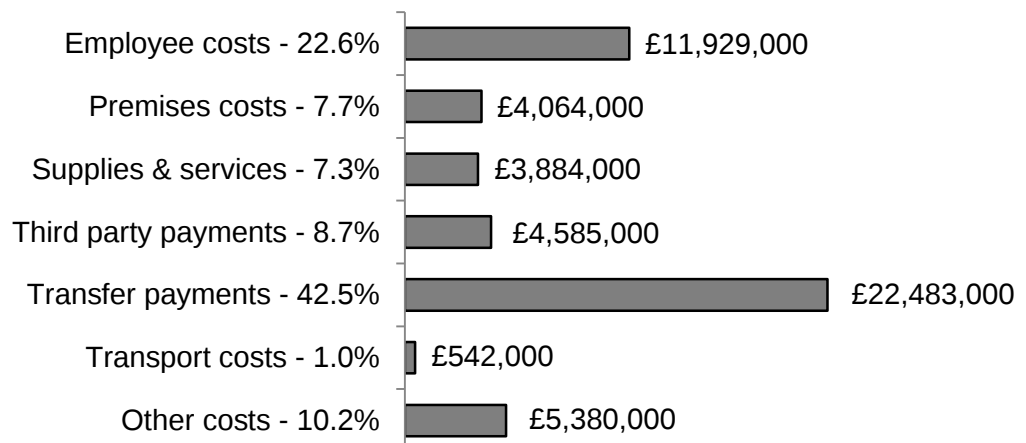
These figures represent a simplified version of the Council's revenue income and expenses, without some of the statutory adjustments such as capital charges that are required to be used in the amounts reported in the Statement of Accounts. They also exclude any internal recharges between services. The charts report combined figures for both the General Fund (GF) and Housing Revenue Account (HRA). All amounts are rounded to the nearest thousand pounds. Explanatory descriptions of items follow the charts.

- Chart 4.1 shows the Council's spending categorised by the types of service it spends on
- Chart 4.2 shows the same spending, but categorised by the type of cost spent (often referred to as a subjective analysis).
- Chart 4.3 shows the types of income received by the Council to fund this spending.

4.1 – Spending by the Council – by service area (total spent £52,867,000)

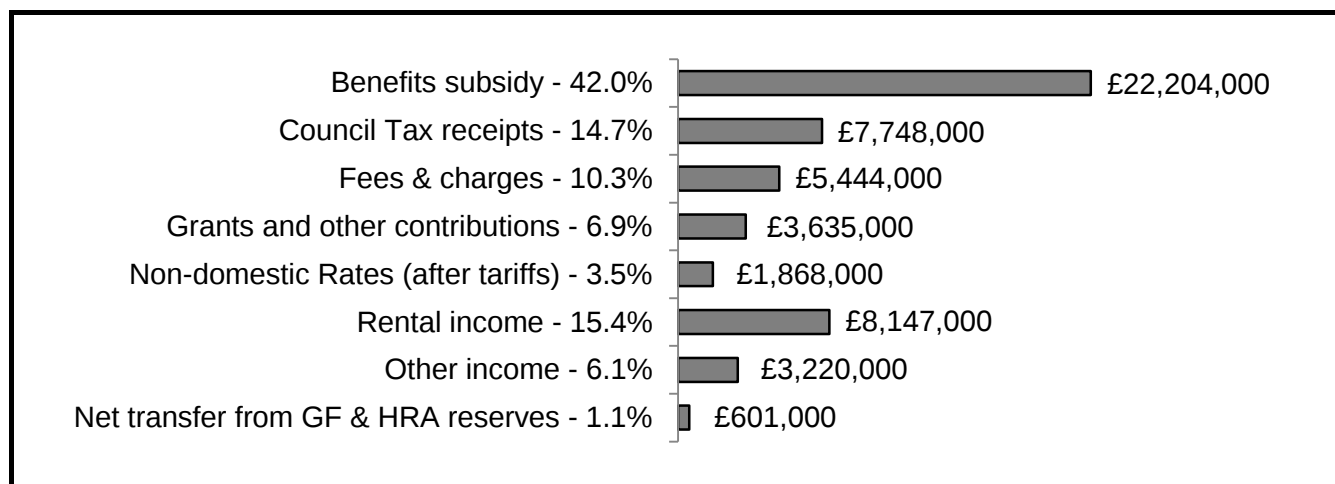


4.2 – Spending by the Council – by cost type (total spent £52,867,000)



NARRATIVE REPORT

4.3 – Income received by the Council (total received £52,867,000)



4.4 - Definitions of Council Services

The following paragraphs provide definitions of the Council services, as used in the preceding charts and elsewhere in the Statement of Accounts.

Environment includes environmental health services such as food safety, animal & public health and pollution control. It also includes refuse collection and recycling, public conveniences and street cleaning, as well as leisure centres, community centres, allotments, cemeteries, parks and open spaces and car parks.

Governance, Law, Planning and Regeneration includes all planning services, such as building control, development control, planning policy, and economic development. It also includes elections costs and other support functions such as law and governance of members.

Housing and Communities (General Fund) includes the cost of statutory homelessness and housing options functions, as well as other strategic housing functions. It also includes land charges and the cost of various support services such as revenues and benefits, administration of Council Tax and business rates, reception and the First Contact call team. Finally it also includes grants and donations to voluntary and similar organisations, as well as licencing and partnership costs.

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

Housing Benefits and administration includes the cost of all Housing benefit payments made to claimants, and the cost of administering the Housing Benefit function. Elsewhere in the accounts Housing Benefits and administration forms part of Housing and Communities (General Fund).

Resources includes various support functions such as facilities management, finance, human resources, internal audit and information & communications technology. It also includes emergency planning as well as the costs of various corporate properties such as the main Council offices.

Central and Corporate Services includes all corporate activities and costs which enable the infrastructure that allows services to be provided, such as the Chief Executive, as well as the cost of all member's activities and allowances. It also collects all other service costs which are not allocated to any other specific service, including pension costs for past employees and properties not used as part of the Council's normal activities.

Other services consists of any expenditure which does not fall into the other categories. This includes payments of interest, the precept payment to Canvey Island Town Council, and contributions towards capital expenditure and capital funding. This relates to both the General Fund and Housing Revenue Account.

NARRATIVE REPORT

4.5 - Definition of types of cost and income

The following paragraphs provide definitions of the types of cost and income spent and received by the Council, as used in the preceding charts and elsewhere in the Statement of Accounts.

Employee costs primarily consists of the salaries of current employees. It also includes agency staff costs, National Insurance costs and pension scheme contributions as well as other miscellaneous staffing-related costs.

Premises costs consists of the operating costs of the Council's properties, including repair and maintenance costs and utility charges such as gas and electricity. It also includes costs in relation to Council owned land, such as grounds maintenance.

Supplies and services includes costs of equipment, stationery, computer related costs, and various other miscellaneous expenditure items. Allowances paid to Councillors also fall within this category.

Third party payments consists of costs paid to external providers of services, for example the various other local authorities in Essex that the Council works in partnership with.

Transfer payments consists of costs paid by the Council for which no goods or services are received in return. This is primarily the payment of Housing Benefit to claimants.

Transport costs consists of the costs of operating the Council's vehicles, such as the refuse and recycling fleet. It also includes costs of using public transport and employee car allowances.

Other costs consists of any expenditure which does not fall into the other categories. This includes payments of interest, the precept payment to Canvey Island Town Council, and contributions towards capital expenditure and capital funding.

Benefits subsidy is the amount received from Central Government to refund the Council for the payments it has made to claimants of Housing Benefits.

Council Tax receipts is the Council's share of the Council Tax it has collected from residents of the borough. Castle Point Borough Council retains approximately 15 pence of every pound collected, with the remainder going to Essex County Council, Essex PFCC - Policing and Community Safety, Essex PFCC - Fire and Rescue Authority, and for Canvey Island residents only, Canvey Island Town Council.

Fees and charges consists of the income the Council has received from charging users of its services or facilities, for example community centres and leisure centres amongst others.

Grants and other contributions includes grants and similar items received from Central Government and other bodies, including grants to fund specific expenditure, as well as general grants to fund overall Council services.

Non-Domestic Rates is the amount of business rates retained by the Council to fund Council services after the portions and tariffs paid to Central Government and major preceptors.

Rental income consists of income the Council has received from renting out its property to third parties. Rents from council house tenants are also included in this category.

Other income consists of various miscellaneous income amounts that do not fall within the other categories. An example would be the recycling credits received from Essex County Council.

Transfers to / from Reserves - when spending is greater than income received, the difference is taken from the Council's reserves. When spending is lower than income received the difference is added to the Council's reserves.

NARRATIVE REPORT

5 OUT-TURN FOR THE FINANCIAL YEAR AND COMPARISON TO BUDGET

5.1 - The General Fund

Net Expenditure item	Notes	Actual income & expenditure £000s	Revised net budget £000s	Difference £000s	Budget carried forward £000s	Final residual difference £000s
Environment		6,879	7,082	(203)	233	30
Governance, Law, Planning and Regeneration		872	1,100	(228)	115	(113)
Housing and Communities		2,177	2,328	(151)	58	(93)
Resources		83	84	(1)	21	20
Central and Corporate Services	3	1,974	1,492	482	5	487
Net cost of services		11,985	12,086	(101)	432	331
Other operating expenditure		437	430	7	20	27
Financing and investment income and expenditure		965	979	(14)	0	(14)
(Surplus) / deficit on continuing operations		13,387	13,495	(108)	452	344
Taxation and non specific grant income and expenditure		(12,149)	(12,260)	111	0	111
(Surplus) / deficit on the provision of services		1,238	1,235	3	452	455
Adjustments between accounting basis and funding basis under regulations	1	533	851	(318)	25	(293)
Net transfer to / (from) earmarked reserves	2	(1,604)	(1,756)	152	(477)	(325)
Transfer (to) / from General Fund balance		167	330	(163)	0	(163)

NARRATIVE REPORT

5.2 - The Housing Revenue Account (HRA)

Net Expenditure item	Notes	Actual income & expenditure £000s	Revised net budget £000s	Difference £000s	Budget carried forward £000s	Final residual difference £000s
Service Income		(7,873)	(7,692)	(181)	0	(181)
Service Expenditure		5,427	5,510	(83)	188	105
HRA Share of other whole Council income and expenditure		1,154	1,373	(219)	0	(219)
(Surplus) / deficit on the provision of HRA services		(1,292)	(809)	(483)	188	(295)
Adjustments between accounting basis and funding basis under regulations	1	122	(158)	280	0	280
Net transfer to / (from) earmarked reserves	2	778	778	0	0	0
Transfer (to) / from HRA reserve		(392)	(189)	(203)	188	(15)

5.3 - The Capital programme

Capital Expenditure item	Notes	Actual Expenditure £000s	Revised Budget £000s	Difference £000s	Budget carried forward £000s	Final residual difference £000s
Environment		3,829	3,769	60	54	114
Housing and Communities: General Fund		17	15	2	0	2
Housing and Communities: Housing Revenue Account (HRA)		2,007	2,388	(381)	325	(56)
Resources		63	88	(25)	25	0
Total Capital Expenditure		5,916	6,260	(344)	404	60

NARRATIVE REPORT

5.4 - Notes on out-turn and comparison to budget

The following notes provide further information on the more significant amounts and differences reported in the three previous tables. A positive amount in the difference columns means there has been either an overspend on expenditure and / or a shortfall in expected income, whereas a negative amount, i.e. an amount in brackets, means there has been either an underspend on expenditure and / or a greater amount of income received than expected.

Note 1 – A full breakdown of the statutory amounts included in these lines can be found at Note 10 accompanying the Movement in Reserves Statement.

Note 2 – The Council maintains several earmarked reserves for specific purposes. The balance remaining at 31 March 2018 in each of these reserves will be carried forward into the new financial year. Details of the movements and balances in these reserves are set out in Note 11.1 to the Core Financial Statements.

Note 3 – This variance partly relates to increases in allowances for potential non-repayments of amounts owed to the Council, but primarily to movements in internal costs recharged from other service areas.

STATEMENT OF RESPONSIBILITIES

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

RESPONSIBILITIES OF THE COUNCIL

The Council is required to:

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

RESPONSIBILITIES OF THE STRATEGIC DIRECTOR (RESOURCES)

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

In preparing this Statement of Accounts, the Strategic Director (Resources) has:

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

The Strategic Director (Resources) has also:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council as at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.



Chris Mills FCPFA
Strategic Director (Resources)
30 July 2018

I confirm that the Statement of Accounts was approved by the Council at the meeting held on 30 July 2018.

Signed on behalf of Castle Point Borough Council by the Chair of the meeting approving the Accounts.

Councillor A. C. Walter (Mayor)
30 July 2018

EXTERNAL AUDITOR'S REPORT

EXTERNAL AUDITOR'S REPORT

These pages will be provided following the conclusion of the external audit of the accounts

EXTERNAL AUDITOR'S REPORT

EXTERNAL AUDITOR'S REPORT

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation and rents. Authorities raise taxation and rents to cover expenditure in accordance with statutory requirements; this funding position is different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and the Expenditure and Funding Analysis. This statement reports the consolidated position for both the General Fund and the Housing Revenue Account. The Council's reporting structure underwent some changes during 2017/18 and the figures for 2016/17 for Net Cost of Service – Continuing Operations have been restated into the new structure.

GROSS EXPEND 2016/17 £000s	GROSS INCOME 2016/17 £000s	NET EXPEND 2016/17 £000s		Notes	GROSS EXPEND 2017/18 £000s	GROSS INCOME 2017/18 £000s	NET EXPEND 2017/18 £000s
GROSS EXPENDITURE, GROSS INCOME AND NET EXPENDITURE OF CONTINUING OPERATIONS							
10,423	(5,349)	5,074	Environment		12,640	(5,761)	6,879
1,669	(707)	962	Governance, Law, Planning and Regeneration		1,699	(827)	872
28,338	(26,056)	2,282	Housing and Communities: General Fund		27,754	(25,578)	2,176
335	(7,680)	(7,345)	Housing and Communities: Housing Revenue Account (HRA)		5,427	(7,873)	(2,446)
250	(168)	82	Resources		171	(88)	83
2,351	(7)	2,344	Central and Corporate Services		2,012	(16)	1,996
43,366	(39,967)	3,399	NET COST OF SERVICES - CONTINUING OPERATIONS		49,703	(40,143)	9,560
OTHER OPERATING EXPENDITURE							
		(407)	(Gain) / loss on disposal / derecognition of non-current assets				252
		247	Payment of precept to Canvey Island Town Council				243
		114	Payment of Housing Pooled Capital Receipts to the Government Pool				189
		25	Pensions - IAS19 Actuary administration expenses	16			27
FINANCING AND INVESTMENT INCOME AND EXPENDITURE							
		1,297	Interest payable on debts and finance leases, and similar charges	17			1,295
		(134)	Interest and investment income receivable, and similar income				(91)
		(209)	Investment Properties - income, expenditure, changes in the fair value of assets, and (gains) / losses on disposal or derecognition	12			(214)
		1,241	Pensions - net interest on the net defined benefit liability	16			1,037
		5,573	(SURPLUS) / DEFICIT ON CONTINUING OPERATIONS				12,298

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016/17 £000s		Notes	2017/18 £000s
	TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE		
(7,300)	Council Tax income		(7,508)
(181)	Council Tax surplus transferred from the Collection Fund		(189)
(6,061)	Non-Domestic Rates (NNDR) income		(5,435)
4,057	NNDR Tariff, Levy and safety net payments and receipts		3,705
(3,067)	Revenue Support Grant and General Government Grants	9	(2,697)
0	Capital grants and contributions	9	(229)
(12,552)	TOTAL TAXATION & NON-SPECIFIC GRANT INCOME AND EXPENDITURE		(12,353)
(6,979)	(SURPLUS) / DEFICIT ON THE PROVISION OF SERVICES		(55)
	OTHER COMPREHENSIVE INCOME AND EXPENDITURE		
	Items non-reclassifiable to (Surplus) / Deficit on Continuing Operations:		
(15,951)	• (Surplus) / deficit on revaluation of non-current assets	11.6 & 12	(2,553)
2,354	• Pensions - remeasurements of the net defined benefit liability	11.5 & 16	(4,938)
(13,597)	TOTAL OTHER COMPREHENSIVE INCOME AND EXPENDITURE		(7,491)
(20,576)	TOTAL COMPREHENSIVE INCOME AND EXPENDITURE		(7,546)

MOVEMENT IN RESERVES STATEMENT

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement from the start to the end of the year on the different reserves held by the Council, analysed into Usable Reserves (i.e. those which can be applied to fund expenditure or reduce local taxation) and other Unusable Reserves. The Movement in Reserves Statement shows how the movements in the year of the Council's reserves are broken down between gains and losses in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax and housing rents for the year. The "Net increase / (decrease) during the year" shows the General Fund Balance and Housing Revenue Account Balance movements in the year after these adjustments and also after discretionary transfers to or from earmarked reserves undertaken by the Council.

Notes		Usable Reserves:				
		General Fund (GF) Balance £000s	Housing Revenue Account £000s	GF & HRA Earmarked Reserves £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s
Balance as at 1 April 2016		5,274	2,357	11,706	531	0
Movement in reserves during the year						
Total Comprehensive Income and Expenditure		826	6,153	0	0	0
Adjustments between accounting basis and funding basis under regulations	10 & 11	605	(4,771)	0	854	496
Increase / (decrease) in the year before transfers to and from Earmarked Reserves		1,431	1,382	0	854	496
Transfers to and from Earmarked Reserves	11.1	(866)	(632)	1,498	0	0
Net increase / (decrease) during the year		565	750	1,498	854	496
Balance as at 31 March 2017		5,839	3,107	13,204	1,385	496
Balance as at 1 April 2017		5,839	3,107	13,204	1,385	496
Movement in reserves during the year						
Total Comprehensive Income and Expenditure		(1,237)	1,292	0	0	0
Adjustments between accounting basis and funding basis under regulations	10 & 11	(533)	(122)	0	(406)	(141)
Increase / (decrease) in the year before transfers to and from Earmarked Reserves		(1,770)	1,170	0	(406)	(141)
Transfers to and from Earmarked Reserves	11.1	1,604	(778)	(826)	0	0
Net increase / (decrease) during the year		(166)	392	(826)	(406)	(141)
Balance as at 31 March 2018		5,673	3,499	12,378	979	355

MOVEMENT IN RESERVES STATEMENT

Capital Grants Unapplied £000s	Total Usable Reserves £000s	Unusable Reserves:				Total Unusable Reserves £000s	Total Council Reserves £000s
		Pensions Reserve £000s	Revaluation Reserve £000s	Capital Adjustment Account £000s	Other Adjustment Accounts £000s		
184	20,052	(36,203)	24,777	74,807	(799)	62,582	82,634
0 (58)	6,979 (2,874)	(2,354) (1,559)	15,951 (498)	0 3,997	0 934	13,597 2,874	20,576 0
(58)	4,105	(3,913)	15,453	3,997	934	16,471	20,576
0	0	0	0	0	0	0	0
(58)	4,105	(3,913)	15,453	3,997	934	16,471	20,576
126	24,157	(40,116)	40,230	78,804	135	79,053	103,210
126	24,157	(40,116)	40,230	78,804	135	79,053	103,210
0 (17)	55 (1,219)	4,938 414	2,553 (759)	0 1,746	0 (182)	7,491 1,219	7,546 0
(17)	(1,164)	5,352	1,794	1,746	(182)	8,710	7,546
0	0	0	0	0	0	0	0
(17)	(1,164)	5,352	1,794	1,746	(182)	8,710	7,546
109	22,993	(34,764)	42,024	80,550	(47)	87,763	110,756

BALANCE SHEET

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are Usable Reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitation on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is Unusable Reserves, those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

31 March 2017 £000s		Notes	31 March 2018 £000s	£000s
	NON-CURRENT (LONG TERM) ASSETS			
158,799	Property, plant and equipment	12	162,806	
354	Heritage assets	12	385	
2,186	Investment properties	12	2,147	
90	Intangible assets	12	90	
130	Long term debtors	13 & 17	136	
161,559	TOTAL NON-CURRENT (LONG TERM) ASSETS			165,564
	CURRENT ASSETS			
28,733	Short term Investments	17	25,950	
28	Inventories		23	
3,803	Short term debtors	13 & 17	4,382	
674	Cash and cash equivalents	14	647	
33,238	TOTAL CURRENT ASSETS			31,002
	CURRENT LIABILITIES			
(426)	Short term borrowing and finance lease liabilities	17	(426)	
(622)	Revenue and capital grants receipts in advance		(770)	
(5,766)	Short term creditors	15	(5,525)	
(986)	Provisions	19	(785)	
(7,800)	TOTAL CURRENT LIABILITIES			(7,506)

BALANCE SHEET

31 March 2017 £000s		Notes	31 March 2018 £000s	31 March 2018 £000s
	NON-CURRENT (LONG TERM) LIABILITIES			
(41,701)	Long term borrowing and finance lease liabilities	17	(41,701)	
0	Long term creditors	15	(145)	
(1,970)	Collection Fund - Government and major preceptors		(1,694)	
(40,116)	Liability related to defined benefit pension scheme	16	(34,764)	
(83,787)	TOTAL NON-CURRENT (LONG TERM) LIABILITIES			(78,304)
103,210	NET ASSETS			110,756
	USABLE RESERVES			
5,839	General Fund		5,673	
3,107	Housing Revenue Account		3,499	
13,204	Earmarked Reserves	11.1	12,378	
496	Major Repairs Reserve	10 & 11.2	355	
1,385	Capital Receipts Reserve	10 & 11.3	979	
126	Capital Grants Unapplied Account	10 & 11.4	109	
24,157	TOTAL USABLE RESERVES			22,993
	UNUSABLE RESERVES			
(40,116)	Pensions Reserve	10, 11.5 & 16	(34,764)	
40,230	Revaluation Reserve	10 & 11.6	42,024	
78,804	Capital Adjustment Account	10 & 11.7	80,550	
	Other Statutory Adjustment Accounts:			
284	• Collection Fund Adjustment Account	10 & 11.8	96	
(149)	• Accumulated Absences Account	10 & 11.8	(143)	
79,053	TOTAL UNUSABLE RESERVES			87,763
103,210	TOTAL RESERVES			110,756

These financial statements replace the unaudited financial statements certified by Chris Mills, Strategic Director (Resources) on 18 May 2018

C. Mills

CASH FLOW STATEMENT

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2016/17		Notes	2017/18	
£000s	£000s		£000s	£000s
OPERATING ACTIVITIES				
Cash Outflows on Operating Activities				
7,790			7,929	
247			243	
17,366			16,722	
153			114	
4,105			3,605	
1,297			1,295	
14,018			18,714	
	44,975	Total Cash Outflows on Operating Activities		48,622
Cash Inflows on Operating Activities				
(2,635)			(2,471)	
(7,590)			(7,721)	
(5,050)			(5,612)	
(4,403)			(4,088)	
(23,358)			(21,479)	
(4,890)			(5,543)	
(125)			(76)	
(3,799)			(4,358)	
	(51,850)	Total Cash Inflows on Operating Activities		(51,348)
	(6,875)	NET CASH (INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES		(2,726)

CASH FLOW STATEMENT

2016/17		Notes	2017/18	
£000s	£000s		£000s	£000s
INVESTING ACTIVITIES				
1,654	Purchase and enhancement of non-current (long term) assets		5,437	
(1,397)	Proceeds from the sale of non-current (long term) assets		(507)	
11	Expenses incurred on Investment Properties		12	
(212)	Rental income received from Investment Properties		(211)	
0	Other capital grants and capital cash receipts		(25)	
100,396	Purchase of short term and long term investments		105,874	
(92,300)	Proceeds from redemption of short term and long term investments		(108,668)	
8,152			1,912	
NET CASH (INFLOW) / OUTFLOW FROM INVESTING ACTIVITIES				
FINANCING ACTIVITIES				
27	Cash payments for the reduction of the outstanding liability relating to finance leases		0	
	Collection Fund - Agency Adjustments:			
(250)	• Council Tax relating to major preceptors		412	
(1,146)	• Non-Domestic Rates relating to Central Government and major preceptors		429	
(1,369)			841	
NET CASH (INFLOW) / OUTFLOW FROM FINANCING ACTIVITIES				
(92)			27	
NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS				
(582)			(674)	
CASH AND CASH EQUIVALENTS AS AT 1 APRIL				
(674)			(647)	
CASH AND CASH EQUIVALENTS AS AT 31 MARCH				
		14		

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NOTES TO THE CORE FINANCIAL STATEMENTS

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NOTES TO THE CORE FINANCIAL STATEMENTS:

Summary of Significant Accounting Policies

AP1 - ACCOUNTING POLICIES – INTRODUCTION AND GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year, 1 April 2017 to 31 March 2018, and its position at the year-end date, 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, and it has been prepared in accordance with proper accounting practices. These practices primarily comprise The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, based on International Financial Reporting Standards (IFRS) ("the Code"), and the associated Guidance Notes for Practitioners, as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounting convention that has been adopted in the financial statements is primarily that of historical cost, modified by the use of Fair Value for certain categories of assets and liabilities. Furthermore, the financial statements are prepared on a going concern basis. This means that they are prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. Where relevant, materiality levels are stated under applicable accounting policies. These set tolerance limits, below which omissions or misstatements would not prevent the financial statements being fairly stated, nor affect the decisions or assessments made by users of the financial statements.

The following abbreviations are used throughout these policies:

- Comprehensive Income and Expenditure Statement – abbreviated to CI&ES.
- Movement in Reserves Statement - abbreviated to MIRS.
- Capital Adjustment Account – abbreviated to CAA.

AP2 - ACCOUNTING POLICY CHANGES

The Council only changes accounting policies where the change is required by the Code, or where the change results in the financial statements providing reliable or more relevant information on the Council's financial position, financial performance or cash flows. When an accounting policy is changed, the Council is required to apply the change retrospectively, and present comparative transactions and opening balances as if that new policy or changed policy had always been in place. In certain circumstances the Code will provide transitional provisions to be followed, which may mitigate or negate the impact of such a change.

There are no changes in policies effective from 2017/18 which impact on these accounts.

The Council is also required to disclose information on the impact of a change in accounting policy that will be required by an accounting standard that has been issued but not yet adopted. This applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. 1 January 2018 for the 2017/18 financial year). This disclosure is reported in Note 20 to the Core Financial Statements.

AP3 - ACCRUALS OF INCOME AND EXPENDITURE

The financial statements are prepared under the accruals basis of accounting. This means that transactions are accounted for in the financial year that the relevant activity took place, rather than when cash payments were made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and reward of ownership to the purchaser, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure with reliability the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from Council Tax and Non-Domestic Rates is measured at the full amount receivable, net of any impairment losses, as these are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.
- Supplies are recorded as expenditure when they are used. Supplies received and not yet used at the Balance Sheet date are held as inventories on the Balance Sheet.

NOTES TO THE CORE FINANCIAL STATEMENTS:

Summary of Significant Accounting Policies

- Expenditure incurred by the Council is recorded as such when the associated services are received, as opposed to when payment is made.
- Interest receivable and payable to and from the Council are accounted for as income and expenditure based on the effective interest rate for the associated financial instruments rather than by the actual cash flows received and made.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Low value items below £200, which have no material impact, may not always be accrued for and will remain in the financial year in which they were received or paid. Other immaterial items may not also be accrued where a full year's amount is already accounted for. Cash flow information, primarily the Cash Flow Statement, is prepared on a cash basis rather than an accruals basis.

AP4 - ADMINISTRATIVE OVERHEADS AND SUPPORT SERVICES COSTS

Administrative overheads and other support service costs are apportioned across the service segments that benefit from the associated supply of service in accordance with the Council's arrangements for accountability and financial performance. This is done using suitable basis of measurement or estimation, such as percentages or time recording. Recharged overheads are included in all service lines reported under Net Cost of Services in the CI&ES.

AP5 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents are those sums held for the purposes of meeting short term cash commitments, as opposed to those sums held for investment and other purposes. Cash equivalents are generally short term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of any change in value. Cash and cash equivalents primarily consists of the Council's net balance or overdraft on its current and call accounts with Lloyds Bank and any amounts held in petty cash floats.

The Council on occasion holds other investments which are repayable on demand, principally funds invested in Sterling Money Market Funds. Although they meet the above cash equivalent definition, they are used for investing purposes and to ensure security of funds rather than day to day cash management. Therefore they are not included in cash and cash equivalents and are instead reported under Short Term Investments on the Balance Sheet. Should any amounts be held in other bank call accounts repayable on demand, although these would also primarily be held for investing purposes they would be required to be recorded as part of cash and cash equivalents as they meet the statutory definition of cash.

AP6 - COLLECTION FUND – AGENCY ARRANGEMENTS

The financial statements reflect that the Council is acting as an agent on behalf of the major preceptors (Essex County Council, Essex PFCC - Fire and Rescue Authority and Essex PFCC - Policing and Community Safety) for the collection and distribution of Council Tax income, and on behalf of Central Government, Essex County Council and Essex PFCC - Fire and Rescue Authority for the collection and distribution of Non-Domestic Rates (NDR). As a result, the Council Tax and NDR income included in the CI&ES is the accrued income for the year relating to Castle Point Borough Council and also Canvey Island Town Council for Council Tax only. The difference between the income included in the CI&ES and the amount required by regulation to be credited to the General Fund for the Council is taken to the Collection Fund Adjustment Account in the Balance Sheet. This adjustment is reported through the MIRS.

The shares of the debtors, creditors, appeals provision and impairment allowances balances on Council Tax and NDR payers which are attributable to Central Government and the precepting authorities are derecognised to reflect the agency arrangement. This is done by netting off these amounts against those bodies' share of the collection fund balance. The resulting net balances are split between current and non-current (long-term) creditors on the Balance Sheet.

NOTES TO THE CORE FINANCIAL STATEMENTS:

Summary of Significant Accounting Policies

The Cash Flow Statement includes within Operating Activities, only those cash flows relating to the Council's own share of the Council Tax and NDR net cash collected. The amounts included in precepts paid exclude amounts relating to major preceptors and Central Government and only show the precept paid to Canvey Island Town Council, which as a parish council is not classified as a major preceptor. The difference between the Central Government and major preceptors' shares of the net cash collected, the net cash paid to them and the settlement of previous year's surplus or deficit on the Collection Fund is included in Financing Activities as a net inflow or outflow in the two Collection Fund Adjustment lines.

Allowances are made for non-payment of debt by Council Tax payers and Non-Domestic Rate payers, in accordance with policy note AP20.

AP7 - EMPLOYEE BENEFITS – BENEFITS PAYABLE DURING EMPLOYMENT

Benefits payable during employment are primarily those benefits paid to current employees that fall wholly due within 12 months of the year-end. These include wages and salaries, compensated absences (see below), bonuses, and other non-monetary benefits such as leased cars. Short term employee benefits are recognised on an accruals basis in the relevant lines under (Surplus) / Deficit on the Provision of Services on the CI&ES. Where they occur, non-monetary benefits (i.e. benefits in kind) are recognised at the cost to the Council of providing the benefit.

Compensated absences are those periods during which an employee does not provide services to the Council, but benefits continue to be paid, including sick pay, annual leave and flexi leave. Entitlements to annual leave and flexi leave which have not been used by the end of the financial period are treated as accumulating compensated absences, which means they can be carried forward to the following financial period. The Council is required to accrue for the estimated cost, including employer's National Insurance and pension contributions, of any outstanding accumulating compensated absences at the end of the financial period. The estimates are charged to the relevant lines under Net Cost on Services on the CI&ES, however to avoid any impact on Council Tax and Housing Rents, the amounts are reversed through the MIRS to an Unusable Reserve on the Balance Sheet: Accumulated Absences Account.

AP8 - EMPLOYEE BENEFITS – POST-EMPLOYMENT BENEFITS

Employees of the Council are entitled to membership of the Local Government Pension Scheme (LGPS) which is accounted for as a defined benefits scheme. Further information on the scheme can be found in note 16 to the Core Financial Statements. Liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an estimate of the pensions that will be payable in future years based on assumptions about mortality rates, salary levels, etc. The liabilities are discounted to their current value, using a discount rate of 2.55% (2.7% in 2016/17) based on the current rate of return on a high-quality AA rated corporate bond. The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value (principally market value, and bid value for investments).

The change in net pension liability each year is analysed into the following components:

- Current Service Cost – the increase in liabilities as a result of years of service earned during the current year, allocated across all relevant services on the CI&ES;
- Past Service Cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to service earned in earlier years, charged to the Central and Corporate Services line on the CI&ES;
- Actuary administrative expenses – charged to Other Operating Expenditure on the CI&ES;
- Net Interest on the Net Defined Benefit Liability – the net interest expense for the Council, charged to Financing and Investment Income and Expenditure on the CI&ES. This is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability;

NOTES TO THE CORE FINANCIAL STATEMENTS: Summary of Significant Accounting Policies

- Remeasurements – the return on plan assets (excluding amounts in Net Interest on the Net Defined Benefit Liability), and actuarial gains and losses arising from events not coinciding with assumptions made at the previous valuation, or changes to those assumptions. These are charged to Other Comprehensive Income and Expenditure on the CI&ES; and
- Employer contributions paid to the Pension Fund – not accounted for as an expense.

Statutory provisions require the General Fund and Housing Revenue Account balances to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the MIRS there are appropriations to and from the Pensions Reserve to remove the amounts included in the CI&ES and replace them with amounts equivalent to the cost payable during the year. The negative balance on the Pensions Reserve, as reported on the Balance Sheet, measures the beneficial impact on the General Fund and Housing Revenue Account of being required to account for post-employment benefits on the basis of cash flows rather than as benefits are earned by employees.

AP9 - EMPLOYEE BENEFITS – TERMINATION BENEFITS

Termination benefits become payable as a result of either the Council's terminating an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for these benefits. They are usually lump sum payments and include enhanced retirement benefits and/or salary to the end of a specified notice period, if the employee provides no more service during that period. The benefits are recognised on an accruals basis as part of (Surplus) / Deficit on the Provision of Services on the CI&ES, at the earlier of when the Council can no longer withdraw the offer or when the Council recognises restructuring costs that involves paying termination benefits.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund or Housing Revenue Account to be charged with the amount payable by the Council in the year, not the amount calculated according to the relevant accounting standards. Adjustments are made to or from the Pension Reserve through the MIRS to remove the notional amounts for pension enhancement termination benefits and replace them with the amounts paid or payable for the year.

AP10 - EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur after the end of the accounting period, and before the date when the financial statements are authorised for issue. There are two types of events:

- **Adjusting events** - events that provide additional evidence regarding conditions which existed at the end of the accounting period. For these the Council is required to disclose the event and update any relevant amounts included in the financial statements; and
- **Non-Adjusting events** - events that provide evidence regarding conditions that arose after the end of the accounting period, prior to the date of approval. Where the event is material the Council is required to disclose the nature of the event, and an estimate of the financial effect of the event. Where estimation is not possible the Council is required to state that it is not possible.

Details of any events are reported in Note 18 to the Core Financial Statements.

AP11 - FAIR VALUE MEASUREMENT

In accordance with IFRS 13 the Council is required to measure some of its non-financial assets, in particular Investment Properties, at Fair Value, and also report the Fair Value of some of its financial instruments. Fair Value is the price that would be received from sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the date of measurement. This assumes that the transaction takes place in the principal market for the asset or liability, or in the most advantageous market if there is no principal market.

NOTES TO THE CORE FINANCIAL STATEMENTS:

Summary of Significant Accounting Policies

The Council measures the Fair Value of an asset or liability using the assumptions that market participants would use when pricing it, assuming they were acting in their economic best interest and taking into account their ability to generate economic benefits by using the asset in its highest and best use, or selling it on that basis. Appropriate valuation techniques are used for which sufficient data is available, where possible using observable rather than unobservable inputs:

- Observable inputs: developed using market data such as publicly available information about actual transactions;
- Unobservable inputs: for which data is not available and are developed using the best information available about assumptions that market participants would make.

Inputs to valuation techniques are categorised into the following hierarchy:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices, that are either directly or indirectly observable;
- Level 3: Unobservable inputs.

AP12 - FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial Assets include loans and receivables that have fixed or determinable payments, but are not quoted on an open market. They are initially measured at fair value and carried at their amortised cost. The amount credited to the CI&ES for interest receivable is based on the principal outstanding multiplied by the interest rate for the instrument. The amount for investments shown on the Balance Sheet is the carrying amount, which is outstanding principal and accrued interest.

Financial liabilities are recognised when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. The amount charged to the CI&ES for interest payable is based on the principal outstanding multiplied by the rate of interest for the instrument. The amount for borrowing shown on the Balance Sheet is the carrying amount, which is the outstanding principal repayable and accrued interest.

AP13 - GRANTS AND CONTRIBUTIONS (GOVERNMENT AND NON-GOVERNMENT)

Revenue and Capital grants and contributions are accounted for on an accruals basis, and recognised immediately in the CI&ES, unless the grant has an outstanding condition that the Council has yet to satisfy, whereby the grant would have to be returned to the grant provider if not used as set out in the terms of the grant.

Grants with outstanding conditions which have not yet been met are held as Current Liabilities on the Balance Sheet, in either the Revenue Grants or Capital Grants Receipts in Advance Accounts. If any conditions are not satisfied, grants are repaid direct to the grant provider from these accounts. If there is insufficient balance or no balance for any grant remaining in the relevant account then the excess repayable is charged as an expense to the CI&ES. A grant or contribution may be received subject to a condition that it be returned to the grantor if a specified future event does or does not occur (for example, a grant may need to be returned if the Council ceases to use the asset purchased with that grant for a purpose specified by the grant provider). In these cases, a return obligation does not arise until such time as it is expected that the condition will be breached and a liability is not recognised until that time. Such conditions do not prevent the grant or contribution being recognised as income in the CI&ES.

Grants are reported in Note 9 to the Core Financial Statements. The treatment of different types of grants and contributions with no outstanding conditions are as follows:

- **Capital grants and contributions** - The grant is recognised under Taxation and Non-Specific Grant Income on the CI&ES, and then transferred through the MIRS, to an appropriate capital reserve on the Balance Sheet, as follows:
 - If capital expenditure has been incurred the grant is credited to the CAA, to reflect the application of capital resources to fund capital expenditure.

NOTES TO THE CORE FINANCIAL STATEMENTS:

Summary of Significant Accounting Policies

- If capital expenditure has not yet been incurred the grant is credited to the Capital Grants Unapplied Account. When capital expenditure subsequently occurs the grant is then transferred from the Capital Grants Unapplied Account to the CAA.
- **Revenue grants and contributions** - General revenue government grants, which are not ring-fenced and not provided for a specific purpose, are recognised under Taxation and Non-Specific Grant Income and Expenditure on the CI&ES. Other grants which are for specific purposes are recognised as income for the relevant service line under Net Cost of Services. If a grant has been recognised but expenditure has not occurred then the Council may hold the balance of the grant in an earmarked reserve until such time as expenditure takes place. The analysis of the amounts recognised in the relevant service lines shown in Note 9.1 to the Core Financial Statements generally excludes immaterial grants below £1,000.
- **Capital grants and contributions funding Revenue Expenditure Funded from Capital under Statute (REFCUS)** - Grants to fund REFCUS are deemed to be revenue grants, as these amounts are only capital for statutory capital control purposes. These grants are therefore treated in accordance with the above revenue grant principles. However an additional adjustment is required through the MIRS to transfer the grant to the CAA if expenditure has occurred, or the Capital Grants Unapplied Account, if expenditure has not occurred. Where a capital grant is held and expenditure has not yet been incurred, and the decision has yet to be taken whether the grant will fund capital expenditure or REFCUS expenditure, the unused grant is deemed to be a capital grant, and is held under either the Capital Grants Receipts in Advance account or the Capital Grants Unapplied Account, depending on whether the grant has outstanding conditions or not. Please also refer to policy note AP23 on REFCUS for further information.

AP14 - LEASING ARRANGEMENTS

Leases are classified as either finance leases or operating leases. A Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Any lease which does not meet these criteria is classified as an operating lease. Where a lease covers both land and buildings, they are required to be split between the land and building elements for the purposes of classifying the lease as finance or operating lease. The accounting adjustments required for leases are as follows:

- **Finance leases - Council is lessee** - The Council is required to recognise the lease as an asset and corresponding liability on the Balance Sheet, at an amount equal to the fair value of the asset; or the present value of the minimum lease payments, if that is lower. Minimum lease payments are apportioned between the finance charge, which is the interest element of the lease and is recognised under Financing and Investment Income and Expenditure on the CI&ES and the reduction in the outstanding liability on the Balance Sheet. The asset is subsequently depreciated over the term of the lease, or, if longer, over the useful life of the asset when it is certain that the Council will purchase the asset at the end of the lease term. Depreciation is applied in accordance with policy note AP16.9. Where applicable, assets held by the Council under finance leases are re-valued in accordance with policy note AP16.3. See also policy note AP15 regarding the minimum revenue provision for finance leases.
- **Finance leases - Council is lessor** - The Council is required to derecognise the asset leased out, and recognise a debtor for the net investment in the lease. The lease repayments made to the Council are apportioned between repayment of the outstanding liability on the Balance Sheet and a receipt of interest from the finance charge. The finance charge is recognised as income under Financing and Investment Income and Expenditure on the CI&ES. The Council has set a de minimus level of £2,500, whereby any lease with annual rental income below that amount that would otherwise be classified as a finance lease, will be treated as an operating lease, on grounds of materiality.
- **Operating leases – Council is lessee** - Lease payments under operating leases are recognised as an expense on a straight line basis over the term of the lease. Operating lease payments are charged to the relevant lines under Net Cost of Services on the CI&ES.

NOTES TO THE CORE FINANCIAL STATEMENTS:

Summary of Significant Accounting Policies

- **Operating leases – Council is lessor** - Assets which the Council leases out under operating lease arrangements remain on the Council's Balance Sheet under Property, Plant and Equipment or Investment Properties, and are accounted for in accordance with policy notes AP16 and AP17. Operating lease receipts relating to Investment Properties are recognised under Financing and Investment Income and Expenditure on the CI&ES, and any other operating lease receipts are credited to the relevant lines reported under Net Cost of Services on the CI&ES.

AP15 - MINIMUM REVENUE PROVISION (MRP)

Regulations require the Council to approve an Annual Statement of Minimum Revenue Provision (MRP). MRP is an amount which is set aside from revenue annually for the repayment of debt principal relating to the General Fund. It must be an amount which the Council considers to be prudent and is recognised in the MIRS, with a corresponding credit to the CAA in the same statement. The Council calculates MRP using the Asset Life Method for new borrowing under the Prudential system for which no Government support is being given. This option makes provision over the estimated life of the asset for which the borrowing is undertaken. On occasion the Council may take a more prudent approach of applying MRP charges over a shorter term than the estimated life of the associated asset. A further MRP charge is also required for finance leases where the Council is lessee. This is applied using the Annuity Method, whereby the annual MRP charge is equivalent to the reduction in the outstanding liability on the lease reported on the Balance Sheet, over the term of the lease.

AP16 - NON-CURRENT (LONG TERM) ASSETS – PROPERTY, PLANT AND EQUIPMENT (PPE)

AP16.1 – Recognition

These are assets with a physical substance, that have a cost that can be reliably measured, have a life of more than one year, and it must be probable that some future economic benefit or service potential associated with the asset will flow to the Council. All expenditure on the acquisition, creation or enhancement of property, plant and equipment (PPE) assets is capitalised on an accruals basis. The Council operates a de minimis limit of £10,000 below which items will be charged to revenue rather than to capital.

AP16.2 – Initial measurement

PPE assets are initially measured at cost and capitalised on an accruals basis. The measurement of cost primarily comprises the purchase costs and all expenditure that is directly attributable to bringing the asset to the location and condition necessary for its intended use.

AP16.3 – Subsequent measurement after initial recognition

Assets are valued on the basis recommended by CIPFA in the Code, and in accordance with the Statement of Asset Valuation Principles and Guidance Notes, issued by the Royal Institution of Chartered Surveyors (RICS). Infrastructure assets are generally measured at historical cost, adjusted where applicable for subsequent depreciation and impairment. Community assets can be measured at either depreciated historical cost, or at valuation, and the Council has opted to measure at the former. All other classes of asset are measured at their current value, using the following valuation methods:

- Current value, determined using the basis of existing use value for social housing (EUV-SH). As part of this valuation method, a vacant possession factor is applied to the valuation of the Council dwellings to represent their continued use as residential accommodation.
- Current value, determined as the amount that would be paid for the asset in its existing use (EUV)
- Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.
- Vehicles, plant and equipment assets which are either of a low value or have a short life are included at depreciated historical cost, which is deemed to be a materially sufficient proxy for depreciated replacement cost.

NOTES TO THE CORE FINANCIAL STATEMENTS: Summary of Significant Accounting Policies

The valuation methods for PPE assets are summarised as follows:

Type of Asset	Valuation Method
• Council dwellings	Existing use value & Existing use value - social housing
• Other land & buildings	Existing use value & Depreciated replacement cost
• Infrastructure assets	Depreciated historical cost
• Community assets	Depreciated historical cost
• Vehicles, plant and equipment	Depreciated historical cost

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

AP16.4 – Revaluations

Classes of assets held at current value are carried at re-valued amounts. The re-valued amount is the asset's current value at its most recent date of valuation, less any subsequent accumulated depreciation and accumulated impairment. When assets are re-valued the accumulated depreciation and impairment at the date of valuation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the new re-valued amount of the asset.

Revaluations of assets are carried out by a qualified valuer as follows:

- Council dwellings and garages are re-valued annually on a beacon basis; and
- All other classes of assets required to be re-valued are re-valued as part of a rolling five-year programme. Therefore around 20% of the total assets, by number, are re-valued each year. A number of the Council's highest value assets are however revalued on a more frequent basis, usually annually, where appropriate taking consideration of material or significant changes that might indicate the need for a valuation.

Council houses are re-valued using the Guidance on Stock Valuation for Resource Accounting issued by the Ministry for Housing, Communities and Local Government (MHCLG), updated in 2016. The guidance allows qualified valuers the ability to vary the rate at which the discount for vacant possession adjustment is made. The valuer has adopted the discount rate applying to the South East region as it was deemed that the property market in Castle Point corresponded and conformed with the property market in Kent and the South East region rather than the more rural aspect of the Eastern region.

As stated above, the approach to Council dwelling and garages works on a beacon basis. Under this methodology the dwellings are placed into like groups by property type, and also separately between Canvey Island and the mainland, so for example mainland one bed flats, Canvey three bed houses, and so on. A sample property, the "beacon", is selected which is deemed to be representative of all properties in each group. The valuation of this beacon property is used as the base valuation from which the valuations of the other dwellings in each group are derived.

Material changes to asset valuations are adjusted in the accounts in the year that they occur. Revaluation gains, which are increases in value, are generally credited to the Revaluation Reserve. This is an unusable reserve used to record unrealised gains from changes in value of assets. Revaluation losses, which are decreases in value, are also generally charged to the Revaluation Reserve, provided previous valuation gains are available for the relevant assets. The Revaluation Reserve only contains gains recognised since 1 April 2007, the date that this reserve was formally implemented. Gains arising before that date were consolidated into the CAA. Under certain circumstances gains and losses can also be credited or charged to the relevant service line on the CI&ES.

AP16.5 – Impairments

Impairment arises when the carrying amount of an asset exceeds its recoverable amount:

- The carrying amount is the amount at which the asset is recognised in the Council's accounts, i.e. its historical or re-valued amount, less any accumulated depreciation and accumulated impairment loss.

NOTES TO THE CORE FINANCIAL STATEMENTS:

Summary of Significant Accounting Policies

- The recoverable amount of an asset is the higher of its net selling price (fair value less costs to sell) and its value in use (the present value of the asset's remaining service potential).

Examples of impairment include a significant decline in an asset's carrying amount, more than would be expected as a result of the passage of time or normal usage, or obsolescence or physical damage to an asset. Assets are reviewed annually at the end of the financial year by the Council's qualified valuers, to assess if there is any need for an impairment adjustment, or any reversal of a previous impairment adjustment. If any indication exists that an asset is impaired then the asset's carrying amount is required to be reduced to the estimated recoverable amount, or increased if the previous impairment has been reduced.

AP16.6 – Treatment of revaluations and impairments

The specific treatment of revaluation and impairment gains and losses is as follows:

- **Revaluation gains** - Revaluation gains are generally recognised in the Revaluation Reserve, and are also reported as part of Other Comprehensive Income and Expenditure on the CI&ES. If, however, the gain is reversing a previous revaluation loss charged to the (Surplus) / Deficit on the Provision of Services in the CI&ES, then the gain is credited back to the relevant line previously charged under Net Cost of Services. The reversal shall not exceed the carrying amount of the asset that would have been determined (net of depreciation) had no prior revaluation decrease been recognised for the asset. Any excess gain above this amount is recognised in the Revaluation Reserve. Any gains credited to the (Surplus) / Deficit on the Provision of Services are transferred to the CAA, through the MIRS.
- **Revaluation losses** - Revaluation losses are initially recognised against any credit balance held for the same asset in the Revaluation Reserve, and are also reported as part of Other Comprehensive Income and Expenditure on the CI&ES. If no balance exists for the asset in the Revaluation Reserve, or the loss exceeds the balance held, then the additional amount is charged to the relevant service line under Net Cost of Services as part of the (Surplus) / Deficit on the Provision of Services in the CI&ES. Any such losses charged to the (Surplus) / Deficit on the Provision of Services are appropriated to the CAA, through the MIRS.
- **Impairment reversals** - Any impairment loss previously recognised in the (Surplus) / Deficit on the Provision of Services in the CI&ES is only reversed when there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Generally this occurs when the example circumstances noted in section AP16.5 above are mirrored. The reversal shall not exceed the carrying amount of the asset that would have been determined (net of depreciation) had no prior revaluation decrease been recognised for the asset. Excess gains above this amount are treated as a revaluation gain and recognised in the Revaluation Reserve. Any gains credited to the (Surplus) / Deficit on the Provision of Services are transferred to the CAA, through the MIRS.
- **Impairment losses** - Impairment losses are initially recognised against any credit balance held for the same asset in the Revaluation Reserve, and are also reported as part of Other Comprehensive Income and Expenditure on the CI&ES. If no balance exists for the asset in the Revaluation Reserve, or the loss exceeds the balance held, then the additional amount is charged to the relevant service line under Net Cost of Services as part of the (Surplus) / Deficit on the Provision of Services in the CI&ES. Any such losses charged to the (Surplus) / Deficit on the Provision of Services are appropriated to the CAA, through the MIRS.

AP16.7 – Disposals

When an asset is derecognised on disposal, any gain or loss arising on the disposal is reported as part of Other Operating Expenditure on the CI&ES. The gain or loss is calculated as the difference between the net disposal proceeds (proceeds of the sale less costs to sell), which are credited to Other Operating Income and Expenditure, and the carrying amount of the asset on the Balance Sheet, which is debited to Other Operating Income and Expenditure.

The gain or loss on disposals is not a proper charge to the General Fund and / or Housing Revenue Account. As such, the gain or loss recognised under the (Surplus) / Deficit on the Provision of Services is appropriated to the CAA, through the MIRS, with the exception of capital receipts less than £10,000 and associated disposal costs which are treated as revenue transactions within the CI&ES.

NOTES TO THE CORE FINANCIAL STATEMENTS:

Summary of Significant Accounting Policies

Any residual revaluation gains in the Revaluation Reserve are transferred from the Revaluation Reserve to the CAA, again through the MIRS, and the net disposal proceeds are credited to the Capital Receipts Reserve.

AP16.8 – Capital Receipts

The proceeds from sales where Housing tenants have exercised the right to purchase their dwellings under the Right to Buy (RTB) scheme, as well as from other asset disposals, are known as capital receipts. Receipts in excess of £10,000 are categorised as capital receipts. Receipts of £10,000 or less are generally deemed to be de minimis and accounted for as revenue receipts within the CI&ES.

Legislation prescribes the portions of housing property capital receipts which must be paid to Central Government. For RTB disposals of houses the following two deductions are made:

- An amount deemed to be the excess of debt supportable by the property sold above the assumed level of debt within the housing self-financing settlement, based on a Central Government calculation. This amount is available to use for future HRA capital expenditure or HRA debt repayment.
- An administration allowance of £1,300 per RTB sale, treated as HRA revenue income.

The remaining balance after these deductions is then split as follows:

- Central Government receives 70.9% of the receipt, capped at £150,854 for 2017/18, paid quarterly assuming there are sufficient sales receipts each quarter.
- The Council receives 29.1% of the receipt, capped at £61,780 for 2017/18. This amount is available to contribute to any new capital expenditure incurred by the Council.

Where receipts are below the stated amounts they are shared based on the above percentages.

Finally, any residual receipt above these levels is held by the Council for a period of 3 years from the end of the quarter it was received in, and can only be used for the replacement of council properties. If after this time any amount remains unspent it is required to be repaid, with interest, to Central Government. Any amounts payable to Central Government are charged to Other Operating Expenditure on the CI&ES, and then reversed through the MIRS to avoid any impact on Council Tax or Housing Rents.

The capital receipts retained by the Council after any deductions are credited to the Capital Receipts Reserve on an accruals basis. They are then immediately available to finance new capital expenditure, subject to the above conditions for usage of housing receipts. Receipts are appropriated to this reserve through the MIRS. The Council has in the past taken advantage of an exemption to the regulations requiring local authorities to pay over to the Government 50% of all capital receipts received from the disposal of housing land, by designating its use for delivering affordable housing or regeneration projects. Some statutorily defined capital receipts do not arise from the disposal of a non-current asset and represent income under the general provisions of the code (e.g. the repayment of a grant awarded by the Council to enhance a non-current asset by the recipient). The income received is credited to the CI&ES. A transfer to the Capital Receipts Reserve through the MIRS reverses out the income so that there is no impact on the level of Council Tax or Housing Rents.

AP16.9 – Depreciation

Depreciation is the process by which the consumption of the economic benefits or service potential inherent in an item of property, plant and equipment is recognised in the cost of services. This is done by allocating depreciable amounts over the useful life of each asset. In effect depreciation measures the extent to which the Council's resources have been used up during a financial year by the use of property, plant and equipment in the provision of services.

Depreciation is required to be provided for on all assets classified as Property, Plant and Equipment, with the exception of freehold land, which is deemed to have an unlimited useful life. All operational buildings, vehicles, plant and equipment, and other relevant non-land assets are depreciated from date of purchase on a straight-line basis over the period of their useful life, i.e. an equal amount is charged in each financial year over the life of an asset.

NOTES TO THE CORE FINANCIAL STATEMENTS:

Summary of Significant Accounting Policies

Depreciation is charged to the relevant lines reported under Net Cost of Services on the CI&ES. However, depreciation is not a proper charge to the General Fund and/or Housing Revenue Account. As such the depreciation charges are appropriated to the CAA, through the MIRS. Additional adjustments through the Major Repairs Reserve are also made in connection to depreciation on Housing Revenue Account assets.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the CAA. This transfer is also reported through the MIRS.

AP16.10 – Componentisation

Any part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the asset is required to be depreciated separately over its useful life. This is achieved by separately accounting for any significant components of an asset that have different useful lives. All assets are already split out between the land and buildings elements, and componentisation relates to the building element only, and also other non-land assets.

Componentisation is applied on material asset acquisitions, enhancements and revaluations. The Council has set a de minimis level for componentisation, as follows:

- Componentisation will be applied for any revaluations and enhancements on the Council's three most significant Property, Plant and Equipment assets: Benfleet Council Offices, Runnymede Pool, and Waterside Farm Sports Centre.
- On revaluation of other assets, componentisation will be applied where:
 - The component represents 20% or more of the whole asset (excluding land);
 - The component life is different to the core structure of the asset by 5 years or more; and
 - The resulting change in annual depreciation arising from the above two criteria for the individual asset in question will exceed £5,000;
 - Any asset with components below these threshold levels will not be accounted for separately for componentisation purposes, on grounds of materiality.
- For other significant acquisition or enhancement expenditure, componentisation will be reviewed on a case-by-case basis with the Council's qualified valuers, when such expenditure is incurred. For some assets the valuer applied a weighted average life to the asset to take into account componentisation.
- Vehicles, plant and equipment, which generally have useful lives of around 7 years or less, and other assets of a short life will not be componentised.
- For Council dwellings in the Housing Revenue Account it was deemed in discussion with the Council's qualified valuers that a level of 20% would be a suitable component materiality threshold. There were no components above that threshold, therefore componentisation was not applied to those assets. An adjustment is made to derecognise replaced components as part of the annual major replacement programmes – see policy note AP16.11 below.

AP16.11 – Enhancement and derecognition

As well as on disposal, the Council is also required to derecognise an asset or asset component where no future economic benefit is expected from the use of that asset or asset component. As a result, when an asset component is replaced or restored, the carrying value of that element is derecognised, and the carrying value of the new component is recognised in its place. The derecognition of the previous element is required regardless of whether that component was accounted for separately for depreciation purposes or not - see policy note AP16.10 above.

Where the carrying value of the replaced component is not known, the cost of the new component is used as an indication of the cost of the replaced component, adjusted for depreciation and impairment where applicable. Some replaced components also have an inflation adjustment applied to reduce them back to the estimated value at the point the original cost was incurred. The carrying value of the derecognised component is then charged as part of the (Gain) / loss on disposal / derecognition of non-current (long term) assets entry reported under Other Operating Income and Expenditure.

NOTES TO THE CORE FINANCIAL STATEMENTS: Summary of Significant Accounting Policies

Enhancement derecognition and component derecognition are not proper charges to the General Fund and Housing Revenue Account for the purposes of setting Council Tax and Housing Rents. As such, the charges are appropriated to the CAA, through the MIRS. Any residual revaluation gains in the Revaluation Reserve relating to the component are transferred from the Revaluation Reserve to the CAA, again through the MIRS.

AP17 - NON-CURRENT (LONG TERM) ASSETS – INVESTMENT PROPERTIES

Investment Properties are those properties held solely to earn rental income or for capital appreciation, or both. If earning rentals on a property is an outcome of a regeneration policy then that property is accounted for in Property, Plant and Equipment, and not as an Investment Property. Investment Properties are accounted for in accordance with the relevant sections of policy AP16, with the following exceptions:

- Investment properties are all re-valued on 1 April annually at their Fair Value, as defined in Accounting Policy AP11. All revaluation and impairment gains and losses on Investment properties are charged directly to Financing and Investment Income and Expenditure under the (Surplus) / Deficit on the Provision of Services on the CI&ES, rather than to or from the Revaluation Reserve. They are then appropriated to the CAA, through the MIRS;
- If an asset is transferred to Investment Properties from Property, Plant and Equipment assets, the asset is re-valued to fair value at the point of transfer, and any revaluation gain or loss is recognised in the Revaluation Reserve (for the reversal of any former losses, this is first applied against any loss previously charged to the relevant service line under Net Cost of Services in the CI&ES for that asset, and then subsequently to the Revaluation Reserve). Any such balance is held on the Revaluation Reserve until such time as the asset is derecognised;
- Gains and losses on the disposal of Investment Properties are also charged to Financing and Investment Income and Expenditure on the CI&ES, and are appropriated to the CAA, through the MIRS;
- Investment properties are not depreciated; and
- Expenditure incurred and rental income received on investment properties are both recognised under Financing and Investment Income and Expenditure on the CI&ES. The expenditure relates to those properties where the Council is responsible for structural or other repairs as part of the relevant rental agreements.

AP18 - NON-CURRENT (LONG TERM) ASSETS – HERITAGE ASSETS

Heritage Assets are tangible or intangible assets which have historical, artistic, scientific, technological, geophysical or environmental qualities and are held and maintained principally for their contribution to knowledge and culture. They are also intended to be preserved in trust for future generations due to their cultural, environmental or historical associations. They are accounted for in accordance with FRS102, Heritage Assets, and are disclosed separately on the face of the Balance Sheet. The Council primarily has the following Heritage Assets:

- **Dutch Cottage** - A 17th century property on Canvey Island. The building and land is measured and depreciated in accordance with the accounting policies for other land and buildings, as disclosed in policy AP16.9. It is included as part of the 5 year revaluation programme carried out by the Council's external valuers. Further information can be found on the Council website, at the following link: <http://www.castlepoint.gov.uk/dutch-cottage-museum>
- **Civic Regalia** - Items of office that reflect the Council's status as a borough, such as chains, badges and robes. These items are recognised at their value for insurance purposes. Insurance valuations are updated on an annual basis. As the carrying amount from the insurance valuation is equivalent to their recoverable amount they are not depreciated. Further information can be found on the Council website, at the following link: <http://www.castlepoint.gov.uk/the-civic-insignia>
- **Memorials, statues, and other miscellaneous heritage assets** - This includes various war memorials found around the borough, as well as other memorials, statues, and other similar items. These items are also accounted for using annual insurance valuations.

NOTES TO THE CORE FINANCIAL STATEMENTS:

Summary of Significant Accounting Policies

- **Other Heritage Assets not recognised** - The Council holds other assets not recognised on the Balance Sheet as either cost or valuation information is not available, or the assets are considered immaterial in value.

As well as the revaluation basis described above the Council will also recognise impairments of Heritage Assets when applicable, for example, if physical deterioration or breakages occur. The accounting entries for revaluations and impairments of Heritage Assets are equivalent to those described in policy AP16 for Property, Plant and Equipment.

AP19 - PRIOR PERIOD ERRORS AND ADJUSTMENTS

Prior period errors and adjustments are omissions or misstatements in the Council's financial statements, relating to one or more prior periods, arising from a failure to use, or incorrect use of, information that was available when the statements for the affected periods were authorised for issue and could reasonably have been expected to have been obtained and taken into consideration when preparing those statements. For material errors the Council is required to correct prior period errors retrospectively in the next set of financial statements after the discovery of the error, by amending the affected opening balances and comparative amounts for the prior period. There were no errors to report in the 2017/18 accounts.

AP20 - PROVISION FOR BAD AND DOUBTFUL DEBTS

Impairment allowances have been made in the accounts for potential bad and doubtful debts where there is a likelihood arising based on past events and experience that cash received will be lower than the carrying amount for receivables. Known uncollectable debts have been written off. Allowances are typically estimated on a percentage basis, with the older the outstanding debt the higher the percentage of the debt that is provided for. All allowances are reviewed and recalculated at the end of the accounting period. Allowances are generally included within short term debtors on the Balance Sheet.

AP21 - PROVISIONS AND CONTINGENCIES

AP21.1 – Provisions

A provision is a liability of uncertain timing or amount. These are made when an event has taken place that gives the Council an obligation that would probably require settlement to be made by transfer of economic benefits, but where the timing of that transfer is uncertain. A provision is only required to be recognised when the following conditions are met:

- The Council has a legal or constructive obligation as a result of a past event;
- It is probable that an outflow of resources (economic benefits) will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

Provisions are charged to the appropriate service line under (Surplus) / Deficit on the Provision of Services on the CI&ES in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When provisions are settled, they are charged to the provision line on the Balance Sheet, and are reported under either Current Liabilities or Non-current liabilities. Estimated settlements are reviewed at the end of each financial year, and the provisions increased or decreased through the relevant service line.

Current provisions are reported as part of Note 19 to the Financial Statements.

AP21.2 – Contingencies

There are two types of contingencies required to be disclosed, as described below. They are not recognised in the Balance Sheet; instead they are disclosed in the notes. Current items under these categories are also reported as part of Note 19 to the Financial Statements.

- **Contingent Assets** - A contingent asset is a possible asset arising from past events, but which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the Council.

NOTES TO THE CORE FINANCIAL STATEMENTS:

Summary of Significant Accounting Policies

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

AP22 - RESERVES

The Council maintains earmarked reserves for certain purposes. These are shown separately under Usable Reserves on the Balance Sheet. Earmarked reserves are created by appropriating amounts out of the General Fund or Housing Revenue Account balances. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year and is included in Net Cost of Services in the CI&ES. The amount in the reserve is then appropriated back to the General Fund or Housing Revenue Account so that there is no net charge against Council Tax or Dwelling Rents for the expenditure.

Other statutory reserves are required to manage the accounting process for tangible non-current assets, retirement benefits and employee benefits. These Unusable Reserves do not represent usable resources for the Council. These reserves are explained under the relevant policies.

AP23 - REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure that is allowed by legislation to be classified as capital for funding purposes, although not resulting in the creation of Non-current (long term) assets carried on the Balance Sheet. This enables the expenditure to be funded from capital resources rather than be charged to the General Fund or Housing Revenue Account. Generally it relates to expenditure incurred on properties not owned by the Council, such as disabled facilities grants and other similar grants awarded to improve or convert private sector dwellings. Any such expenditure, along with any associated grants, is charged to the relevant service revenue account under Net Cost of Service in the CI&ES in the year. Any statutory provision that allows capital resources to meet the expenditure is met by debiting the CAA through the MIRS so that there is no impact on the level of Council Tax or Housing Rents. Please also refer to policy AP13 regarding grants funding REFCUS.

AP24 - VALUE ADDED TAX (VAT)

VAT is an indirect tax levied on most business transactions, and on many goods and services. There are two elements to VAT:

- Input tax - tax paid by the Council on purchases it makes; and
- Output tax - tax received by the Council on sales it makes.

The net amount of VAT owed to or from HMRC at the Balance Sheet date is included in either short term debtors or short term creditors. Input and output VAT amounts are not included in the Comprehensive Income and Expenditure Statement, unless they are irrecoverable, and the cost must be borne by the Council. In these circumstances the VAT cost is added to the cost of the relevant revenue or capital expenditure.

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Comprehensive Income and Expenditure Statement

1 - EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis (EFA) shows how the funding available to the authority (government grants, rents, council tax and business rates) has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The EFA also shows how this expenditure is allocated between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CI&ES). The Council's reporting structure underwent some changes during 2017/18 and the figures for 2016/17 for Net Cost of Services have been restated into the new structure.

1.1 - Expenditure and Funding Analysis

Net Expenditure chargeable to the General Fund & HRA balances 2016/17 £000s	Adjustments between Funding & Accounting basis (See note 1.3 below) 2016/17 £000s	Net Expenditure in the CI&ES 2016/17 £000s		Net Expenditure chargeable to the General Fund & HRA balances 2017/18 £000s	Adjustments between Funding & Accounting basis (See note 1.3 below) 2017/18 £000s	Net Expenditure in the CI&ES 2017/18 £000s
3,822	1,252	5,074	Environment	5,027	1,852	6,879
916	46	962	Governance, Law, Planning and Regeneration	703	169	872
2,205	77	2,282	Housing and Communities: General Fund	1,917	259	2,176
(2,391)	(4,954)	(7,345)	Housing and Communities: Housing Revenue Account	(2,253)	(193)	(2,446)
(224)	306	82	Resources	(280)	363	83
2,494	(150)	2,344	Central and Corporate Services	4,318	(2,322)	1,996
6,822	(3,423)	3,399	Net Cost of Services	9,432	128	9,560
(9,635)	(743)	(10,378)	Other income and expenditure	(8,832)	(783)	(9,615)
(2,813)	(4,166)	(6,979)	(Surplus) / Deficit	600	(655)	(55)
General Fund, HRA and earmarked reserves balances (See note 1.2 below):						
(19,337)			Total opening balance at 1 April	(22,150)		
(2,813)			Add (surplus) / less deficit for the year	600		
(22,150)			Total closing balance at 31 March	(21,550)		

NOTES TO THE CORE FINANCIAL STATEMENTS:
Notes relating to the Comprehensive Income and Expenditure Statement

1.2 - Analysis of reserves balances

The overall reserves balance on the previous page is split between:

General Fund	HRA	Earmarked Reserves		General Fund	HRA	Earmarked Reserves	
2016/17	2016/17	2016/17		2017/18	2017/18	2017/18	
£000s	£000s	£000s		£000s	£000s	£000s	
(5,274)	(2,357)	(11,706)	Opening balances at 1 April	(5,839)	(3,107)	(13,204)	
(1,431)	(1,382)	0	Add (surplus) / less deficit for the year	1,770	(1,170)	0	
866	632	(1,498)	Transfers to and from Earmarked Reserves	(1,604)	778	826	
(5,839)	(3,107)	(13,204)	Closing balances at 31 March	(5,673)	(3,499)	(12,378)	

1.3 - Note to the Expenditure and Funding Analysis - Adjustments between Funding and Accounting Basis

Adjustments for capital purposes (note 1.4.1)	Adjustments for pensions (note 1.4.2)	Other adjustments (note 1.4.3)	Total adjustments	Adjustments from the General Fund and HRA to arrive at the CI&ES amounts	Adjustments for capital purposes (note 1.4.1)	Adjustments for pensions (note 1.4.2)	Other adjustments (note 1.4.3)	Total adjustments
2016/17	2016/17	2016/17	2016/17		2017/18	2017/18	2017/18	2017/18
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s
1,025	229	(2)	1,252	Environment	1,436	414	2	1,852
(64)	109	2	47	Governance, Law, Plan. and Regen.	10	163	(4)	169
8	60	8	76	Housing and Communities: GF	9	257	(7)	259
(4,940)	(15)	1	(4,954)	Housing and Communities: HRA	(48)	(143)	(2)	(193)
212	94	0	306	Resources	204	157	2	363
1	(184)	33	(150)	Central and Corporate Services	2	(2,326)	2	(2,322)
(3,758)	293	42	(3,423)	Net Cost of Services	1,613	(1,478)	(7)	128
(1,033)	1,266	(976)	(743)	Other income and expenditure	(2,036)	1,064	189	(783)
(4,791)	1,559	(934)	(4,166)	Difference between GF and HRA (surplus) / deficit and CI&ES (surplus) / deficit	(423)	(414)	182	(655)

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Comprehensive Income and Expenditure Statement

1.4 - Explanatory notes to the adjustments

1.4.1 - Adjustments for capital purposes:

- **Service lines** - these adjustments add in depreciation and impairment, revaluation gains and losses and expenditure on Revenue Expenditure Funded from Capital Under Statute (REFCUS) and grants funding that expenditure.
- **Other income and expenditure** - this includes the following three sub-categories of adjustments:
 - **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
 - **Financing and investment income and expenditure** - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted as these are not chargeable under generally accepted accounting practices.
 - **Taxation and non-specific grant income and expenditure** – Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

1.4.2 - Adjustments for net change to pensions:

These adjustments represent the net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **Service lines** - these adjustments remove the employer pension contributions made by the authority as permitted by statute and replaces them with current service costs and past service costs.
- **Other income and expenditure** - the net interest on the defined benefit liability is charged to the CI&ES.

1.4.3 - Other adjustments:

Other adjustments between amounts debited or credited to the Comprehensive Income and Expenditure Statement and amounts payable or receivable to be recognised under statute:

- **Service lines** - adjustments for accumulated absences are applied to the CI&ES.
- **Other income and expenditure** - this represents the difference between what is chargeable under statutory regulations for Council Tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Comprehensive Income and Expenditure Statement

2 - EXPENDITURE AND INCOME ANALYSED BY THEIR NATURE

This note provides an analysis of the total surplus or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement (CI&ES) by the type of income and expenditure. These figures include internal recharges both within and between each service area and hence the gross expenditure and gross income amounts are greater than those reported on the CI&ES.

	2016/17 £000s	2017/18 £000s
Expenditure:		
Employee expenses	10,355	10,472
Other service expenses	35,122	36,057
Support service recharges from other services	12,733	14,003
Capital charges - depreciation, amortisation, revaluation & impairment	(2,038)	3,193
Exceptional items (expenditure)	0	0
Payment of precept to Canvey Island Town Council	247	243
Payment of Housing Pooled Capital Receipts to the Government Pool	114	189
National Non-Domestic Rates tariffs and levies and safety net	4,057	3,705
(Gain) / loss on disposal / derecognition of non-current (long term) assets	(407)	293
Interest payable and similar charges, including Finance Leases interest	1,297	1,295
Pensions - net interest on the net defined benefit liability, and actuary administration expenses	1,266	1,064
Expenses incurred on investment properties	2	14
Total Expenditure	62,748	70,528
Income:		
Fees, charges and other service income	(15,963)	(16,494)
Government and other grants & contributions	(24,063)	(23,655)
Support service recharges to other services	(12,746)	(14,015)
Exceptional items (income)	0	0
Changes in the fair value of investment properties	(8)	(59)
Rental income received on investment properties	(203)	(211)
Interest and investment income	(134)	(91)
Council Tax income	(7,482)	(7,697)
National Non-Domestic Rates income	(6,061)	(5,435)
General grants and contributions	(3,067)	(2,697)
Capital grants and contributions	0	(229)
Total Income	(69,727)	(70,583)
(Surplus) / Deficit on the provision of services	(6,979)	(55)

NOTES TO THE CORE FINANCIAL STATEMENTS:
Notes relating to the Comprehensive Income and Expenditure Statement

3 - SEGMENTAL INCOME

This note provides an analysis of the total fees, charges, rents and other external service income received by the individual operating segments and reported within the gross income amounts included in the Comprehensive Income and Expenditure Statement. The amounts in this note exclude grants and similar contributions received.

Operating segment	2016/17 £000s	2017/18 £000s
Environment	(5,026)	(5,247)
Governance, Law, Planning and Regeneration	(532)	(698)
Housing and Communities: General Fund	(2,491)	(2,566)
Housing and Communities: Housing Revenue Account (HRA)	(7,739)	(7,879)
Resources	(168)	(88)
Central and Corporate Services	(7)	(16)
Total fees, charges and other service income	(15,963)	(16,494)

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Comprehensive Income and Expenditure Statement

4 - AUDIT FEES

The Council incurred the following fees relating to external audit and inspection work carried out by the appointed external auditor Ernst and Young (EY). External auditors BDO LLP audited the Council's 2016/17 housing capital receipts return during 2017/18. Other than the amounts below, the Council received no additional chargeable services during either financial year.

Audit fee category	2016/17 £000s	2017/18 £000s
Fees payable to EY for external audit services	56	59
Fees payable to EY for certification of grant claims and returns	21	22
Fees payable to BDO for certification of housing capital receipts return.	1	1
Other external audit fees payable to the Cabinet Office and Financial Reporting Council	3	0
Total Audit fees	81	82

The amount stated for EY for grant claims and returns for 2017/18 is an estimated amount which will not be finalised until the work is completed during 2018/19.

5 - MEMBERS' ALLOWANCES

Set out below is the total of Members' allowances and expenses paid:

Allowance category	2016/17 £000s	2017/18 £000s
Basic Allowances	145	146
Special Responsibility Allowances	104	104
Mileage Allowances	9	9
Mayor and Deputy Mayor's Allowances	9	9
Total Members' Allowances	267	268
Total Members' Expenses	2	1

Further details on Members' Allowances are published on the Council's website, at the following link: <http://www.castlepoint.gov.uk/members-allowances>

Members' expenses include travel, parking, subsistence and accommodation.

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Comprehensive Income and Expenditure Statement

6 - RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions undertaken during the year with related parties. These are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Related parties include the following:

- The UK (Central) Government effectively has significant influence over the general operations of the Council. It is responsible for providing the statutory legislative framework within which the Council operates, provides funding to the Council in the form of general and specific grants and prescribes the terms of many transactions that the Council has with other parties (e.g. Council Tax and Housing Benefits). Details of Central Government funding is set out in note 9 to the Core Financial Statements.
- Members of the Council have direct control over the Council's financial and operating policies. Total members allowances and expenses are disclosed in note 5.
- The Chief Executive and other key management personnel (i.e. other senior officers) are able to influence the Council's policies, within the provisions of the Council's regulations and schemes of delegation. Remuneration of the Chief Executive and senior officers is disclosed in note 8.
 - Essex County Council, Essex PFCC - Fire and Rescue Authority, Essex PFCC - Policing and Community Safety and Canvey Island Town Council issue precepts on the Council, who acts as a collecting agent on their behalf. Details of the transactions with the Precepting Authorities are set out in the Collection Fund Statement and accompanying notes.
- The Council collects rental income from the leasing of properties to various organisations. In some of these organisations Council Members are connected at a senior level, for example as governors or directors. However, in all instances the relevant Members had no involvement in setting the rental agreements with the associated organisations.
- The Council pays annual donations under funding agreements to three voluntary bodies, and is a member of, or contracts services from, other organisations, including those detailed below. Officers or elected members serve as the Council's representatives to these bodies and organisations, but are not directly involved in determining the amounts involved:

	2016/17 £000s	2017/18 £000s
Donations to voluntary bodies		
Citizens Advice Bureau	59	57
Carer's Choice	34	34
Castle Point Association of Voluntary Services	41	41
Total donations	134	132
Payments to other organisations		
Thames Gateway South Essex groups and Opportunity South Essex Partnership – membership subscriptions and other contributions	23	23
Wyvern Community Transport – community transport services	41	10
Vine HR Ltd – a not-for-profit human resources company formed by all 15 Essex councils – member subscription and other contributions	12	6
Hadleigh & Thundersley Cricket Club – one-off contribution to clubhouse extension	0	40
Total payments	76	79

The Wyvern Community Transport payments are stated before funding contributions received from Essex County Council of £0k (£31k in 2016/17) (see note 9.1).

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Comprehensive Income and Expenditure Statement

7 - TERMINATION BENEFITS (EXIT PACKAGES)

The Council is required to provide for termination benefits in relation to employees who are made compulsorily redundant or take other exit packages. There were five employees in 2017/18 (Four employees in 2016/17), as shown below, four of which took place during the year and one which the Council was committed to at 31 March 2018. The amounts include payments made direct to the relevant employees themselves and where applicable payments made to the pension scheme on their behalf. There were no further planned terminations as at 31 March 2018 beyond the five already undertaken or committed to during the year.

Where payments are made to the pension fund, the amount paid to the fund included in the total cost paid is not the same as the pension amount required to be recognised for accounting purposes under IAS 19 (see note 16 for further information). This amount is reported in Central and Corporate Services on the Comprehensive Income and Expenditure Statement, and is adjusted for in the total accounting cost columns.

Termination exit package band	Number of compulsory redundancy packages	Number of other packages	Total number of packages	Total cost paid £000s	Total accounting cost – no. & £000s	
2017/18						
£0- £39,999	4	1	5	74	5	73
Total	4	1	5	74	5	73
2016/17						
£0- £19,999	1	0	1	13	1	13
Over £40,000	3	0	3	149	3	235
Total	4	0	4	162	4	248

8 - OFFICERS' REMUNERATION

8.1 – Remuneration bandings

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

- Sums paid to or receivable by an employee (gross pay before deducting pension contributions);
- Compensation for loss of office and any other payments received on termination of employment;
- Expense allowances chargeable to tax (e.g. car allowances); and
- The money value of benefits received by an employee otherwise than in cash (such as cars as declared on form P11D).

The numbers of staff whose remuneration exceeded £50,000, except for senior officers who are reported separately on the following two pages, were as shown below. These include one employee employed by the Council on behalf of the Opportunity South Essex Partnership, jointly funded by all member Councils of that group (see also note 6 – Related Party Transactions).

Remuneration band	2016/17	2017/18
£50,000 – £54,999	3	2
£55,000 – £59,999	3	2
£60,000 – £64,999	0	2
£65,000 – £69,999	2	1
£75,000 – £79,999	0	1
Total	8	8

NOTES TO THE CORE FINANCIAL STATEMENTS:
Notes relating to the Comprehensive Income and Expenditure Statement

8.2 – Senior officer remuneration

The Council is required by regulation to disclose the following additional remuneration information for those senior employees responsible for the management of the Council.

The employees disclosed below are not included in the remuneration bandings on the previous page. The figures shown below also include employer's pension contributions paid by the Council. These pension contributions are not paid directly to the employees, but instead represent the proportion of the Council's contribution to the Essex County Council Pension Fund which relates to those employees. The amounts stated are determined by the Pension Fund Actuary.

No amounts were paid as compensation for loss of office to any of the below employees in either 2016/17 or 2017/18.

8.2.1 – Remuneration for 2017/18

Position	Salary (including fees and allowances) £000s	Expense allowances £000s	Total excluding pension contributions £000s	Employer's pension contributions £000s	Total including pension contributions £000s
Chief Executive (Note 1)	131	0	131	0	131
Strategic Director – Corporate Services	114	0	114	19	133
Strategic Director – Transformation and Resources (Note 2)	101	0	101	0	101
Head of Environment	68	0	68	0	68
Head of Housing and Communities (Note 3)	73	0	73	0	73
Head of Resources	80	0	80	14	94
Local Plan and Regeneration Adviser	42	0	42	0	42
Total	609	0	609	33	642

NOTES TO THE CORE FINANCIAL STATEMENTS:
Notes relating to the Comprehensive Income and Expenditure Statement

8.2.2 – Remuneration for 2016/17

Position	Salary (including fees and allowances) £000s	Expense allowances £000s	Total excluding pension contributions £000s	Employer's pension contributions £000s	Total including pension contributions £000s
Chief Executive (Note 1)	135	0	135	0	135
Strategic Director – Corporate Services	113	0	113	16	129
Strategic Director – Transformation and Resources	110	0	110	6	116
Head of Environment	73	0	73	4	77
Head of Performance and Service Support (Note 3)	75	0	75	4	79
Head of Resources	79	0	79	12	91
Head of Neighbourhoods and Regeneration (Note 4)	46	1	47	0	47
Local Plan and Regeneration Adviser (Note 4)	8	0	8	0	8
Total	639	1	640	42	682

- **Note 1** – The amounts paid to the Chief Executive include remuneration paid to him for his statutory duty as Returning Officer for conducting elections. The total cost paid for this function was nil in 2017/18 and £6k in 2016/17. In addition he was entitled to a further £9k in 2017/18 and £7k in 2016/17 for other electoral duties. He acted as Returning Officer for the General Election and Essex County Council elections in 2017/18 and for the Police and Crime Commissioner Elections and European Union Referendum in 2016/17. These amounts are not included in the note as they do not directly relate to the Chief Executive's electoral duties for Castle Point Borough Council.
- **Note 2** – The post holder of Strategic Director – Transformation and Resources vacated the post in January 2018.
- **Note 3** – The post holder of Head of Performance and Service Support in 2016/17 moved into the post of Head of Housing and Communities in 2017/18.
- **Note 4** – The post holder of Head of Neighbourhoods and Regeneration vacated the post at the end of December 2016 and moved into the post of Local Plan and Regeneration Adviser from the start of January 2017. This post is a part time position.

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Comprehensive Income and Expenditure Statement

9 - GRANTS AND OTHER CONTRIBUTIONS

The following tables provide an analysis of the recognised grants and contributions accounted for on an accruals basis on the Comprehensive Income and Expenditure Statement (CI&ES). The schedules include grants from Government departments as well as grants from other bodies. Amounts of revenue and capital grants and contributions received, but with outstanding conditions, meaning that they have not yet been recognised on the CI&ES, are reported on the Balance Sheet in the line Revenue and Capital Grants Receipts in Advance.

9.1 – Grants towards Revenue Expenditure

These grants are accounted for within Gross Income on the relevant service lines under Net Cost of Services. This analysis generally excludes grants below £1,000, as they are immaterial.

Service line and grant or contribution name	2016/17 £000s	2017/18 £000s
Environment		
• Essex County Council (ECC) Recycling schemes	(602)	(617)
• Essex County Council (ECC) Grounds Maintenance contribution	(28)	(28)
• Essex County Council (ECC) Highways Ranger funding	(80)	(80)
• Various grants and contributions for parks and open spaces works	(2)	(12)
• Miscellaneous grants relating to sports and fitness	(43)	(3)
Governance, Law, Planning and Regeneration		
• Regeneration projects grants	(20)	(3)
• Miscellaneous grants relating to Elections and Electoral Registration	(154)	(205)
• Miscellaneous grants relating to planning	(21)	(30)
Housing and Communities: General Fund		
• Housing Benefit subsidy	(22,908)	(21,999)
• Discretionary Housing Payments grant	(131)	(205)
• National Non-domestic Rates administration grant	(81)	(79)
• Benefits administration grant	(251)	(230)
• Local Council Tax Support Scheme burdens funding	(102)	(95)
• Miscellaneous grants relating to Benefits, Council Tax and Non-Domestic Rates	(242)	(239)
• Essex County Council (ECC) Community Transport schemes	(31)	0
• Land Charges New Burdens grant	0	(17)
• Flexible Homelessness Support Grant	0	(192)
• Housing and homelessness New Burdens grants	0	(43)
• Various Local Strategic Partnership grants	(70)	(123)
• Various Community Safety grants	(26)	(16)
Total Revenue Grants and Contributions	(24,792)	(24,216)

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Comprehensive Income and Expenditure Statement

9.2 – Grants towards Revenue Expenditure Funded from Capital Under Statute (REFCUS)

The following grants are also accounted for within Gross Income on the relevant service lines under Net Cost of Services.

Service line and grant or contribution name	2016/17 £000s	2017/18 £000s
Environment		
• Disabled Facilities Grant	(321)	(513)
Total REFCUS Grants and Contributions	(321)	(513)

9.3 - Grants within Taxation and Non-Specific Grants Income and Expenditure

The grants within Taxation and Non-Specific Grant Income and Expenditure are as follows:

Grant or Contribution name	2016/17 £000s	2017/18 £000s
General Government Grants		
Revenue Support Grant	(918)	(287)
New Homes Bonus Grant	(1,171)	(975)
Revenue Support Grant Returned Funding	(5)	(5)
New Burdens Grants	(38)	(44)
Business Rate Relief Grants	(425)	(914)
Transition Grant	(87)	(86)
Preceptors Council Tax technical changes funding	(413)	(386)
Coastal Communities Fund	(10)	0
Total General Government Grants	(3,067)	(2,697)
Capital Grants and Contributions		
Environment		
• Contribution towards hall demolition costs	0	(25)
Housing and Communities: Housing Revenue Account (HRA)		
• Section 106 Developer Contribution towards new build	0	(204)
Total Capital Grants and Contributions	0	(229)

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Movement in Reserves Statement

10 - RECONCILIATION OF AMOUNTS INCLUDED IN "ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS"

This reconciliation provides a breakdown of the amounts included for each reserve in the "Adjustments between Accounting Basis and Funding Basis under regulations" line on the Movement in Reserves Statement. The reconciliation also includes other adjusting transfers between these reserves, as they appear in the same line on the Movement in Reserves Statement. Further supporting information is also included in note 11.

10.1 - Adjustments for 2017/18

Adjustments to Revenue Resources

Adjustments for the amounts included in the Comprehensive Income and Expenditure Statement (CI&ES) which are different from the amounts calculated in accordance with regulations for:

- Pension costs
- Council Tax and Non-Domestic Rates income
- Accumulated Absences (holiday pay)

Adjustments between Revenue and Capital Resources

Adjustments for depreciation, amortisation, revaluation and impairment of non-current assets

Additional transfers between the HRA and the Major Repairs Reserve

Adjustment for recognised capital grants and contributions (applied and unapplied)

Adjustment for Revenue Expenditure Funded from Capital Under Statute

Capital receipts arising other than from the disposal of a non current asset

Adjustment for disposal/derecognition of non-current assets & Investment Properties

Adjustment for changes in the fair value of Investment Properties

Provisions for the repayment of debt and finance lease liabilities

Revenue contribution to finance capital expenditure

Transfer from Capital Receipts Reserve for the Housing Capital Receipts Pool

Adjustments to Capital Resources

Transfer from the Major Repairs Reserve to finance capital expenditure

Transfer from Usable Capital Receipts to finance capital expenditure

Transfer from Capital Grants Unapplied to finance capital expenditure

Adjustment for the difference between fair value depreciation and historical cost depreciation

Adjustment to write out accumulated gains on disposal and derecognition of non-current assets

Total Adjustments

NOTES TO THE CORE FINANCIAL STATEMENTS:
Notes relating to the Movement in Reserves Statement

Usable Reserves:					Unusable Reserves:			
General Fund (GF) Balance £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Pensions Reserve £000s	Revaluation Reserve £000s	Capital Adjustment Account £000s	Other Adjustment Accounts £000s
270	144				(414)			188
(188)								
5	1							(6)
(1,666)	48		(1,575)				3,193	
538	203						(741)	
(514)							514	
7			(7)					
(41)	(274)	(507)					822	
59							(59)	
447							(447)	
1,805							(1,805)	
(189)		189						
			1,716				(1,716)	
		731					(731)	
				17			(17)	
						558	(558)	
						201	(201)	
533	122	406	141	17	(414)	759	(1,746)	182

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Movement in Reserves Statement

10.2 - Adjustments for 2016/17

Adjustments to Revenue Resources

Adjustments for the amounts included in the Comprehensive Income and Expenditure Statement (CI&ES) which are different from the amounts calculated in accordance with regulations for:

- Pension costs
- Council Tax and Non-Domestic Rates income
- Accumulated Absences (holiday pay)

Adjustments between Revenue and Capital Resources

Adjustments for depreciation, amortisation, revaluation and impairment of non-current assets

Additional transfers between the HRA and the Major Repairs Reserve

Adjustment for recognised capital grants and contributions (applied and unapplied)

Adjustment for Revenue Expenditure Funded from Capital Under Statute

Capital receipts arising other than from the disposal of a non current asset

Adjustment for disposal/derecognition of non-current assets & Investment Properties

Adjustment for changes in the fair value of Investment Properties

Provisions for the repayment of debt and finance lease liabilities

Revenue contribution to finance capital expenditure

Transfer from Capital Receipts Reserve for the Housing Capital Receipts Pool

Adjustments to Capital Resources

Transfer from the Major Repairs Reserve to finance capital expenditure

Transfer from Usable Capital Receipts to finance capital expenditure

Transfer from Capital Grants Unapplied to finance capital expenditure

Adjustment for the difference between fair value depreciation and historical cost depreciation

Adjustment to write out accumulated gains on disposal and derecognition of non-current assets

Total Adjustments

NOTES TO THE CORE FINANCIAL STATEMENTS:
Notes relating to the Movement in Reserves Statement

Usable Reserves:					Unusable Reserves:			
General Fund (GF) Balance £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Pensions Reserve £000s	Revaluation Reserve £000s	Capital Adjustment Account £000s	Other Adjustment Accounts £000s
(1,574)	15				1,559			
976								(976)
(41)	(1)							42
(1,098)	4,940		(1,770)				(2,072)	
	(176)		176					
321							(321)	
(413)							413	
9			(9)					
411	(7)	(1,223)					819	
8							(8)	
657							(657)	
253							(253)	
(114)		114						
			1,098				(1,098)	
		264					(264)	
				58			(58)	
						405	(405)	
						93	(93)	
(605)	4,771	(854)	(496)	58	1,559	498	(3,997)	(934)

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Movement in Reserves Statement

11 - ANALYSIS OF THE MOVEMENT IN RESERVES STATEMENT

The following notes provide further information on the individual Usable and Unusable revenue and capital reserves reported in the Movement in Reserves Statement (MIRS), and analysed in note 10.

11.1 – Usable Revenue Reserve: Earmarked Reserves

The Council maintains several earmarked reserves, set aside from the General Fund and HRA balances to fund specific future expenditure plans, as detailed below. The net movement to or from the total earmarked reserves is reported in the "Transfers to / (from) Earmarked Reserves" line on the MIRS.

Earmarked Reserve	Balance 01/04/16 £000s	Additions in 2016/17 £000s	Deductions in 2016/17 £000s	Balance 31/03/17 £000s	Additions in 2017/18 £000s	Deductions in 2017/18 £000s	Balance 31/03/18 £000s
Revenue grants unspent	435	77	(152)	360	175	(21)	514
Future asset maintenance reserves	1,328	363	(100)	1,591	1,218	(665)	2,144
Priority initiatives reserve	309	0	0	309	0	(309)	0
VAT Partial Exemption reserve	425	0	0	425	0	(425)	0
Insurance repayments reserve	348	0	0	348	0	0	348
Non-Domestic Rates equalisation reserve	1,229	425	(1,181)	473	917	(434)	956
Council Tax Support Scheme reserve	114	0	0	114	0	0	114
Vehicle replacements	0	216	0	216	0	(216)	0
Improvement fund	1,130	170	0	1,300	0	(1,300)	0
Pension reserve	1,594	406	0	2,000	100	(1,600)	500
Planning Local Development Scheme cost and Central Government intervention	190	0	(51)	139	718	(27)	830
Commitments from previous year	268	456	(268)	456	313	(456)	313
Other earmarked reserves (note 1)	1,078	550	(45)	1,583	432	(24)	1,991
HRA earmarked reserves	3,258	632	0	3,890	778	0	4,668
Total Earmarked Reserves	11,706	3,295	(1,797)	13,204	4,651	(5,477)	12,378

- **Note 1** - These include reserves for ICT projects, insurances and various other miscellaneous priorities and initiatives funds

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Movement in Reserves Statement

11.2 – Usable Capital Reserve: Major Repairs Reserve

The Council is required to maintain a Major Repairs Reserve (MRR). The items to be credited to the reserve are an amount equal to, or on a voluntary basis higher than, HRA depreciation for the year, and items chargeable to the reserve include capital expenditure for HRA purposes. There were no movements in the reserve other than those analysed in note 10.

11.3 – Usable Capital Reserve: Capital Receipts Reserve

This reserve contains proceeds from the sale of non-current (long term) assets, which are available to meet future capital investment, or finance past capital expenditure. There were no movements in the reserve other than those analysed in note 10.

Of the total closing balance at 31 March 2018 of £979k, £592k must be used for replacement housing purposes. Any of this amount not used within three years of the quarter end from the date of original receipt is repayable to Central Government.

11.4 – Usable Capital Reserve: Capital Grants Unapplied Account

This statutory reserve is for capital grants which have been received and have no conditions outstanding, but for which expenditure has not yet taken place. When expenditure subsequently occurs the relevant amount is transferred to the Capital Adjustment Account. There were no movements in the reserve other than those analysed in note 10.

11.5 – Unusable Revenue Reserve: Pensions Reserve

This statutory reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding those benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement (CI&ES) as the benefits are earned by employees accruing years of service, and also updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. The table below shows the movements in the Pension Reserve each year. Further information on pensions is reported in note 16 to the Financial Statements.

	2016/17 £000s	2017/18 £000s
Balance as at 1 April	(36,203)	(40,116)
Remeasurements of the net defined benefit liability, reported in Other Comprehensive Income and Expenditure on the CI&ES	(2,354)	4,938
Total adjustments included in the MIRS, as shown in note 10	(1,559)	414
Balance as at 31 March	(40,116)	(34,764)

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Movement in Reserves Statement

11.6 – Unusable Capital Reserve: Revaluation Reserve

This is a statutory reserve which records gains on the revaluation of Non-current (long term) assets, excluding Investment Properties. The balance is reduced down when assets with previously accumulated gains are:

- Revalued or impaired down;
- Disposed of, and the gains are realised; or
- Used in the provision of services, and the gains are consumed through depreciation.

The reserve only reports gains accumulated since 1 April 2007. Earlier gains are consolidated into the Capital Adjustment Account. The movements during the year were as follows:

	2016/17 £000s	2017/18 £000s
Balance as at 1 April	24,777	40,230
Revaluations and impairments of assets, reported in Other Comprehensive Income and Expenditure on the CI&ES:		
Increases in asset values	17,069	7,173
Decreases in asset values	(1,118)	(4,620)
Total reported in Other Comprehensive Income and Expenditure	15,951	2,553
Total adjustments included in the MIRS, as shown in note 10	(498)	(759)
Balance as at 31 March	40,230	42,024

11.7 – Unusable Capital Reserve: Capital Adjustment Account

This statutory account records the timing differences arising from the different arrangements for accounting for the consumption of Non-current assets, and for financing the acquisition and enhancement of those assets under statutory provisions. The account is debited with the cost of acquisitions and enhancements as well as subsequent costs such as depreciation, amortisation and impairments as they are charged to the Comprehensive Income and Expenditure Statement (CI&ES), with compensating adjustments between current or fair value and historical cost through the Revaluation Reserve. The account is credited with amounts set aside by the Council to finance acquisitions, enhancements and subsequent costs. The account contains accumulated gains and losses arising on the revaluation and impairment of Investment Properties. The account also contains accumulated revaluation gains on other classes of Non-current (long-term) assets prior to 1 April 2007, the date that the Revaluation Reserve was created to record subsequent gains and losses for those assets. There were no movements in the reserve other than those analysed in note 10.

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Movement in Reserves Statement

11.8 – Unusable Revenue Reserve: Other Statutory Adjustment Accounts

There are two other miscellaneous adjustment accounts the Council is required to maintain:

- **Collection Fund Adjustment Account** - This account manages the differences arising from the recognition of Council Tax and National Non Domestic Rate income in the Comprehensive Income and Expenditure Statement (CI&ES) as it falls due from payers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
- **Accumulated Absences Account** - This account manages the differences that would otherwise arise on the General Fund (GF) and Housing Revenue Account (HRA) balances from accruing for compensated absences earned but not yet taken in the year. Statutory arrangements require that the impact on GF and HRA balances are neutralised by transfers to or from this account.

The movements during the year for these two accounts were as follows:

	Collection Fund Adjustment Account		Accumulated Absences Account	
	2016/17 £000s	2017/18 £000s	2016/17 £000s	2017/18 £000s
Balance as at 1 April	(692)	284	(107)	(149)
Total adjustments included in the MIRS, as shown in note 10	976	(188)	(42)	6
Balance as at 31 March	284	96	(149)	(143)

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Balance Sheet

12 - NON-CURRENT (LONG TERM) ASSETS

12.1 – Non-Current (Long Term) Assets – Asset movements during 2017/18

	Property, Plant and Equipment:				Infra-structure
	Council Dwellings & Garages	Other Land and Buildings	Vehicles, Plant and Equipment (Owned)	Plant and Equipment (Leased)	
	£000s	£000s	£000s	£000s	£000s
Cost or valuation (Gross Book Value)					
1 April 2017	112,991	44,308	3,637	305	344
Additions & enhancements	2,007	1,455	1,841	0	0
Derecognition on disposal	(315)	0	(554)	(204)	0
Other derecognitions	(478)	0	0	0	0
Reclassifications – (to) / from Assets Held for Sale	0	0	0	0	0
Other Reclassifications	0	111	0	0	0
Impairments and Revaluations – applied to Revaluation reserve:					
• Increases	3,828	1,091	0	0	0
• Decreases	(2,069)	(2,550)	0	0	0
Impairments and Revaluations – applied to (Surplus) / Deficit on the provision of services:					
• Increases	59	0	0	0	0
• Decreases	(25)	(293)	0	0	0
31 March 2018	115,998	44,122	4,924	101	344
Depreciation and Impairments					
1 April 2017	(15)	(220)	(2,581)	(305)	(111)
Depreciation charged	(1,575)	(740)	(591)	0	(13)
Derecognition on disposal	4	0	554	204	0
Other derecognitions	8	0	0	0	0
Reclassifications – to / (from) Assets Held for Sale	0	0	0	0	0
Other Reclassifications	0	0	0	0	0
Impairments and Revaluations – applied to:					
• the Revaluation Reserve	1,531	690	0	0	0
• (Surplus) / Deficit on the provision of services	14	0	0	0	0
31 March 2018	(33)	(270)	(2,618)	(101)	(124)
Balance Sheet Amount (Net Book Value)					
1 April 2017	112,976	44,088	1,056	0	233
31 March 2018	115,965	43,852	2,306	0	220

All assets are owned by the Council, with the exception of those items in the Vehicles, Plant and Equipment (Leased) column, which are held under leasing arrangements.

NOTES TO THE CORE FINANCIAL STATEMENTS:
Notes relating to the Balance Sheet

Community assets	Surplus assets not held for sale	Assets under construction	Total Property, Plant and Equipment	Heritage assets	Investment properties	Total Assets
£000s	£000s	£000s	£000s	£000s	£000s	£000s
446	0	0	162,031	356	2,186	164,573
0	0	17	5,320	0	54	5,374
0	0	0	(1,073)	0	(41)	(1,114)
0	0	0	(478)	0	0	(478)
0	0	0	0	0	0	0
0	0	0	111	0	(111)	0
0	0	0	4,919	33	0	4,952
0	0	0	(4,619)	0	0	(4,619)
0	0	0	59	0	67	126
0	0	0	(318)	0	(8)	(326)
446	0	17	165,952	389	2,147	168,488
0	0	0	(3,232)	(2)	0	(3,234)
0	0	0	(2,919)	(2)	0	(2,921)
0	0	0	762	0	0	762
0	0	0	8	0	0	8
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	2,221	0	0	2,221
0	0	0	14	0	0	14
0	0	0	(3,146)	(4)	0	(3,150)
446	0	0	158,799	354	2,186	161,339
446	0	17	162,806	385	2,147	165,338

NOTES TO THE CORE FINANCIAL STATEMENTS:
Notes relating to the Balance Sheet

12.2 – Non-Current (Long Term) Assets – Comparative Asset movements during 2016/17

	Property, Plant and Equipment:				
	Council Dwellings & Garages	Other Land and Buildings	Vehicles, Plant and Equipment (Owned)	(Leased)	Infra- structure
	£000s	£000s	£000s	£000s	£000s
Cost or valuation (Gross Book Value)					
1 April 2016	96,137	42,420	3,532	305	344
Additions & enhancements	1,361	85	105	0	0
Derecognition on disposal	(420)	(116)	0	0	0
Other derecognitions	(301)	0	0	0	0
Reclassifications – (to) / from Assets Held for Sale	0	0	0	0	0
Other Reclassifications	284	0	0	0	0
Impairments and Revaluations – applied to Revaluation reserve:					
• Increases	11,910	2,925	0	0	0
• Decreases	(287)	(789)	0	0	0
Impairments and Revaluations – applied to (Surplus) / Deficit on the provision of services:					
• Increases	4,418	83	0	0	0
• Decreases	(111)	(300)	0	0	0
31 March 2017	112,991	44,308	3,637	305	344
Depreciation and Impairments					
1 April 2016	(19)	(858)	(2,208)	(279)	(99)
Depreciation charged	(1,769)	(728)	(373)	(26)	(12)
Derecognition on disposal	6	7	0	0	0
Other derecognitions	5	0	0	0	0
Reclassifications – to / (from) Assets Held for Sale	0	0	0	0	0
Other Reclassifications	0	0	0	0	0
Impairments and Revaluations – applied to:					
• the Revaluation Reserve	1,162	1,065	0	0	0
• (Surplus) / Deficit on the provision of services	600	294	0	0	0
31 March 2017	(15)	(220)	(2,581)	(305)	(111)
Balance Sheet Amount (Net Book Value)					
1 April 2016	96,118	41,562	1,324	26	245
31 March 2017	112,976	44,088	1,056	0	233

NOTES TO THE CORE FINANCIAL STATEMENTS:
Notes relating to the Balance Sheet

Community assets	Surplus assets not held for sale	Assets under construction	Total Property, Plant and Equipment	Heritage assets	Investment properties	Total Assets
£000s	£000s	£000s	£000s	£000s	£000s	£000s
446	0	284	143,468	409	2,177	146,054
0	0	0	1,551	0	0	1,551
0	0	0	(536)	0	0	(536)
0	0	0	(301)	0	0	(301)
0	0	0	0	0	0	0
0	0	(284)	0	0	0	0
0	0	0	14,835	8	0	14,843
0	0	0	(1,076)	(61)	0	(1,137)
0	0	0	4,501	0	9	4,510
0	0	0	(411)	0	0	(411)
446	0	0	162,031	356	2,186	164,573
0	0	0	(3,463)	(19)	0	(3,482)
0	0	0	(2,908)	(2)	0	(2,910)
0	0	0	13	0	0	13
0	0	0	5	0	0	5
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	2,227	17	0	2,244
0	0	0	894	2	0	896
0	0	0	(3,232)	(2)	0	(3,234)
446	0	284	140,005	390	2,177	142,572
446	0	0	158,799	354	2,186	161,339

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Balance Sheet

12.3 – Valuation basis

Non-current assets are valued in accordance with the valuation methods and timescales detailed in Accounting Policy AP16. All valuations other than insurance valuations were carried out by chartered surveyors Wilks Head and Eve. This included site visits of the properties subject to valuation. The valuations were carried out in accordance with the professional standards and guidance of the Royal Institute of Chartered Surveyors (RICS). Significant assumptions applied by the external valuers in estimating current values for revaluations included the following:

- The valuers have assumed there were no planning proposals likely to have an effect on the value of properties, unless they were otherwise specifically advised;
- Assets were assumed to be in a suitable level of condition for service provision. Structural surveys were not undertaken, nor were inspections performed on parts of properties which were covered, unexposed or inaccessible. Therefore it was assumed by the valuers that such parts were in good repair and condition;
- It was also assumed that no contaminative or potentially contaminative uses had ever been performed on the land or properties;
- Plant and machinery that was considered to form part of the building or service installation was included in the valuation.

The tables over the preceding 4 pages show the movements in assets during 2017/18, with comparative figures for 2016/17. The Gross Book Value (GBV) of land and buildings shown on these pages, where relevant including subsequent enhancement costs and excluding amounts derecognised, are based on valuations made over the following timescales, as part of the rolling five-year programme:

Revaluation timescale	GBV at 31/03/17 £000s	GBV at 31/03/18 £000s
Revaluations performed in 2017/18	0	37,508
Revaluations performed in 2016/17	38,321	2,246
Revaluations performed in 2015/16	2,104	2,104
Revaluations performed in 2014/15	1,491	1,540
Revaluations performed in 2013/14	726	724
Revaluations performed in 2012/13	1,666	0
Total Land and Buildings Gross Book Value	44,308	44,122

12.4 – Capital expenditure

The Council undertook capital expenditure during 2016/17 and 2017/18 as follows:

Capital expenditure item	2016/17 £000s	2017/18 £000s
Council house improvements	1,098	1,727
Council housing acquisitions and new developments	264	280
Homeless accommodation acquisitions and new developments	0	17
Disabled facilities and other home improvement grants	413	514
Runnymede Leisure Centre project –works to existing building, external works, new gym extension and gym equipment	0	1,609
Halls demolition	85	102
Vehicle replacement programme	0	1,604
Capitalised IT systems expenditure – hardware, software, licences	134	63
Total Capital expenditure	1,994	5,916

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Balance Sheet

12.5 – Financing of capital expenditure

The total amount of capital expenditure incurred in 2016/17 and 2017/18 is shown in the table below. The table also shows the resources that have been used to finance the capital expenditure. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR). The CFR is a measure of the capital expenditure incurred historically by the Council that has yet to be financed. When relevant the CFR includes assets acquired under finance lease agreements.

	2016/17 £000s	2017/18 £000s
Opening Capital Financing Requirement at 1 April	43,167	42,476
Capital Expenditure		
Acquisition / enhancement of Property, Plant and Equipment assets	1,552	5,374
Acquisition of intangible assets	28	28
Revenue expenditure funded from capital under statute (REFCUS)	413	514
Sources of Finance		
Capital receipts applied	(264)	(730)
Government grants and other contributions applied	(1,477)	(2,475)
Sums set aside from revenue or charged direct to revenue	(910)	(2,252)
Downward revaluation of HRA non-dwelling assets charged to CI&ES, but not reversed to Capital Adjustment Account	(33)	0
Closing Capital Financing Requirement at 31 March	42,476	42,935
Explanation of the movements in the Capital Financing Requirement during the year		
Increase / (decrease) in underlying need to borrow (unsupported by Government financial assistance)	(664)	459
Assets acquired under finance leases, and associated reduction in outstanding liability	(27)	0
Increase/(Decrease) in Capital Financing Requirement	(691)	459

12.6 – Commitments under capital contracts

As at 31 March 2018 the Council had committed the following for capital expenditure in 2018/19:

- Disabled facilities grants: £118k;
- Council house improvements: £156k;
- IT systems: £28k.

Additional capital expenditure is budgeted to be spent in 2018/19 in these and other capital areas, but had not yet been contracted for as at 31 March 2018.

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Balance Sheet

12.7 – Revaluation and Impairment review

The Council's independent valuers, Wilks Head and Eve, carry out an annual market and impairment review at the end of each financial year, reporting on any issues arising at the Balance Sheet date of 31 March. The review performed during April 2018 providing data as at March 2018 concluded that movements in values during 2017/18 had resulted in a 3.5% increase in the value of the Council's dwelling stock at March 2018. They also reported an increase in the value of assets valued using the Depreciated Replacement Cost method. There were no other significant changes required to any other assets. Further information on the Housing Revenue Account revaluations can be found in note 3 to the Housing Revenue Account

12.8 – Depreciation

All assets required to be depreciated are depreciated using the straight-line basis, whereby an equal amount is charged each year to the relevant services on the Comprehensive Income and Expenditure Statement over the useful life of each asset. The useful lives for each category of assets, including components where relevant, but excluding land assets which are not depreciated, are as follows:

Type of Asset	Estimated Useful Life in Years
Property, Plant and Equipment:	
• Council dwellings: housing stock	60 years
• Council dwellings: garages	35 years
• Other buildings	15 to 60 years
• Infrastructure assets	25 to 60 years
• Community assets	60 years
• Vehicles, plant and equipment	Up to 10 years
Heritage Assets (property only)	35 to 42 years

12.9 – Investment Properties

12.9.1 – General Information on Investment Properties

Investment Properties are reported in accordance with Accounting Policies AP11 and AP16. Movements in property values are shown as part of notes 12.1 and 12.2. The amount reported for Investment Properties under Financing and Investment Income and Expenditure on the Comprehensive Income and Expenditure Statement (CI&ES) consists of the following items:

	2016/17 £000s	2017/18 £000s
Expenses incurred on Investment Properties	2	14
Rental income received from Investment Properties	(203)	(210)
Adjustments for disposal of Investment Properties	0	41
Changes in the fair value of Investment Properties	(8)	(59)
Total reported on the CI&ES	(209)	(214)

There are no restrictions on the Council's ability to realise the value inherent in its Investment Properties, or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment properties.

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Balance Sheet

12.9.2 – Fair Value hierarchies, valuation techniques and quantitative information about fair value measurements

All Investment properties are valued at Fair Value annually by the Council's external valuers in accordance with policies AP11 and AP16. The techniques used to determine level 2 and level 3 Fair Values, which were unchanged from the previous year, were as follows:

- **Significant observable inputs (Level 2):** assets have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs are significant leading to the properties being categorised at Level 2 in the fair value hierarchy.
- **Significant unobservable inputs (Level 3):** assets have been based on a comparable approach either by estimated market rental values as the majority of these assets are let at sub-market or subsidised passing rents. The valuers have had to draw on a number of assumptions and utilised third party resources in order to value these assets. These assets are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions)

The Investment Properties are classified into the following Fair Value hierarchies:

Recurring fair value measurements using:	Significant observable inputs (Level 2) £000s	Significant unobservable inputs (Level 3) £000s	Total £000s
Values at 31 March 2018:			
Land, offices and similar assets	1,812	0	1,812
Halls, pavilions and similar assets	0	335	335
Total	1,812	335	2,147
Values at 31 March 2017:			
Land, offices and similar assets	1,774	0	1,774
Halls, pavilions and similar assets	0	412	412
Total	1,774	412	2,186

There are no Investment Properties classified as Level 1. One asset totalling £4k was reassigned from level 3 to level 2 during 2017/18. There were no non-recurring valuations in 2017/18. The total amount recognised in the Comprehensive Income and Expenditure Statement for changes in the fair value of Investment Properties on level 3 assets for 2017/18 was £25k (£8k for 2016/17). This is included in the value reported in the table under note 12.9.1 above. Two level 3 assets were demolished during 2017/18 and the land upon which one of those assets previously sat was reclassified to Property, Plant and Equipment. The level 3 movements are summarised as follows:

Reconciliation of movements in level 3 assets	2016/17 £000s	2017/18 £000s
Balance as at 1 April	404	412
Revaluations	8	25
Transfer to level 2	0	(4)
Demolition	0	(41)
Transfer to Property, Plant and Equipment	0	(57)
Balance as at 31 March	412	335

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Balance Sheet

For the majority of Investment Properties their highest and best use value is their current use. However for some Investment Properties totalling £95k (£150k in 2016/17) their highest and best use is estimated to be for alternative purposes, for example if they were sold for development. They are not used in this manner because the assets are currently midway thorough lease arrangements to other parties or because the alternative use does not meet Council priorities for those assets.

The following data was used by the valuers to measure level 3 significant unobservable inputs:

	Value at 31/03/18 £000s	Valuation technique used	Unobservable inputs	Range (weighted average used)	Sensitivity
Halls, pavilions and similar assets	335	Comparative based on limited rental evidence	Rental value Yields	£10 - £50 psm 10% - 14%	Changes in rental growth, yields, occupancy will result in a lower or higher fair value

12.10 – Intangible non-current (long term) assets

The Council holds intangible assets for IT system software, licences and other similar items. The intangible assets were all purchased, none were internally generated. These assets are held at cost and amortised over their expected useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. Amortisation charges are appropriated to the Capital Adjustment Account, through the Movement in Reserves Statement (MIRS).

NOTES TO THE CORE FINANCIAL STATEMENTS:
Notes relating to the Balance Sheet

13 - DEBTORS

The long term and short term debtors on the Balance Sheet consist of the following amounts:

Debtor category	31/03/17 £000s	31/03/18 £000s
Short term debtors (amounts falling due within one year)		
Government departments	25	550
HM Revenue and Customs (HMRC)	179	196
Essex County Council (ECC) and other Local Authorities	815	792
Council Tax payers	373	409
Less impairment allowances for bad and doubtful debts	<u>(240)</u>	<u>(251)</u>
Net Council Tax payers	133	158
Non-Domestic Rates payers	96	125
Less impairment allowances for bad and doubtful debts	<u>(57)</u>	<u>(80)</u>
Net Non-Domestic Rates payers	39	45
Housing rent arrears	306	397
Less impairment allowances for bad and doubtful debts	<u>(164)</u>	<u>(273)</u>
Net Housing rent arrears	142	124
Housing benefit overpayments	2,170	2,108
Less impairment allowances for bad and doubtful debts	<u>(911)</u>	<u>(871)</u>
Net Housing benefit overpayments	1,259	1,237
Sundry debtors	1,087	1,437
Less impairment allowances for bad and doubtful debts	<u>(251)</u>	<u>(473)</u>
Net sundry debtors	836	964
Prepayments	375	316
Net total short-term debtors	<u>3,803</u>	<u>4,382</u>
Long term debtors (amounts falling due after one year)		
Charge on property re section 189 works	130	136
Total long-term debtors	<u>130</u>	<u>136</u>
Total debtors	<u><u>3,933</u></u>	<u><u>4,518</u></u>

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Balance Sheet

14 - CASH AND CASH EQUIVALENTS

The Cash and Cash Equivalents amount on the Cash Flow Statement and Balance Sheet consists of the following items:

Cash and Cash Equivalent elements	31/03/17 £000s	31/03/18 £000s
Petty cash floats held by the Council	2	2
Bank Current Accounts: Net credit balance / (Overdrawn balance)	672	645
Total Cash and Cash Equivalents as at 31 March	674	647

15 - CREDITORS

The long term and short term creditors total on the Balance Sheet consists of the following amounts:

Creditor category	31/03/17 £000s	31/03/18 £000s
Government departments	328	667
HM Revenue and Customs (HMRC)	173	178
Essex County Council (ECC) and other Local Authorities	1,688	1,273
Council Tax payers	115	113
Non-Domestic Rates payers	119	166
Housing rents	174	131
Sundry creditors (Note 1)	3,020	3,000
Accumulating compensating absences	149	142
Total Creditors	5,766	5,670

Note 1 - all creditors are due within 12 months, with the exception of £145k of sundry creditors as at 31 March 2018 (none at 31 March 2017), which were due after 12 months and were accordingly classified as long term on the Balance Sheet at that date.

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Balance Sheet

16 - POST-EMPLOYMENT BENEFITS AND NET PENSION LIABILITY

16.1 – Characteristics of defined benefit plans and associated risks

As part of the terms and conditions of employment of its officers, the Council contributes towards the cost of post-employment benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments and disclose them at the time that employees earn their future entitlement. The Council participates in the Local Government Pension Scheme (LGPS). This was a funded defined benefit final salary scheme, meaning that both the Council and its employees pay contributions into a fund, calculated at a level intended to balance the pension fund's liabilities with its investment assets. From 1st April 2014 the scheme became a Career Average Revalued Earnings (CARE) scheme rather than a final salary scheme, with various protections in place regarding membership in the scheme prior to that date.

The pension scheme is administered locally by Essex County Council (ECC), in accordance with the Local Government Pension Scheme Regulations 2013. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within ECC. Where appropriate some functions are delegated to the Fund's professional advisers.

The principal risks to the Council of participating in a defined benefit scheme are:

- **Investment risk** - The Fund holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long term, the short term volatility can cause additional funding to be required if a deficit emerges.
- **Interest rate risk** - The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- **Inflation risk** - All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- **Longevity risk** - In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the fund there is an orphan liability risk where employers leave the fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

These risks are mitigated to an extent by the requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute, as described in Accounting Policy AP8. Furthermore, all of the risks may also benefit the Council, e.g. higher than expected investment returns or employers leaving the fund with excess assets which eventually get inherited by the remaining employers.

16.2 – Transactions relating to post-employment benefits

The Council recognises the cost of post-employment benefits in the (Surplus) / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (CI&ES) 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 post-employment benefits is reversed out through the Movement in Reserves Statement (MIRS). The transactions are as shown on the following page:

NOTES TO THE CORE FINANCIAL STATEMENTS:
Notes relating to the Balance Sheet

	2016/17 £000s	2017/18 £000s
Comprehensive Income and Expenditure Statement		
Net Cost of Services:		
• Service costs:		
○ Current service costs	1,410	1,989
○ Past service costs, including curtailments	494	5
○ Net Settlement costs	(22)	0
Other Operating Expenditure:		
• Administrative expenses	25	27
Financing and Investment Income and Expenditure:		
• Net interest on defined benefit liability	1,241	1,037
Other Comprehensive Income and Expenditure:		
• Remeasurements of the net defined benefit liability:		
○ Return on plan assets (in excess of interest)	(9,434)	(3,160)
○ Actuarial (gains) / losses: changes in demographic assumptions	(2,477)	0
○ Actuarial (gains) / losses: changes in financial assumptions	15,943	(1,778)
○ Other actuarial (gains) / losses on assets	(12)	0
○ Experience (gain) / loss on defined benefit obligation	(1,666)	0
Net charge / (credit) to the CI&ES	5,502	(1,880)
Movement in Reserves Statement		
• Reversal of net charges made for post-employment benefits in accordance with IAS 19	(3,148)	(3,058)
• Employer's contributions payable to the scheme	1,589	3,472
Net adjustment in the Movement in Reserves Statement	(1,559)	414

16.3 – Pension assets and liabilities recognised in the Balance Sheet

16.3.1 – Net liability

	2016/17 £000s	2017/18 £000s
Present value of the funded defined benefit obligation	(106,619)	(107,060)
Fair value of the scheme assets	68,943	74,613
Sub-total	(37,676)	(32,447)
Present value of the unfunded defined benefit obligation	(2,440)	(2,317)
Net liability arising from defined benefit obligation	(40,116)	(34,764)

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Balance Sheet

16.3.2 – Reconciliation of movements in the fair value of the scheme assets

	2016/17 £000s	2017/18 £000s
Balance as at 1 April	59,947	68,943
Interest income on assets	2,055	1,870
Remeasurement gain / (loss):		
• Return on plan assets (in excess of interest)	9,434	3,160
• Other actuarial (gains) / losses on assets	12	0
Contributions from employer	1,589	3,472
Contributions from employees	372	362
Benefits paid	(4,394)	(3,167)
Administration expenses	(25)	(27)
Settlements	(47)	0
Balance as at 31 March	68,943	74,613

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

	2016/17 £000s	2017/18 £000s
Balance as at 1 April	96,150	109,059
Current service costs	1,410	1,989
Past service costs, including curtailments	494	5
Interest cost	3,296	2,907
Contributions by scheme participants	372	362
Remeasurement gains / (losses):		
• Actuarial (gains) / losses: changes in demographic assumptions	(2,477)	0
• Actuarial (gains) / losses: changes in financial assumptions	15,943	(1,778)
• Experience gain / (loss) on defined benefit obligation	(1,666)	0
Benefits paid	(4,394)	(3,167)
Settlements	(69)	0
Balance as at 31 March	109,059	109,377

16.3.4 – Analysis of scheme assets

The estimated allocation of Fund assets for the Council is as follows:

Asset Category	31/03/17		31/03/18	
	£000s	%	£000s	%
Equities	47,090	68	48,697	65
Government bonds (Gilts)	2,608	4	4,964	7
Other bonds	2,802	4	2,772	4
Property	6,707	10	7,077	9
Cash	2,075	3	2,566	4
Alternative assets	4,598	7	5,511	7
Other Managed Funds	3,063	4	3,026	4
Total Assets	68,943	100	74,613	100

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Balance Sheet

16.4 – Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, i.e. an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Estimates for the fund are based on the latest full valuation of the scheme as at 1 April 2016, amended for updated expectations subsequently. The principal assumptions used by the actuary were as shown in the following table:

	2016/17	2017/18
Rate of CPI inflation	2.6%	2.35%
Rate of increase in salaries	4.1%	3.85%
Rate of increase in pensions	2.6%	2.35%
Rate for discounting scheme liabilities	2.7%	2.55%
Life expectancy assumptions from 65 years of age, in years:		
• Males retiring today	22.1	22.2
• Females retiring today	24.6	24.7
• Males retiring in 20 years	24.3	24.4
• Females retiring in 20 years	26.9	27.0
Other actuarial assumptions:		
• Members will exchange 50% of their commutable pension for cash at retirement;		
• Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age;		
• The proportion of active members who take up the option to pay 50% of contributions for 50% of benefits will remain the same as at the previous valuation date.		

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis on the following page have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes whilst all other assumptions remain constant. In practice however this is unlikely to occur, and changes in some of the assumptions are more likely to be interrelated. The table shows the impact on the defined benefit obligation and projected service cost of changes of plus and minus 0.1% or 1 year on various assumptions.

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Balance Sheet

	£000s	£000s	£000s
Adjustment to discount rate:	+0.1%	Base	-0.1%
• Present value of total obligation	107,600	109,377	111,185
• Projected service cost	1,893	1,936	1,980
Adjustment to long term salary increase:	+0.1%	Base	-0.1%
• Present value of total obligation	109,514	109,377	109,240
• Projected service cost	1,936	1,936	1,936
Adjustment to pension increases and deferred revaluation:	+0.1%	Base	-0.1%
• Present value of total obligation	111,049	109,377	107,732
• Projected service cost	1,980	1,936	1,893
Adjustment to life expectancy assumptions:	+ 1 Year	Base	-1 Year
• Present value of total obligation	113,707	109,377	105,217
• Projected service cost	1,998	1,936	1,876

16.5 – Asset and liability matching strategy

The actuary does not use a formal asset and liability matching strategy to match types of assets invested into the liabilities in the defined benefit obligation. Instead the actuary adopts a policy of diversification of investment into alternative asset classes including property and bonds to reduce overall volatility in the delivery of fund returns without a significant reduction in the overall expected return.

16.6 – Impact on the Council's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Funding levels are monitored on an annual basis.

The pension fund is reviewed every three years and contributions are set as a result of each actuarial valuation. The most recent review was undertaken during 2016/17, which provided a valuation of the fund as at 1 April 2016. This valuation was effective for contributions payable to the scheme from 1 April 2017. The next actuarial valuation will take place during 2019/20 to provide a valuation as at 1 April 2019 which will be effective for contributions from 1 April 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. The actuary estimates that the duration of the employers' liabilities is 17 years.

The total employer contributions expected to be made to the pension scheme by the Council in the year to 31 March 2019 is estimated at £1.2m.

The scheme deficit, or liability, shows the underlying commitment that the Council has in the long run to pay future post-employment benefits. The net liability of £34.8m as at 31 March 2018 has a substantial impact on the net worth of the Council recorded in the Balance Sheet. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

16.7 – Further information

Further information can be found in the Essex Pension Fund Annual Report, which is available on the Essex Pension Fund website: www.essexpensionfund.co.uk

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Balance Sheet

17 – FINANCIAL INSTRUMENTS

17.1 – Nature of Financial instruments and Financial instruments balances

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

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

	Non-Current 31/03/17 £000s	Current 31/03/17 £000s	Non-Current 31/03/18 £000s	Current 31/03/18 £000s
Borrowings (including accrued interest) at amortised cost	5,250	68	5,250	68
Borrowings re HRA reform	36,451	358	36,451	358
Creditors	0	3,503	145	3,296
Total liabilities	41,701	3,929	41,846	3,722
Short term investments	0	28,733	0	25,950
Cash and cash equivalents	0	674	0	647
Debtors	130	2,922	136	3,117
Total assets	130	32,329	136	29,714

Under accounting requirements the financial instrument value as shown in the Balance Sheet includes the principal amount borrowed plus accrued interest. Accrued interest of £426k (£426k at 31 March 2017), although relating to long-term liabilities, is due within one year. An analysis of the maturity profile of borrowing is shown in note 17.5.5.

17.2 – Financial instruments income, expense, gains and losses

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

	2016/17 £000s	2017/18 £000s
Financial Liabilities, measured at amortised cost		
Interest expense, including interest on finance leases	1,297	1,295
Financial Assets - loans and receivables		
Interest income	134	91

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Balance Sheet

17.3 – Fair value of Assets and Liabilities carried at Amortised Cost

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

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

Financial Assets and Liabilities are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

IFRS13 states fair value is a market-based measurement with prices determined by transactions between market participants. However for Public Works Loan Board (PWLB) loans, premature repayment rates from PWLB (varying between 1.46% to 1.52% for General Fund borrowing and 0.75% to 1.65% for HRA borrowing) have been used to calculate the fair value which is £9.6m more than the carrying amount. This is a level 2 valuation within the fair value hierarchy, as defined in accounting policy AP11.

- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate the fair value, and is taken to be the principal outstanding plus accrued interest.
- Treasury bills are instruments for which there is a clear market price, observable in an open market and therefore they are a level 1 valuation. Their maturity does not exceed 6 months and the weighted average maturity of the bills held at 31st March 2018 is 164 days. Their fair value is negligibly less (£454) than the carrying value and the Council intends holding them to maturity, so treasury bills are shown on the Balance Sheet at their carrying value and not treated as available for resale.
- The fair value of trade debtors and creditors is taken to be the invoiced or billed amount.
- Cash and cash equivalent assets can be accessed without notice, and therefore fair value and carrying value are the same.

Details of carrying amount and fair value are shown below:

	Carrying Amount 31/03/17 £000s	Fair Value 31/03/17 £000s	Carrying Amount 31/03/18 £000s	Fair Value 31/03/18 £000s
PWLB debt (borrowing)	5,318	8,896	5,318	8,841
Interest rates: 3.70% to 4.10%				
PWLB debt (borrowing) re HRA	36,809	44,144	36,809	42,864
Interest rates: 2.31% to 3.49%				
Creditors	3,503	3,503	3,441	3,441
Total financial liabilities	45,630	56,543	45,568	55,146
Short term investments	28,733	28,733	25,950	25,950
Long term debtors	130	130	136	136
Trade debtors	2,922	2,922	3,117	3,117
Cash and cash equivalents	674	674	647	647
Total financial assets	32,459	32,459	29,850	29,850

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Balance Sheet

17.4 – Analysis of investments

The Council had funds invested of £25.92m as at 31 March 2018 (£28.72m as at 31 March 2017):

Category	Organisation	£000s
Money Market Funds:	Deutsche Managed Sterling Fund	3,000
	Insight Sterling Liquidity Fund	3,000
	LGIM Sterling Liquidity Fund	3,000
	Standard Life Sterling Liquidity Fund	3,000
	State Street Liquidity Fund	1,430
Treasury bills:	UK Debt Management Office	2,994
Local authorities:	Highland Council	2,500
	Thurrock Council	2,000
	Blaenau Gwent County Council	2,000
	Blackpool Council	1,000
Banks:	Lloyds Bank plc notice account	1,000
	Santander plc notice account	1,000
Total		25,924

The carrying and fair value amounts for investments are higher than the principal amount due to the inclusion of accrued interest of £26k (£16k at 31 March 2017) which is not reflected in the above amounts.

17.5 – Disclosure of nature and extent of risk arising from financial instruments

17.5.1 – Key risks

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

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

17.5.2 – Overall procedures for managing risk

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Balance Sheet

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

The 2017/18 strategy included sections on:

- Definition of Treasury Management;
- The prospects for interest rates;
- Current debt position;
- Borrowing strategy and objectives;
- Borrowing maturity structure;
- Interest rate sensitivity;
- Limits of fixed and variable rate exposure;
- Investment principles – security, liquidity and yield;
- Specified and non-specified investments;
- Security of capital and the use of credit ratings;
- Banking crisis – temporary guidance;
- Table of minimum credit ratings for counterparties.

These policies are implemented by the Financial Services Unit. The full documents for 2017/18 are available on request and the equivalent Strategies for 2018/19 can be found on the Council's website: www.castlepoint.gov.uk/council-strategies-and-policies

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

17.5.3 – Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria specified in the Annual Investment Strategy, which also imposes a maximum amount and time to be invested with a financial institution in each category.

The credit criteria in respect of financial assets held by the Council during 2017/18 are detailed below:

Financial Asset Category	Criteria	Maximum Investment £m and % of total investments
Debt Management Agency Deposit Facility (DMADF) (this facility is at present available for investments up to 6 months)	The Debt Management Office is an agency of the UK Government	No £ limit No % limit
Treasury Bills issued by the UK Government	The Debt Management Office is an agency of the UK Government	No £ limit No % limit
Term deposits with the UK government or with UK local authorities (i.e. local authorities as defined under section 23 of the 2003 Act)	High quality as either directly invested or via agencies of UK Government. (Although local authorities are not specifically credit rated)	£5m 33%
Term Deposits with institutions, part nationalised by the UK Government	Long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	£5m 33%

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Balance Sheet

Financial Asset Category	Criteria	Maximum Investment £m and % of total investments
Money Market Funds (i.e. a collective investment scheme as defined in SI 2004 No 534) These funds do not have a maturity date	Fitch, Moody's or Standard and Poors AAA (Minimum of two ratings)	£5m 33%
Current accounts, notice accounts or term deposits with credit-rated deposit takers (UK banks and building societies)	Long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	£4m 25%
Forward deals with credit rated banks and building societies < 1 year (i.e. negotiated deal period plus period of deposit)	Long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	£4m 25%
Certificates of Deposit issued by UK institutions	Long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	£4m 25%
Covered bonds	Long-term AA-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	£4m 25%
Reverse repurchase agreements ("repos")	Long-term AA-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	£4m 25%

Customers are assessed taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings and parameters set by the Council. The analysis on the following page summarises the Council's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience over the last ten financial years, adjusted to reflect current market conditions.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £2.5m, AAA rated money market funds and other counterparties of £23.9m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the Council's deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the year and the Council does not expect any losses from non-performance by any of the counterparties in relation to deposits. Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties. The amount stated for customers excludes impairment allowances for bad debts.

The estimated maximum exposure to default is based on the long term historical experience of default percentages. The Market conditions adjustment provides more recent short term estimated percentages of exposure to default, and is provided for information only.

NOTES TO THE CORE FINANCIAL STATEMENTS:
Notes relating to the Balance Sheet

	Amount at 31/03/2018	Historical Experience of default	Market conditions adjustment at 31/03/2018	Estimated maximum exposure to default 31/03/2018	Estimated maximum exposure to default 31/03/2017
	£000s	%	%	£000s	£000s
AAA rated counterparties	13,430	0.00%	0.00%	0	8
AA rated counterparties	10,494	0.02%	0.03%	2	1
A rated counterparties	2,518	0.06%	0.08%	1	2
Government and Local Authorities debtors	1,537	0.00%	0.00%	0	0
Customers	4,079	7.32%	7.32%	299	265
Total	32,058	0.94%		302	276

The Council allows credit to its customers only in exceptional cases, mainly where there is a statutory responsibility to provide services. The Council actively pursues all debtors in accordance with its debt management policy and does not write debt off until it has exhausted all options for recovery. The Council regularly reviews its levels of debt, which includes considering the adequacy of its impairment allowance for bad debts.

The total gross debtors included in the Balance Sheet before allowances for bad debts is £6,466k, as detailed in note 13. After deducting debtors relating to Council Tax, Non-Domestic Rates, Central Government and other local authorities and payments in advance of £2,387k the total customers' debtors relating to financial instruments is £4,079k, as shown above. Of this amount £1,620k is past its due date and unimpaired and the majority of this relates to housing benefit overpayments:

Debts past due date and not impaired as at 31/03/18	Benefit over payments £000s	Other customers £000s	Total £000s
Less than three months	149	115	264
Three to six months	86	103	189
Six months to one year	117	88	205
More than one year	877	85	962
Total	1,229	391	1,620

Debts past due date and not impaired as at 31/03/17	Benefit over payments £000s	Other customers £000s	Total £000s
Less than three months	107	172	279
Three to six months	85	108	193
Six months to one year	140	81	221
More than one year	923	59	982
Total	1,255	420	1,675

During the year the Council held no collateral as security.

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Balance Sheet

17.5.4 – Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy reports), as well as through cash flow management procedures required by the Code of Practice. This seeks to ensure that cash is available when needed. The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need and whilst the PWLB provides access to longer terms funds, it also acts as a lender of last resort to councils. The Council is also required to provide a balanced budget by the Local Government Finance Act 1992, which ensures that sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

17.5.5 – Re-financing and maturity risk

The Council maintains a debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing exposure to replacing financial instruments as they mature. This risk relates to the maturing of longer term financial liabilities. The approved prudential indicator limits for the maturity structure of debt, and the limits on investments placed for greater than one year are key parameters used to address this risk. The Council approved Treasury and Investment Strategies address the main risks and the Financial Services Unit addresses the operational risks within the approved parameters. The maturity analysis of loans, including finance lease liabilities, by value and percentage, is as follows:

Maturity Term	2016/17 £000s	2017/18 £000s
Less than one year (accrued interest only)	426	426
Between one and two years	0	0
Between two and five years	7,000	7,000
Between five and ten years	6,000	13,000
More than ten years	28,701	21,701
Total	42,127	42,127

	Actual 2017/18	Cumulative Actual 2017/18	Approved Maximum Upper Cumulative Limit
Less than one year	1%	1%	50%
Between one and two years	0%	1%	50%
Between two and five years	17%	18%	60%
Between five and ten years	31%	49%	80%
More than ten years	51%	100%	100%
	100%		

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

NOTES TO THE CORE FINANCIAL STATEMENTS:

Notes relating to the Balance Sheet

17.5.6 – Market risk

Interest rate risk

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

- borrowing at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services on the Comprehensive Income and Expenditure Statement (CI&ES) will rise;
- borrowing at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services on the CI&ES will rise;
- investments at fixed rates – the fair value of longer term assets will fall.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the CI&ES. However, changes in interest payable and receivable on variable rate borrowings and investments will be allocated to the CI&ES and will affect the General Fund Balance. The Annual Treasury Management Strategy brings together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposures. The Financial Services Unit will monitor market and forecast interest rates within the year to adjust exposure appropriately.

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

	2016/17 £000s	2017/18 £000s
Increase in interest payable on variable rate borrowings	0	0
Increase in interest receivable on variable rate investments	290	300
Impact on Comprehensive Income and Expenditure Statement	290	300

The impact of a 1% fall in interest rates would be as above but with the movements being reversed (assuming negative rather than zero interest rates).

Price risk

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

Foreign exchange risk

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

NOTES TO THE CORE FINANCIAL STATEMENTS:

Other Notes to the Core Financial Statements

18 - EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet Date are accounted for in accordance with Accounting Policy AP10. The audited financial statements were signed and authorised for issue on 30 July 2018 by the Strategic Director (Resources), the Council's responsible financial officer. This establishes the date after which events have not been recognised in the Statement of Accounts. The Council had no events after the Balance Sheet date to report.

19 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Provisions, contingent assets and contingent liabilities are accounted for in accordance with Accounting Policy AP21, Provisions, and Contingencies. The balance of outstanding provisions appears under Current Liabilities on the Balance Sheet.

19.1 – Provisions

The Council holds the following total provisions balance as at 31 March 2018:

	Total Provisions £000s
Balance as at 1 April 2017	986
Amounts used in 2017/18	(421)
Additional provisions made in 2017/18	233
Unused amounts reversed in 2017/18	(13)
Balance as at 31 March 2018	785

The balance consists of the following provisions:

- **Business rates provision for appeals** – The Local Government Finance Act 2012 introduced a business rates retention scheme from 1 April 2013 that enables local authorities to retain a portion of the business rates generated in their area. As part of this process each local authority assumed part of the liability for refunding ratepayers who had successfully appealed against the rateable value of their properties on the rating list. This included amounts that were paid over in respect of 2012/13 and prior years to Central Government. The Council calculated an initial provision and charged it to the Collection Fund in 2013/14. In each subsequent year the Council has re-estimated the required level of provision at 31 March each year to take into account the latest information on successful and unsuccessful appeals and those which are still unresolved, and adjusted the provision accordingly. The closing balance on the Council's share of the appeals provision is £784k and therefore this makes up the majority of the total provisions balance. Please also refer to note 21.
- **Land charges provision for search fees refunds** – A group of Property Search Companies previously sought to claim refunds of fees paid to the Council in earlier years to access land charges data. This was part of a claim against several hundred councils across the country. The parties previously reached agreement on the claims and the Council has also agreed to pay the property search companies legal costs. Payments were made during 2016/17 and a very small amount of the provision remains unused as at 31 March 2018 to cover any final costs that may still occur.

NOTES TO THE CORE FINANCIAL STATEMENTS:

Other Notes to the Core Financial Statements

19.2 – Contingent Assets

The Council has no contingent assets to report as at 31 March 2018.

19.3 – Contingent Liabilities

The Council has the following contingent liabilities to report as at 31 March 2018:

- Currently there are court cases and also disputes with contractors and other parties where we may take or defend legal action which may give rise to costs depending on the outcome.
- The Council signed agreements with the Homes and Communities Agency (HCA) in March 2010 in order to secure funding in relation to projects for the regeneration of Hadleigh and Canvey Island Town Centres. Failure to meet future regeneration targets could result in some of the funding becoming repayable to the HCA. Funding may also become repayable in the event that the Crown public house is sold and a capital receipt realised as part of the regeneration of the Hadleigh Island Site.
- The Council has undertaken a great deal of work around pay harmonisation and single status including undertaking post comparisons etc. A full job evaluation exercise as required by the 2004 National Agreement has not been undertaken and there is no information available that can be used to form a view on the estimated future likely costs that the Council could face. The risk of a claim being made against the Council and/or the financial implications arising through such a claim is not considered significant.
- A high profile legal case challenged the basis upon which councils recharged the provision of water services to residents. The legal challenge was based upon reselling of water legislation introduced on 1 April 2001. Typically a council would pay the annual water charge for council properties less a commission to the water provider, but would charge the full cost to residents via their weekly rents, not passing on the reduction as required by the legislation. The Council has a potential exposure of 1 year between the legislative start date of 1 April 2001 and the end of the Council's arrangement on 31 March 2002.
- In September 1992 Municipal Mutual Insurance (MMI) went into receivership. Zurich took over the vast majority of MMI's staff and renewal business and changed their name to Zurich Municipal. Zurich did not however take over MMI's residual liabilities and therefore Castle Point Borough Council along with other major creditors, agreed to a Scheme of Arrangement (SOA), under s425 of the Companies Act 1985. This became effective in January 1994. A Supreme Court judgement was handed down in March 2012 and found against MMI in respect of the Employer Liability Policy Trigger Litigation for cases of negligent exposure to asbestos. In November 2012 the SOA was triggered by the MMI board of directors as it was no longer foreseen that a solvent run-off of MMI would be achieved and as a consequence Councils would now be required to contribute. The Council's maximum exposure is approximately £464k. The Council made provision of £114k, i.e. around 25% of the liability, during 2012/13. Payment of £69k (15%) was made during 2013/14 and £46k (10%) during 2016/17. Any subsequent repayments that may be required continue to remain subject to uncertainty. The Council holds the remaining £348k (75%) in an earmarked reserve to cover any potential further payments, as shown in Note 11.1.

NOTES TO THE CORE FINANCIAL STATEMENTS:

Other Notes to the Core Financial Statements

20 - ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Council is required to disclose information on the impact of a change in accounting policy that will be required by an accounting standard that has been issued but not yet adopted. This applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. 1 January 2018 for the 2018/19 financial year). The applicable changes for 2018/19 are as follows:

- **IFRS9 – Financial Instruments** – IFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities. There will be a single approach to classification and measurement; a new forward-looking 'expected loss' impairment model; and new disclosure requirements to which materiality will be applied. Gains and losses arising from changes in the fair value of some categories of investments will have to be recognised in the authority's revenue accounts. This means that from 2018/19 changes in the value of certain investments could have a consequent impact on the General Fund. Previously any changes in the fair value of these investments were only recognised in the General Fund when the asset was sold. IFRS9 has been adopted such that there is no requirement to provide financial information relating to the impact of IFRS 9 for the 2017/18 year in the 2017/18 accounts. For 2018/19 officers will assess any potential impact on relevant assets and liabilities held by the Council. Changes include classifying the Council's constant net asset Money Market Funds at amortised cost but the impact of this is expected to be immaterial.
- **IFRS15 – Revenue from contracts with customers.** IFRS 15 introduces a new five stage model for assessing and recognising revenue from contracts with customers, as well as greater disclosure requirements. This will require local authorities to recognise revenue in such a way that it represents the transfer of promised goods/services to the service recipient in an amount that reflects the consideration the authority expects to be entitled to for those goods/services. However this is not expected to have any significant impact on the Council's income streams.
- **Amendments to IAS12 Income taxes** – Recognition of deferred tax assets for unrealised losses. There is no impact expected on the Council's accounts from this amendment.
- **Amendments to IAS7 Cash Flows** – Disclosure initiative. These are additional disclosure requirements only which have been added to IAS 7 to state the changes in liabilities arising from financial liabilities between those from cash flows and those from non-cash changes.

21 - CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the Council's accounting policies, the Council has made certain judgements about complex transactions or those involving uncertainty around future events. The judgements made in the Statement of Accounts include, but are not limited to, the following:

- There is a continuing high degree of uncertainty about future levels of funding for local government. However the Council has determined that this uncertainty is not sufficient to provide an indication that the Council's assets might be impaired, for example as a result of a need to close facilities and reduce levels of service provision.
- The Council has previously estimated the likelihood of having to make payment under the Municipal Mutual Insurance receivership case described in the preceding notes, and this is currently being reported as a contingent liability under note 19.3 above.
- The Council has estimated the likelihood of success of appeals against National Non-Domestic Rates liabilities submitted to the Valuation Office by rate payers, and has made provision, as disclosed in note 19.1. In 2017/18 a new "Check, Challenge, Appeal" process was introduced by the Government for organisations disputing their rateable charges against the 2017 ratings list. It is not yet known how this will impact the level of appeals submitted on properties within the borough and the success, dismissal or withdrawal of those appeals. The Ministry for Housing, Communities and Local Government (MHCLG) had previously estimated a nationwide impact of 4.7% on rates income from appeals, and the Council has applied this for part of its March 2018 appeals provision calculation. This amounts for around a quarter of the closing value of £784k shown in note 19.1 above.

NOTES TO THE CORE FINANCIAL STATEMENTS:

Other Notes to the Core Financial Statements

The ultimate impact on the Council will be greater or lower than 4.7% and the calculation will be revisited and refined in 2018/19 and later years as more data becomes available on those organisations in the borough submitting appeals through the “Check, Challenge, Appeal” process.

22 - FUTURE ASSUMPTIONS AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future that are uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with absolute certainty, actual results could be different from these assumptions and estimates. The items in the Balance Sheet as at 31 March 2018, for which there could be a risk of material adjustment in the forthcoming financial year, are as follows:

22.1 - Property, Plant and Equipment (See Note 12)

Area of uncertainty - Assets are depreciated over their useful lives, which are partly dependent upon assumptions about the levels of repairs and maintenance to be carried out on those assets in future years. Reduced levels of funding could impact on the Council’s planned spending on repairs and maintenance, which could then have an effect on the expected lives of these assets.

Estimated effect if results differ from assumptions - If the useful lives of assets were to reduce, then the annual depreciation charges on these assets would increase and their carrying value on the Balance Sheet would decrease. It is estimated that the annual depreciation charge for all General Fund operational buildings would increase by £24k for each year that the useful lives were decreased.

22.2 - Pensions Liability (See Note 16)

Area of uncertainty - Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Expert advice about the assumptions to be applied in the Council’s accounts is provided by Essex Pension Fund and Barnett Waddingham, an independent firm of actuaries.

Estimated effect if results differ from assumptions - The effect on the net pension liability of changes in individual assumptions can be measured. The actuary has estimated the effect of increases and decreases in a number of areas and these are reported in note 16.4. However, the assumptions interact in complex ways. For example, during 2017/18 the actuary advised that the net pension liability had decreased by £1.8m due to changes in financial assumptions underlying the present value of the liabilities, but did not need any adjustments to demographic assumptions or to estimates being corrected as a result of gains and losses.

22.3 – Fair Value Measurements (See Accounting Policy AP11 and Notes 12 and 17)

Area of uncertainty – When the fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets (level 1 inputs) the value is measured using other valuation techniques. Where possible the inputs to these techniques are based on observable data, but if this is not possible, then judgements and assumptions are required to establish fair values. This could affect the fair value derived from these judgements. The Council will use relevant experts, such as the external valuers who value Investment Properties, in order to determine Fair Value.

Estimated effect if results differ from assumptions – The Council uses the methods described in the above mentioned Accounting Policy and Notes to measure the fair value of its Investment Properties and also report the fair value of some of its Financial Instruments, including the significant unobservable inputs also described in those notes. Changes in these inputs could result in a higher or lower value of the associated asset or liability.

HOUSING REVENUE ACCOUNT (HRA)

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

The Housing Revenue Account (HRA) reflects a statutory obligation to maintain a separate revenue account for local authority housing provision in accordance with the Local Government and Housing Act 1989. The Housing Revenue Account Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The Council charges rent to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the funding basis through which rents are raised, is shown in the Movement on the Housing Revenue Account Statement, shown on the following page. The majority of the amounts shown on this statement are also included within the overall Comprehensive Income and Expenditure Statement.

2016/17 £000s	Notes	2017/18 £000s
INCOME		
(7,054) Dwelling rents		(6,968)
(137) Non-dwelling rents		(133)
(489) Charges for services and facilities		(772)
(7,680) TOTAL INCOME		(7,873)
EXPENDITURE		
1,059 Repairs and maintenance		1,401
2,081 Supervision and management		2,198
243 Rents, rates, taxes and other charges		167
(3,137) Depreciation, revaluation and impairment of non-current assets	3	1,527
89 Increase / (decrease) in allowance for bad or doubtful debts		134
335 TOTAL EXPENDITURE		5,427
(7,345) NET EXPENDITURE / (INCOME) OF HRA SERVICES AS INCLUDED IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT		(2,446)
20 HRA services' share of Corporate and Democratic Core		22
100 HRA services' share of other amounts included in the whole Council net cost of services - continuing operations, but not allocated to specific services		0
(7,225) NET EXPENDITURE / (INCOME) OF HRA SERVICES		(2,424)
HRA SHARE OF THE OPERATING INCOME AND EXPENDITURE INCLUDED IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT		
7 (Gain) / loss on disposal / derecognition of non-current (long term) assets		274
(23) Interest and Investment income		(26)
1,088 Interest payable on debt, and similar charges		1,087
0 Capital grants and contributions		(203)
(6,153) (SURPLUS) / DEFICIT FOR THE YEAR ON HRA SERVICES		(1,292)

HOUSING REVENUE ACCOUNT (HRA)

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

This statement shows how the HRA Income and Expenditure Statement (surplus) / deficit for the year, as shown on the previous page, reconciles to the movement on the Housing Revenue Account balance for the year, calculated in accordance with the Local Government and Housing Act 1989.

2016/17 £000s		Notes	2017/18 £000s	2017/18 £000s
(2,357)	HOUSING REVENUE ACCOUNT BALANCE BROUGHT FORWARD			(3,107)
(6,153)	(SURPLUS) / DEFICIT FOR THE YEAR ON THE HRA INCOME AND EXPENDITURE STATEMENT			(1,292)
	Adjustments between accounting basis and funding basis under statute			
4,940	Revaluation and impairment of non-current (long term) assets	3	48	
(7)	Net gain / (loss) on disposal or derecognition of non-current (long term) assets		(274)	
0	Adjustment for recognised capital grants and contributions (applied and unapplied)		203	
(212)	Reversal of net charges made for post-employment benefits in accordance with IAS 19		(180)	
(1)	Adjustment for Accumulated Absences (holiday pay)		1	
227	Employer's contributions payable to pension fund		324	
(176)	Transfer to / (from) the Major Repairs Reserve	1	0	
4,771	Total adjustments			122
(1,382)	Net Decrease / (increase) before transfers to / (from) HRA Earmarked Reserves			(1,170)
632	Transfers to / (from) HRA Earmarked Reserves			778
(750)	DECREASE / (INCREASE) IN THE HRA BALANCE FOR THE YEAR			(392)
(3,107)	HOUSING REVENUE ACCOUNT BALANCE CARRIED FORWARD			(3,499)

HOUSING REVENUE ACCOUNT (HRA)

NOTES TO THE HOUSING REVENUE ACCOUNT

1 HRA CAPITAL EXPENDITURE AND RECEIPTS

Capital expenditure during 2016/17 and 2017/18 was as follows:

Item	2016/17 £000s	2017/18 £000s
Enhancement works	1,097	1,727
Property acquisitions and new developments	264	280
Total capital expenditure	1,361	2,007
Funded from:		
Major Repairs Reserve (Note 1)	(1,097)	(1,716)
Grants and capital receipts	(264)	(291)
Revenue contributions	(0)	(0)
Total funding sources	(1,361)	(2,007)

Note 1 - The Council is required to maintain a Major Repairs Reserve (MRR) for the funding of HRA capital expenditure. The MRR is described in Note 11.2 to the Core Financial Statements, Analysis of the Movement in Reserves Statement. Movements in the MRR during the year are reported in Note 10 to the Core Financial Statements, Reconciliation of amounts included in "Adjustments between accounting basis and funding basis under regulations."

An estimated amount of the previous carrying value of the enhancement works was derecognised in accordance with Policy Note AP16.11. This was based on the value of works with an inflation adjustment applied to reduce the value back to the estimated value at the point the original cost was incurred, as well as a further adjustment for accumulated depreciation over the period since the most recent valuation on each asset group.

Gross capital receipts from the disposal of Council dwellings and repayment of Right to Buy discounts received during 2017/18 totalled £502k (£712k in 2016/17), from which £5k was deducted for costs incurred and £189k was payable to Central Government under statutory pooling arrangements. The balance of un-used HRA capital receipts held as at 31 March 2018 was £917k, of which £592k must be used for replacement housing purposes. Any of this portion not used within three years of the quarter-end from the date of original receipt is repayable to Central Government.

2 HOUSING ASSETS

The Council sold 4 council properties during 2017/18 (7 in 2016/17). Construction of 2 new properties was completed in 2017/18. 12 garages were demolished in 2017/18 and one was sold (none in 2016/17). The housing assets included in the Balance Sheet are as follows:

Dwelling Type	31/03/17 Number	31/03/18 Number
1 bedroom	511	512
2 bedroom	361	361
3 bedroom	434	431
4 bedroom	10	10
Bedsits	203	203
Total Dwellings	1,519	1,517
Total Garages	413	400

HOUSING REVENUE ACCOUNT (HRA)

Dwelling Type	31/03/17 £000s	31/03/18 £000s
Council Dwellings	111,899	114,922
Garages	1,077	1,043
Other housing land (value below £1,000)	0	0
Total Balance Sheet net book value at 31 March	112,976	115,965

	01/04/16 £000s	01/04/17 £000s
Vacant possession value of Council Dwellings at 1 April	233,752	255,806

When compared to the vacant possession value, the Balance Sheet values of HRA dwellings show the economic cost of providing council housing at less than open market rents. The Balance Sheet value shows the effect of the discounted valuation methodology, as described in Accounting Policy AP16.4, as well as depreciation charges.

3 REVALUATION AND IMPAIRMENT REVIEWS OF NON-CURRENT ASSETS

Council houses are re-valued using the Guidance on Stock Valuation for Resource Accounting issued by the Ministry for Housing, Communities and Local Government (MHCLG), as detailed in Accounting Policy AP16.4. The Council's independent valuers, Wilks Head and Eve, carry out an annual market and impairment review at the end of each financial year, reporting on any issues arising at the Balance Sheet date of 31 March. The review performed during April 2018 providing data as at March 2018 concluded that movements in values during 2017/18 had resulted in a 3.5% increase in the value of the Council's dwelling stock at March 2018, which has been adjusted for on the Balance Sheet

Council Dwelling revaluation and impairment amounts recognised in the HRA Income and Expenditure Statement are currently transferred through the Movement on the HRA Statement to the Capital Adjustment Account (CAA) to avoid having any impact on rent levels.

The HRA also receives a depreciation charge based on the value, age and condition of property calculated in accordance with proper accounting practices. Depreciation is also transferred through the Movement on the HRA Statement to the CAA, with additional adjustments through the Major Repairs Reserve.

The entries included in the Depreciation, Revaluation and Impairment of non-current (long term) assets lines on the HRA Income and Expenditure Statement are as follows:

Item	2016/17 £000s	2017/18 £000s
Dwellings and garages depreciation charge	1,769	1,575
Revaluation losses	111	25
Reversal of previous revaluation losses	(5,017)	(73)
Total	(3,137)	1,527

4 HOUSING RENT ARREARS

The total value of housing rent arrears included on the Balance Sheet, less an allowance to meet possible future bad debts, is as shown in Note 13 to the Core Financial Statements, Debtors.

COLLECTION FUND

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-domestic Rates (NNDR).

BUSINESS RATES 2016/17 £000s	COUNCIL TAX 2016/17 £000s	TOTAL 2016/17 £000s		Notes	BUSINESS RATES 2017/18 £000s	COUNCIL TAX 2017/18 £000s	TOTAL 2017/18 £000s
INCOME							
0	(48,664)	(48,664)	Council Tax income receivable	1	0	(50,479)	(50,479)
(15,592)	0	(15,592)	Non-domestic rates income receivable	2	(14,359)	0	(14,359)
(15,592)	(48,664)	(64,256)	TOTAL INCOME		(14,359)	(50,479)	(64,838)
EXPENDITURE							
Apportionment of previous year surpluses / (deficits)							
(1,270)	0	(1,270)	Central Government		3	0	3
(1,016)	182	(834)	Castle Point Borough Council		3	188	191
(229)	817	588	Essex County Council		1	865	866
0	110	110	Essex PFCC - Policing and Community Safety		0	116	116
(25)	50	25	Essex PFCC - Fire and Rescue Authority		0	52	52
Precepts, demands and shares							
7,588	0	7,588	Central Government		6,962	0	6,962
6,071	7,330	13,401	Castle Point Borough Council		5,570	7,560	13,130
1,366	33,590	34,956	Essex County Council		1,253	35,001	36,254
0	4,521	4,521	Essex PFCC - Policing and Community Safety		0	4,723	4,723
152	2,011	2,163	Essex PFCC - Fire and Rescue Authority		139	2,076	2,215

COLLECTION FUND

BUSINESS RATES 2016/17 £000s	COUNCIL TAX 2016/17 £000s	TOTAL 2016/17 £000s	Notes	BUSINESS RATES 2017/18 £000s	COUNCIL TAX 2017/18 £000s	TOTAL 2017/18 £000s
			Other charges to the Collection Fund			
81	0	81	Costs of collection	79	0	79
94	264	358	Increase / (decrease) in allowance for bad and doubtful debts	109	207	316
265	0	265	Increase / (decrease) in allowance for appeals	584	0	584
13,077	48,875	61,952	TOTAL EXPENDITURE	14,703	50,788	65,491
(2,515)	211	(2,304)	(Surplus) / deficit for the year	344	309	653
2,493	(2,000)	493	(Surplus) / deficit brought forward	(22)	(1,789)	(1,811)
(22)	(1,789)	(1,811)	(SURPLUS) / DEFICIT CARRIED FORWARD	322	(1,480)	(1,158)

The (surpluses) / deficits on Council Tax and NNDR on the Collection Fund are shared between Castle Point Borough Council and the other bodies as shown below, and are included in the calculation and distribution of Council Tax and NNDR in subsequent years.

The total amount attributable to Castle Point Borough Council is shown under Reserves on the Balance Sheet, and the amounts attributable to the other bodies are shown within current assets and liabilities and non-current liabilities on the Balance Sheet.

£000s	£000s	£000s		£000s	£000s	£000s
(11)	0	(11)	Central Government	161	0	161
(9)	(276)	(285)	Castle Point Borough Council	129	(225)	(96)
(2)	(1,267)	(1,269)	Essex County Council	29	(1,051)	(1,022)
0	(171)	(171)	Essex PFCC - Policing and Community Safety	0	(143)	(143)
0	(75)	(75)	Essex PFCC - Fire and Rescue Authority	3	(61)	(58)
(22)	(1,789)	(1,811)	(SURPLUS) / DEFICIT CARRIED FORWARD	322	(1,480)	(1,158)

COLLECTION FUND

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

1 COUNCIL TAX BASE

The Council's tax base for 2017/18, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings, was calculated as follows:

Band	A	B	C	D	E	F	G	H	TOTAL
Number of dwellings after discounts	1,694	4,464	11,228	7,609	4,021	1,695	615	57	31,383
Ratio to band D	6:9	7:9	8:9	9:9	11:9	13:9	15:9	18:9	
Number of band D equivalent dwellings	1,129	3,472	9,980	7,609	4,914	2,448	1,026	114	30,692
Collection rate adjustment									(615)
Council Tax Base for 2017/18									30,077

2 INCOME COLLECTABLE FROM NON-DOMESTIC RATES (NDR)

Central Government specifies a national multiplier of 47.9p (49.7p in 2016/17) and, subject to the effects of transitional arrangements and any reliefs, local businesses pay rates which are calculated by multiplying the rateable value of their business properties by the multiplier. The Council is responsible for collecting rates due from the ratepayers in its area, and retains part of the amounts collected, with the remainder distributed to Central Government, Essex County Council and Essex PFCC - Fire and Rescue Authority. The following table shows the gross business rates income collectable from ratepayers, before rates reliefs and other adjustments:

	2016/17 £000s	2017/18 £000s
Non-domestic rateable value as at 31 March	39,659	40,949
National multiplier	0.497	0.479
Gross amount of rates collectable from ratepayers	19,711	19,615

ANNUAL GOVERNANCE STATEMENT

ANNUAL GOVERNANCE STATEMENT

1 SCOPE OF RESPONSIBILITY

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

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

Castle Point Borough Council has approved and adopted a Local Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the authority's code is on our website at www.castlepoint.gov.uk or can be obtained from the Head of Housing and Communities by e-mail crwatts@castlepoint.gov.uk or by phone on 01268 882419. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The governance framework has been in place at Castle Point Borough Council for the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts.

Operation of the governance framework

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

- Community Engagement
- Business Strategy and Planning
- Financial Reporting including Budgetary Control
- Asset Management
- Policy Framework
- Risk Management including, Whistleblowing, Health and Safety and Business Continuity
- Fraud and Corruption

ANNUAL GOVERNANCE STATEMENT

- Performance Management
- Information Governance
- Data Quality
- Procurement
- Partnerships
- Project Management
- Value for Money
- Complaints
- Ethical Governance including Codes of Conduct
- Workforce Management

These areas form the main sources of assurance to be considered in any review of the internal control environment. In support of the review process, the Local Code of Governance sets out further detail to be reviewed in each area before an opinion on the effectiveness of the system of internal control can be expressed.

The Head of Housing and Communities has been given the responsibility for overseeing the implementation and monitoring of the Code, through a process which includes:

- quarterly reports to Executive Management Team and the Audit Committee which set out:
 - weaknesses identified in the governance arrangements;
 - any corrective action necessary to resolve concerns identified
- an annual review of the governance framework supported by manager assurance statements certified by service managers and reviewed and certified by Heads of Service
- a corporate assurance process for key governance processes with a nominated officer owner undertaking an assessment
- an assessment of compliance with the core principles of the CIPFA delivering good governance assessment
- an annual report to Executive Management Team and the Audit Committee on the adequacy of governance arrangements

The process also includes a governance group of officers responsible for the implementation and monitoring of key governance processes. The group provided a challenge of the operation of the processes and individual assessments of core governance processes for which they were responsible for. Some of their findings and further work have been incorporated into the views expressed in this governance statement. Each corporate process was subject to an overall assessment by the governance group according to one of four assessments: High (majority or all requirements being met), Satisfactory (significant proportion greater than 50% of requirements are met), Partial (Some requirements are met but less than 50%); Minimal (very few requirements are met). A summary of the key findings for each corporate process is set out in the table below:

Assurance Process	Assessment
Consultation and Engagement	Satisfactory
Business Planning & Strategy	Satisfactory
Financial Reporting including Budgetary Management	High
Asset management	Satisfactory
Risk Management	Satisfactory
Fraud & Corruption	Satisfactory
Health & Safety	Satisfactory
Business Continuity	Satisfactory
Performance Management	High
Data Quality	Satisfactory
Information Management Security	Satisfactory
Procurement	High

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Assurance Process	Assessment
Project Management	Satisfactory
Complaints	Satisfactory
Ethical Governance	Satisfactory
Workforce Management	High

Further detail relating to the findings is incorporated into the review of effectiveness set out in section 3.

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

During the year the Council was subject to a [peer challenge](#) by an externally appointed group of senior officers and a member and their report was published in March 2018. A number of the findings are relevant to the governance arrangements and are incorporated into this Annual Governance Statement.

3 REVIEW OF EFFECTIVENESS

Reviewing the effectiveness of the framework

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

The Internal Audit service also produced reports throughout the year which provide an opinion on the adequacy and effectiveness of the Council's risk management, control and governance framework. These reports are considered when reviewing the effectiveness of the framework.

During the review of the operation of the framework for 2017/18, the governance group found that in several areas whilst the core corporate processes were in place, the application of those processes was not always consistent. This is set out in more detail for specific processes in the following sections.

CIPFA Key Principle 1:

Behave with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

The Council has an established set of organisational values which underpin the approach to engaging with staff and the community. These can be found on page 5 of the Council's Corporate Plan which is available on the following web link, along with a variety of other strategies and plans as well as the Council Constitution: <https://www.castlepoint.gov.uk/council-strategies-and-policies>

The Council has Codes of Conduct for Members and staff within the Council's Constitution. The Code of Conduct for Members was developed by an Essex wide legal partnership and has been adopted by a number of Councils within Essex.

As a condition of office all members are required to sign an undertaking that they will observe the Code of Conduct. There is a requirement to re-sign this undertaking when there are any major revisions to the Code as well as on election or re-election.

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The staff Code of Conduct sets out policies and expectations for staff conduct. It is published on the Intranet and a copy is issued to every new starter as part of the induction pack.

Arrangements to investigate breaches of proper standards of conduct include a staff handbook which outlines expected codes of conduct and procedures for dealing with breaches e.g. disciplinary procedures for staff. The Constitution also includes the requirement for the Council to appoint a Review Committee which has a role which includes promoting and maintaining high standards of conduct and behaviour as well as hearing any complaints of breaches of the Code. The Council has appointed 2 Independent Persons who must be consulted before the Council makes a finding as to whether a Member has failed to comply with the Code of Conduct.

An audit of ethical governance arrangements was undertaken in 2014 and found that the Council has satisfactory arrangements with the core documents, processes and arrangements in place to form an ethical governance framework as part of its overall governance arrangements. However in undertaking corporate assurance assessments in April this year, the governance group found that there remains a further opportunity to clarify the criteria and approach to satisfactorily assess the corporate assurance arrangements for ethical governance. It was considered that the criteria was cross cutting and could be applied individually in separate assurance processes. For example procurement. Consequently the assurance process will be subject to further revision to ensure a wider cross cutting consideration of ethical arrangements is considered in all other corporate assurance processes.

The Council communicates its [complaints policies](#) and [whistle blowing procedures](#), and ensures all stakeholders have access through the Internet. However whilst the core corporate processes are in place, it is not clear that they are fully implemented in all service areas and the monitoring of complaints does not appear consistent for all services. This issue has been the subject of a review by the Operational Management team that has resulted in some changes to the complaints procedure, which has included the deletion of informal complaints and to require the monitoring of all complaints received at stage 1. Operational Management Team have subsequently established a working group which is looking to clarify lead officers for managing and inputting data into the database.

The approach to Anti-Fraud & Corruption, Whistle Blowing, and Anti-Money Laundering has been further developed. The original Service Level Agreement with Thurrock Council for providing Counter Fraud and Investigation services ended in July 2017. This was extended by mutual agreement of both councils, until the end of June 2018. The intention is to sign a further Collaborative Working Agreement with Thurrock Council, following a fundamental review of the service specification including performance targets, for the service. A programme of work was in place during the year and progress in delivering the programme is presented to EMT and Audit Committee. In March 2018 a total of £208,200 of fraud had been detected during 2017/18, with £33,000 being recovered. In addition two Right to Buy applications had been stopped allowing two social housing properties to remain within the housing stock, saving the Council £157,200.

CIPFA Key Principle 2

Ensure Openness and Comprehensive Stakeholder Engagement.

The Council continues its commitment to neighbourhood involvement, with a series of member led Community Liaison Groups throughout the Borough. These were used to help engage with local people to discuss issues and actions for local concerns. In addition the Council worked with Canvey Town Council through various joint Member Working Groups including Canvey Town Centre Member Group and West Canvey Marshes Member Group. Canvey Town Council was also part of a Working Group which was successful in obtaining £10,000 from the Coastal Communities Fund to improve Canvey Island sea front.

ANNUAL GOVERNANCE STATEMENT

During the year the Council undertook public consultation on its corporate plan which included satisfaction levels for a range of services as well as on priorities for improvement. The results of the consultation were discussed and agreed by the Policy and Scrutiny Committee in the autumn of 2017 and helped to clarify the Council's priorities and objectives for the future. The results of the consultation are detailed in the corporate plan. When the results were considered by the Committee, some concerns were raised regarding the comparatively low response rate, which numbered approximately 350, although it was recognised that to increase the response rate would require considerably more resources. Furthermore the consultation was subsidised by Place Survey results commissioned by Essex County Council which gives a statistically reliable return. The results of the consultation process demonstrated that Environment and Community Safety issues continued to be a priority for residents and that perceptions of value for money, satisfaction with how the Council runs things, and satisfaction with influencing decisions in the local area were in some cases significantly below the Essex average. Conversely, there are some strong service satisfaction including overall satisfaction with Council Services. Consultation on the corporate plan included with partner organisations, councillors and staff as well as residents and is due to be considered at full Council in July 2018.

The peer challenge report found that communication could be improved further by the Council. It highlighted further opportunities to utilise new media to add real value in projecting services and staff in the best light. It also set out the importance of creating an alternative narrative around the potential that development can offer to access green space. Consequently officers are looking to improve the approach to communication and progress will be monitored.

The Council adopted a five year Equality Scheme in 2014 and included consultation with a range of stakeholders. The scheme includes records on the groups and organisations in place that represent minority and specialist interest in order to ensure that any future consultations identified and involved these groups as appropriate and can be found on the following link: <https://www.castlepoint.gov.uk/equality-scheme>.

The Council also has a consultation toolkit and although it is a number of years old the key principles and good practice requirements do not change. The Council also ensures it involves staff in any appropriate decisions and elicits their views on issues. For example a monthly staff forum meets to discuss and agree any issues important to staff. Furthermore a staff survey was undertaken on a range of issues over the last year.

The Council ensures its services provide clear expectations for service users and members of the public through a set of service standards. These standards are publically available through service access points including the internet site as well as reception areas and through newsletters. The internet address for these is <https://www.castlepoint.gov.uk/customer-promise>.

The Council works closely with partners on joint objectives. For example with the Health and Wellbeing Board and the Crime and Disorder reduction partnership. Further work is required to clarify the strategic approach and partnership framework, but the peer challenge report found partnership work to be a strength. It notes that: "Partners really welcome and value CPBCs contribution to joint-working at delivery level. They highlighted and are very supportive of a range of beneficial and positive collaborations."

CIPFA Core Principle 3:

Defining outcomes in terms of sustainable, economic, social and environmental benefits.

The Council's corporate plan is scheduled to be considered and approved by full Council in July. The plan sets out a high level vision for the area and four corporate priorities: Environment, Housing and Regeneration, Health and Community Safety, A commercial and democratically accountable Council. The plan complies with a number of good practice requirements, and sets out some defined outcomes that have sustainable benefits. For example, it targets the construction or acquisition of a total of 45 new affordable or social rented homes by the Housing

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Service by March 2021. However, further work is needed to clarify the vision for Castle Point and link longer term ambitions for the area to the corporate plan. This was noted in the report by the Peer Challenge team that states: "Clarity is also needed on a vision for the area both as a Borough and as part of the South Essex Vision 2050.... As part of that clear vision, the peer team also recommends that the Council considers and determines the optimum way to present and communicate its corporate plan."

The Peer Challenge report considered that further work is required to clarify what is distinctive about Castle Point as a place. Consequently further work is required to progress a clearer vision for Castle Point and longer term ambitions as part of the further development of the corporate plan this year which will take into account the wider strategic development of the South Essex Area through the Essex 2050 partnership.

An annual corporate action plan to help deliver the aims and objectives of the corporate plan was developed and formed the basis for monitoring and highlight reporting. Monthly highlight reports were considered by the Corporate Management Team.

The Council is committed to working in partnership with all other South Essex authorities to develop the South Essex 2050 partnership with ambitions that will include Regeneration, Economic Infrastructure, Transport, Housing and Quality of Life. A Memorandum of Understanding is in place. Significant further work needs to be undertaken to define the expected outcomes in terms of sustainable, economic, social and environmental benefits. The Peer Challenge review recommends that the Council must continue to commit fully to South Essex Vision 2050 as a ground breaking initiative to develop the vision and ambitions for the area as well as Castle Point. Progress will be monitored.

CIPFA Core Principle 4

Determining the interventions necessary to optimise the achievement of the intended outcomes.

It must be recognised that the Council was identified for investigation by central government due to lack of progress with the development of its Local Plan. Consequently a timetable has been developed to deliver a new Local Plan by June 2019, which will be overseen by the Housing and Communities and Local Government Department to ensure progress is achieved. It is essential that progress is maintained to ensure the successful completion of the plan and this is a key risk as it will inevitably require the development of some land currently designated as green belt, which will be politically contentious. Close monitoring of progress will be maintained and will be reported as part of the quarterly monitoring to the Audit Committee.

The Council utilises effective project management and review work to achieve outcomes that benefit both the Council and for residents. For example, the Council has successfully completed an extension of the Runnymede Pool leisure facility to create a gym which will see additional benefits to the community through healthy living and exercise, as well as provide increased revenue to the Council from charges raised for gym membership. Furthermore the Council completed the construction of two fully disabled accessible homes in Lawns Court sheltered housing facility which provides new social housing to elderly people.

Like all other Councils the Council faces significant financial challenges and needs to reduce net operational spend over the coming years. This will be achieved through the combination of a variety of approaches including service reviews, maximising the use of estate and assets, utilising new technology to transform working practices and procedures, procurement, and exploring ways of securing greater income. The Council is developing its approach through its commercialisation strategy and this is likely to have a wide ranging impact across all services. As such it is a risk issue that requires careful monitoring.

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The Council has established project management arrangements with a process based on PRINCE2 principles. This has been used to undertake significant projects and procurements. A significant number of managers stated that they were not undertaking projects over the last year, whilst those that were generally indicated satisfactory compliance. However, whilst the core corporate processes are in place, further work is required to ensure that the approach is consistently implemented in all service areas. It is considered by the governance group that the current project management methodology and guidance is too complicated and needs simplifying in order to enhance understanding and increase compliance with its requirements. Consequently a review of the project management arrangements is planned.

The approach to business continuity is generally satisfactory with most services self-assessing broad compliance with the arrangements, which includes requiring an update of the service specific business continuity plan. A corporate business continuity plan continues to be maintained.

The Council has a service planning process and associated guidance. A review of the manager's assurance statements demonstrated that most services assessed themselves to be satisfactory or high compliance. Service planning requires the consideration of customer and user feedback as appropriate and some services undertook customer satisfaction surveys and used feedback to identify issues. For example, estate improvements have been undertaken at Middleburg, St Guiberts, Church Parade and Wrackall Court as well as car park resurfacing in some areas following feedback from customers. The Housing Service also produces a tenant's newsletter to obtain feedback on policy development issues such as a pet's policy. Furthermore the corporate processes were complied with and this included a challenge of individual team plans that was fed back to heads of service for further action.

CIPFA Core Principle 5

Developing the entity's capacity, including the capability of its leadership and the individuals within it.

The Peer Challenge report recognises strong officer leadership and states: "CPBC is led by strong senior managerial leadership. This is recognised by many, including senior influential figures from external partners, who see the Council as a professional and well respected organisation". The report also notes that "Positive officer and member relationships have also been identified as a key factor for past success". The report also recognises good practice in the delivery of formal and mandatory Development Control (DC) Committee training as part of the 30 minute briefings before each DC meeting. However, it is also considered that more is required with regular briefings on key issues and the developing vision for the area as well as issues of importance for members to allow them to ask questions. Consequently the Council is reviewing its training programme for members and progress will be monitored.

The information needs for members to effectively develop policy and make decisions is also considered, and various reports and further details were provided for example in the development of the corporate plan, review of garden waste and briefing on the seafront and concord beach for Scrutiny.

Working relationships between officers and members are constructive in a number of aspects but are not fully effective. This is ultimately illustrated in the decision to submit a Local Plan that was subsequently found by an independent planning inspector to have not met the legal requirement, duty to co-operate and the subsequent decision for government intervention. Nevertheless there are also examples of effective joint working such as the decision to develop a site in Hatley Gardens for a House in Multiple Occupation for homeless people. The Council also recognises that there are further challenges with the need to locate significant financial savings in the near future.

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The Council uses partnership working to good effect to increase its capacity. The Council maintains its commitment to the Local Strategic Partnership with Rochford District Council, and operates partnership working with the Thames Gateway Partnership and the Regeneration Partnership, as well as statutory partnerships such as with the Health and Wellbeing Board. As a result there are a number of operational small projects which have resulted in outcomes for residents and improved staff understanding. Examples range from community safety initiatives such as extremist ideology training provided by the Community Safety Partnership for front line professionals to a Six week cook for life workshops and healthy and economic cooking for older people in our sheltered housing blocks.

The Council is successful in obtaining grant funding to pursue projects that will result in better outcomes for local people. Recent and current examples include:

- £90k of funding from various organisations for partnership and community safety initiatives (2017/18).
- Flexible support funding from the DWP for various programmers such as helping get people back to work, totalling £105k (2017/18 and 2018/19)
- A share of £870k of planning joint working fund jointly awarded to south Essex local authorities (2017/18 and 2018/19).
- Coastal Communities funding of £10k for community development projects (2016/17).
- A successful "Interreg" bid for European funding – "GoTrade" - for support for existing and new town centre markets in Canvey and Hadleigh Town Centres. Castle Point stands to benefit from around €165,000 of "Interreg" funding in total over 3.5 years (late 2017/18 onwards).

However, there is a need to develop the approach to strategic partnership working. An internal audit of partnership arrangements was undertaken in 2016 and concluded that accountability needs to be assigned for designing, maintaining and reporting upon the application of a proportionate but good practice partnership governance framework. The opportunity also needs to be taken to challenge all groups currently called "partnerships", to ascertain whether their remit is clear and they are still required. The report also found that the Local Strategic Partnership provides the underpinning governance arrangement for all partnerships within its jurisdiction but it does not oversee other important strategic partnerships, such as the Regeneration Partnership and its governance arrangement, are out of date. Consequently further work is planned to develop and implement a strategic partnership framework. As this is an issue outlined in the Annual Governance Statement last year it is important that progress is made and this will be monitored.

The Monitoring Officer is responsible for the maintenance of the Constitution and for reviewing its relevance and effectiveness. Any significant changes to the Constitution are approved by full Council following consideration of a report made by the Chief Executive.

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

The Constitution sets out the responsibilities for Scrutiny Committee, Policy and Scrutiny Committees and the Audit Committee. The Audit Committee's role includes an overview of the governance arrangements and received quarterly monitoring reports on its effectiveness. In addition the committee considered further detail on the development of a revised complaints policy and procedure and also considered the corporate risk register. The Audit Committee received a standard induction from the Head of Internal Audit and external auditor. Additional training is provided to meet identified needs and every agenda to the committee includes any relevant recent publications to help with good practice in governance awareness.

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The Council has effective recruitment and retention arrangements and a Corporate Training Plan which provides staff development programmes to ensure staff skills are further developed to improve the capacity of the Council and the continued development of staff. Development and training is varied and includes professional programmes such as CIPFA qualifications to generic training. The Council also makes use of online training programmes particularly for induction and training in health and safety arrangements.

Compliance with the appraisal process has significantly improved and most staff are recorded to have undergone the personal performance development plan process. Monitoring of the process will continue to ensure compliance continues to be in place for all services.

CIPFA Core Principle 6

Managing risks and performance through robust internal control and strong public financial management.

Core performance management arrangements are in place and this includes the operation of an Access database to produce performance information for all services, with reports produced every quarter and reviewed by EMT. There is some variance in the completion of performance information and in the robustness of target setting. Whilst the core corporate processes are in place the application is not always consistent, although there is an improvement when compared to the previous year. Further work is required for some specific service areas and Heads of Service / Corporate Directors will undertake this during the year.

The key performance reporting arrangements remain in place. Highlight reporting was regularly undertaken to ensure the delivery of corporate objectives and a quarterly performance scorecard was monitored by Cabinet and Executive Management Team.

The financial forecast going forward indicates a fully balanced budget for 2018/19, although this is not the case for 2019/20 and beyond. As a result, significant ongoing efficiencies and cost savings need to be identified for those years to reduce funding gaps of around £700k in 2019/20, £800k in 2020/21 and £1.3m in 2021/22. Efficiencies identified during the course of 2018/19 will be available for re-allocation to spending priorities or applied to the Council's general reserves. General reserves are currently predicted to be fully depleted during 2023/24. In this context the Council has continued to undertake efficiency review work during 2017/18 and this generated ongoing savings of approximately £800k for 2018/19. Progress in the securing of cashable savings will be monitored.

Financial monitoring reports are informed by a risk assessment and focus on the Council's large, high risk or volatile budgets. Departures from budget, and corresponding operational performance information, are reported to Executive Management Team and Cabinet on a regular basis.

ROLE OF THE CHIEF FINANCIAL OFFICER

The Section 151 Chief Financial Officer (CFO) occupies a key position in the Council, managing the Councils' finances and ensuring that resources are used wisely to secure positive results.

In order to support the post holder in the fulfilment of their duties and ensure that the Council has access to effective financial advice, in 2010 the Chartered Institute of Public Finance and Accounting (CIPFA) issued a Statement on the Role of the Chief Financial Officer in Local Government, most recently updated in 2016. The statement sets out how the requirements of legislation and professional standards should be fulfilled by CFOs in the carrying out of their role, and includes five key principles that define the core activities and behaviours that belong to the role of the CFO in public service organisations and the organisational arrangements needed to support them. These statements are set out below

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- 1) The CFO in a local authority is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.
- 2) The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy.
- 3) The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.
- 4) The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose.
- 5) The CFO in a local authority must be professionally qualified and suitably experienced.

The Council has the necessary arrangements and procedures in place which ensure that these principles are either directly complied with or, where not directly complied with, there are alternative procedures in place so that the necessary outcomes and objectives are still achieved and suitable controls are in place. For example the CFO is a member of the leadership team (Executive Management Team) and reports directly to the Chief Executive.

There are three Policy and Scrutiny Committees which may make proposals in relation to their particular functions, including the review and development of policy items, whose proposals support the Council's published priorities. During the year Scrutiny Committees worked in the development of the Council's corporate plan, and review of the garden waste scheme. However, there are a number of issues to resolve in respect of the Scrutiny function, and this is noted in the Peer Challenge report, which states:

"The scrutiny function is not well-developed or clearly set out in the Council's calendar of meetings. Scrutiny is an opportunity for front line councillors to question and hear from senior political and managerial leaders, as well as partners, about the Council's plans and journey towards achieving its vision. Scrutiny needs play a much earlier, more proactive and forward-looking role to enable all members to contribute to policy development prior to cabinet decisions."

Consequently further work is required to strengthen the role of the Scrutiny function.

The corporate risk register was monitored during the year by Executive Management Team and has been updated by Heads of Service. It has also been reported to the Audit Committee. Risks and health and safety issues were also discussed at directorate meetings during the year. Following the results of an earlier Internal Audit report on risk management work was also progressed to refresh the risk management strategy which was agreed by Audit Committee. Workshops with managers were also undertaken to further develop the approach to risk management.

The Council continues to maintain a corporate Health and Safety process. For example, risk assessments are recorded on a corporate database, and there is reporting of any significant health and safety issues to Executive Management Team. Furthermore a self-assessment and performance analysis process is in place for service managers to complete to help enable them to understand how well their current arrangements operate and any potential for further development.

During the year the corporate health and safety lead undertook an exercise to ensure risk assessments that were completed were robust. However, he identified that a number of services had incomplete risk assessments and subsequently a lack of sufficient controls in place in certain areas. Work is being undertaken with service managers to ensure there is general compliance and progress will be monitored.

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CIPFA Core Principle 7:

Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The processes for Information Governance are in place and guidance has been incorporated into the 'How it Works' document. Arrangements are led by the Head of Law and include a number of policies ranging from a clear desk policy and document retention policy to guidance on privacy of data and when data is clearly public. Information asset registers are also in place for some services. Managers are also required to follow the data security breach management procedure in the event of a data breach. The Head of Law has led a corporate project to implement the requirements of the General Data Protection Regulations which came into force in May 2018. Progress has been good, although further monitoring is required to ensure full compliance.

The Council has a comprehensive procurement toolkit and strategy and associated governance processes which have been subject to an annual review by the Head of Law. The arrangements are proving to be effective and officers use the expertise provided by the Braintree Procurement Hub to help develop invitation to tenders for a range of services and to quantify savings from procurements compared to budgeted costs.

Guidance on the importance of data quality requirements was set out in the 'How it Works' document and communicated to all managers. Systems are designed in some areas to ensure data quality requirements are considered, for example, the operation of a detailed performance management framework in the Housing Services, and systems for revenues and benefits and planning. There is a risk of variations in the implementation of the approach as there are different systems for a variety of services. In addition, there remains issues for complaints information which is subject to further work.

The Council has adopted a set of value for money indicators as part of its value for money strategy, and some analysis reveals the following: The total net expenditure per head of population on Council services decreased from £371.05 in 2015/16 to £356.20 in 2016/17. The average for all district Councils in 2016/17 was £382.47.

Costs have increased in some service areas, particularly for General Fund Housing costs, the bulk of which relate to homelessness. In 2015/16 the cost was £19.33 per head, in 2016/17 it was £23.40 per head, which is a 21% increase on 2015/16. The district average for 2016/17 was £14.82. However, the indicator looks at gross expenditure, and the increase on net expenditure after income would be around £1. It is important to note that there have been significant cost pressures on the homelessness service for some time. For example, in 2010 /11 the Number of households unintentionally homeless and in priority need was 37 which increased to 93 in 2016/17. Similarly the number of homeless households in accommodation arranged by the local authority was 61 in 2010/11 rising to 124 in 2016/17. Also there is a private sector rental market with high demand and prices. Further work is planned to help prevent homelessness and to develop Council owned short term temporary accommodation.

Income from sales, fees and charges as a percentage of total spend slightly decreased from 19.5% in 2015/16 to 18.4% in 2016/17, however the overall trend is still an increase over recent years – in 2012/13 the indicator was 12.1%. There is a wide variation in levels of charging between district councils with the same responsibilities, and the Council is still below the average of all district councils, which was 22.9% in 2016/17.

The Council has the core processes in place to ensure decisions consider key information requirements. All Cabinet reports are required to include considerations for financial, legal and equality issues. The Council also recognises when the need for external support and has for example, service level agreement in place with South Essex Homes to obtain professional advice and support to undertake effective housing estate and procurement functions, as well as for a

ANNUAL GOVERNANCE STATEMENT

fraud, land charges and internal audit services. The Council has also procured specialist support in the design and construction of new council homes in the borough.

Internal Audit

The annual risk based audit plan was prepared in consultation with Heads of Service, Executive Management Team and the Audit Committee. The audit plan was delivered with reports issued to senior managers at the conclusion of each audit highlighting internal control weaknesses identified and the actions required to address them. Recommendations were also reviewed to ensure they were implemented properly, by the due date. A quarterly performance report was taken to Executive Management Team and the Audit Committee. The Head of Internal Audit annual report and opinion was also considered by the Audit Committee and included an assessment of compliance with relevant professional standards. The Head of Internal Audit's annual opinion states:

"The Council continues to maintain satisfactory and effective risk management, control and governance arrangements."

Reliance continues to be placed on the Council's risk management arrangements. Workshops were held during 2017/18, to further embed the refreshed procedures into day to day operational practices.

The work of the Good Governance Group and results of the audits completed continue to confirm that:

- corporate business management processes remain generally well designed and in some areas, work is underway to update or strengthen them further
- there is inconsistency in terms of application, across some services which still need to be addressed.

However, as of 3rd January 2018, responsibility for some services that were previously part of Regeneration and Neighbourhoods Department, were transferred to Housing & Communities. Plans are now in place to address concerns raised last year about the adequacy of design and the effectiveness of operation with regard to these services only."

Internal Audit is subject to a formal, independent review of its compliance with professional standards every five years. External audit relies on the work internal audit complete on financial systems where it is relevant to its audit of the Council's financial statements.

Audit Committee

The Audit Committee consists of a chairman and four other members. The committee's role is to provide independent assurance to Council on the adequacy of the risk management framework and associated internal control environment and the integrity of the financial reporting and governance processes.

External Audit

External Audit is undertaken by Ernst & Young and their work includes:

- providing an opinion on the financial statements, including whether they provide a true and fair view of the financial position at the end of the year and the expenditure and income for the year, and that they have been properly prepared in accordance with relevant legislation and applicable accounting standards;
- review and certification of significant value grant claims, and
- reviewing and providing a conclusion of the arrangements in place to secure value for money.

Where the auditor identifies weaknesses in the Council's arrangements or significant deficiencies in internal controls, these are highlighted in the final report to the Audit Committee.

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External Inspections

The Council was subject to a Peer Challenge in February 2018 and extracts from the findings of the report produced are set out in this document. However, the four key recommendations were as follows:

- 1) Continue to commit fully to South Essex Vision 2050 as a groundbreaking initiative. This is the agreed way ahead for CPBC and its South Essex council partners, all of which have committed to and are progressing this work.
- 2) Develop your vision for Castle Point as a place through your emerging corporate plan as well as within the South Essex Vision 2050. Whilst the latter is your foremost priority, your draft corporate plan provides a more in-depth opportunity to set the council's business model and communicate its identity and make the most of the Council's unique assets for your residents.
- 3) Continue to use your strong political leadership and engagement in the next phases of South Essex Vision 2050. Political leaders need the authority and confidence to make decisions with your partners in the meetings ahead.
- 4) Build your strategic approach internally. Use the skills of staff including those showing great promise within CPBC to harness and drive change in areas including: housing, communications, ICT, commercialisation and regeneration.

The implementation of these recommendations will be subject to future monitoring.

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Progress against Recommendations identified in last year's Annual Governance Statement

The table below sets out the actions identified and an assessment of progress.

Number	Issues	Action 2017/18	Date	Responsible officer	Progress
1.	Need for an up to date corporate plan that incorporates recent consultation results as well as deal with significant challenges faced by the Borough and national and local priorities.	Significant re-development of the Corporate Plan.	March 2018	Head of Performance and Service Support	Achieved. Corporate Plan considered at full Council.
2.	Need to ensure sufficient savings and revenue is identified so that there is no budget gap in 2018/19 and in future years.	Undertake and implement service reviews, locate efficiency savings such as through ICT systems development and undertake effective procurement.	March 2018	Strategic Director for Transformation and Resources Head of Resources	Ongoing – budget for 2018/19 balanced.
3.	Clarify strategic approach to partnership working.	Develop a Partnership Framework and associated Strategy.	March 2018	Strategic Director for Governance and Monitoring Officer	Not achieved as Essex 2050 partnership still evolving.
4.	Strengthen approach to Fraud and Risk Management.	Update and implement policies and framework for Fraud and Risk Management with associated training.	December 2017	Head of Internal Audit	Achieved.
5.	Complaints not consistently monitored in corporate database.	Update complaints policy and procedure and implement new arrangements.	September 2017	Head of Housing and Communities / Head of Governance All Heads of Service	Partially Achieved. Policy updated but new arrangements require further work to embed.

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Significant governance issues

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

Number	Issue	Action 2018/19	Date of implementation	Responsible officer
1.	Need to ensure the Local Plan is progressed and agreed by June 2019.	Programme in place and subject to intervention to ensure timescales are met.	June 2019	Chief Executive
2.	Need to ensure sufficient savings and revenue is identified so that there is no budget gap in 2019/20 and in future years.	Develop and implement Commercial Council Strategy.	March 2019	Strategic Director (Resources)
3.	Clarify strategic approach to partnership working.	Develop a Partnership Framework and associated Strategy.	March 2019	Head of Housing and Communities
4.	Complaints not consistently monitored in corporate database.	Implement new arrangements and ensure responsibilities for monitoring is clear.	March 2019	Head of Governance All Heads of Service
5.	Develop a more effective Scrutiny Function	Develop and agree a programme of scrutiny work for 2018/19	June 2018	Head of Governance

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Councillor Norman Smith
Leader of the Council
30 June 2018

David Marchant
Chief Executive
30 June 2018

GLOSSARY OF TERMS

GLOSSARY OF TERMS

Accounting Period

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

Accruals concept

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

Actuarial Gains and Losses

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

Adjustment Account

Statutory adjustment accounts which are used for the differences between the accounting cost of providing services in accordance with generally accepted accounting practices, and the amount to be funded from taxation for the General Fund and housing rents for the Housing Revenue Account. Examples include the Capital Adjustment Account and the Revaluation Reserve. These accounts form part of Unusable Reserves as reported on both the Balance Sheet and the Movement in Reserves Statement.

Assets

Resources controlled by the Council as a result of past events, and from which future economic benefits or service potential are expected to flow to the Council. See also Intangible Assets and Tangible Assets.

Balance Sheet

One of the primary statements. The Balance Sheet is a statement of all the assets, liabilities, reserves and other balances held by the Council to show the overall net worth of the Council at a certain point in time. It brings together details of the individual funds maintained by the Council as at the end of the relevant accounting period. Please also refer to the detailed description on pages 10 or 26.

Capital Adjustment Account

A statutory unusable reserve included on the Balance Sheet, which represents the balance of capital resources set aside to finance capital expenditure, and certain other capital financing transactions, including the reversal of some entries posted to the Movement in Reserves Statement.

Capital Charges

Charges made to service department revenue accounts to reflect the cost of non-current assets used during the period. This primarily relates to depreciation charges.

Capital Expenditure

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

Capital Financing Requirement

The value of the capital expenditure incurred historically by the Council that has yet to be financed. Please also refer to the detailed description on page 71.

Capital Receipt

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

Carrying Amount

The principal amount plus accrued interest at the Balance Sheet date.

GLOSSARY OF TERMS

Cash Flow Statement

One of the primary statements. The statement shows how the Council has generated and used cash and cash equivalents during the period, classified into operating, investing and financing cash flow activities. Please refer to the detailed description on pages 10 or 28.

Chartered Institute of Public Finance and Accountancy (CIPFA)

The Chartered Institute of Public Finance and Accountancy is the professional body responsible for determining local government financial regulations. CIPFA issues annually the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Code of Practice on Local Authority Accounting in the United Kingdom

A document issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which sets out the proper accounting practices for Local Government to adhere to in the preparation of their annual Statement of Accounts.

Comprehensive Income and Expenditure Statement (CI&ES)

One of the primary statements. This statement brings together income and expenditure relating to all of the Council's functions. It demonstrates how the costs have been financed from government grants and income from local taxpayers. Please also refer to the detailed description on pages 9 or 22.

Collection Fund Income and Expenditure Account

One of the supplementary statements. All receipts of Council Tax and National Non-Domestic Rates are paid into this account. The Council uses this money to pay the precepts due to Essex County Council, Essex PFCC - Fire and Rescue Authority and Essex PFCC - Policing and Community Safety, and also the Council Tax demand by the Council's General Fund, which finances the Council's day to day expenditure. Please refer to the detailed description on pages 11 or 98.

Contingent Asset

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

Contingent Liability

This is either:

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

Corporate and Democratic Core (CDC)

CDC is reported within Central and Corporate Services on the Comprehensive Income and Expenditure Statement and incorporates the following sub-divisions:

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

Creditor

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

Current Asset

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

Current Liability

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

GLOSSARY OF TERMS

Debtor

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

Derecognition of non-current assets

Derecognition is when an amount that has been included as part of a non-current asset is removed from the asset value recorded on the Balance Sheet. This is either:

- On disposal, or
- When no further economic benefits are expected from that asset or part of asset.

When an asset has enhancement work performed on it to replace or restore all or part of it, an adjustment is applied to remove the estimated amount already recorded in the asset value of that part replaced or restored.

Depreciation

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

Earmarked Reserve

Amounts set aside for specific future commitments or potential liabilities.

Expenditure

The gross outflow of economic benefits or service potential during the accounting period, which result in a decrease in reserves, either through the consumption of assets or an increase in liabilities.

Expenditure and Funding Analysis (EFA)

A note to the accounts which shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The EFA also shows how this expenditure is allocated between the Council's directorates.

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

General Fund

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

Government Grants

Grants made by the Government to support council services and used for capital or revenue expenditure. They may be for specific schemes or to support Council services in general.

Gross Book Value

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

Heritage Asset

Non-current (long term) assets which have historical, artistic, scientific, technological, geophysical or environmental qualities, are held and maintained principally for their contribution to knowledge and culture, and are intended to be preserved in trust for future generations due to their cultural environmental or historical associations.

Housing Revenue Account (HRA) Income and Expenditure Statement

One of the supplementary statements. The Housing Revenue Account reflects a statutory obligation to account separately for local authority housing provision, specifically the management and maintenance of the Council's housing stock. It shows the major elements of housing revenue expenditure and how this is met by rents, subsidy and other income. Please also refer to the detailed description on pages 11 or 94.

GLOSSARY OF TERMS

Impairment

A reduction in the value of a non-current asset caused by an event occurring to the asset or to the economic environment in which it operates. This reduces the Gross Book Value of the asset recorded on the Balance Sheet.

Income

The gross inflow of economic benefits or service potential during the accounting period, which result in an increase in reserves, either through an enhancement of assets or a decrease in liabilities.

Intangible Assets

Non-current (long term) assets that do not have a physical substance but are identifiable and are controlled by an entity through custody or legal rights. This includes software licences.

Investment Properties

Non-current (long term) assets which are held by the Council to earn rental income from, or for capital appreciation, rather than for use in providing services.

Leases

These can be either:

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

Liabilities

Present obligations of the Council arising from past events, which are expected to be settled through an outflow of resources from the Council, in the form of future economic benefits or service potential.

Materiality concept

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

Minimum Revenue Provision (MRP)

This is the minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

Movement in Reserves Statement (MIRS)

One of the primary statements. The MIRS summarises the change in the financial year across all the reserves and balances held by the Council. Please refer to the detailed description on pages 9 or 24.

Movement on the Housing Revenue Account (HRA) Statement

One of the supplementary statements. This shows how the HRA Income and Expenditure Statement surplus or deficit for the year is adjusted and reconciled to reach the closing HRA balance for the year.

National Non-Domestic Rates (NNDR)

A rate in the pound set by central government multiplied by the value of non-domestic properties to calculate the gross amount of rates due from businesses in the borough. The Council is responsible for collecting rates due from the ratepayers in its area and retains part of the amounts collected, with the remainder distributed to Central Government, Essex County Council and Essex PFCC - Fire and Rescue Authority. Commonly also referred to as Business Rates.

Net Book Value

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

GLOSSARY OF TERMS

Net Cost of Services

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

Net debt

The Council's total borrowings and obligations less cash and investments held by the Council.

Non-Current (Long Term) Assets

Assets that yield benefit to the Council and the service it provides for a period of more than one year. These are split into Tangible Assets and Intangible Assets – please see those definitions.

Non-Distributed Costs (NDC)

NDC is reported within Central and Corporate Services on the Comprehensive Income and Expenditure Statement. It relates to overheads for which no service receives any benefit, for example pension costs arising from discretionary added years' service and costs relating to unused assets, and is not therefore apportioned to services.

Other Comprehensive Income and Expenditure

The increase or decrease in the net worth of the Council as a result of movements in the fair value of its assets, as reported on both the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.

Precept

The levy made on billing authorities, such as Castle Point Borough Council, by precepting authorities, such as Essex County Council, Essex PFCC - Fire and Rescue Authority and Essex PFCC - Policing and Community Safety. These levies require the billing authority to collect income from Council Taxpayers and NNDR payers on behalf of the precepting authorities.

Principal amount

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

Prudential Code

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

Public Works Loan Board (PWLB)

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

Reserves

The accumulation of surpluses of income over expenditure from previous years, or capital appreciation. They are not allocated to specific liabilities in the way that provisions are although earmarked reserves are allocated for specific purposes. See also Usable Reserves and Unusable Reserves.

Revaluation

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

Revaluation Reserve

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

GLOSSARY OF TERMS

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Substance over Form

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

(Surplus) / Deficit on the provision of services

The increase (surplus) or decrease (deficit) in the net worth of the Council as a result of incurring expenses and generating income, as reported on both the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.

Tangible Assets

Non-Current (long term) assets which have physical substance. Examples include land, buildings and vehicles.

Unusable Reserves

Reserves which are not available to fund future expenditure and liabilities, as reported on both the Balance Sheet and the Movement in Reserves Statement. These reserves represent unrealised gains and losses, such as on the revaluation of non-current assets, as well as an estimate of the liability arising on the pension fund.

Usable Reserves

Revenue and Capital resources available to fund future expenditure and liabilities, as reported on both the Balance Sheet and the Movement in Reserves Statement. These reserves represent the accumulation of previous years' surpluses of revenue income above revenue expenditure, and also other sources of income, such as from the sale of non-current assets.

Useful Life

The period over which benefits will be derived from the use of a non-current asset.

Value Added Tax (VAT)

VAT is an indirect tax levied on most business transactions, and on many goods and some services. There are two elements to VAT:

- Input tax - tax paid by the Council on purchases it makes; and
- Output tax - tax received by the Council on sales it makes.

VAT must be passed on to HM Revenue and Customs (HMRC), when output tax exceeds input tax, or reclaimed from HMRC when input tax exceeds output tax.

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