

Tendring

District Council



STATEMENT OF ACCOUNTS

2016/17

TENDRING DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2016/17

CONTENTS

	Page No
Narrative Statement 2016/17	1 - 27
Accounting Concepts and Estimation Techniques	28
Statement of Responsibilities for the Statement of Accounts	29 - 30
Report of the Auditors	31 - 34
Core Financial Statements	
Comprehensive Income and Expenditure Statement	35
Movement in Reserves Statement	36
Balance Sheet	37
Cash Flow Statement	38
Notes to Core Financial Statements	39 - 89
Supplementary Financial Statements	
Housing Revenue Account – Income and Expenditure Statement	90
Housing Revenue Account – Movement on the Housing Revenue Account Statement	91
Notes to the Housing Revenue Account	92 - 96
Collection Fund Income and Expenditure Statement	97 – 100
Accounting Policies	101 - 116
Other Financial Information	
Other Information	117
Glossary of Terms used in the Statement of Accounts	118 - 122
Annual Governance Statement	Annex

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NARRATIVE STATEMENT 2016/17

INTRODUCTION

During each year the Leader of the Council makes a number of key announcements such as the introduction to the Council's annual budget and the 'Annual State of the Tendring District' Statement, which provide a helpful summary on a range of subjects, with some key highlights as follows:

- Our underlying principle in past years when making savings has always been to protect front line services. So our focus has been on working more efficiently and reducing our staffing and overhead costs alongside modest changes to service delivery.
- We have taken £12 million out of the budget over the last few years and I am extremely proud that the impact on front line services has been minimal. However, given the scale of savings required over the next two years and beyond, this line is becoming increasingly difficult to hold.
- The budget for 2017/18 continues to be built on strong foundations as has been the case in previous years. We would all agree that raising additional income instead of reducing services is a logical place to work from. We mention self-sufficiency during each budget cycle and 2017/18 is no different. We need to build our Council Tax and Business Rates income over the coming years. Although this will take time it will ensure that it limits budget reductions elsewhere and working without the black cloud of the annual revenue support grant announcement will be welcomed.
- With this firmly in mind, we have to put money into the long term financial sustainability of the Council as this will provide future generations with a Council that can still deliver quality services to local people. A stronger local economy will be delivered through housing and business growth, which need to go hand in hand.
- It is worth highlighting cost pressures within our supply chains. A good example of this is the Waste, Recycling and Street Cleansing Contracts. At a total cost of £4.3 million these account for a significant element of our overall budget. Given their size it is logical to think that it would be a good place to see what savings may be possible to achieve from this area of the Council's budget. However, on recent investigation, it quickly became apparent that our suppliers and contractors are experiencing their own cost pressures such as the living wage, pensions, apprenticeship levy to name a few. Such costs all feed through to us as the final customer and compound the challenge of identifying budget reductions – it could well be possible that the Council has to reduce a service just to keep costs the same in future.
- Identifying budget reductions is not an option or a choice that we have made but a financial necessity.
- As we have highlighted before, most of our residents see a Council Tax bill for an amount in excess of £1,000 each year. You could argue that our residents should not care about where this funding goes as it is all within the Public Sector but we must make it clear whenever we can that only a very small percentage is receivable by this Council. Let's never forget that no private sector organisation can boast of doing what we do – that is to deliver such a diverse range of services to such a diverse range of customers all for an average Council Tax amount of just £3 per week.

- In terms of looking towards 2018/19 and beyond, I genuinely want to work with as many members and other stakeholders as possible – we may all have different political backgrounds or outlooks but as I have mentioned before we are the current custodians and stewards of this Council and District. Only working together can we secure the best possible future for this Council and for everyone who lives, works or visits the district and it will take all of us and the people who fill our seats in the future to keep shaping the Tendring District and the Council which serves it for the good of all.
- We continue to demonstrate strong community leadership through all aspects of our work. We are an integral part of local, regional and national partnership working, we lead the way with innovative solutions to local challenges, all the time aiming to improve the lives of our local Tendring residents.
- Here are a few examples:
 - Starting with our Coastal projects and festivals following the completion of the £36 million coast defence and regeneration project, we are now embarking on a new £5 million scheme to stabilise the cliffs along the Clacton to Holland coastline. This project has come about due to the outstanding success of the previous coastal work completed in October 2015, which was completed on time and under budget.
 - We have had a second Beach Festival in 2016 with 50,000 people attending, and there are plans progressing to make the most of our beach economy, developing a series of Tendring Festivals, with the jewel in the crown, the Clacton Air Show.
 - Progress across different areas of the District includes developing the unique tourism offer of Harwich and Dovercourt; and we have forged strong and positive relationships with a wide range of partners. This collaborative working has led to a number of achievements such as an ‘Historic Harwich’ brand, which is now being proudly displayed in the windows of local businesses, together with a tourism website and a soon to be released promotional film.
 - Progress also continues to be made in Jaywick Sands. Residents have seen road improvements through the District’s joint work with Essex County Council. We have purchased 28 hectares of land (that’s 69 acres) and plans are being developed to deliver new homes, business and infrastructure. We are now starting to see real investments and plans taking shape within the area. Three very exciting planning proposals have recently been agreed, showcasing Art Deco designs. Changes are taking place in close collaboration with the community. We are a Council that listens and works with our residents.
- Further to the success in Jaywick, we successfully applied for Coastal Community Team status for Harwich and Dovercourt, resulting in Tendring being the only Local Authority in the country with two Coastal Community Teams.
- The local plan continues to be developed which will guide development within the District to 2033 and beyond. There is of course always a difficult balance to be struck between the requirement for significant new development and the protection of the status quo.

- Tendring Council is amongst the very best in the country for understanding the importance of housing to its locality and creates housing opportunities that support its residents and strengthens local communities.
- We are proud to work with a range of partners and the Tendring Community Safety Hub is a great model of partnership working which has been highly praised through an LGA Peer Review. Tendring has 42 agencies signed up to the Hub and all agencies are working together to tackle crime and disorder across the District.
- Community leadership is all about strengthening the community, removing any obstacles so that together we can improve public services for all, whether you live, work or visit Tendring we have something that we can offer to all. No one individual can bring new business to the District, build new roads or equip children for the future, now more than ever we must do these things together, as one Council and one Tendring.
- We are supporting schools within Tendring, through our partnership working with the Tendring Education Improvement Group and local Universities. This work has led to a £1.2 million investment in a new Education centre within Tendring which aims to support children reaching their full potential and aspirations, whether this is going to University or through further vocational training.
- We are not an asset rich Council but we are reviewing our assets to determine what we need going forward and making the most of investment opportunities.
- We are acknowledged as a Council that demonstrates excellence and we can proudly celebrate obtaining the highly prestigious Investors In People Gold Standard. This sits alongside many other accolades such as the Clacton Air Show, Event of the Year by the National Outdoor Events Association.
- The cuts imposed upon us by Government continue to bite, but at least we can be reassured that:
 - We are part of a Council that listens and is dedicated to meet the needs of our residents
 - We have excellent Officers who continue to go above and beyond to support us.
 - And despite our many and varied political differences we are a Council that when push comes to shove is prepared to come together for the good of the district and for the good of our residents.
- This Council has always been at its best when facing its most challenging circumstances; if we continue to think big, be resolute in the face of adversity and never stop believing in what we are doing, then I have no doubt that this Council will continue to go from strength to strength.

Along with the above, this narrative report, provides information about Tendring District Council, including key issues affecting the Council and its financial position and includes the following:

- The Council's Operating Environment and Corporate Plan/Priorities
- The Council's Performance 2016/17
- Risk
- The 2016/17 Budget Process
- Actual Financial Performance 2016/17 compared with the 2016/17 Budget
- Current year budgets (2017/18)
- Significant Financial Issues 2016/17 and beyond

The Council's Operating Environment and Corporate Plan/Priorities

The Tendring District has many geographic, demographic and economic characteristics that make it distinctive from other areas. These provide both opportunities and challenges with the main features as follows:

- Tendring enjoys over 36 miles of coastline, award-winning sandy beaches, numerous coastal towns providing anything from the traditional pleasures of the seaside to maritime heritage, a variety of beautiful and picturesque villages and one of the busiest harbours in Europe.
- The coastal geography is one of the greatest assets but also presents difficulties such as expensive management issues.
- A large majority of people living in Tendring consider it a good place to live, which is reflected in the number of individuals who have decided to retire to the area. A very high proportion of our residents are over the age of 65. The population is growing rapidly and is predicted to grow to 170,000 by 2026.
- People live in five main areas of settlement and villages across the District with differing community needs and aspirations.
- The Council has a workforce of approximately 450 (full time equivalents) of which most are Tendring residents

The preparation of the Council's Corporate Plan (covering the period 2016 to 2020) is set against the context of a changing environment for Councils with continuing financial pressure and an increased focus on Councils' Community Leadership role and involvement across a range of issues.

Delivery of a balanced budget is the overriding priority for this Council with this having an influence on other projects and priorities, targets, delivery and performance management.

The core driver behind the Corporate Plan is that Community Leadership is at the heart of everything the Council does. The Corporate Plan aims to show what the Council wants to achieve against the three key priorities:

Our Council Our Community

- Deliver high quality affordable services
- Balance our budget
- Good Governance
- Transform the Way we work
- Make the most of our assets
- Engagement with the Community
- Support the vulnerable
- Support rural communities
- Effective partnership working

Health and Housing

- Promote healthier lifestyles and wellbeing
- Support improved community health
- Deliver a quality living environment
- Local regeneration
- Council house building

Employment and Enjoyment

- Support business growth
- Enable better job prospects
- Facilitate improved qualification and skills attainment
- First rate leisure facilities
- Attractive events programme

It is from this central role that we undertake services or work with partners with the aim of tackling the key challenges in the District such as:

- *Poor health* (factors being health, wellbeing, living conditions and environment);
- *Pockets of high unemployment*
- *Low economic activity* (factors being job opportunities, qualifications and skills)
- *Reducing budgets whilst delivering key services* (factors being governance, structure, ways of working, 'more for less' approach)
- *Poor infrastructure* (factors being single lane A120, road congestion, infrequency of rail and bus services)

The Corporate Plan sets out opportunities for the Council such as:

- *Clear vision for economic growth and prosperity*
- *Our Coast*
- *Tourism, culture and sport*
- *Sea, road and rail connectivity*

The Corporate Plan also sets out the values that Members and Officers strive to uphold whilst delivering on our priorities and the opportunities that will assist us in achieving our outcomes.

The high level priorities articulated in the Corporate Plan are complemented by specific actions to be taken which form part of the Council's performance reporting activities over the course of the year with further details in the next section of this report.

Council Performance 2016/17

A comprehensive performance report is presented to Management Team and Members on a quarterly basis each year with a summary of the final position for 2016/17 as follows:

PROJECTS

	Council and Community <u>Transforming the way we work</u>		Health and Housing <u>Jaywick Community Development</u>		Employment and Enjoyment <u>Local Plan</u>
	<u>Financial Self Sufficiency</u>		<u>Cliff Stabilisation</u> (Protecting our Coastline)		<u>Economic Development Delivery</u>
-	<u>Improved Broadband</u> (Influencing)	-	<u>Health and Wellbeing</u> (Influencing)		<u>Maximising Tourism and Leisure Opportunities</u>
					<u>Enhancing Leisure Facilities</u>
					<u>Garden Community</u>

TARGETS

	Fly Tipping		Miscellaneous Indicators
	Missed Bins	-	Sickness and Authorised Covert Surveillance
	Recycling Rate		Complaints
	Handling of Planning Applications		
	5 Year Housing Land Supply Approvals (Influencing)		

Current Position

On each project and target, a colour icon is placed as a quick visual identifier regarding the current position.

Above target	
On target	
Below target	

Although the above performance measures all contribute to the Council's corporate objectives, additional detail is provided below for 5 key areas of performance for the Council:

Transforming the way we work (Council and Community)

On Target

“Develop firm costed proposals and project plan/timetable, for Members to agree, and deliver on time and budget.”

Martyn Knappett – **Corporate Director**

Leisure and Partnerships Portfolio Holder

Past Milestones	Completed	Future Milestones	Progress	To be Completed
Office Rationalisation – A White				
Initiate process to review options and identify preferred option(s) to evaluate and cost.	Cabinet selected a preferred option to develop into a full business case on 16 Dec 16.	Develop detailed delivery plan and seek additional approvals as required.	Business case with outline plan and timescale to be prepared for Chief Executive decision by 1 May 17.	Spring 17
Portfolio Holder working party to identify preferred options/savings proposals and recommend to Cabinet.	Oct/Nov 16			
Dispose of Clay Hall.	Sale completed on 28 Jul 16.			

Past Milestones	Completed	Future Milestones	Progress	To be Completed
Customer interface and document handling and postal process changes – M Westall				
Produce a delivery strategy to modernise the customer interface.	Aug 16	Recruit temporary staff to address back scanning of archives.	IDOX currently in testing and looking at purchase of new scanning equipment.	In line with IDOX Document Management Implementation
		Deploy centralised post processes.	IDOX currently in testing and looking at purchase of new scanning equipment.	

Transforming the way we work (Council and Community)

Continued...

“Develop firm costed proposals and project plan/timetable, for Members to agree, and deliver on time and budget.”

Martyn Knappett – **Corporate Director**

Leisure and Partnerships Portfolio Holder



Past Milestones	Completed
Programme of works for delivery of £1.5m IT investment – J Higgins	
Citrix software rolled out to all mobile users. Citrix laptops deployed to 280 staff 31st March 16 (original request was for 252).	✓

Future Milestones	Progress	To be Completed
Wi-Fi Networks, server upgrades and virtualisation to be completed.	Physical to virtualisation works completed. 150 physical servers reduced to 38 plus virtual Storage Area Network (SAN). Database rationalisation and administration ongoing. Some Wi-Fi remediation work ongoing.	Virtualisation - Completed Wi-Fi - Ongoing
IDOX Document management implemented.	Ongoing	Scheduled for completion Sep 17 Change in timescale due to further supplier action required on configuration structure, earliest date secured with IDOX.
Mobile hardware issued.	Staff /Member trials ongoing.	Ongoing
MS Lync rolled out to all users. NOTE: Microsoft Lync is now called Microsoft Skype for Business or MS SfB.	130 active Skype users to date (approx. 25% of workforce).	Scheduled for completion Sep 17.

Financial Self Sufficiency (Council and Community)

“Investigate opportunities to generate a self-sufficiency approach to the funding of the Council’s overall budget.”

All Corporate Directors

Resources and Corporate Services Portfolio Holder



Delivery Mechanism: Portfolio Holders/Services have identified some potential savings as detailed below.

Current activities that have been identified / being explored to deliver the necessary savings		
Current Savings Activity	Estimated / Potential	Savings Identified
Office Transformation	£120,000	£20,000
Changes to CAROS	£40,000	£10,000
Open Space / Playgrounds Efficiencies	£72,000	£42,000
Reduction in the number of Public Conveniences	£100,000	£60,000
Decommission / Transfer Brightlingsea Pool	£60,000	£60,000
Income from Commercial Property	£26,000	£26,000
New Scanning / Postal Processes	£20,000	£20,000
Reduction in the Coast Protection Maintenance Budget	£30,000	£30,000
Reduction in the Number of Members	£60,000	£0
Totals	£528,000	£268,000

Update: The Financial Baseline for 2017/18 was reported to Cabinet on 5 August 16. A number of budget reductions have been identified, via Portfolio Holder led working parties with the outcomes included in the 2017/18 budget, that Council approved on February 17.

Savings Target over period 2017/18 to 2019/20	£4.8m
Savings target 2017/18 at Start of Year	£1.9m
Changes included in Financial Strategy (Cabinet 5.8.16)	(£0.3m)
Changes included in Financial Strategy (Cabinet 20.1.17)	£1.0m
Unidentified Savings to Carry Forward into 2017/18 Budget Cycle	£0.6m

Milestone	Actual to Date	Progress
Increase in Business Rates Rateable Values.	(£672,512)	Reduction compared to position at end of March 16.
Increase in Council Tax Base.	£3,621,432	

Health & Wellbeing (Influencing Role) (Health and Housing)

“To seek to influence and assist partners in the delivery of improved health and wellbeing outcomes for residents and visitors to the area.”

Paul Price – **Corporate Director**

Leisure and Partnerships Portfolio Holder

Delivery Mechanism: By holding meetings to work with partners to identify shared opportunities to help drive improvements.

Update: This month’s progress comments are noted next to each individual milestone in the table below.

Past Milestones	To be Completed
<p>A detailed summary of the parkrun with statistics will be presented at the next Community, Leadership and Partnership (CLAP) meeting on 20 February 17.</p> <p>The Public Health Improvement Co-ordinator developed a Project Plan for projects to work with health partners to improve the health and wellbeing of those in the area and reported to Cabinet 9 September 16.</p> <p>Beat the Street - 2016</p>	✓

Future Milestones	Progress	To be Completed
To hold meetings of the Local Health and Wellbeing Board on a four monthly basis.	Meeting agenda currently being arranged for the next meeting on 1 June 17.	Jun 17
The Public Health Improvement Co-ordinator is currently working with TDC’s Head of Housing and partners including Essex County Council (ECC) Adult Social Care and Anglian Community Enterprise (ACE) in order to implement a Housing and Health project.	Public Health Improvement Co-ordinator is continuing to work with ACE and TDC Housing in order to implement the Housing and Health project, no further progress to date. Project progress for the Clacton Seafront parkrun, Breastfeeding Welcome Pilot Scheme and Making Every Contact Count (MECC) training. Public Health Improvement Co-ordinator is currently researching new projects that include an Outdoor Gym in Cliff Park, Harwich and investigation into the viability of introducing the 'Livewell' Branding/Website within Tendring is under way. Livewell was originally a campaign developed by Braintree DC and has been adopted by other Local Authorities across Essex. Essex County Council Public Health Team are strongly supporting an Essex wide approach to use Livewell as the tool to implement and promote Health and Wellbeing on a local level. TDC Public Health Officer's Group (PHOG) was implemented with the first meeting taking place on 8 March 17. The group intends to meet on a bi-monthly basis with a view of working towards a Health and Wellbeing Strategy.	Ongoing
Beat the Street - 2016	Early evaluation demonstrates: - Prior to playing Beat the Street, 25% of adult players were classed as inactive – doing 0 to 1 days of physical activity each week. By the end of the game the percentage of 'inactive' adults had dropped to just 9% of players. In addition to the reduction in inactivity, there was a significant increase of adults meeting the Chief Medical Officer Guidelines of 150 minutes of exercise per week from 23% at the start of the game to 48% by the end of Beat the Street. 84% of people reported increased walking, 68% increased cycling and 69% reported reduced car use.	Full evaluation will be published when received from Active Essex.

Economic Development Delivery

(Employment and Enjoyment)



“To deliver against the objectives of the Council’s Economic Development Strategy. The Council’s approach focuses on the development and delivery of projects already in the pipeline and on those linked to the opportunities afforded by: Offshore Renewables in Harwich; the A120 Growth Corridor; and links with the University of Essex and it’s Knowledge Gateway.”

Ian Davidson – **Chief Executive**

Planning & Regeneration Portfolio Holder

Delivery Mechanism: Projects and other interventions will be developed and delivered in-house and in partnership with the Council’s key public and private sector partners.

Update: Work to progress proposals to establish an Innovation Centre in Harwich continues. This includes discussion with the freehold owner of Mermaid House, contractors, and supply chain businesses serving the proposed target sectors (offshore renewables, logistics and marine engineering). Two applications (with a total grant value of circa £93k) have been approved by the Grants Panel and work is in hand to finalise the funding agreements for these projects.

Future Milestones	Progress	To be Completed
Secure £500,000 external funding in support of the Council’s inward investment and growth agenda.	£250K of ECC funding secured in support of the Council’s SME Growth Fund. £350k of ECC funding secured at Outline Business Case in support of the proposed Harwich Innovation Centre.	31 Mar 17
Work with the University of Essex and Colchester Institute to identify the growth opportunities in Care & Assisted Living.	Embryonic work to establish the potential for economic growth in the technology sector serving this market.	31 Mar 17
Secure land and buildings to facilitate the delivery of an Innovation Centre in Harwich.	Feasibility Study concluded. Further investigation underway.	Apr 17

Maximising Tourism and Leisure Opportunities

(Employment and Enjoyment)



“To deliver our key events to a high standard, working with partners to showcase the District and encourage tourism and inward investment. These high-profile events should contribute towards the Council’s aspiration to stage a year round programme.”

Paul Price – **Corporate Director**

Tourism and Culture Portfolio Holder

Delivery Mechanism: The Clacton Air Show will be delivered by the Council’s Tourism and Events Team, with support from our partners in the emergency services and private and voluntary sectors. Tendring are the primary organiser of the Tour de Tendring. Beat the Street is a partnership with Essex County Council (ECC) and Mayflower 400 will involve working with private and voluntary sector partners, together with the other key destinations involved in the Mayflower story.

Update: Significant progress has been made in the delivery of key District events, as outlined in the section below:

Past Milestones		To be Completed
Tour de Tendring - May 16 Clacton Beach Festival - Jun 16 Princes Theatre - Panto 2016 and - Two events/exhibitions (two successful Wedding Fayre’s)		✓
Future Milestones	Progress	To be Completed
Beach Festivals 2017 (Beside the Seaside)	The Beach Festivals have been re-branded as 'Beside the Seaside.' For the first time, to complement the event that has been held in Clacton on Sea over the past two years, an additional festival is being held in Dovercourt Bay. The Harwich Festival of the Arts Team have been commissioned to organise the events and an itinerary is in the process of being finalised.	Clacton on Sea: 18 June17 Dovercourt Bay: 13 August 17.
Tour de Tendring 2017	The Tour de Tendring is taking place on Sunday 14 May 17.	May 17

Maximising Tourism and Leisure Opportunities Continued...

(Employment and Enjoyment)

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Update: Significant progress has been made in the delivery of key District events, as outlined in the section below:

Future Milestones	Progress	To be Completed
Clacton Air Show 2017	Preparations are well underway for the 2017 event, which will once again include night flights. The Air Show will be held on 24 and 25 August 17 and planning meetings with partners will commence in April.	Aug 17
Princes Theatre	Theatre turnover reached £694k during 2016/17 which is the highest in its history. Due to an increase in bar sales, a third till has been added in the Essex Hall to increase efficiency during busy periods. 12 weddings are booked with an expected total revenue income of £23,532.40.	2017/2018
Mayflower 400: Series of events and projects to build up to the celebrations in 2020.	The promotional film was launched at a business meeting in Dovercourt on 30 March 17, to a very positive response. Structural works for the Mayflower Replica on the roundabout are in the process of being tendered by ECC. The next meeting of the national Mayflower Compact will take place in Lincoln during April 17.	<ul style="list-style-type: none"> * Produce Harwich promotional film * Harwich Tourism Group events * Mayflower replica on Harwich roundabout * Play an active role and influence the National Mayflower Compact group of Destinations * Complete a Mayflower 400 Delivery Plan Deliver key event to launch

Risk Management

The Council understands that by being risk aware and understanding its risk appetite, the Council will be better able to take advantage of opportunities and mitigate threats.

Within the context of the above, Tendring District Council has adopted a risk management framework which is integrated with departmental planning and is reported along with the Council's Corporate Risk Register to the Audit Committee on a 6 monthly basis.

The Council's approach to risk is that it must be addressed on an integrated basis with everyone having roles and responsibilities for its management.

The Council's current Corporate (Strategic) risk register groups risks together under the following themes:

- Failure to Deliver Key Services
- Failure to Deliver Key Projects
- Reputational Damage
- Ineffective Workforce Management and Planning
- Failure to Deliver a Balanced and Sustainable Budget
- Ineffective Management of Information
- Failure to Adopt a Sound Local Plan
- Failure of Income Streams to meet Council's Financial Requirements and Obligations to Other Bodies
- Failures in Emergency and Business Continuity Planning

Mitigating actions have reduced the residual risk against each risk item within the categories above to at or below the Council's acceptable risk tolerance level apart from the ability to deliver a balanced and sustainable budget, with the a summary of this item as included within the risk register as follows:

Risk	Description	How the Risk is Controlled / Mitigated
Failure to deliver a balanced and sustainable budget	The impact of achieving a balanced budget in an ever-tightening financial environment on service delivery objectives.	<ul style="list-style-type: none"> • 5 Year Financial Planning. • Financial Strategy Preparation including identifying and capturing significant risks such as changes to government funding, and the identification of savings which will require some challenging decisions. • Robust and Timely Budget Monitoring Processes. • Engagement with key stakeholders, members and senior management as early as possible. • Responding to and implementing recommendations and advice issued by the Council's External Auditor. • Material savings options to be individually risk assessed

The 2016/17 Budget Process

As part of the requirements set out in legislation, the Chief Finance Officer (S151 Officer) reports to Council as part of the budget process with the highlights of the 2016/17 report as follows:

The budget estimates for 2016/17 have been prepared within the framework of a risk based process. Clear rationale has been stated surrounding the formulation of the 2016/17 budget which is supported by a robust reserves position. This position has been supported by a programme of actions, including on-going staffing reviews/departmental restructures, which has contributed substantially to delivering a sustainable financial position. A fundamental review of reserves undertaken in 2014 identified that the Council's current level of reserves remain adequate to 'underwrite' risks and uncertainties that are also inherent within the budget setting process, which has been revisited as part of this year's annual budget cycle. No significant changes have been made in 2016/17 that changes this underlying principle and in fact additional contributions have been made to the Austerity Reserve during 2015/16 as part of the Corporate Budget Monitoring process to further strengthen the Council's financial resilience. A specific statement on reserves is set out further on in this section of the report.

The budget continues to take account of the outturn position from the previous year and the Council's budget process identifies cost pressures which also allow it to remain alert to potential changes to its financial position. Clear actions also form part of the Council's Annual Governance Statement that includes amongst other things a number of financial risks and issues that enable the Council to keep a watching brief on significant upcoming matters that have a financial consequence.

Financial Resilience remains at the forefront of the financial planning process with money identified where possible to invest in 'spend to save' projects that will in turn support the Council in delivering a balanced and sustainable budget in the long term. It is important to highlight that the Council continues to aim to find savings from within its underlying revenue budget rather than rely on potentially time limited income such as from the New Homes Bonus to balance the budget.

The need to continue with a planned budget reduction programme is clearly recognised and remains the key focus for the Council to enable it to continue to provide quality services and associated investment at a time of reducing budgets. Self-sufficiency underpins the Council's medium term financial planning process. Maximising opportunities through investment will form a key element of the Council's approach going into 2016/17 and beyond.

A number of savings identified enable the Council to accommodate a number of cost pressures within its base budget and it is recognised that investment and regeneration can support future cost pressures such as those associated with the seafront economy and the business planning approach taken within services such as Leisure and Careline.

It is recognised that there are risks inherent within the Council's financial framework and corresponding detailed estimates. However, action has been taken to mitigate these risks as far as possible. The budgets have been prepared against the background of a continuing and challenging economic climate resulting in on-going reviews of significant budgets.

The 2016/17 budget is supported by one-off funding as part of a 2 year budget cycle which uses a favourable financial position when taking 2015/16 and 2016/17 together. The figure included in the estimates is manageable in terms of the future budget 'gap' and this issue will be incorporated into the work to identify on-going savings that Cabinet are either already working on or will be undertaking as early as possible after the 2016/17 budget has been agreed.

Actual Financial Performance 2016/17 compared with the 2016/17 Budget

A comprehensive outturn report was presented to the Council's Cabinet on 16 June 2017, with some key highlights set out below:

Summary of General Fund Revenue Financial Performance 2016/17

	Budget £m	Outturn £m	Variance £m
Net Cost of Services	27.431	15.238	(12.193)
<i>Revenue Support for Capital Investment</i>	3.602	0.415	(3.187)
<i>Financing Items</i>	(4.812)	(4.940)	(0.128)
<i>Contribution to/(from) Reserves *</i>	(12.173)	2.263	14.436
Total Net Outturn Position (after carry forwards and reserves adjustments)	14.048	12.976	(1.072)
Financing			
Business Rates	(4.649)	(5.011)	(0.362)
Revenue Support Grant	(2.564)	(2.564)	-
Council Tax (including Collection Fund)	(6.835)	(6.835)	-
	(14.048)	(14.409)	(0.362)
Total Variance for 2016/17			(1.434)

* the contribution to/from reserves variance above is primarily due to carry forwards.

The Expenditure and funding analysis set out within the Statement of Accounts shows a Net Cost of Services figure for 2016/17 of £14.445 million. However this includes the surplus on the HRA for the year of £0.793 million. When the HRA is excluded, the outturn position relating to the Net Cost Of Services is £15.238 million for 2016/17 as included in the General Fund summary above.

The primary reasons behind the variance for the year of £1.434 million are summarised below:

	£m
Variations on Employee Budgets (including vacancy provision)	(0.183)
Significant Variations against Income Budgets including Business Rates	(1.135)
Significant Variations against Expenditure Budgets	(0.194)
Other Net Variations (Aggregated)	(0.022)
Variations on Indirect Budgets such as Internal Recharges	0.026
Reduced Contributions from Earmarked Reserves	0.074
	(1.434)

Summary of General Fund Capital Programme 2016/17

Expenditure is capitalised when it is spent on the acquisition, creation or enhancement of assets that have a value to the Council or the community for more than one year. Examples of capital expenditure incurred by the Council during the year were information technology projects and coastal defence works within the district. As capital schemes span financial years, amounts have been carried forward to continue the schemes and projects in 2017/18.

A summary of capital expenditure and how it was funded is set out in the following table:

	Budget 2016/17 £m	Outturn 2016/17 £m	C/fwds £m	Variance £m
Capital Expenditure	13.242	2.295	10.907	(0.040)
<hr/>				
Funding of Capital Expenditure	Budget 2016/17 £m	Outturn 2016/17 £m	To Fund C/fwds £m	Variance £m
External Sources of Finance	0.241	0.001	0.240	-
S106	0.076	0.064	0.007	(0.006)
Government Grants	7.630	1.515	6.116	-
Capital Receipts	1.692	0.062	1.630	-
Revenue Contributions	2.050	0.104	1.925	(0.021)
Use of Earmarked Reserves	1.552	0.550	0.989	(0.013)
Total	13.242	2.295	10.907	(0.040)

General Fund Reserves

The overall level of reserves at the end of 2016/17 is £29.642 million (£28.209 million included in the Council's outturn report plus the overall variance for the year of £1.434 million), made up of £16.614 million for earmarked commitment reserves, £9.028 million for other earmarked reserves and £4.000 million for uncommitted reserves.

It should be noted however, that transfers to earmarked reserves are not an increase in the Council's longer-term unallocated general resources as it relates to future years commitments.

Housing Revenue Account 2016/17

A summary for the year set out in the table below:

	Budget 2016/17 £m	Outturn 2016/17 £m	Variance £m
Income	6.387	6.525	0.138
Expenditure	(14.459)	(14.219)	0.240
Indirect Income/Expenditure	9.336	6.899	(2.437)
Use of HRA Commitments/Repairs Reserve	(1.403)	(1.641)	(0.238)
Net HRA (Surplus)/Deficit for year	(0.139)	(2.436)	(2.297)
Carry Forwards (transferred to HRA Commitment Reserve)			2.151
Net HRA (Surplus)/Deficit for year after Carry Forwards			(0.146)
HRA General Reserves c/fwd as at 31 March 2017 after allowing for carry forwards			4.562

The increased surplus for the year of £0.146 million is primarily due to:

- **(£0.273 million)** - Reversal of previous year's impairment charges as land prices associated with the sites in Jaywick have increased since last year, which reflects the confidence in the market that the Council has significantly contributed to in the area.
- **£0.196 million** – void loss (rents and other service charges and council tax on empty properties) due to condition of properties when returned to the Council, asbestos works undertaken before properties are relet and long term empty sheltered housing properties which are currently subject to a review about their longer term future.
- **£0.129 million** – Change in provision for doubtful debts and write-off charges incurred during the year.
- **(£0.198 million)** – Aggregate value of a number of smaller variances.

The overall level of HRA General Balances has increased to £4.562 million at the end of 2016/17.

Housing Revenue Account 2016/17 – Capital Expenditure

	Budget 2016/17 £m	Outturn 2016/17 £m	C/fwds £m	Variance £m
HRA Capital Expenditure	7.144	3.413	3.089	(0.642)

A summary of how this capital expenditure was financed in 2016/17 is set out below:

	Budget 2016/17	Outturn 2016/17	To Fund C/fwds	Variance
	£m	£m	£m	£m
Major Repairs Reserve	4.841	3.262	0.937	(0.642)
Government Grants	0.017	0.017	-	-
S106	0.102	0.102	-	-
Revenue funding from the HRA	2.183	0.032	2.151	-
Total	7.144	3.413	3.088	(0.642)

The overall variance of £0.642 million is largely due to the timing and programme of works which will continue in 2017/18 and beyond supported by the Major Repairs Reserve within a wider stock condition/refurbishment programme.

The Prudential Code for Capital Finance in Local Authorities

The Local Government Act 2003 gives councils the freedom to determine how much they borrow for investment in new capital projects and schemes, subject to a regulation that they have regard to the Prudential Framework developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). This aims to ensure that the capital investment plans of local authorities are affordable, prudent, sustainable, and that treasury management decisions are taken in accordance with good professional practice.

The Council manages its debt portfolio with advice from external consultants. No new borrowing was undertaken during 2016/17 in respect of either the General Fund or Housing Revenue Account. The total external debt of the Council as at 31 March 2017 stood at £46.212 million compared to its capital financing requirement (which represents the overall borrowing requirement) as at 31 March 2017 of £51.257 million. The difference between external debt and the capital financing requirement is the amount met by internal resources.

Additional Information Relating to 2016/17

➤ **New or Significant Changes in Liabilities/Assets**

- **Housing Benefit Subsidy** – During the year benefit subsidy is receivable from the Department for Work and Pensions (DWP) to meet the cost of providing Rent Allowances and Rent Rebates along with an overall administration grant. The monthly payments received during the year are based on estimates until final figures become known at the end of April 2017 when a claim for subsidy is finalised and sent to DWP. For 2016/17 the final subsidy figure being claimed from DWP is £3.301 million more than the payments received from them during the year so this additional income appears as a debtor in the accounts. This is reflected in the line Central Government Bodies within the analysis of debtors that appear in the Balance Sheet (page 71 note 17). This sum was subsequently received in May 2017.

- Pension Liability** - At the end of 2016/17 there is an overall pension deficit attributable to the Council of £56.906 million (£52.025 million for 2015/16) which has been included in the Balance Sheet as at 31 March 2017. This reflects the calculations carried out in accordance with IAS19 based on actuarial assumptions which were subject to a comprehensive triennial review as at 31 March 2016. The next triennial review is due in 2019. The deficit reported for 2016/17 highlights that to date the current benefit obligations of the fund are greater than the current value of the assets of the fund although it is important to note that the figures calculated under IAS19 differ from those calculated as part of the triennial actuarial review. Statutory arrangements for funding the deficit calculated via the triennial actuarial review mean that the deficit on the local government scheme will be made good by contributions over the remaining working life of employees, as assessed by the scheme actuary.

The scheme's actuary has applied a discount rate of 2.7% compared to a rate of 3.5% used last year in determining the liabilities for retirement benefits

Current Year Budgets (2017/18)

General Fund

The Council's overall net General Fund revenue budget for 2017/18 (excluding amounts carried forward from 2016/17) is £13.696 million with a summary below which includes how it is financed:

	2017/18 Original £m
Net Cost of Services	16.086
Revenue Support for capital investment	1.940
Financing items	0.534
Net Expenditure	<hr/> 18.560
Net Use of Earmarked Reserves	(4.864)
Total Net Budget	<hr/> 13.696
Business Rates (excl. S31 Govt. Grant funding)	(4.599)
Revenue Support Grant	(1.650)
Collection Fund (Surplus)/Deficit	(0.218)
Council Tax Requirement (for Tendring District Council)	<hr/> <hr/> 7.229

A summary of planned Capital Expenditure in 2017/18 and how it is financed is as follows:

	2017/18 Original Budget £m
Expenditure	2.730
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Financing	
External Contributions	-
S106	-
Government Grants	0.690
Capital receipts	0.100
Direct Revenue Contributions	0.360
Earmarked Reserves	1.580
Total Financing	2.730
<hr style="border-top: 3px double #000;"/>	

Housing Revenue Account

A summary of the HRA Revenue Budget for 2017/18 is summarised below:

	2017/18 Original Budget £m
Direct Expenditure	6.395
Direct Income	(14.252)
Indirect Income/Expenditure including Financing Costs	7.681
Net (Surplus)/Deficit	(0.177)
Contribution to/(from) Reserves	0.177
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A summary of the HRA Capital Programme for 2017/18 is set out below:

	2017/18 Original Budget £m
Expenditure	4.030
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Financing	
Major Repairs Reserve	3.250
Direct Revenue Contributions	0.780
Total Financing	4.030
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Significant Financial Issues/Risks 2017/18 and Beyond

The Government continue to undertake measures to reduce the level of spending in the public sector with the Revenue Support Grant being phased out by 2019/20.

Via its Financial Strategy and budget setting processes, the Council continues to maintain a strong and robust approach to identifying savings and respond to new or additional burdens set against the expected further cuts in Government funding. The Council set a balanced budget in 2017/18 supported by £0.600 million from its reserves.

The current forecast budget 'gap' is £1.900 million in 2018/19 rising to £3.400 million on a cumulative basis by 2019/20.

Set against the context above the proposed actions to deliver the recurrent savings target include:

- Reviewing the Outturn position from 2016/17 to identify where budget reductions can be implemented on an on-going basis.
- Efficiencies/Staff Reviews.
- Transformational Activities including the on-going review of Council Assets. The Council has already embarked on a major office rationalisation project based on the disposal of its offices in Weeley, which is expected to yield annual on-going net savings in excess of £0.100 million.
- Investment activities such as 'building' a commercial property portfolio to secure long term annual returns.
- Channel shift projects.
- Maximising income streams.

It is inevitable that in having to deliver significant on-going savings, the Council has relied upon the use of one-off money such as taking any surpluses forward at the end of each year. Although this does not provide a long term solution, it does provide the time for the Council to 'grow' key income streams such as Council Tax and Business rates through economic/regeneration activities. In 2017/18 alone, additional income of £0.375 million has been identified from increases in the level of Council Tax levied and from growth in the property 'base'.

Jaywick Sands Regeneration Project

Following on from purchases in previous years, the Council continues to explore further opportunities in Jaywick Sands as part of the first phase of providing housing/regeneration improvements. To correct historic market failure within the Jaywick area the Council purchased land at a price in excess of what a private developer may wish to pay for it. The difference in values is charged to the Housing Revenue Account as impairment. The Council is in a position to take such an approach as it can view its investments over a longer term than the private sector. To date, £1.602 million has been charged as to the HRA as impairment. However the Council's actions in Jaywick Sands is starting to build confidence in the market which has seen an increase in land values since last year. This has resulted in the previous impairment charge starting to be reversed out with a credit of £0.273 million being made to the HRA during 2016/17. Although the impairment charge remaining in the HRA will inevitably limit the scale and speed of future investment in Jaywick Sands, it is not expected to have a direct impact on the underlying HRA position which remains in good health to enable the Council to continue to provide quality housing and associated services to its tenants.

Garden Communities

Along with 3 other Local Authority partners, the Council is developing a major housing/regeneration project to the west of the Tendring District based on the principle of taking a much more direct approach to ensure that the proposed Garden Community meets the high standards expected in terms of housing quality and design, open space provision, roads, schools, healthcare facilities and sustainable transport systems. This is a long term project and the Council has identified a total of £2.250 million from within its budgets to support its continued development.

The key elements in the approach being taken are:

- Formation of a company – North Essex Garden Communities Ltd - owned equally by the four Councils to oversee the project across North Essex and to drive the delivery of the three planned communities.
- Negotiating land deals with local landowners to secure a share in the land value which will arise from the development in return for the Local Delivery Vehicle providing early infrastructure for the development (with the infrastructure costs being paid for in due course from the land sales)
- Establishing a Local Delivery Vehicle for the planned Community with Council, landowner and independent Membership and with the clear purpose of delivering a Garden Community.
- Clear Masterplans for the Community to be developed.

As the project develops, the Council will need to determine the level of investment it can afford to make, which will be undertaken within the Council's existing financial framework and treasury management practices.

In respect of the first bullet point above, the four Councils involved have now set up a separate company. The company, North Essex Garden Communities Ltd was incorporated on 9 August 2016. Although there has been no significant trading activity undertaken in 2016/17, a note is included within the Statement of Accounts setting out further details about this arrangement

Business Rates

Following the move to a local retention model, this major source of income for the Council continues to become more complex, with additional reliefs announced by the Government and the impact of the 2017 national revaluation.

By 2020, The Government intend to allow all business rate income raised locally to be retained locally. The details of this proposal are still being worked through by the Government and the impact on the Council remains difficult to assess at this time. However the Council's Financial Strategy processes will continue to remain alert to any changes and reflect the impact on the Council's funding position.

The Council continues to be a member of the Essex Business Rates Pool which has enabled the Council to retain income from business rate growth that would otherwise have been paid over to the Government as a levy.

FINANCIAL STATEMENTS

The main elements of the financial statements are explained below and comprise of information in respect of accounting concepts and estimation techniques, the responsibilities for the statement of accounts along with the report of the auditors and the detailed financial statements and notes. The format and information in the Accounts has been prepared in line with International Financial Reporting Standards (IFRS) and the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (The Code). The detailed financial statements that are required are explained below; these are split into 'core statements' and 'supplementary statements'.

ACCOUNTING AND RESPONSIBILITY STATEMENTS

- **Accounting Concepts and Estimation Techniques** - This briefly sets out the three main concepts that are applicable along with estimation methods used in preparing the accounts.
- **Statement of Responsibilities for the Statement of Accounts** - This statement sets out the respective responsibilities required of the Council and the Head of Finance, Revenues and Benefits for the Authority's accounts and financial affairs.
- **Report of the Auditors** - The Auditor certifies that an audit of the Statement of Accounts has been concluded and gives an opinion on their presentation and content.

CORE FINANCIAL STATEMENTS

The following four statements comprise the 'core statements' and are directly followed in the Statement of Accounts by comprehensive notes supporting these statements.

- **Comprehensive Income and Expenditure Statement** - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. The 2015/16 comparatives have been restated into the segments used for internal reporting as required by the 2016/17 Code.
- **Movement in Reserves Statement (MIRS)** - This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. This statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax and rents for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

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

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

Expenditure and Funding Analysis Note - In addition to the four core statements this is a new note for 2016/17 which is positioned as Note 1 to the core statements to provide it with due prominence. The purpose of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority (ie government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the council's Portfolio Holders. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

SUPPLEMENTARY FINANCIAL STATEMENTS

- **Housing Revenue Account Income and Expenditure Statement** - The Housing Revenue Account (HRA) reflects a statutory obligation (Local Government and Housing Act 1989) to maintain a separate account for local authority housing provision such as those revenue transactions relating to the Council's housing stock and its other housing assets. The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement. The Account is also consolidated into the Comprehensive Income and Expenditure Statement previously mentioned.
- **Movement on the Housing Revenue Account Statement** - Similarly to the Movement in Reserves Statement, amounts that need to be included in the HRA to arrive at an overall position for the year include those in accordance with statute and are either added or removed from the figures in the Income and Expenditure Statement. Accordingly this statement reconciles the income and expenditure statement with the other items in the HRA to arrive at the overall HRA balance for the year.
- **Collection Fund Income and Expenditure Statement** - The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and business rates. Transactions relating to Tendring District Council are included in the Comprehensive Income and Expenditure Statement.

OTHER INFORMATION

Additional information to aid the understanding and interpretation of the accounts:

ADDITIONAL STATEMENTS

- **Glossary** - This explains in more detail the terms used in the Statement of Accounts.

ACCOUNTING CONCEPTS AND ESTIMATION TECHNIQUES

Accounting Concepts

The accounting policies are detailed in a separate section (see page 101). These are consistent with the fundamental accounting concepts of:

- **Going concern** – that the Authority will continue in its operational existence for the foreseeable future;
- **Accruals** – the non-cash effects of transactions are reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid. Further details are provided in the separate section on Accounting Policies (see page 101);
- **Legislative requirements** – where specific legislative requirements and accounting principles conflict, legislative requirements are applied.

Estimation Techniques

These are the methods adopted by the Council to arrive at estimated amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and charges to the Reserves. Where the basis of measurement for the amount to be recognised under accounting policies is uncertain, an estimation technique is applied. In the Council's accounts, estimation techniques continue to be applied for the calculation of depreciation, bad debt provision, pension assets/liabilities, some grant amounts claimed from Government and the valuation of Property, Plant and Equipment. Methods used are further explained in the separate section on accounting policies (see page 101).

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

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

The Head of Finance, Revenue and Benefits' Responsibilities

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

In preparing this Statement of Accounts, the Head of Finance, Revenue and Benefits has:

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

The Head of Finance, Revenue and Benefits has also:

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

Head of Finance, Revenues and Benefits' Certificate

I certify that the accounts set out in this document give a true and fair view of the financial position of the Council at the 31 March 2017 and the income and expenditure for the year then ended.

R C Barrett
Head of Finance, Revenues and Benefits
Date: 21 September 2017

Chair of the Audit Committee' Certificate

I confirm that the Audit Committee at the meeting held on the 21 September 2017 approved these accounts.

Councillor A Coley on behalf of Tendring District Council
Chair of meeting approving the accounts
Date: 21 September 2017

The Head of Finance, Revenues and Benefits and the Chair of the Audit Committee have certified the formal financial statements, which are held by the Head of Finance, Revenues and Benefits and can be reviewed upon request.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

TENDRING DISTRICT COUNCIL

YEAR ENDED 31 MARCH 2017

Opinion on the Authority's financial statements

We have audited the financial statements of Tendring District Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement;
- Movement in Reserves Statement;
- Balance Sheet;
- Cash Flow Statement;
- the related notes 1 to 37 to the Authority Accounts, including the Authority Expenditure and Funding Analysis;
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and related notes 1 to 7; and
- Collection Fund Income and Expenditure Account and the related notes 1 to 6.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Tendring District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance, Revenues and Benefits and auditor

As explained more fully in the Statement of Responsibilities of the Head of Finance, Revenues and Benefits set out on pages 29 and 30, the Head of Finance, Revenues and Benefits is responsible for the preparation of the 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance, Revenues and Benefits and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016-2017 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016-2017 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Tendring District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether the Tendring District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Tendring District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Tendring District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Tendring District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of Tendring District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Kevin Suter (senior statutory auditor)
for and on behalf of Ernst and Young LLP, Appointed Auditor
Luton

22 September 2017

The maintenance and integrity of the Tendring District Council's web site is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Auditor has certified the formal financial statements and this document is held by the Head of Finance, Revenues and Benefits and can be reviewed upon request.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

2015/16 Restated				2016/17			
Expenditure	Income	Net		Expenditure	Income	Net	Note
£000	£000	£000		£000	£000	£000	Ref
EXPENDITURE ON SERVICES							
-	-	-	Leader	250	-	250	
2,946	(182)	2,764	Resources and Corporate Services	2,481	(178)	2,303	
3,997	(1,777)	2,220	Commercialisation, Seafronts and Parking	5,926	(2,215)	3,711	
13,311	(3,143)	10,168	Environment	8,166	(3,395)	4,771	
77,669	(82,529)	(4,860)	Housing	81,882	(80,123)	1,759	
2,472	(2,211)	261	Leisure and Partnerships	6,075	(2,255)	3,820	
2,903	(1,626)	1,277	Planning and Regeneration	3,716	(1,676)	2,040	
1,272	(669)	603	Tourism and Culture	1,544	(749)	795	
904	(276)	628	Budgets Relating to Non Executive Functions	884	(290)	594	
105,474	(92,413)	13,061	Net Cost of Services	110,924	(90,881)	20,043	
2,465	(1,262)	1,203	Other Operating Expenditure	2,804	(1,605)	1,199	10
3,388	(281)	3,107	Financing and Investment Income and Expenditure	3,372	(310)	3,062	11
5,730	(41,495)	(35,765)	Taxation and Non-Specific Grant Income and Expenditure	5,661	(26,371)	(20,710)	12
		(18,394)	(Surplus) or Deficit on Provision of Services			3,594	
		(6,529)	(Surplus) or deficit on revaluation of non-current assets			443	9(a)
		-	(Surplus) or deficit on revaluation of available for sale financial assets			(2)	
		(4,226)	Remeasurements of the net defined benefit liability (asset)			3,636	9(c)
		(10,755)	Other Comprehensive Income and Expenditure			4,077	
		(29,149)	Total Comprehensive Income and Expenditure			7,671	

MOVEMENT IN RESERVES STATEMENT

	General Fund Balances	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied Reserve	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Note Ref
	£000	£000	£000	£000	£000	£000	£000	£000	
Balance at 1 April 2015 brought forward	26,314	7,576	3,200	166	2,725	39,981	90,440	130,421	
Movement in reserves during the year									
Total comprehensive expenditure and income	14,016	4,378	-	-	-	18,394	10,755	29,149	
Adjustments between accounting basis and funding basis under regulations	(14,384)	(4,463)	1,297	-	765	(16,785)	16,785	-	6
Increase/(Decrease) in Year	(368)	(85)	1,297	-	765	1,609	27,540	29,149	
Balance at 31 March 2016 carried forward	25,946	7,491	4,497	166	3,490	41,590	117,980	159,570	7,9
Balance at 1 April 2016 brought forward	25,946	7,491	4,497	166	3,490	41,590	117,980	159,570	
Movement in reserves during the year									
Total comprehensive expenditure and income	(1,971)	(1,623)	-	-	-	(3,594)	(4,077)	(7,671)	
Adjustments between accounting basis and funding basis under regulations	5,667	2,418	(12)	-	1,541	9,614	(9,614)	-	6
Increase/(Decrease) in Year	3,696	795	(12)	-	1,541	6,020	(13,691)	(7,671)	
Balance at 31 March 2017 carried forward	29,642	8,286	4,485	166	5,031	47,610	104,289	151,899	7,9

BALANCE SHEET

AS AT 31 MARCH 2017

31/03/2016		31/03/2017	Note
£000		£000	Ref
	Long Term Assets		
221,023	- Property Plant and Equipment	210,007	13
17	- Heritage Assets	14	
554	- Intangible Assets	463	14
452	- Long Term Debtors	476	17
222,046	Total Long Term Assets	210,960	
	Current Assets		
41,646	- Short Term Investments	49,067	15
210	- Assets Held for Sale	33	
31	- Inventories	42	
4,386	- Short Term Debtors	6,498	17
5,525	- Cash and Cash Equivalents	5,527	18
51,798	Total Current Assets	61,167	
	Current Liabilities		
(2,607)	- Short Term Borrowing	(2,314)	15
(9,314)	- Short Term Creditors	(9,617)	19
(1,328)	- Provisions	(1,028)	20
(2,260)	- Capital Grants Receipts in Advance	(5,315)	25
(15,509)	Total Current Liabilities	(18,274)	
	Long Term Liabilities		
(871)	- Long Term Creditors	(1,150)	19
(45,869)	- Long Term Borrowing	(43,898)	15
(52,025)	- Other Long Term Liabilities - Pensions	(56,906)	31
(98,765)	Total Long Term Liabilities	(101,954)	
159,570	Total Net Assets	151,899	
	Financed by:		
41,590	Usable Reserves	47,610	8
117,980	Unusable Reserves	104,289	9
159,570	Total Reserves	151,899	

These financial statements replace the unaudited financial statements certified by the Head of Finance, Revenues and Benefits on 29 June 2017.

CASH FLOW STATEMENT

2015/16		2016/17		Note
£000		£000	£000	Ref
18,394	Net surplus or (deficit) on the provision of services		(3,594)	
	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements:			
7,763	Depreciation, revaluation and impairment of non-current assets	13,195		
168	Amortisation of Intangible Assets	202		
357	Increase/decrease in creditors	196		
316	Increase/decrease in debtors	(2,155)		
1,386	Movement in pension liability	1,245		
398	Contributions to/(from) provisions	(300)		
867	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	1,415		
(8)	Other items	(11)	13,787	
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:			
(17,052)	Capital Grants credited to surplus or deficit on the provision of services	(1,699)		
(1,361)	Proceeds from the sale of property, plant and equipment	(2,036)	(3,735)	
11,228	Net cash flows from Operating Activities		6,458	21
(8,341)	Investing Activities		(4,554)	22
(2,713)	Financing Activities		(1,902)	23
174	Net increase or (decrease) in cash and cash equivalents		2	
5,351	Cash and cash equivalents at the beginning of the reporting period		5,525	
5,525	Cash and cash equivalents at the end of the reporting period		5,527	

NOTES TO CORE FINANCIAL STATEMENTS

1 Expenditure and Funding Analysis

Expenditure Chargeable to GF and HRA Balances	2015/16 Adjustment between Funding and Accounting basis	Net Expenditure in the CIES		Expenditure Chargeable to GF and HRA Balances	2016/17 Adjustment between Funding and Accounting basis	Net Expenditure in the CIES	Note Ref
£000	£000	£000		£000	£000	£000	
EXPENDITURE ON SERVICES							
-	-	-	Leader	250	-	250	
(16,837)	19,601	2,764	Resources and Corporate Services	(1,960)	4,263	2,303	
2,220	-	2,220	Commercialisation, Seafronts and Parking	3,711	-	3,711	
10,168	-	10,168	Environment	4,771	-	4,771	
743	(5,603)	(4,860)	Housing	424	1,335	1,759	
261	-	261	Leisure and Partnerships	3,820	-	3,820	
1,277	-	1,277	Planning and Regeneration	2,040	-	2,040	
603	-	603	Tourism and Culture	795	-	795	
628	-	628	Budgets Relating to Non Executive Functions	594	-	594	
(937)	13,998	13,061	Net Cost of Services	14,445	5,598	20,043	
1,390	(32,845)	(31,455)	Other Income and Expenditure	(18,936)	2,487	(16,449)	
453	(18,847)	(18,394)	(Surplus) or Deficit on Provision of Services	(4,491)	8,085	3,594	
(33,890)			Opening General Fund and HRA Balances	(33,437)			
453			(Surplus) or Deficit on General Fund and HRA Balances in Year	(4,491)			
(33,437)			Closing General Fund and HRA Balances at 31 March	(37,928)			7

Expenditure and Funding Analysis – Adjustments between funding basis and accounting basis

2015/16				2016/17				
Adjustments for Capital Purposes (see a below)	Pensions Adjustments (see b below)	Other Differences (see c below)	Total Adjustments		Adjustments for Capital Purposes (see a below)	Pensions Adjustments (see b below)	Other Differences (see c below)	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
				EXPENDITURE ON SERVICES				
16,033	-	3,568	19,601	Resources and Corporate Services	140	-	4,123	4,263
(4,101)	3	(1,505)	(5,603)	Housing	2,814	(19)	(1,460)	1,335
<hr/>				Net Cost of Services	<hr/>			
11,932	3	2,063	13,998		2,954	(19)	2,663	5,598
				Other Income and Expenditure	4,364	1,264	(3,141)	2,487
(32,362)	1,383	(1,866)	(32,845)		<hr/>			
<hr/>				(Surplus) or Deficit on Provision of Services	<hr/>			
(20,430)	1,386	197	(18,847)		7,318	1,245	(478)	8,085
<hr/>					<hr/>			<hr/>

a) Adjustments for Capital Purposes – This Column adjusts for:

- Reversals of depreciation, impairment and revaluation gains/losses.
- Capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Statutory charges for capital financing, i.e, Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Capital grants are adjusted from the service segments and included under Taxation and Non-Specific Grant Income and Expenditure in accordance with generally accepted accounting practices in the Code.

b) Pensions Adjustments – This gives the net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income. This includes removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs. Net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement under Financing and Investment Income and Expenditure.

c) Other Differences – This includes the difference between what is chargeable under statutory regulations for Council Tax and Business Rates 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. This is reflected under Taxation and Non-Specific Grant Income and Expenditure in the Comprehensive Income and Expenditure Statement.

This column also includes the adjustments for Revenue Grants which are to be included under Taxation and Non-Specific Grant Income and Expenditure in accordance with generally accepted accounting practices.

2 Accounting Policies

The Council is required to prepare a Statement of Accounts for each financial year by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices as set out in the Chartered Institute of Public Finance and Accountancy 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Detailed information on the Council's Accounting Policies can be found on pages 101 - 116.

3 Accounting Standards that have been issued but have not yet been adopted

The 2017/18 Code introduces two changes in accounting policies that will apply from 1 April 2017, but both relate to pension fund accounts so are not applicable to Tendring District Council.

4 Assumptions made about the future and other major sources of estimation

The preparation of the Statement of Accounts requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimates means that the actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Item	Uncertainties	Effect if Actual results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £0.337 million for every year that useful lives had to be reduced.</p>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged (via Essex County Council) to provide the Authority with expert advice about the assumptions to be applied.	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £2.876 million.</p> <p>However, the assumptions interact in complex ways. During 2016/17, the Authority's actuaries advised that the net pensions liability had increased by £4.881 million primarily due to estimates being corrected as a result of updating the assumptions.</p>
Business Rate Appeals	Estimation of the settlement of existing and future backdated Business Rate appeals under the 2010 Rate Revaluation. Uncertainty over the level of settlement of existing outstanding appeals and the extent to which they will be backdated to 1 April 2010	The total provision for Business Rate appeals is £2.443 million, the Council's share is £0.977 million (40%). This has been estimated on the basis that following appeal the average reduction in rateable value is 4.06%. If this increased by 0.5% the increase in the provision would be £0.301 million, the Council's share being £0.120 million.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

5 Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Head of Finance, Revenues and Benefits on 29 June 2017. Events taking place after the Reporting Period have been considered up to this date. Events taking place after the Statement of Accounts were authorised for issue are not reflected in the financial statements or notes.

6 Adjustments between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2015/16					2016/17				
General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
1,383	3	-	-	-	1,264	(19)	-	-	-
196	-	-	-	-	(478)	-	-	-	-
4,955	2,108	-	-	-	5,426	8,042	-	-	-
166	2	-	-	-	183	19	-	-	-
6,700	2,113	-	-	-	6,395	8,042	-	-	-

Adjustments to the Revenue Resources

Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:

- Pensions costs (transferred to/from the Pensions Reserve)
- Council Tax and Business Rates (transferred to/from the Collection Fund Adjustment Account)
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):
 - Depreciation, revaluation and impairment of non-current assets
 - Amortisation of intangible assets

Total Adjustments to Revenue Resources

2015/16					2016/17					
General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
					Adjustments between Revenue and Capital Resources					
(216)	(1,145)	1,361	-	-	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve and Deferred Capital Receipts	(768)	(1,268)	1,982	-	-
100	767	-	-	-	Amounts of non-current assets written off to the Capital Adjustment Account on disposal	431	984	-	-	-
-	17	(17)	-	-	Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	26	(26)	-	-
(17,048)	(4)	-	-	16,037	Transfer of capital grants credited to the Comprehensive Income and Expenditure Statement	(1,579)	(120)	-	-	260
321	-	(321)	-	-	Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	355	-	(355)	-	-
-	(3,256)	-	3,256	-	Posting of HRA resources from revenue to the Major Repairs Reserve	-	(3,250)	-	3,250	-
(267)	(1,965)	-	-	-	Provision for the repayment of debt (transfer from the Capital Adjustment Account)	(257)	(1,964)	-	-	-
4	-	(4)	-	-	Mitigation of Finance Lease costs in accordance with regulation	4	-	(4)	-	-
1,276	-	-	-	-	Revenue expenditure financed from capital under statute (transfer from the Capital Adjustment Account)	1,501	-	-	-	-
(5,254)	(990)	-	-	-	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(415)	(32)	-	-	-
(21,084)	(6,576)	1,019	3,256	16,037	Total Adjustments between Revenue and Capital Resources	(728)	(5,624)	1,597	3,250	260
					Adjustments to Capital Resources					
-	-	(260)	-	-	Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(61)	-	-
-	-	-	(1,959)	-	Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	(3,262)	-
-	-	-	-	(16,037)	Application of capital grants to finance capital expenditure	-	-	-	-	(260)
-	-	6	-	-	Cash payments in relation to deferred capital receipts	-	-	5	-	-
-	-	(254)	(1,959)	(16,037)	Total Adjustments to Capital Resources	-	-	(56)	(3,262)	(260)
(14,384)	(4,463)	765	1,297	-	Total Adjustments	5,667	2,418	1,541	(12)	-

7 Transfers to/from General Fund and HRA Balances

This note sets out the amounts set aside from the General Fund and HRA balances including earmarked reserves which are used to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure.

	Balance at 1 April 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000
General Fund:							
Revenue Commitments Reserve	9,178	(9,178)	11,512	11,512	(10,791)	12,980	13,701
Capital Commitments Reserve	6,207	(6,207)	1,584	1,584	(1,584)	2,914	2,914
Asset Refurbishment/Replacement Reserve	152	(17)	-	135	-	-	135
Beach Recharge Reserve	-	-	-	-	-	150	150
Benefit Reserve	679	-	421	1,100	-	-	1,100
Building for the Future Reserve (Austerity Reserve pre 1 April 2016)	3,043	(246)	1,320	4,117	(227)	801	4,691
Business Rate Resilience Reserve	1,129	-	893	2,022	(414)	-	1,608
Careline System Replacement Reserve	37	-	-	37	-	-	37
Commuted Sums Reserve	215	(40)	-	175	(39)	-	136
Crematorium Reserve (Cremator Replacement Reserve pre 1 April 2016)	154	-	-	154	-	-	154
Election Reserve	90	(120)	30	-	-	30	30
Haven Gateway Partnership Reserve	75	-	-	75	-	-	75
Planning Inquiries and Enforcement Reserve	339	(20)	-	319	(20)	-	299
Project Investment Reserve	19	-	-	19	(19)	-	-
Public Convenience Reserve	140	-	-	140	-	-	140
Residents Free Parking Reserve (Car Parks Reserve (Decriminalisation) pre 1 April 2016)	521	(300)	-	221	-	-	221
Specific Revenue Grants Reserve - Homelessness	336	-	-	336	(85)	-	251
Total General Fund Earmarked Reserves	22,314	(16,128)	15,760	21,946	(13,179)	16,875	25,642
General Fund Balance	4,000	-	-	4,000	-	-	4,000
Total General Fund	26,314	(16,128)	15,760	25,946	(13,179)	16,875	29,642

	Balance at 1 April 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000
Housing Revenue Account:							
Housing Repairs Reserve	1,423	-	388	1,811	(3,942)	3,704	1,573
Housing Revenue Account Commitments Reserve	-	-	-	-	(1,403)	3,554	2,151
General Reserve	6,153	(473)	-	5,680	(1,403)	285	4,562
Total Housing Revenue Account	7,576	(473)	388	7,491	(6,748)	7,543	8,286

8 Usable Reserves

Movements in the Authority's usable reserves are shown in the Movement in Reserves Statement with additional detail provided in notes 6 and 7.

The following schedule lists the usable reserves together with their purpose:

a) **General Fund Balance**

Resources available to meet future running costs for non-Housing Revenue Account services.

b) **Capital Receipts**

Proceeds of non-current asset sales available to meet future capital investment.

c) **Capital Grants Unapplied**

Balance of capital grants recognised as income but not yet utilised for capital funding.

d) **Earmarked Reserves**

The Council's Earmarked Reserves provide funds for the following specific policy purposes:

i) **Revenue Commitments Reserve**

This is earmarked for revenue items of expenditure for which financial provision was made in the previous or current year but which the Cabinet has agreed can be carried forward into the following year.

ii) **Capital Commitments Reserve**

This is earmarked for capital items of expenditure for which financial provision was made in the previous or current year but which the Cabinet has agreed in accordance with Financial Procedure Rules can be carried forward into the following year.

iii) **Asset Refurbishment/Replacement Reserve**

This reserve has been established to provide for the maintenance, enhancement and replacement of the Council's assets.

iv) **Building for the Future Reserve (Austerity Reserve pre 1 April 2016)**

This reserve has been established to support the delivery of a balanced budget in future years.

v) **Benefit Reserve**

This has been established to meet any potential costs arising from the obligation to pay benefits and to support future changes to the Welfare Regime.

vi) **Business Rates Resilience Reserve**

This reserve has been established to support the Council in reacting to potential future changes in Business Rate appeals and income.

- vii) **Careline System Replacement Reserve**
This has been established to finance future equipment/investment.
 - viii) **Commuted Sums Reserve**
This reserve has been established from commuted sums paid to the Council to cover such items as maintenance costs of Open Spaces and CCTV.
 - ix) **Crematorium Reserve (Cremator Replacement Reserve pre 1 April 2016)**
This was established to finance future replacement and improvement works to the crematorium plant and equipment at Weeley.
 - x) **Election Reserve**
This was established to finance future costs associated with holding District Elections on a periodic basis.
 - xi) **Haven Gateway Partnership Reserve**
This has been set up to support the costs associated with the Haven Gateway Partnership.
 - xii) **Planning Inquiries and Enforcement Reserve**
This reserve has been established to meet associated costs relating to planning services.
 - xiii) **Project Investment Reserve**
This was established to provide for investment in major new projects. The balance on this reserve was fully utilised in 2016/17.
 - xiv) **Public Convenience Reserve**
To provide resources to manage the condition and provision of public conveniences operated by the Council.
 - xv) **Residents Free Parking Reserve (Car Parks Reserve (Decriminalisation) pre 1 April 2016)**
To support the continuation of the residents' free parking initiative in the District.
 - xvi) **Specific Revenue Grants Reserve - Homelessness**
This reserve holds the grants received from the Government for which a restriction on their use has been placed by the Government.
- e) **Housing Revenue Account**
- i) **General Reserve**
Resources available to meet future running costs for council houses.
 - ii) **Major Repairs Reserve**
Resources available to meet capital investment in council housing.

iii) **Housing Repairs Reserve**

Resources available to meet the cost of on-going repairs to council houses.

iii) **Housing Revenue Account Commitments Reserve**

This is earmarked for items of expenditure for which financial provision was made in the previous or current year but which the Cabinet has agreed can be carried forward into the following year.

9 Unusable Reserves

2015/16		2016/17
£000		£000
28,494	Revaluation Reserve	26,972
141,435	Capital Adjustment Account	133,618
(52,025)	Pensions Reserve	(56,906)
292	Deferred Capital Receipts Reserve	341
(82)	Collection Fund Adjustment Account	396
(134)	Accumulated Absences Account	(134)
-	Other	2
<hr/>		<hr/>
117,980		104,289
<hr/>		<hr/>

a) **Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2015/16		2016/17	
£000		£000	£000
22,813	Balance at 1 April		28,494
9,206	Upward revaluation of assets	10,135	
(2,677)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(10,578)	
6,529	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(443)
(656)	Difference between fair value depreciation and historical cost depreciation	(732)	
(192)	Accumulated gains on assets sold or scrapped	(347)	
(848)	Amount written off to the Capital Adjustment Account		(1,079)
28,494	Balance at 31 March		26,972

b) **Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Page 44 note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2015/16		2016/17	
£000		£000	£000
122,214	Balance at 1 April		141,435
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
	Charges for depreciation, revaluation and impairment of non-current assets	(13,468)	
(7,063)			
(168)	Amortisation of Intangible Assets	(202)	
(1,276)	Revenue expenditure funded from capital under statute	(1,501)	
	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,415)	
(867)			
		<u>(16,586)</u>	
(9,374)			
848	Adjusting amounts written out of the Revaluation Reserve	1,079	
		<u>1,079</u>	
(8,526)	Net written out amount of the cost of non-current assets consumed in the year		(15,507)
	Capital financing applied in the year:		
	Use of the Capital Receipts Reserve to finance new capital expenditure	61	
260			
	Use of the Major Repairs Reserve to finance new capital expenditure	3,262	
1,959			
17,052	Application of grants to capital financing	1,699	
	Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances	2,221	
2,232			
6,244	Capital expenditure charged against General Fund or HRA	447	
		<u>447</u>	
27,747	Total amount of capital financing applied in the year		7,690
			<u>7,690</u>
141,435	Balance at 31 March		<u>133,618</u>

c) **Pensions Reserve**

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

2015/16		2016/17	
£000		£000	£000
(54,865)	Balance at 1 April		(52,025)
4,226	Remeasurements of the net defined benefit liability (asset)		(3,636)
	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,405)	
(4,528)			
3,142	Employer's pensions contributions and direct payments to pensioners payable in the year	3,160	
	Total adjustments to revenue resources (See Note 6)		(1,245)
<u>(52,025)</u>	Balance at 31 March		<u>(56,906)</u>

d) **Deferred Capital Receipts Reserve**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2015/16		2016/17	
£000		£000	
298	Balance at 1 April		292
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		54
(6)	Transfer to the Capital Receipts Reserve upon receipt of cash		(5)
<u>292</u>	Balance at 31 March		<u>341</u>

e) **Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying amounts across to the General Fund from the Collection Fund.

	Council Tax £000	Business Rates £000	Total £000
Balance at 1 April 2015	515	(401)	114
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(44)	(152)	(196)
Balance at 31 March 2016	471	(553)	(82)
Balance at 1 April 2016	471	(553)	(82)
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(86)	564	478
Balance at 31 March 2017	385	11	396

f) **Accumulated Absences Account**

There has been no net movement on the Accumulated Absences Account during the year.

10 Other Operating Expenditure

2015/16 £000		2016/17 £000
1,360	Parish Council Precepts	1,439
321	Payments to the Government Housing Capital Receipts Pool	355
(478)	(Gains)/losses on the disposal of non-current assets	(595)
1,203	Total	1,199

11 Financing and Investment Income and Expenditure

2015/16 £000		2016/17 £000
1,679	Interest payable and similar charges	1,606
1,709	Net interest on the defined benefit liability (asset)	1,766
(281)	Interest receivable and similar income	(310)
3,107	Total	3,062

12 Taxation and Non-Specific Grant Income and Expenditure

2015/16		2016/17
£000		£000
8,213	Council tax income	8,600
10,116	Retained Business Rates Income	10,824
(5,730)	Business Rates Tariff and Levy	(5,661)
7,130	Non-Ringfenced Government Grants	6,687
16,036	Capital Grants and Contributions	260
<u>35,765</u>	Total	<u>20,710</u>

Further details for the Non-Ringfenced and Capital Grants disclosed above are provided on page 74 note 25.

13 Property, Plant and Equipment

a) Movement on Balances

Movements in 2016/17	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equipment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construc-tion	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2016	131,891	50,013	5,558	50,256	498	-	781	238,997
Additions	3,200	20	372	129	17	-	358	4,096
Accumulated depreciation and impairment written off to Gross Carrying Amount	(2,893)	(452)	-	-	-	-	-	(3,345)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,201	(2,659)	-	-	-	30	-	(428)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,935)	(1,773)	-	-	-	-	-	(6,708)
Derecognition - Disposals	(996)	(222)	(632)	(237)	(3)	-	-	(2,090)
Assets reclassified (to)/from Held for Sale	-	(33)	-	-	-	-	-	(33)
Assets reclassified (to)/from Assets Under Construction	-	852	-	-	-	-	(852)	-
At 31 March 2017	128,468	45,746	5,298	50,148	512	30	287	230,489

Movements in 2016/17	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equipment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construc-tion	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000
Depreciation and impairments								
At 1 April 2016	(2,946)	(1,503)	(4,003)	(9,490)	(32)	-	-	(17,974)
Depreciation Charge for 2016/17	(2,823)	(1,322)	(329)	(2,044)	-	-	-	(6,518)
Accumulated depreciation written off to Gross Carrying Amount	2,893	452	-	-	-	-	-	3,345
Impairment losses/(reversals) recognised in the Revaluation Reserve	(15)	-	-	-	-	-	-	(15)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(11)	-	-	-	-	-	-	(11)
Derecognition - Disposals	12	3	629	47	-	-	-	691
At 31 March 2017	(2,890)	(2,370)	(3,703)	(11,487)	(32)	-	-	(20,482)
Net Book Value								
at 31 March 2017	125,578	43,376	1,595	38,661	480	30	287	210,007
at 1 April 2016	128,945	48,510	1,555	40,766	466	-	781	221,023

Comparative Movements in 2015/16

	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equip- ment	Infra- structure	Comm- unity Assets	Surplus Assets	Assets Under Construc- tion	Total Property, Plant and Equip- ment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2015	132,297	46,010	5,415	17,214	466	-	14,593	215,995
Additions	2,854	1,091	194	127	32	-	19,758	24,056
Accumulated depreciation and impairment written off to Gross Carrying Amount	(3,145)	(1,314)	-	-	-	-	-	(4,459)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	245	6,283	-	-	-	-	-	6,528
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	341	(2,623)	-	-	-	-	-	(2,282)
Derecognition - Disposals	(775)	(15)	(51)	-	-	-	-	(841)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Assets Under Construction	74	581	-	32,915	-	-	(33,570)	-
At 31 March 2016	131,891	50,013	5,558	50,256	498	-	781	238,997

Comparative Movements in 2015/16

	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equipment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construc-tion	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000
Depreciation and impairments								
At 1 April 2015	(2,952)	(1,255)	(3,731)	(9,047)	(31)	-	-	(17,016)
Depreciation Charge for 2015/16	(3,147)	(1,563)	(323)	(443)	(1)	-	-	(5,477)
Accumulated depreciation written off to Gross Carrying Amount	3,145	1,314	-	-	-	-	-	4,459
Accumulated impairment written off to Gross Carrying Amount	-	-	-	-	-	-	-	-
Derecognition - Disposals	8	1	51	-	-	-	-	60
At 31 March 2016	(2,946)	(1,503)	(4,003)	(9,490)	(32)	-	-	(17,974)
Net Book Value								
at 31 March 2016	128,945	48,510	1,555	40,766	466	-	781	221,023
at 1 April 2015	129,345	44,755	1,684	8,167	435	-	14,593	198,979

b) **Depreciation**

An annual charge for depreciation is required to be made on all non-current assets with the exception of non-depreciable land and assets held for sale. There is also a requirement to undertake an annual test for 'impairment' which is caused by either a consumption of economic benefits or a general fall in prices.

In accordance with these requirements, depreciation has been provided in 2016/17 on a straight-line basis over the expected life of the Council's non-current assets after allowing for residual values, based on information provided by the Council's valuer.

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – 30 years.
- Other Buildings – Up to a maximum of 71 years, depending on the asset, its location and type of construction, as set out in table below:

Life	Asset Categories
14-71 years	Public conveniences
60 years	Princes Theatre, Crematorium buildings
50 years	Council offices, Chapels, cemetery buildings, historic buildings, public halls, Frinton and Walton pool, Cliff Park building Harwich
40 years	Clacton leisure centre, squash courts, Dovercourt pool
30 years	Jaywick starter units, Beach office, Milton Road car park building, former cash offices, print unit, first aid station, Walton information bureau, kiosks, miscellaneous buildings, sea cadet station, shops and kiosks, museums
20-30 years	Sports pavilions, depots, beach changing facilities
20 years	Beach huts, High Street car park building, deck chair kiosks, garages
4-20 years	Seafront Shelters
10 years	Alexandra Road Garage
7 years	Brightlingsea Pool
4 years	Dovercourt all-weather pitch

- Land – this is not depreciated.
- Vehicles, Plant, Furniture and Equipment – 4 to 20 years.
- Infrastructure – 20 years.

c) **Capital Commitments**

At 31 March 2017, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years budgeted to cost £0.843 million. Similar commitments as 31 March 2016 were £0.916 million. The major commitments over £25,000 as at 31 March 2017 or entered into before the publication of the accounts are:

➤ **General Fund**

	£000
Cliff Stabilisation Scheme	189
IT Strategic Investment	75
	<hr/>
	264
	<hr/> <hr/>

➤ **Housing Revenue Account**

	£000
Various improvements and enhancements	493
Disabled adaptations	58
	<hr/>
	551
	<hr/> <hr/>

d) **Revaluations**

Following a tender exercise, the Council appointed new Valuers for 2016/17. A full revaluation of its Housing Stock and all General Fund properties was undertaken as at 1 April 2016 by Ian Pitt, MRICS and Martin Wilson, MRICS of Bruton Knowles in accordance with the RICS Valuation Standards – Professional Standards 2015 as issued by the Royal Institution of Chartered Surveyors.

An estimate was also obtained from Martin Wilson of Bruton Knowles as to the change in value from 1 April 2016 to 31 March 2017 of all the Authority's non-current assets, the results of which are reflected in the value of the assets on the Balance Sheet. The Supplementary Financial Statement for the Housing Revenue Account sets out additional valuation details relating to the Council's housing stock.

14 Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The Council's intangible assets are software licences which are capitalised at cost and are amortised on a straight line basis to revenue over a four year period, commencing the year after purchase.

2015/16 £000		2016/17 £000
	Balance at start of year:	
1,740	Gross carrying amounts	1,922
(1,201)	Accumulated amortisation	(1,368)
539	Net carrying amount at start of year:	554
	Additions:	
182	Purchases	111
(167)	Amortisation for the period	(202)
	Write out for software no longer used:	
-	Gross carrying amounts	(194)
-	Accumulated amortisation	194
554	Net carrying amount at end of year	463
	Comprising:	
1,922	Gross carrying amounts	1,839
(1,368)	Accumulated amortisation	(1,376)
554	Net carrying amount at end of year	463

15 Financial Instruments

a) Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

Long Term 31 March 2016 £000	Current 31 March 2016 £000		Long Term 31 March 2017 £000	Current 31 March 2017 £000
		Investments		
-	41,646	Loans and receivables	-	45,056
-	-	Available-for-sale financial assets	-	4,011
<hr/>	<hr/>	Total Investments	<hr/>	<hr/>
-	41,646		-	49,067
		Debtors		
314	-	Loans and receivables	303	-
138	3,565	Financial assets carried at contract amounts	173	2,439
<hr/>	<hr/>	Total Debtors	<hr/>	<hr/>
452	3,565		476	2,439
		Borrowings		
45,869	2,607	Financial liabilities at amortised cost	43,898	2,314
<hr/>	<hr/>	Total Borrowings	<hr/>	<hr/>
45,869	2,607		43,898	2,314
		Creditors		
871	3,767	Financial liabilities at amortised cost	1,150	3,307
<hr/>	<hr/>	Total Creditors	<hr/>	<hr/>
871	3,767		1,150	3,307

The Council's balance of Investments - Loans and receivables consisted of deposits with UK banks, Building Societies, central government's Debt Management office and other Local Authorities.

The Available-for-sale financial assets consisted of 4 (2015/16 0) certificates of deposit held with UK banks at 31 March 2017.

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

b) Reclassifications

No Assets have been reclassified. Also, no assets valued at fair value have moved from one fair value level to another during the year, they have all remained constant at level 2 (see accounting policy (u)).

c) **Income, Expense, Gains and Losses**

2015/16					2016/17					
Financial Liabilities measured at amortised cost	Financial Assets - Loans and Receivables	Financial Assets - Available for Sale	Assets and Liabilities at Fair Value through Profit and Loss	Total		Financial Liabilities measured at amortised cost	Financial Assets - Loans and Receivables	Financial Assets - Available for Sale	Assets and Liabilities at Fair Value through Profit and Loss	Total
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
1,669	-	-	-	1,669	Interest expense	1,598	-	-	-	1,598
-	-	1	-	1	Losses on derecognition	-	-	-	-	-
-	-	5	-	5	Fee expense	-	-	3	-	3
1,669	-	6	-	1,675	Total expense in Surplus or Deficit on the Provision of Services	1,598	-	3	-	1,601
-	(195)	(86)	-	(281)	Interest income	-	(261)	(49)	-	(310)
-	(195)	(86)	-	(281)	Total income in Surplus or Deficit on the Provision of Services	-	(261)	(49)	-	(310)
-	-	-	-	-	Gains on Revaluation	-	-	-	-	-
-	-	-	-	-	Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	-	-	-
1,669	(195)	(80)	-	1,394	Net (gain)/loss for the year	1,598	(261)	(46)	-	1,291

d) **Fair Values of Assets and Liabilities**

All of the financial liabilities and financial assets are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2 under accounting policy (u) in both 2015/16 and 2016/17), using the following assumptions:

- For loans from the Public Works Loans Board (PWLB) payable, premature redemption rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For Available-for-sale financial assets, the fair value at 31 March 2017 has been assessed by the brokers who provide the custody service for these instruments, based on market prices for comparable assets;
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables and payables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31 March 2016			31 March 2017		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000	£000		£000	£000	
48,476	61,210	Financial Liabilities	46,212	62,566	
871	871	Long term Creditors	1,150	1,150	

The fair value of PWLB loans of £62.566 million measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

31 March 2016			31 March 2017		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000	£000		£000	£000	
41,646	41,646	Loans and receivables	45,056	45,056	
-	-	Available for Sale financial assets	4,011	4,011	
314	314	Long term Debtors	303	303	

The fair value of Available-for-sale financial assets of £4.011 million measures the gain/loss on the instruments since purchase during the year, based on what the market would currently pay for these instruments. They all mature during 2017/18 and the Council intends holding them all to maturity.

Loans and receivables are held at amortised cost and all mature during 2017/18, so carrying value is assumed to be materially the same as fair value.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

16 Nature and Extent of Risks arising from Financial Instruments

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

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

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the treasury team in Corporate Services, under policies approved by the Council in the Annual Treasury Strategy which includes annual investment and borrowing strategies. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risks and the investment of surplus cash.

➤ Overall Procedures for Managing Risk

The Council's approach to managing these risks is focused on the inherent unpredictable nature of the financial markets. Procedures are in place to minimise these risks. The procedures in respect of investments are in accordance with the Local Government Act 2003, and associated regulations, which require the Council to comply with the CIPFA Prudential Code and the CIPFA Code of Practice for Treasury Management in Public Services as well as the Investment Guidance issued in accordance with the Act.

The Council meets these obligations by:

- i) Formally adopting and complying with the revised CIPFA Code of Practice.
- ii) Approving in advance the Prudential Indicators for the next financial year and for the following two years. The indicators set, amongst others, are:

- ❖ The Council's overall borrowing limit.
 - ❖ The maximum and minimum exposures to the maturity structure of the Council's debt.
 - ❖ The maximum sum that will be invested for periods in excess of 364 days.
 - ❖ The minimum and maximum exposure to fixed and variable rates of interest.
- iii) Approving an Annual Treasury Strategy which incorporates an investment strategy and a borrowing strategy.

The Council approves the Annual Treasury Strategy at the start of the financial year to which it relates. The Annual Treasury Strategy also sets out the Prudential Indicators for that year and the succeeding two years.

The Corporate Director – Corporate Services has delegated responsibility for Treasury Management and implementation of the agreed Treasury Management Strategy. Treasury Officers maintain written principles known as Treasury Management Practices (TMPs) covering the management of risks associated with investments. The TMPs are reviewed on a regular basis and any changes to the principles are approved by Cabinet.

The Council employs specialist Treasury Advisors to assist officers.

The Cabinet receives a report each year on the Treasury Management activities for the previous financial year.

a) **Credit Risk**

Credit risk arises from deposits with banks and other financial institutions and from credit advanced to the Council's customers. The Balance Sheet figures for financial assets are not representative of the normal level of exposure at any particular time. Positive cash flows in the early part of each financial year can lead to a considerably higher level of total investments. The maximum exposure during 2016/17 was £68.476 million.

The TMPs set out the criteria for deciding which organisations, such as Banks, Building Societies etc. the Council will invest money with. An organisation with whom an investment is made is known as a counterparty. All counterparties the Council uses, other than HM Government, UK Nationalised/Part Nationalised Banks, other UK Local Authorities, Parish Councils, Police and Fire Authorities and Health Authorities, are determined by reference to their credit ratings.

The Council uses the credit ratings provided by the 3 main credit rating agencies. For a counterparty to be approved for investment purposes its credit ratings from all of the Agencies that provide a credit rating (with a minimum of two rating agencies ratings) for that counterparty must be at least equal to the Council's minimum level. If just one of the ratings from any of the agencies falls below the Council's minimum criteria the counterparty is not approved. In addition to the credit ratings a limit is placed on the amount that can be invested with any one counterparty. A number of counterparties, although operating independently, are members of a larger group. This is the current position with a number of Banks. In addition to an individual counterparty limit there is a group limit, and any investment must therefore be within both the individual and group limits if applicable. A limit is also applied to the amount of investment that can be placed in individual countries other than the UK.

The following analysis summarises the Council's potential maximum exposure to credit risk. The Council has had no experience of default by any counterparty over the last five financial years and does not expect any losses from non-performance.

The only default experienced by local authorities in the last eight years was that relating to the Icelandic Banks' in October 2008. As at 1 April 2008 the Council had 3 Icelandic banks on its list of approved counterparties, representing 3.09% of the total. This percentage has therefore been used as a proxy for the historical experience of default, although the Council was unaffected by the Icelandic Banks' default. Continuing credit issues in international markets has raised the overall possibility of default. However, as the Council maintains strict credit criteria for investment counterparties, this historical default rate has been used as a good indicator under current conditions.

	Amount at 31 March 2017	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2017	Estimated maximum exposure to default and uncollect- ability at 31 March 2017	Estimated maximum exposure at 31 March 2016
	£000	%	%	£000	£000
Banks	13,910	3.09	3.09	430	176
Building Societies	3,003			-	-
Local Authorities	34,548			-	-
UK Government	1,500			-	-
	<u>52,961</u>			<u>430</u>	<u>176</u>

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority allows credit for some customers where payment in advance of service provision is not practicable. £621,921 of the £893,117 sundry debtor balance is past its due date for payment. The past due, but not impaired, amount can be analysed by age as follows:

2015/16		2016/17
£000		£000
50	Less than three months	324
8	Three to six months	70
78	Six months to one year	34
145	More than one year	194
<u>281</u>		<u>622</u>

b) **Liquidity Risk**

The Council manages its liquidity position through its cash flow management procedures that seek to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board or can call back financial assets, such as monies on deposit with financial institutions. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The key parameters used to address this risk are the maturity structure of its debt and the limits placed on investments of more than one year in duration. Within the above parameters, the Council addresses the operating risks by:

- ❖ Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt.
- ❖ Monitoring the maturity profile of investments to maintain sufficient liquidity for the Council's day to day cash flow needs.
- ❖ Spreading longer term investments to provide stability of maturities and returns in relation to longer term cash flow needs.

The maturity analysis of financial liabilities in respect of the principal amount of PWLB debt, and temporary borrowing at 31 March was as follows:

2015/16		2016/17
£000		£000
2,607	Less than one year (includes interest)	2,314
1,971	Between one and two years	1,822
5,306	Between two and five years	5,155
10,360	Between five and ten years	11,110
6,782	Between ten and fifteen years	5,449
21,450	More than fifteen years	20,362
<u>48,476</u>		<u>46,212</u>

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

c) **Market Risk**

➤ **Interest Rate Risk**

At 31 March 2017 the Council's borrowing for more than one year was all at fixed rates of interest. The Authority is exposed to risk in terms of its exposure to interest rate movements on its future borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- ❖ Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- ❖ Borrowings at fixed rates – the fair value of the liabilities borrowings will fall.
- ❖ Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise.
- ❖ Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. There is a lot of flexibility over the timing of new long term borrowing at fixed rates, and short term investments of surplus funds are spread over a range of periods to limit exposure to adverse movements in rates and to take advantage of favourable market conditions. The Annual Treasury Strategy draws together the Council's Prudential Indicators and its expected treasury operations, including an expectation of interest rate movements. One of the Prudential Indicators sets maximum and minimum limits for fixed and variable interest rate exposure. The treasury team monitor the market and forecasts of interest rates within the year to adjust exposures appropriately.

At 31 March 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been:

	£000
Increase in interest payable on variable rate borrowings	470
Increase in interest receivable on variable rate investments	(604)
	<hr/>
Impact on Surplus or Deficit on the Provision of Services	(134)
	<hr/>
Share of overall impact relating to the HRA	350
	<hr/>
Decrease in fair value of fixed rate investment assets	-
	<hr/>
Impact on Other Comprehensive Income and Expenditure	-
	<hr/>

A decrease in fair value of the fixed rate PWLB borrowing liabilities will have no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

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

➤ **Price Risk**

The Authority does not invest in equity shares. It therefore has no exposure to loss arising from movements in the stock market.

➤ **Foreign Exchange Risk**

The Authority has no financial assets or liabilities denominated in foreign currencies, and therefore it has no exposure to loss arising from movements in exchange rates.

17 Debtors

a) Debtors due to be paid within one year

2015/16		2016/17
£000		£000
1,243	Central government bodies	3,475
740	Other local authorities	726
27	NHS Bodies	31
4,901	Other entities and individuals	4,932
<hr/>		<hr/>
6,911	Total gross debtors	9,164
 (2,525)	Less provision for doubtful debts	 (2,666)
<hr/>		<hr/>
4,386	Total net debtors	6,498
<hr/>		<hr/>

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

2015/16		2016/17
£000		£000
11	Sale of council houses (mortgages)	10
18	Car loans	12
110	Debts subject to charging orders	125
34	Rents to Mortgage Scheme	34
251	Finance Leases	248
28	Other outstanding loans	47
<u>452</u>	Total long term debtors	<u>476</u>

Debtors due from Central government bodies within one year has increased by £2.232 million at the end of 2016/17 compared with 2015/16. This is mainly due to an increase of £2.833 million in respect of Housing Benefit Subsidy payments.

18 Cash and Cash Equivalents

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

2015/16		2016/17
£000		£000
	Current Assets:	
3,695	Cash held by the Authority	3,905
1,830	Bank current accounts	1,622
<u>5,525</u>		<u>5,527</u>

19 Creditors

2015/16		2016/17
£000		£000
	Creditors due within one year:	
1,792	Central government bodies	2,615
3,754	Other local authorities	3,229
3,768	Other entities and individuals	3,773
<u>9,314</u>	Total Creditors	<u>9,617</u>
	Creditors due after more than one year:	
871	Section 106 contributions	1,150

Creditors due to Central government bodies within one year has increased by £0.823 million at the end of 2016/17 compared with 2015/16. This is mainly due to an increase of £0.603 million relating to Business Rates.

20 Provisions

2015/16		2016/17		Total
		Business Rates	Other Provisions	
£000		£000	£000	£000
930	Balance at 1 April	1,239	89	1,328
309	Net movement for business rate appeals in year	(262)	-	(262)
89	Net movement on other provisions	-	(38)	(38)
1,328	Balance at 31 March	977	51	1,028

21 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2015/16		2016/17
£000		£000
287	Interest received	232
(1,684)	Interest paid	(1,622)

22 Cash Flow Statement – Investing Activities

2015/16		2016/17
£000		£000
(25,302)	Purchase of property, plant and equipment and intangible assets	(3,944)
(396,050)	Purchase of short term and long term investments	(268,645)
(28)	Other payments for investing activities	(19)
1,367	Proceeds from the sale of property, plant and equipment	2,041
392,155	Proceeds from short term and long term investments	261,250
19,517	Other receipts from investing activities	4,763
(8,341)	Net cash flows from investing activities	(4,554)

23 Cash Flow Statement – Financing Activities

2015/16		2016/17
£000		£000
(2,227)	Repayments of short and long term borrowing	(2,248)
(486)	Council Tax and NNDR adjustments	346
(2,713)	Net cash flows from financing activities	(1,902)

24 Expenditure and Income Analysed by Nature

The authority's expenditure and income is analysed as follows:

2015/16		2016/17
£000		£000
	Expenditure	
15,024	Employee Expenses	15,520
88,250	Other Services Expenses	87,667
7,930	Depreciation, Amortisation, Impairment	13,398
1,679	Interest Payments	1,606
1,709	Pension Interest and Return on Pension Assets	1,766
1,360	Precepts and Levies	1,439
321	Payments to Housing Capital Receipts Pool	355
784	Loss on the Disposal of Non-Current Assets	1,010
<hr/>		<hr/>
117,057	Total Expenditure	122,761
	Income	
(43,793)	Fees and Charges and Other Service Income	(28,811)
(1,262)	Gain on Disposal of Non-Current Assets	(1,605)
(281)	Interest and Investment Income	(310)
(8,213)	Income from Council Tax	(8,600)
(10,116)	Income from Business Rates	(10,824)
(71,786)	Government Grants and Contributions	(69,017)
<hr/>		<hr/>
(135,451)	Total Income	(119,167)
<hr/>		<hr/>
(18,394)	(Surplus) or Deficit on the Provision of Services	3,594
<hr/>		<hr/>

25 Grant Income

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

2015/16 £000		2016/17 £000
Credited to Taxation and Non-Specific Grant Income		
<i>Non-Ringfenced Grants:</i>		
3,561	Revenue Support Grant	2,564
77	Council Tax Freeze Grant	-
1,794	New Homes Bonus Grant	2,147
-	Community Housing Fund	707
287	New Burdens Grant	164
1,302	Section 31 Business Rate Relief Grants	1,045
54	Efficiency Support Grant	-
55	Other Grants	60
7,130		6,687
 <i>Capital Grants and Contributions</i>		
<i>Government Funding</i>		
10,945	- Environment Agency	75
-	- DCLG Inspire Annexe III	7
-	- Individual electoral registration grant	1
1	- Growth point funding	1
4	- Homes and Communities Agency	17
2,002	Local Authority - Essex County Council	-
<i>Other Capital Contributions</i>		
3,000	- Anglian Water	-
55	- Section 106	159
29	- Other	-
16,036		260
 Other Significant Grants Credited to Services		
34	Advertising Campaign Contributions	19
64,020	Benefits	61,917
177	Collection Investment/Hardship Administration Grant	205
36	Crime Reduction Grants	62
972	Disabled Facilities Grant	1,433
8	DWP - Flexible Support Funding	27
75	Essex County Council - Fast Food Initiative	-
-	Essex County Council - Public Health	47
1,053	Essex County Council - Technical Agreement Contribution	822
35	Essex Wildlife Trust Contribution	-
25	Flood Support Scheme Grant	-
55	Fraud and Error Reduction Incentive Scheme	-
128	Help for Single Homeless	-
32	Nature Conservation Grants	31
60	Supporting People	38
43	Recreation and Open Space Contributions	7
64	Recycling Rewards Scheme	45
54	Welfare Reform Grants	46
66,871		64,699

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached that will require the monies or property to be repaid/returned if the conditions fail to be met. The balances at the year end are as follows:

2015/16 £000		2016/17 £000
Capital Grants Receipts in Advance		
Government Funding:		
2,063	The Environment Agency	5,001
172	Home and Communities Agency	164
12	Local Authority Funding	137
13	Other capital contributions	13
<u>2,260</u>		<u>5,315</u>

26 Agency Services

The Code includes the requirement to account for Council Tax and Business Rates Collection on an agency basis. Information on this is disclosed in the Collection Fund Income and Expenditure Statement.

27 Related Parties

The Council is required to disclose material transactions with related parties (bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council). Material related party transactions which are not disclosed elsewhere in the Statement of Accounts were as follows:

2015/16			2016/17	
Receipts £000	Payments £000		Receipts £000	Payments £000
2,454	135	Essex County Council	2,045	320
154	196	Other Essex local authorities	139	183
Transactions with organisations related by a declared interest of Council Members or Senior Officers:				
5	10	Manningtree High School	-	-
1	24	VineHR	-	14
9	17	Other	3	9
<u>2,623</u>	<u>382</u>	Total Related Party Transactions	<u>2,187</u>	<u>526</u>

28 Members' Allowances

The Authority paid £0.460 million to members of the Council during the year (£0.469 million in 2015/16). Full details are available on the Transparency page of the Council's website.

29 Officers' Remuneration

a) Analysis of "senior employees" remuneration

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

Post Title	note	2015/16		Total remuneration excluding Pension Contributions	Employer's Contributions to Pension	Compensation for loss of office	Total Remuneration
		Salary, Fees and Allowances	Expense Allowances				
		£	£				
Chief Executive		124,756	-	124,756	18,339	-	143,095
Corporate Director - Corporate Services		82,592	-	82,592	12,141	-	94,733
Corporate Director - Public Experience	1	76,183	-	76,183	11,199	76,183	163,565
Corporate Director - Life Opportunities		79,905	-	79,905	11,746	-	91,651
Head of Planning		71,144	-	71,144	10,458	-	81,602
Legal Services Manager		54,158	-	54,158	7,961	-	62,119
Finance and Procurement Manager		53,999	-	53,999	7,937	-	61,936

Notes

- The Compensation for loss of office was for an agreement signed in 2015/16 but payable in 2016/17.

Post Title	note	2016/17		Total remuneration excluding Pension Contributions	Employer's Contributions to Pension	Compensation for loss of office	Total Remuneration
		Salary, Fees and Allowances	Expense Allowances				
		£	£				
Chief Executive		125,524	-	125,524	18,452	-	143,976
Corporate Director - Corporate Services		87,314	-	87,314	12,835	-	100,149
Corporate Director - Public Experience	1	12,697	-	12,697	1,866	-	14,563
Corporate Director - Operational Services	2	84,367	-	84,367	12,402	-	96,769
Head of Planning		70,690	-	70,690	10,391	-	81,081
Head of Governance & Legal Services	2	58,991	-	58,991	8,672	-	67,663
Head of Finance, Revenues and Benefits	2	59,183	-	59,183	8,700	-	67,883

Notes

- This was a part year payment up to 31 May 2016 as this post was deleted following restructure.
- Job titles were changed during 2016/17 as part of a senior management restructure.

b) **Analysis of ‘non-senior employees’**

The Authority’s other employees receiving more than £50,000 remuneration for the year (excluding pension contributions but including compensation for loss of office) are set out below:

2015/16 Number of Total	Remuneration Band	2016/17 Number of Total
-	£50,000 - £54,999	6
1	£55,000 - £59,999	1
-	£60,000 - £64,999	-
-	£65,000 - £69,999	-
-	£75,000 - £79,999	-
-	£80,000 - £84,999	-
1	£85,000 - £89,999	-
-	£95,000 - £99,999	-

c) **Exit Packages**

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the tables below:

Exit package cost band (including special payments)	2015/16			Total cost of exit packages in each band £
	Number of compulsory redundancies	Number of other departures agreed	Total Number of exit packages by cost band	
£0 - £20,000	1	2	3	22,141
£20,001 - £40,000	-	-	-	-
£40,001 - £60,000	-	2	2	90,412
£60,001 - £80,000	-	1	1	76,183
Total cost included in Comprehensive Income and Expenditure Statement				188,736

Exit package cost band (including special payments)	2016/17			Total cost of exit packages in each band £
	Number of compulsory redundancies	Number of other departures agreed	Total Number of exit packages by cost band	
£0 - £20,000	1	4	5	19,130
£20,001 - £40,000	-	1	1	24,894
£40,001 - £60,000	-	1	1	41,442
Total cost included in Comprehensive Income and Expenditure Statement				85,466

The compulsory redundancy related to a fixed term contract which had come to an end.

The cost of exit packages includes redundancy costs in addition to financial strain amounts that are payable to the pension fund rather than to an individual directly.

30 Termination Benefits

The contracts of 9 employees ceased in 2016/17 (including two accrued for in 2015/16). This incurred total liabilities of £85,466 (£188,736 in 2015/16). Of this total, £84,895 was in the form of compensation for loss of office. Further details can be found in Note 29(c).

31 Defined Benefit Pension Schemes

a) Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme (LGPS) administered by Essex County Council –the current LGPS is a Career Average Revalued Earnings Scheme (CARE). The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The scheme administered by Essex County Council is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Essex Pension Strategy Board. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed within this overall governance framework supported by Hymans Robertson acting as an external Independent Governance and Administration Advisor to the fund.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the separate section on accounting policies (see page 101).

b) Transactions Relating to Post-Employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2015/16 Local Government Pension Scheme £000		2016/17 Local Government Pension Scheme £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
	<i>Service cost comprising:</i>	
2,674	Current service cost	2,596
97	Past service costs including curtailments	1
48	Administration Expenses	42
	<i>Financing and Investment Income and Expenditure</i>	
1,709	Net interest expense	1,766
<hr/> 4,528	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	<hr/> 4,405
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	<i>Remeasurement of the net defined benefit liability comprising:</i>	
777	Return on plan assets (excluding the amount included in the net interest expense)	(15,762)
-	Actuarial gains and losses arising on changes in demographic assumptions	(3,961)
(4,913)	Actuarial gains and losses arising on changes in financial assumptions	26,928
(90)	Other	(3,569)
<hr/> 302	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	<hr/> 8,041
	Movement in Reserves Statement	
(4,528)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(4,405)
	Actual amount charged against the General Fund Balance for pensions in the year:	
<hr/> 3,142	Employer's contributions payable to scheme	<hr/> 3,160

c) **Pensions Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

2015/16 Local Government Pension Scheme £000		2016/17 Local Government Pension Scheme £000
150,961	Present value of the defined benefit obligation	173,640
(98,936)	Fair Value of plan assets	(116,734)
<hr/> 52,025	Net liability arising from defined benefits obligation	<hr/> 56,906

d) **Reconciliation of the Movements in the Fair Value of Scheme (Plan)**

2015/16		2016/17
Local		Local
Government		Government
Pension		Pension
Scheme		Scheme
£000		£000
98,691	Opening fair value of scheme assets	98,936
3,125	Interest income	3,436
	<i>Remeasurement gain/(loss):</i>	
	The return of plan assets, excluding the amount included in the net	
(777)	interest expense	15,762
-	Other	185
3,142	Contributions from employers	3,160
640	Contributions from employees into the scheme	648
(5,837)	Benefits paid	(5,351)
(48)	Other	(42)
<u>98,936</u>	Closing fair value of scheme assets	<u>116,734</u>

The employer contributions include financial strain payments relating to liabilities associated with early retirements that arose during the year.

e) **Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)**

2015/16		2016/17
Local		Local
Government		Government
Pension		Pension
Scheme		Scheme
£000		£000
153,556	Opening Balance at 1 April	150,961
2,674	Current service cost	2,596
4,834	Interest cost	5,202
640	Contributions from scheme participants	648
	<i>Remeasurement (gain)/loss:</i>	
-	Actuarial gains/losses arising from changes in demographic assumptions	(3,961)
(4,913)	Actuarial gains/losses arising from changes in financial assumptions	26,928
(90)	Other	(3,384)
97	Losses/(gains) on curtailment	1
(5,837)	Benefits paid	(5,351)
<u>150,961</u>	Closing Balance at 31 March	<u>173,640</u>

f) **Local Government Pension Scheme Assets comprised:**

2015/16			2016/17			
Quoted Prices in Active Markets £000	Unquoted Prices (not in Active Markets) £000	Total £000		Quoted Prices in Active Markets £000	Unquoted Prices (not in Active Markets) £000	Total £000
Fair Value of Scheme Assets						
-	3,214	3,214	Cash and cash equivalents	-	3,514	3,514
8,678	-	8,678	Equities - UK	9,683	-	9,683
58,283	-	58,283	Equities - Overseas	70,048	-	70,048
			Gilts UK index Linked Government			
2,917	-	2,917	Securities	4,417	-	4,417
4,749	-	4,749	Bonds - Corporate (UK)	4,744	-	4,744
4,418	7,364	11,782	Property	7,185	4,172	11,357
-	2,383	2,383	Private Equity	-	3,355	3,355
-	1,558	1,558	Infrastructure	-	2,282	2,282
(871)	-	(871)	Derivatives	(134)	-	(134)
-	642	642	Timber	-	1,141	1,141
-	687	687	Illiquid Debt	-	1,141	1,141
-	4,914	4,914	Other Managed Funds	-	5,186	5,186
78,174	20,762	98,936		95,943	20,791	116,734

g) **Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme liabilities have been estimated by Barnett Waddingham, an independent firm of actuaries for the Essex County Council Fund, based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

2015/16 Local Government Pension Scheme		2016/17 Local Government Pension Scheme
	<i>Mortality assumptions:</i>	
	Longevity at 65 for current pensioners:	
22.9	Men	22.1
25.3	Women	24.6
	Longevity at 65 for future pensioners:	
25.2	Men	24.3
27.7	Women	26.9
3.2%	Rate of inflation - RPI Increases	3.5%
2.3%	Rate of inflation - CPI Increases	2.6%
4.1%	Rate of increase in salaries	4.1%
2.3%	Rate of increase in pensions	2.6%
3.5%	Rate for discounting scheme liabilities	2.7%
60%	Take up of option to convert annual pension into retirement lump sum	50%

In addition to the above, it is also estimated that 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits, this has not changed from the previous period.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below 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 while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Increase in Assumption £000	Decrease in Assumption £000
Impact on the Defined Benefit Obligation in the Scheme		
Longevity (increase or decrease in 1 year - mortality age rating)	180,451	167,094
Rate of inflation (increase or decrease by 0.1%)	176,202	171,121
Rate of increase in salaries (increase or decrease by 0.1%)	174,005	173,277
Rate of increase in pensions (increase or decrease by 0.1%)	176,202	171,121
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	170,764	176,567

i) **Impact on the Authority's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% using the actuarial valuation assumptions. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The authority expects to pay contributions totalling £5.472 million to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 17 years, 2016/17 (17 years 2015/16).

32 External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors Ernst and Young:

Restated 2015/16 £000		2016/17 £000
62	Fees payable with regard to external audit services carried out by the appointed auditor for the year	59
13	Fees payable for the certification of grant claims and returns for the year	15
-	Fees payable for non audit services for the year	-
75	Total Audit Fees Payable	74

This note on External Audit costs has been restated for 2015/16 to disclose Code of Audit Practice audit fees and certification fees relating to 2015/16 paid and credited respectively after publication of the financial statements.

33 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2015/16		2016/17
£000		£000
55,709	Opening Capital Financing Requirement	53,478
	Capital Investment:	
24,057	Property, Plant and Equipment	4,096
182	Intangible Assets	111
1,276	Revenue expenditure funded from capital under statute	1,501
	Sources of Finance:	
(261)	Capital receipts	(61)
(17,052)	Government grants and other contributions	(1,699)
(1,958)	Major Repairs Reserve	(3,262)
	Sums set aside from revenue:	
(6,244)	Direct revenue contributions	(686)
(267)	MRP/loans fund principal	(257)
(1,964)	Voluntary MRP - HRA	(1,964)
<u>53,478</u>	Closing Capital Financing Requirement	<u>51,257</u>
	Explanation of movements in year	
(2,231)	Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	(2,221)
<u>(2,231)</u>	Increase/(Decrease) in Capital Financing Requirement	<u>(2,221)</u>

34 Leases

a) Authority as Lessee

➤ Operating Leases (including Contract Hire) for Transport and Plant

The Authority has acquired its fleet of transport and plant by entering into operating leases/contract hire agreements with typical lives of three to five years.

The future minimum lease payments due under non-cancellable leases in future years are:

2015/16		2016/17
£000		£000
234	Not later than one year	286
431	Later than one year and not later than five years	562
<u>665</u>		<u>848</u>

➤ **Properties Leased from a Registered Social Landlord**

During 2006/07 17 properties leased from Colne Housing Society previously held under non-current assets were reclassified as operating leases. No payments are due on these properties which are operated by Tendring District Council until vacated by the current tenant. No properties became vacant during 2016/17 and none were returned to Colne Housing Society.

2015/16 No of Properties		2016/17 No of Properties
3	Balance brought forward 1 April	3
-	Returned to Lessor	-
<u>3</u>	Balance carried forward 31 March	<u>3</u>

b) **Authority as Lessor**

➤ **Finance Leases**

The Authority has leased out 2 properties under finance leases:

- ❖ Carnarvon House, Carnarvon Road, Clacton-on-Sea with an expiry date of 31/3/2024.
- ❖ The Pavilion, Marine Parade/Pier Gap, Clacton-on-Sea with an expiry date of 31/12/2127.

The Authority has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

2015/16 £000		2016/17 £000
63	Finance lease debtor (net present value of minimum lease payments)	60
188	Unguaranteed residual value of property	188
<u>251</u>		<u>248</u>
251	Unearned finance income	224
<u>502</u>	Gross investment in the lease	<u>472</u>

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

2015/16			2016/17	
Gross Investment in the Lease	Minimum Lease Payments		Gross Investment in the Lease	Minimum Lease Payments
£000	£000		£000	£000
31	3	Not later than one year	31	4
157	29	Later than one year and not later than five years	158	33
314	31	Later than five years	283	23
<u>502</u>	<u>63</u>		<u>472</u>	<u>60</u>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17 £11,988 contingent rents were receivable by the Authority (2015/16 - £6,213).

➤ **Operating Leases**

The Authority leases out land and property under operating leases for the following purposes:

- ❖ For the provision of community services, such as sports facilities, tourism services and community centres.
- ❖ For economic development purposes to provide suitable affordable accommodation for local businesses.

The future lease payments receivable under non-cancellable leases in future years are:

2015/16			2016/17	
£000			£000	
260	Not later than one year		293	
875	Later than one year and not later than five years		996	
3,174	Later than five years		3,044	
<u>4,309</u>			<u>4,333</u>	

The lease payments receivable do not include rents that are contingent on future events taking place, such as adjustments following rent reviews.

Currently Tendring District Council leases its depot to the household waste and recycling contractor at no charge. This arrangement is due to continue for the remainder of the contract which expires in 2019.

35 Contingent Liabilities

At 31 March 2017, the Authority had one material contingent liability:- Municipal Mutual Insurance (MMI), the Council's Insurer until 1992, is the subject of a scheme of arrangement and the Company's assets are being utilised via a managed run-off to finance any insurance claims arising in respect of incidents prior to 1992. During 2012/13 the Board of Directors of MMI decided to trigger the scheme of arrangement as they concluded that there was no alternative to an insolvent liquidation. On 1 April 2016 the levy payment due under the scheme of arrangement was increased from 15% to 25%. As at 31 March 2017 the Council has paid a total levy of £0.087 million under the scheme of arrangement with £0.025 million of this sum paid in 2016/17. The final impact on the Council as a scheme creditor is not certain but the maximum potential liability set out in the most recent notification by MMI is approximately £0.398 million in addition to the further estimated amount of £0.008 million that relates to the outstanding claims estimate as at 31 March 2017.

36 Material Items of Income and Expenditure

During 2014/15 the Council began a major coastal protection scheme. Most spend was incurred in 2014/15 and 2015/16, but there were some residual payments during 2016/17. The estimated total cost of the scheme was £35.977 million. Funding for the scheme was as follows:

	£m
Environment Agency	28.000
Essex County Council	4.000
Tendring District Council	3.977
	<hr/>
	35.977
	<hr/> <hr/>

Spending on the scheme during 2016/17 was £0.048 million (£18.712 million in 2015/16), which is included within capital expenditure for the year. This has been financed as follows:

2015/16	2016/17
£m	£m
10.945 Environment Agency	-
2.000 Essex County Council	-
3.000 Anglian Water	-
2.767 Tendring District Council	0.048
	<hr/>
18.712	0.048
	<hr/> <hr/>

In addition, the capital programme for 2016/17 included a further project on a cliff stabilisation scheme, for which the only contract let to date is for the design of the scheme. The estimated total cost of the scheme was £5.014 million. Funding for the scheme was as follows:

	£m
Environment Agency	4.947
Tendring District Council	0.067
	<hr/>
	5.014
	<hr/> <hr/>

Spending on the scheme during 2016/17 was £0.095 million (nil in 2015/16), which is included within capital expenditure for the year.

The Environment Agency has provided funding for both the above schemes. Grant of £3.013 million was received during 2016/17 for cliff stabilisation (£10.501 million for the coastal protection scheme and £1.934 million for cliff stabilisation in 2015/16). £0.075 million was recognised as income during 2016/17 (£10.945 million in 2015/16). A balance of £4.872 million for cliff stabilisation is included within the Capital Grants Received in Advance on the balance sheet at 31 March 2017 (£1.934 million at 31 March 2016).

37 Subsidiary Companies

North Essex Garden Communities Limited is a joint strategic entity which is equally owned by Essex County Council, Colchester Borough Council, Tendring District Council and Braintree District Council. The Company is limited by shares. The shares have an equal ranking, and any dividend will be distributed equally to the shareholders on a pro rata basis.

The purpose of the Company is to hold shares in each of the three Local Delivery Vehicles (LDV’s), to coordinate funding of the LDV’s and to oversee and hold to account the LDV’s in order to develop each of the following properties as garden communities:

- Tendring Colchester Borders
- Colchester Braintree Borders
- West of Braintree

Each Local Authority has the right to appoint, remove or replace a Nominated Director. On any Board decision a majority (including all Nominated Directors) in favour is required for the vote to pass. However, Nominated Directors are not entitled to vote where a decision only relates to properties outside of the area of their appointing authority.

North Essex Communities Limited was incorporated on 9 August 2016. It was not trading during 2016/17, but will eventually prepare accounts to the 31 March of each year.

HOUSING REVENUE ACCOUNT – INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

2015/16 £000		2016/17 £000	2016/17 £000	Note Ref
EXPENDITURE				
3,228	Repairs and Maintenance	3,947		
2,561	Supervision and Management	2,432		
88	Rents, Rates, Taxes and Other Charges	113		
2,806	Depreciation and Impairments of Non-Current Assets	7,769		5,6
66	Debt Management Costs	66		
29	Movement in the allowance for bad debts	81		
	Sums Directed by the Secretary of State that are Expenditure in			
2	Accordance with the Code	19		
8,780	Total Expenditure		14,427	
INCOME				
(13,513)	Dwelling rents	(13,239)		
(240)	Non dwelling rents	(226)		
(630)	Charges for Services and Facilities	(561)		
(191)	Contributions towards expenditure	(137)		
(14,574)	Total Income		(14,163)	
(5,794)	Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		264	
276	HRA Share of Corporate and Democratic Core		276	
(5,518)	Net Expenditure / (Income) for HRA Services		540	
HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:				
(361)	(Gain) or loss on sale of HRA Non-current Assets		(258)	
1,566	Interest Payable and Similar Charges		1,517	
(4)	Taxation and Non Specific Grant Income (Capital Grant)		(120)	
(61)	Interest and Investment Income		(56)	
(4,378)	(Surplus) / Deficit for the year on HRA Services		1,623	

HOUSING REVENUE ACCOUNT – MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2015/16 £000		2016/17 £000	£000
6,153	Balance on the HRA as at the end of the previous year		5,680
4,378	Surplus or (Deficit) on the HRA Income and Expenditure Statement	(1,623)	
	Adjustments between accounting basis and funding basis under regulations:		
(1,041)	Reversal of Revaluation Changes and Impairment	5,219	
2	Reversal of Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	19	
(361)	Reversal of (Gain) or Loss on sale of HRA Non-current assets	(258)	
(4)	Reversal of Capital Grant	(120)	
(990)	Capital Expenditure Funded by the HRA	(32)	
(1,964)	Debt Repayment & Credit arrangements	(1,964)	
3	HRA share of contributions to or from the Pension Reserve	(19)	
23	Net increase or (decrease) before transfer to or from Reserves	1,222	
	Transfer (to) or from Reserves:		
(108)	Transfer (to)/from Major Repairs Reserves	(427)	
(388)	Transfers (to)/from Earmarked Reserves	(1,913)	
(473)	Increase or (decrease) in year on the HRA	(1,118)	
5,680	Balance on the HRA as at the end of the current year	4,562	

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

1 Housing Revenue Account Balances

HOUSING REVENUE ACCOUNT RESERVES

Housing Revenue Account	2015/16				2016/17			
	Housing Repairs Reserve	Housing Commitments Reserve	Total		Housing Revenue Account	Housing Repairs Reserve	Housing Commitments Reserve	Total
£000	£000	£000	£000		£000	£000	£000	£000
6,153	1,423	-	7,576	Balances as at 1 April	5,680	1,811	-	7,491
(473)	388	-	(85)	Surplus/(deficit) for year	(1,118)	(238)	2,151	795
5,680	1,811	-	7,491	Balances as at 31 March	4,562	1,573	2,151	8,286

2 Housing Assets

As at 31 March 2017, the Council was responsible for managing the following council housing assets:

01/04/2015					31/03/2016					01/04/2016					31/03/2017						
Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value		Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	
					£000						£000						£000				
Dwellings																					
1,493	-	4	1,489	45,764	Flats	1,489	-	8	1,481	44,252	1,489	-	8	1,481	44,252	1,489	-	8	1,481	44,252	
1,042	3	11	1,034	57,112	Houses	1,034	-	10	1,024	53,748	1,034	-	10	1,024	53,748	1,034	-	10	1,024	53,748	
338	-	-	338	15,092	Bungalows	338	-	2	336	15,467	338	-	2	336	15,467	338	-	2	336	15,467	
319	2	-	321	6,478	Sheltered Accommodation	321	-	-	321	6,977	321	-	-	321	6,977	321	-	-	321	6,977	
21	-	2	19	976	Do-It-Yourself Shared Ownership (DIYSO)	19	-	2	17	895	19	-	2	17	895	19	-	2	17	895	
3,213	5	17	3,201	125,422		3,201	-	22	3,179	121,339	3,201	-	22	3,179	121,339	3,201	-	22	3,179	121,339	
Other Land and Buildings																					
64	-	-	64	1,096	Shared Equity Plots of Land	64	-	2	62	1,060	64	-	2	62	1,060	64	-	2	62	1,060	
436	-	11	425	1,041	Garages	425	-	10	415	1,220	425	-	10	415	1,220	425	-	10	415	1,220	
382	6	-	388	78	Ground Rents re: sold council flats	388	1	-	389	78	388	1	-	389	78	388	1	-	389	78	
1	-	-	1	564	Community Centre	1	-	-	1	513	1	-	-	1	513	1	-	-	1	513	
3	-	-	3	122	Other non-domestic properties	3	-	-	3	180	3	-	-	3	180	3	-	-	3	180	
9	2	1	10	622	Land	10	-	-	10	1,188	10	-	-	10	1,188	10	-	-	10	1,188	
4,108	13	29	4,092	128,945	Totals	4,092	1	34	4,059	125,578	4,092	1	34	4,059	125,578	4,092	1	34	4,059	125,578	

In addition to the above table, the Council also held equipment with a balance sheet value of £0.055 million as at 31 March 2017 (nil in 2015/16), the Council also held assets under construction with a balance sheet value of £0.176 million as at 31 March 2017 (2015/16 £0.024 million). The Balance Sheet value for dwellings uses the valuation basis of 'Existing Use Value for Social Housing (EUV-SH)', which is based on the vacant possession value adjusted to reflect the continuing occupation by a secure tenant. The other housing assets have been valued on an 'Existing Use Value' basis, which assumes that vacant possession is provided on all parts of the property occupied by the business. The difference between vacant possession and existing use value represents the economic cost of providing council housing at less than open market rents.

2015/16 £000		2016/17 £000
332,966	Vacant Possession Value	332,646
(132,007)	Less: Existing Use Values (Social Housing)	(129,116)
<u>200,959</u>	Economic Cost of Providing Social Housing	<u>203,530</u>

A full revaluation of all HRA assets was undertaken by the external valuer during the year with resulting changes and other adjustments being reflected in the Balance Sheet value as at 31 March 2017.

3 Capital Expenditure and Financing

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

2015/16 £000		2016/17 £000
Capital Investment:		
2,023	Operational Assets	3,262
930	Property Acquisition and New Build	151
<u>2,953</u>		<u>3,413</u>
Sources of Finance:		
1,959	Major Repairs Reserve	3,262
990	Direct Revenue Financing	32
-	Funding of S106	102
4	External Funding	17
<u>2,953</u>		<u>3,413</u>

4 Housing Capital Receipts Reserve

There is a requirement to 'pool' part of the capital receipts received by the Council and pay it to the Secretary of State. The amounts to pool on disposal reflect the age and type of dwelling.

The movement on the capital receipts reserve during the year is as follows:

2015/16		2016/17
£000		£000
1,376	Balance as at 1 April	1,926
	Capital Receipts in the year:	
614	Council house sales (net of administration costs)	1,083
10	Repayment of Discount on Right to Buy Sales	-
46	DIYSO property sales	104
-	Shared Equity Plots of Land	56
1	Mortgage principal repayments	1
459	Other receipts (Net of Disposal Costs)	-
<u>2,506</u>		<u>3,170</u>
	Less:	
(321)	Capital receipts pooling contribution payable to the Government	(354)
(259)	Capital receipts used for financing capital expenditure	-
<u>1,926</u>	Balance as at 31 March	<u>2,816</u>

5 Depreciation

Depreciation has been provided on HRA assets on a straight-line basis over their expected lives, after allowing for residual and freehold land values, based on information provided by the Valuer. The depreciation charge in respect of the dwellings is a real charge on the HRA and it is credited to the Major Repairs Reserve. The depreciation charge in respect of other HRA property is shown in 'Total Expenditure' within the Income and Expenditure Account.

2015/16		2016/17
£000		£000
3,089	Dwellings	2,763
24	Do-It-Yourself Shared Ownership (DIYSO)	19
21	Garages	25
12	Community Centre	12
2	Other Non-Domestic Properties	4
<u>3,148</u>	Depreciation Charged to the HRA I & E Account for the Year	<u>2,823</u>

6 Impairment Charges

Impairment may be applicable to assets if caused by either a consumption of economic benefits or a general fall in prices.

2015/16		2016/17
£000		£000
3,431	Impairment charge for works to the Council's dwelling stock	7,455
(3,772)	Reversal of previous Impairment Losses due to increase in asset values	(2,509)
<u>(341)</u>	Impairment charge for the year	<u>4,946</u>

The impairment charge of £4.946 million includes a £0.275 million charge for HRA Non-Dwellings which is charged direct to the HRA Comprehensive Income and Expenditure Statement. The reversal of previous impairment losses includes £0.548 million revaluation gains applied directly to the HRA CIES due to revaluation gains on HRA Non-Dwellings. (In 2015/16 there were impairment charges of £0.804 million less a £0.104 million impairment reversal on HRA Non-Dwellings).

7 Rent Arrears and the Provision for Bad and Doubtful Debts

The rent arrears at 31 March 2017 were £347,203 (2015/16 - £413,211), which equates to 2.47% (2.87% for 2015/16) of the gross rent due for the year after excluding rents foregone on empty properties and housing benefit overpayments but inclusive of service charges.

The HRA Provision for Bad and Doubtful Debts at 31 March 2017 is £0.144 million after the following movements on the account during 2016/17:

2015/16		2016/17
£000		£000
128	Balance as at 1 April	144
29	Provision for year	81
(13)	Arrears written off	(81)
<hr/> 144	Balance as at 31 March	<hr/> 144
<hr/> <hr/>		<hr/> <hr/>

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

2015/16		2016/17			
£000		Council Tax £000	Business Rates £000	Total £000	Note Ref
INCOME					
(68,694)	Council Tax Payers	(72,155)	-	(72,155)	2
(26,281)	Income from Business Ratepayers	-	(26,585)	(26,585)	3
(94,975)	Total Income	(72,155)	(26,585)	(98,740)	
EXPENDITURE					
Precepts:					
48,132	Essex County Council	50,752	-	50,752	4
2,942	Essex Fire Authority	3,039	-	3,039	
6,517	Essex Police and Crime Commissioner	6,831	-	6,831	
7,899	Tendring District Council	8,294	-	8,294	
Shares of Business Rates Income:					
12,673	Central Government	-	12,969	12,969	3
2,281	Essex County Council	-	2,334	2,334	
253	Essex Fire Authority	-	259	259	
10,139	Tendring District Council	-	10,375	10,375	
2,740	Share of Collection Fund Balance	3,250	(1,030)	2,220	5
Other Business Rates Payments:					
295	Costs of Collection	-	295	295	
63	Transitional Protection Payments	-	136	136	
220	Renewable Energy Schemes	-	297	297	
Bad Debt and Other Provisions:					
281	Provisions	121	32	153	6
508	Write Offs	574	163	737	
772	Provisions for Appeals	-	(654)	(654)	
95,715	Total Expenditure	72,861	25,176	98,037	
740	(Surplus)/Deficit for the Year	706	(1,409)	(703)	
Collection Fund Balance					
(3,263)	Balance brought forward	(3,905)	1,382	(2,523)	
740	(Surplus)/Deficit for the year	706	(1,409)	(703)	
(2,523)	Balance Carried Forward	(3,199)	(27)	(3,226)	5
Allocated to:					
691	Central Government	-	(14)	(14)	
(2,747)	Essex County Council	(2,356)	(2)	(2,358)	
(161)	Essex Fire Authority	(141)	-	(141)	
(388)	Essex Police and Crime Commissioner	(317)	-	(317)	
82	Tendring District Council	(385)	(11)	(396)	
(2,523)		(3,199)	(27)	(3,226)	

1 General

The Collection Fund reflects the statutory requirement for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and business rates. There is no requirement for a separate Collection Fund Balance Sheet. Instead, Collection Fund balances are distributed across the Balance Sheets of the billing authority, the Government and precepting authorities according to the provisions of the Code.

2 Council Tax

The average Council Tax levy for 2016/17 was £1,534.60 for a Band D dwelling. This rate of tax, which covers estimated net expenditure of the Council, Essex County Council, Essex Fire Authority, Essex Police and Crime Commissioner and the Parish and Town Councils, was assessed on the tax base set out below:

Calculation of the Tax Base for 2016/17

2015/16 Band	Valuation	Pro-portion	Full Charge	Paying 75%	Paying 50%	2nd Homes	Empty Properties	Exempt	Total Excluding LCTS	LCTS Scheme 100%	Total
7	*A Up to £40,000	5/9	8	7	-	-	-	-	15	(5)	10
8,604	A Up to £40,000	6/9	4,191	7,213	27	622	575	308	12,936	(3,529)	9,407
14,072	B £40,001 to £52,000	7/9	9,727	6,933	21	319	342	192	17,534	(3,161)	14,373
18,214	C £52,001 to £68,000	8/9	13,060	6,581	40	464	266	259	20,670	(2,520)	18,150
9,811	D £68,001 to £88,000	9/9	7,269	2,620	46	218	118	128	10,399	(647)	9,752
4,603	E £88,001 to £120,000	11/9	3,633	901	32	89	40	43	4,738	(152)	4,586
1,614	F £120,001 to £160,000	13/9	1,270	262	38	46	15	12	1,643	(38)	1,605
773	G £160,001 to £320,000	15/9	576	114	40	32	9	5	776	(9)	767
54	H Over £320,000	18/9	41	2	9	3	3	-	58	-	58
<u>57,752</u>			<u>39,775</u>	<u>24,633</u>	<u>253</u>	<u>1,793</u>	<u>1,368</u>	<u>947</u>	<u>68,769</u>	<u>(10,061)</u>	<u>58,708</u>
45,992	Number of equivalent full charge Band D dwellings (unscaled tax base)										46,634
(1,702)	Less Provision for changes in valuation list, discounts and doubtful debts										(1,726)
<u>44,290</u>	Tax base for tax setting purposes										<u>44,908</u>

* Band A – entitled to Disabled Relief

Analysis of the Council Tax

Council Tax for a Band D Dwelling

2015/16 Average £		2016/17 Average £
	Tendring District Council:	
136.44	General Expenses	141.47
11.20	Special Expenses	11.17
30.70	Town and Parish Councils	32.05
1,086.75	Essex County Council	1,130.13
66.42	Essex Fire Authority	67.68
147.15	Essex Police and Crime Commissioner	152.10
<hr/>		<hr/>
1,478.66		1,534.60
<hr/>		<hr/>

3 Business Rates

The Council collects Business Rates for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government:

2015/16		2016/17
£71.423m	Rateable Value on 31 March	£70.778m
	Non-Domestic Rate per £	
48.0p	Small Businesses	48.4p
49.3p	Standard	49.7p

Under the business rates retention scheme authorities retain a share of the income as follows:

- 50% - Central Government
- 40% - Tendring District Council
- 9% - Essex County Council
- 1% - Essex Fire Authority

4 Precepts

The Council (the collecting authority) and Essex County Council, Essex Fire Authority and Essex Police and Crime Commissioner (the major precepting authorities) precept upon the Collection Fund. Each precept is assessed from the Tax Base for tax setting purposes to produce each authority's budget requirement. The amounts paid under each of these precepts do not vary during the year. However, the tax yield is affected by changes in the valuation list (which defines each dwelling's banding), discounts (which reflect occupation of dwellings) and collection performance. The resulting balances are taken into account during each following year in assessing the Council Tax that both collecting and major precepting authorities must levy for the subsequent year.

5 Share of Collection Fund Balance

Each January, the Council must assess the likely yield from the current year's Council Tax and Business Rates, together with the excess or shortfall from the previous year's assessment. All major precepting authorities benefit from an assessed surplus (or contribute to a deficit) in the year following that in which an assessment is made.

2015/16		2016/17		
		Council Tax	Business Rates	Total
£000		£000	£000	£000
Allocated to:				
(113)	Central Government	-	(515)	(515)
2,164	Essex County Council	2,389	(93)	2,296
132	Essex Fire Authority	146	(10)	136
290	Essex Police and Crime Commissioner	323	-	323
267	Tending District Council	392	(412)	(20)
2,740		3,250	(1,030)	2,220

Therefore the year end surplus of £3.199 million on Council Tax and £0.027 million on Business Rates together with balances paid over to precepting authorities in 2017/18, will form part of the assessment made in January 2018.

6 Bad Debt and Other Provisions

Provision for Bad and Doubtful Debt

2015/16			2016/17		
Council Tax	Business Rates	Total	Council Tax	Business Rates	Total
£000	£000	£000	£000	£000	£000
597	192	789			
(358)	(150)	(508)			
239	42	281			
Movements in Year:					
			695	195	890
			(574)	(163)	(737)
			121	32	153
Balances on provisions:					
1,450	90	1,540	1,689	132	1,821
239	42	281	121	32	153
1,689	132	1,821	1,810	164	1,974

Provisions for Appeals (Business Rates only)

	2015/16	2016/17
	£000	£000
Balance Brought Forward	2,325	3,097
Contributions to provisions in year	772	(654)
Balance Carried Forward	3,097	2,443

ACCOUNTING POLICIES

a) **General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

b) **Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenditure in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. The only exceptions to this are with regard to certain revenue transactions where the accruals concept has not been applied (for example, electricity and similar quarterly payments) as the change from year to year is recurring in nature and the sums involved are not material compared with total expenditure and income, and where appropriate when expenditure is being funded by external grant, depending on the requirements specified in the conditions of grant. As this policy is applied consistently each year, it has no material effect on the year's accounts. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

c) **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

d) **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

e) **Charges to Revenue for Non-Current Assets**

Service revenue accounts and support services are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- Amortisation of intangible assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

f) **Council Tax and Non-Domestic Rates**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

g) **Employee Benefits**

Benefits Payable During Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, for example, time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting period, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

Employees of the Authority are members of the Local Government Pension Scheme, administered by Essex County Council.

This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Essex County Council pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.7%, the yield on Merrill Lynch AA rated corporate bond curve (17 year).
- The assets of Essex County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - ❖ Quoted securities – current bid price;
 - ❖ Unquoted securities – professional estimate.
 - ❖ Unitised securities – current bid price;
 - ❖ Property – market value.
- The change in the net pensions liability is analysed into the following components:

Service cost comprising:

 - ❖ **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

- ❖ **Past service cost/gain** – the increase/decrease in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited/credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Resources and Corporate Services.
- ❖ **Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority** – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- ❖ **The return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- ❖ **Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Essex County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

h) **Events after the Reporting Period**

Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

i) **Financial Instruments**

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

For all of the borrowings that the Authority has, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The Council operates a deposit guarantee scheme set up to help people who are homeless, or threatened with homelessness, and unable to raise the deposit necessary to secure private rented accommodation. The deposit guarantee scheme is a written agreement and represents a deposit equal to the value of one month's rent. The deposit covers any damage or rent arrears incurred by the tenant for the duration of their tenancy. In the event that a landlord needs to make a claim against the deposit guarantee at the end of the tenancy, the tenant will be required to repay this money to the Council.

Financial Assets

Financial Assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. For all of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the rate of interest for the instrument.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Instruments entered into before 1 April 2006

The Authority entered into a scheme of arrangement in respect of Municipal Mutual Insurance in 1992 which is not required to be accounted for as a financial instrument. This is reflected in the Statement of Accounts to the extent that a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

j) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as current liabilities. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Grants to cover general expenditure (for example, Revenue Support Grant) are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

k) **Heritage Assets**

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Authority's collection of heritage assets is accounted for as follows:

Machinery

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

Heritage Buildings

These buildings include the Harwich Crane, the Leading Lights at Dovercourt and the Redoubt in Harwich, all of which are held at a nominal value in the accounts.

Heritage Assets – General

The carrying amounts of all heritage assets are reviewed where there is evidence of impairment. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment (see item (p) in this summary of significant accounting policies). Where applicable, disposal proceeds are disclosed separately in the note to the Financial Statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

l) **Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (for example, software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority. The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised on a straight line basis over its useful life of four years, commencing the year after purchase, to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

m) **Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at cost.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

n) **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the Property, Plant or Equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

➤ **Operating Leases (including Contract Hire)**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (for example, there is a rent-free period at the commencement of the lease).

The Authority as Lessor

➤ **Finance Leases**

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the assets in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- ❖ A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- ❖ Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

➤ **Operating Leases**

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the relevant service line within Net Cost of Services in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (for example, there is a premium paid at the commencement of the lease).

o) **Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

p) **Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment, provided their value is greater than £10,000.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (for example, repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- The initial estimate of the costs of dismantling and removing the items and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (for example, it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement basis:

- Equipment, infrastructure, community assets and assets under construction – depreciated historical cost;

- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market based evidence of current value because of the specialist nature of an asset depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (for example, freehold land and certain Community Assets) and assets that are not yet available for use (for example, assets under construction).

Depreciation is calculated on the following basis:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset.
- Infrastructure – straight-line allocation.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluation that would have been recognised had they not been classified as Held for Sale) and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals are payable to the Government under pooling arrangements based on the age, type of dwelling and relevant shares due to Government and Tendring District Council. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Capital receipts of £10,000 or less are credited to the General Fund Revenue Account to be used for revenue or capital purposes except for Private Sector Grant/Loan repayments which are credited directly back to the Capital Receipts Reserve to support the on-going capital programme.

The interest earned from holding capital receipts is credited to the Comprehensive Income and Expenditure Statement.

q) **Provisions, Contingent Liabilities and Contingent Assets**

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority has an obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (for example, from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

r) **Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

s) **Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

t) **Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

The Council is allowed to recover VAT incurred on expenses where income from the activity is exempt provided it is 'insignificant'. The current test for insignificance is that the VAT incurred and recovered on exempt activities is less than 5% of the total VAT that is incurred on all of the Council's activities. If the amount exceeds the limit and no dispensation has been granted by HM Revenue and Customs, then none of the tax may be recovered. HM Revenue and Customs have raised no objection to the Council's method of calculation applied to exempt activities.

u) **Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets and some of its financial instruments such as certificates of deposit at fair value at each reporting period date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liabilities takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

OTHER INFORMATION

The Statement of Accounts is one of a series of documents that the Council publishes in order to provide financial information about its activities.

Other publications include the Financial Strategy and the Revenue Estimates and Capital Programme which provide information on the Council's financial position and planned expenditure and income each year.

These publications can be found on the Council's Web Site at www.tendringdc.gov.uk.

These documents are available for inspection in the Corporate Services Department at the Town Hall, Station Road, Clacton on Sea, Essex.

Members of the public may attend meetings of the Council, its Cabinet and Committees. Copies of the Council's minutes are available on the Council's website (details above). Dates and times of all Council/Cabinet/Committee meetings can be obtained from all Council Offices.

If any further information is required, please contact Richard Barrett (rbarrett@tendringdc.gov.uk), Head of Finance, Revenues and Benefits, Corporate Services, Town Hall, Station Road, Clacton on Sea, Essex, CO15 1SE – Telephone Clacton (01255) 686521.

GLOSSARY OF TERMS USED IN THE STATEMENT OF ACCOUNTS

Accounting Period

The period of time covered by the accounts; which is usually a period of twelve months commencing on 1 April and ending on the 31 March for Local Authority accounts.

Accumulated Absences Account

This represents an accrual required by International Financial Reporting Standards (IFRS). It recognises the net value of time either owed by an employee to the Council or owed by the Council to an employee. This generally arises from a timing difference between when an employee takes annual leave and the Council's financial year.

Accruals

Amounts included in the accounts to cover income or expenditure (revenue and capital) which relate directly to the accounting period being reported but for which payment has not been made/received by the end of the accounting period, e.g., equipment ordered and received before the end of the accounting period for which an invoice will not be received and paid until after the end of the accounting period.

Asset

Something owned by the Council that is considered to have an economic value. A further breakdown can be given such as non-current assets (e.g. property) or current assets (e.g. cash).

Bad or Doubtful Debts

It is good practice to create a provision for bad or doubtful debts representing the estimated amount of debt existing at the 31 March which is deemed to be irrecoverable.

Balance Sheet

A statement of assets, liabilities and other balances of the Council at the end of the accounting period.

Beacon Properties

These are properties grouped together by applying criteria such as size/type/location and used as a basis for the valuation of the Council's housing stock.

Billing Authority

The Authority responsible for administering the Collection Fund, including raising bills and collecting council tax and business rates.

Budget

The Council's aims and policies in financial terms. Also referred to as 'Estimates'.

Business Rates

A charge on commercial or non-domestic properties within the Council's area. The amount collected by the Council is paid over to Central Government, Essex Fire Authority and Essex County Council with a 40% share kept by the Council.

Capital Expenditure

This relates to expenditure on the Council's own assets in terms of extending asset life/enhancing an asset or the acquisition of new assets. This also includes grants made by the Council for similar purposes.

Capital Financing

The methods by which cash is raised to pay for capital expenditure. There are various options available including prudential borrowing, capital receipts, grants, direct revenue financing and the use of earmarked reserves.

Capital Programme

The capital schemes the Council intends to carry out over a specified time period.

Capital Receipt

Proceeds arising from the sale of capital assets or from the repayment to the Council of capital grants and loans. Capital receipts may be used to finance additional capital spending or to repay debt; they cannot be used to fund revenue services.

Capital Receipt Pooling

A proportion of the receipts received from housing disposals (i.e. Dwellings, land and other Housing assets – Net of statutory deductions and allowances) is payable to the Government (pooled) which then redistributes the pooled money as appropriate.

Cash Flow Statement

A summary of the inflows and outflows of cash arising from revenue and capital activities during the year.

Collection Fund

A fund administered by Billing Authorities which receives payments of Council Tax and Business Rates. Amounts are then paid from this fund (precepts) to precepting authorities (Essex Police and Crime Commissioner, Essex Fire Authority and Essex County Council) with an amount retained by the Council. The total collected from Business Rates is also paid from this fund to Central Government, Essex Fire Authority and Essex County Council with an amount of 40% retained by the Council.

Community Assets

Assets that the Council intends to hold in perpetuity that have no determinable useful life, or that may have restrictions on their disposal, e.g. open spaces not used in the direct provision of services.

Council Tax

A charge on residential properties within the Council's area to finance a proportion of the Council's and Precepting Authorities' annual expenditure.

Creditors

Amounts owed by the Council for work done or for goods and services received within the accounting period but for which payment was not made by the end of the accounting period.

Current Assets

Assets that are either cash or can be readily converted into cash, e.g. inventories and debtors.

Current Liabilities

Amounts which will become due for payment immediately or in the short term, for example, usually in the next twelve months following the accounting period being reported.

Debtors

Amounts due to the Council for goods or services provided within the accounting period but not received by the end of the accounting period.

Deferred Capital Receipts

Amounts due to the Council from the sale of assets which are not receivable immediately when the sale is completed.

Defined Benefit Scheme

A pension scheme in which the rules specify the benefits to be paid to members and the scheme is financed accordingly.

Depreciation

The notional loss in value of an asset due to age, wear and tear, deterioration and obsolescence.

Earmarked Reserve

A sum set aside to meet commitments in future years.

General Fund

The main account of the Council which records the net cost of providing services each year.

Government Grants

Payments by central government departments towards the cost of the Council's services. They can be general grants such as the Revenue Support Grant or may be for a specific purpose, for example, Coast Protection.

Heritage Assets

Assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

Housing Revenue Account (HRA)

Similar in purpose to the General Fund but this account records all of the transactions relating to the Council's housing activities, e.g. management, repairs and improvements to the Council's housing stock and rents due from tenants.

Impairment

A reduction in the value of a non-current asset resulting from either: obsolescence, physical damage or an accepted method of asset valuation (most commonly market valuation).

Intangible Assets

These assets are similar to non-current assets in that they can be expected to be of use or benefit to the Council in delivering its services for more than one accounting period. These however do not have physical substance; the main example is IT Software.

Inventories

Items of materials and stores purchased by the Council to use on a continuing basis in delivering its services. The value of the items not used by the Council by the end of the accounting period being reported, are included as current assets in the balance sheet.

Leasing

A method of acquiring/utilising an asset in the provision of the Council's services. Principally there are two types of lease:

- ❖ Operating leases where an annual payment is made to an external supplier for the use of an asset which is then returned at the end of the lease.
- ❖ Finance Lease where an annual payment is made as above although the payment comprises of a principal element and an interest element and a substantial part of the risks and rewards of ownership pass to the lessee.

Major Repairs Reserve (MRR)

A capital reserve held for investment in the replacement of structures and components of the Council's Housing stock. This reserve is funded from the HRA via a depreciation charge along with further voluntary contributions where necessary to meet the cost of future capital expenditure. Interest earned on the MRR balance is credited directly to the HRA.

Minimum Revenue Provision (MRP)

Local authorities must make prudent provision for the repayment of its debt. MRP is the minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council. Authorities are free to make additional voluntary provisions from the General Fund, HRA or from capital resources.

Non-Current Assets

Assets which can be expected to be of use or benefit to the Council in delivering its services for more than one accounting period.

Precept

The amount levied by a Precepting Authority on a Billing Authority to meet its annual expenditure requirements.

Precepting Authority

Public Sector bodies including county and parish/town councils, police and fire authorities, which cannot levy a council tax directly on the public but have the power to precept Billing Authorities.

Provisions

Amounts set aside to meet future costs, resulting from a past event, of uncertain timing which are likely or certain and for which a reliable estimate can be made.

Prudential Code

The Prudential Code sets out the system of capital financing and capital controls for Local Authorities. Prudential limits apply to all borrowing, qualifying credit arrangements and other long-term liabilities – whether supported by government or entirely self-financed. The Code seeks to ensure that local authorities' capital investment plans are affordable, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice; and that local strategic planning, asset management planning and proper option appraisal are supported.

Public Works Loan Board (PWLB)

A government body that lends money to public bodies for capital purposes with rates of interest being determined by HM Treasury.

Reserves

Amounts set aside to meet future costs that have been identified at the end of the accounting period being reported.

Revenue Support Grant (RSG)

Central government provides financial support towards the general expenditure of Local Authorities. The entitlement of each Local Authority is determined by a prescribed methodology.

Revenue Account

An account which records the Council's day to day expenditure and income on items such as salaries, repairs and maintenance, and other running costs.

Revenue Expenditure Funded from Capital under Statute

Expenditure which may be capitalised but where the Council does not control the economic benefits that may arise, for example, capital grants made to external organisations.

Support Services Costs

The cost of services within the Authority that principally provide professional and administrative assistance to other services within the Council.

TENDRING DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2016-17

1. ACKNOWLEDGEMENT OF RESPONSIBILITY FOR A SOUND SYSTEM OF GOVERNANCE

Tendring District 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 acknowledges that it is responsible for: -

- **putting in place proper arrangements for a sound system of governance and internal control**
- **facilitating the effective exercise of its functions**
- **management of risk**

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the **CIPFA / SOLACE *Delivering Good Governance in Local Government Framework (2016 Edition)***. A copy of the authority's code is available to be viewed or downloaded from the Council's website (www.tendringdc.gov.uk) or can be obtained by contacting the Council's Corporate Services Department.

This statement explains how the Council has complied with the code, and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1), which requires all relevant authorities to, each financial year: -

- (a) conduct a review of the effectiveness of the system of internal control
- (b) prepare an annual governance statement

2. ROLES OF THOSE RESPONSIBLE FOR THE DEVELOPMENT AND MAINTENANCE OF THE GOVERNANCE ENVIRONMENT



The roles of those responsible for the development and maintenance of the governance environment can be summarised as follows: -

The Authority (Full Council)	The Executive (The Cabinet)
<ul style="list-style-type: none"> • Approve Constitution and Policy Framework • Approve Council's overall budget • Approve matters reserved by law to Full Council 	<ul style="list-style-type: none"> • Undertake the Council's Executive functions • Making decisions within the Budget and Policy Framework
Standards Committee	Overview and Scrutiny Committees
<ul style="list-style-type: none"> • Promote and maintain high standards of conduct • Develop culture of openness, transparency, trust and confidence • Embed a culture of strong ethical and corporate governance 	<ul style="list-style-type: none"> • Review or scrutinise Executive decisions • Assist with policy formulation and review • Report to Council / Cabinet on Council functions/ matters affecting the area or its inhabitants
Audit Committee	Management Team
<ul style="list-style-type: none"> • Approve the Council's Statement of Accounts • Independent assurance of adequacy of risk management framework • Consider Internal / External Audit work and recommendations arising 	<ul style="list-style-type: none"> • Develop and maintain the Council's strategic direction • Ensure delivery of agreed targets within service areas • Review overall performance, both financial and non-financial, and change management
Statutory Officers	Internal Audit
<ul style="list-style-type: none"> • Head of Paid Service – discharge of Council functions • Monitoring Officer – lawfulness and fairness of decision making • Chief Financial Officer (S151) – lawfulness of Council's financial affairs and financial prudence of decision making 	<ul style="list-style-type: none"> • Provide an independent and objective assurance function • Improve effectiveness of risk management, control and governance processes

3. EFFECTIVENESS OF THE KEY ELEMENTS OF THE CORPORATE GOVERNANCE FRAMEWORK

Purpose of the Governance Framework

The governance framework comprises: -

- **the systems and processes, culture and values by which the authority is directed and controlled**
- **its activities through which it accounts to, engages with and leads its communities**

It enables the authority to monitor: -

- **the achievement of its strategic objectives**
- **to consider whether those objectives have led to the delivery of appropriate services and value for money**

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**
- **evaluate the likelihood and potential impact of those risks being realised**
- **manage those risks efficiently, effectively and economically**

The governance framework has been in place in the Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

The Governance Framework

The key elements that comprise the Council's governance arrangements include: -

1. The Council's Constitution, Budget and Policy Framework

- The **Council's Constitution** which sets out the Council's decision making framework enabling decisions to be taken efficiently and effectively, provides a means of holding decision makers to public account, a structure to deliver cost effective quality services to the community, and defines roles and responsibilities
- A **Corporate Plan** which identifies the Council's vision, its aims, values, opportunities and values
- **Budget and Policy Frameworks** covering key policies and plans that must be approved or adopted by full Council, including Financial Strategies and Budgets, Asset Strategies and Management Plans, Local Development Plans

2. Other Strategies, Policies and Procedures

- Clear **Codes of Conduct** which set behavioural expectations for all individuals representing the Council
- **Human Resources Policies and Procedures** covering an extensive range of good employment practices
- **Whistleblowing and Complaints Procedures** that provide individuals with opportunities to report issues with the Council
- **Information and IT Policies and Procedures** protecting data held by the Council
- A wide range of strategies, policies and procedures providing governance frameworks over functions and activities of the Council

3. Examples of Good Governance

- The identification of **Priorities and Projects** and their translation into clear goals enabling the targeting of work by departments
- **Performance Management** and **Budget Monitoring Frameworks** providing a review of key activities against targets set, delivery of projects, and financial performance
- The Publication of **Agendas, Minutes and Decisions** providing accurate and reliable information to the public
- A **Corporate Risk Management Framework** providing a structure for risk management within the Council, and a **Corporate Risk Register** identifying the key risk that the Council is exposed to that is subject to regular review
- **External Standards Compliance** including compliance with accounting and auditing codes and standards, and conformance of the Council's financial management arrangements with the governance requirements of the CIPFA Statement on "*The Role of the Chief Financial Officer in Local Government (2016)*"
- Robust governance arrangements for working, engaging and consulting with the Council's stakeholders, partners and the public

The Code of Corporate Governance provides a framework of the governance arrangements in place in the Council, and includes additional detail for each of the above headings. The Code is subject to regular review to reflect changes to the Council's Governance Framework, and any update to the CIPFA / Solace framework.

The governance arrangements were subject to evolution during the year with a number of activities and actions undertaken in reviewing and strengthening the Council's Governance Framework. These are set out below against the **Core Principles of Good Governance** identified in the Council's Code of Corporate Governance.

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

- The establishment of governance arrangements for the Garden Communities project.
- Consultation on a draft Corporate Enforcement Strategy to provide a framework ensuring that the Council's enforcement functions are carried out in an equitable, practical and consistent manner, for introduction in 2017/18.
- Review of the Monitoring Officer Protocol.

B. Ensuring openness and comprehensive stakeholder engagement

- The Council continued to be engaged in a number of partnership projects and initiatives to bring about sustained change in local services, to recast collective activity around the needs of local communities and citizens, and to deliver the conditions for growth that supports businesses and residents.
- A continuing role for the Local Plan Committee to oversee the remaining stages of preparing the Local Plan, addressing the fundamental issues raised by objectors and dealing with other aspects of planning policy work.
- All Members receiving a presentation from representatives of the Local Government Boundary Commission for England, together with events for local community groups and representatives and Town and Parish Councils, providing information regarding the electoral review for the District.
- All Member briefings on topical subjects including Jaywick Sands, Budgets, the emerging Local Plan, and Garden Communities.

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

- Approval of a Corporate Plan for 2016-2020 outlining the Council's vision, its priorities and projects, and with community leadership at its heart.

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

- As part of the financial strategy process, the establishment of Portfolio Holder led working parties each with a remit to identify budget reductions to meet the budget gaps for the period 2017/18 to 2019/20, providing forums for members and officers to discuss ideas and share information.
- Approval of a revised Capital Strategy taking account of the Council's financial environment, and providing guidance for individual capital investment decisions to promote consistency and reflect financial governance requirements.

- Approval of a Commercial Property Investment Policy to provide the opportunity to obtain improved yields compared to existing investment opportunities available.
- Adoption of a Customer Service Delivery Strategy to deliver an improved level of customer service at a reduced cost.
- Consultation on a draft Asset Management Plan, Property Strategy, Property Programme to enable the Council to manage effectively its land and property assets, for adoption in 2017/18.

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

- The Officer structure of the Council has continued to be subject to revision to facilitate service delivery within the resources available.
- Changes to Cabinet roles and responsibilities during the year to meet the challenges ahead, including Jaywick being given its own Cabinet Member with special responsibility to drive forward regeneration efforts to bring new homes, jobs and infrastructure to the area.
- The merger during the year of the Community Leaderships and Partnerships Committee and the Education and Skills Committee enabling the scrutiny of the delivery of education and skills services to be considered alongside other important functions including health, policing and the voluntary sector.
- A proactive framework for revising the Constitution ensuring it remains up to date and fit for purpose, enabling the Council to operate effectively in pursuit of its priorities.
- Continuing progress in transforming working arrangements to provide Members and officers with the best tools the Council can provide to undertake their roles effectively and efficiently in a modern environment.
- An Electoral Review Working Group, with cross party representation from Members, drawing up recommended proposals in respect of the total number of Councillors and numbers and boundaries of wards to be put to the Local Government Boundary Commission for England.
- A review of the Senior Management structure of the Council.
- Consideration of the operation of political proportionality rules in the allocation of seats on Committees to non-aligned Members.
- The adoption of a People Strategy setting out the Council's people priorities including recruitment, retention, staff development and organisation development.

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

- The retraining of staff and ensuring that rigorous management systems are put in place regarding health and safety.

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

- The determining of arrangements for the appointment of the Council's external auditors for 2018/19 onwards.
- The introduction of a revised Code of Corporate Governance consistent with the CIPFA / SOLACE Framework for delivering good governance in Local government 2016.

4. OPINION ON THE LEVEL OF ASSURANCE THAT THE GOVERNANCE ARRANGEMENTS CAN PROVIDE

The framework in place provides a sound basis for delivering good governance within the Council.

The Council has a statutory responsibility for conducting, each financial year, a review of the effectiveness of its system of internal control. The review of effectiveness is informed by: -

- **The work of Internal Audit as outlined in the Audit and Governance Manager's annual report**
- **Any issues reported or comment from the Council's external auditors and other review agencies and inspectorates**
- **The work of senior managers within the Council who have responsibility for the development and maintenance of the governance environment**

In practice, review of effectiveness is an ongoing process throughout the year. Set against the backdrop of ongoing reductions in Government funding of the Council and associated savings targets, action has continued within the Council in 2016/17 to provide a sustainable and long term basis against which to deliver services. These changes present governance challenges and risks that have been recognised as part of the process of managing change.

The Council draws assurance on its governance arrangements from a number of sources, in particular: -

- **Internal Audit**

The Internal Audit function undertakes a risk based programme of audits each year to provide the Council with assurance on the adequacy of its system of internal control.

The control and governance arrangements were found to be operating satisfactorily in many of the activities audited during the year, with significant issues identified only in a small number of the audits completed. Summaries of the significant issues identified in the audits completed during the year were included in periodic reports to the Audit Committee, with the Committee's attention drawn to audits on Sundry Debtors, Procurement, S106 Agreements, Housing Allocations, Risk Management, Payroll and Human Resources Computer Application Review, and Uniform Computer Application Review, all of which had been given an assurance rating of Improvement Required. It should be noted that some of the issues identified in these audits were quite specific and that the governance arrangements were otherwise generally found to be of a satisfactory standard, however there were some weaknesses identified related to key or systems in use across the Council therefore giving a wider risk exposure.

The Audit and Governance Manager has drawn together the results of all the audits undertaken during the year, and considered where appropriate the work undertaken by other review agencies, in forming an opinion. Whilst the governance arrangements were generally found to be sound and fit for purpose, the wider risk exposure linked to some of the significant issues reported result in it only being possible to give a qualified assurance.

The corrective action taken by officers with regard to the issues raised by Internal Audit aids the improvement / maintenance of the control and governance framework. Robust mechanisms are in place to monitor progress of corrective action, with follow up audits scheduled as necessary.

In respect of the risk management issues mentioned above, key actions to be undertaken during 2017/18, supported by senior managers, include:

- Promoting the importance of operational risk management within the organisation;
 - The Fraud and Risk Manager to identify and record key operational risks across the organisation in consultation with services;
 - To embed a quality control process for monitoring business risks and verifying the mitigating controls.
- **External Audit**
The Council is subject to an annual programme of external audit work associated with the Council's Statement of Accounts and value for money arrangements.

Each year the auditor's overall findings are brought together in an Audit Results Report and Annual Audit Letter (available on the Council's website). Action is taken on issues identified, with any material ongoing issues incorporated within Significant Governance Issues below.

- **Other Review Agencies and Inspectorates**
The Council is subject to inspection and review by a number of other agencies and inspectorates. The Council aims to take action to address any issues that arise from such inspections and reviews, and to improve governance arrangements where it is appropriate to do so.
- **Senior Managers**
In addition to the review work undertaken above to review and strengthen the Council's Governance Framework, the Council's senior managers have participated in a review of the effectiveness of the system of internal control providing assurance regarding the governance / control environment for their areas of responsibility.

5. ISSUES RAISED IN THE PREVIOUS YEAR'S ANNUAL GOVERNANCE STATEMENT

In respect of the governance issues identified as part of last year's Annual Governance Statement, the actions undertaken to address and resolve those issues included: -

- **Planning finances effectively to support the sustainable deliver of strategic priorities and maintain statutory functions**

A balanced budget for 2017/18 was agreed by Full council on 7th February 2017.

A key priority for the Council is now to look ahead to the budgets for 2018/19 and 2019/20 which will present a significant financial challenge with early forecasts indicating savings of £3.4m being required.

- **Managing and utilising assets effectively to support the delivery of strategic priorities**
The on-going and comprehensive review of assets continues to form an important strand of work associated with the wider office transformation project. Decisions in respect of the Council offices in Weeley have now been taken and are being taken forward along with a number of further asset related initiatives.

An Asset Management Plan and a Property Strategy have been adopted early in 2017/18.

- **Working with partners effectively to deliver strategic priorities - Jaywick**

The Council continues to work with partners in progressing / developing the various strands of this major project.

- **Working with partners effectively to develop strategic priorities – Garden Communities**

Full Council on 29th November 2016 gave approval in principle to the Council being a long term funder for the project, in partnership with other Council's, having received a comprehensive report which set out the first steps in this major project.

The Council continues to work with partnering authorities to take this project forward with further decisions planned to be presented to Members in 2017/18.

- **Other Major Issues – Code of Corporate Governance**

A new Code of Corporate Governance, taking account of the CIPFA / Solace framework for delivering good governance in Local Government, was agreed by the Audit Committee at its 26th January 2017 meeting.

- **Other Major Issues – Embedding arrangements regarding recording of Officer Decisions and the Scheme of Delegation within departments**

Training was provided to Senior Officers on the new Committee Management system in 2016, which included the requirements for Officer Decisions.

The Scheme of Delegation to Officers remains as an ongoing activity to reflect the most up to date position in respect of Portfolios and Senior Management Structures.

6. SIGNIFICANT GOVERNANCE ISSUES

To support the Council in addressing some of the key issues and improvements that have emerged from the annual review of effectiveness, including any items identified as part of the work of the External Auditor, the following actions have been identified :-

Governance Issue	Action
<p>Sustainable Resource Deployment: Achievement of Savings Needed over the Medium Term Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions. Given the scale of savings needed, there is a risk that savings plans to bridge this gap are not robust and / or achievable.</p>	<p>Via the Financial Strategy process, continue to maintain a strong and robust approach to identifying savings and respond to new or additional burdens against the backdrop of planned cuts in Government funding to the Council over the period 2017/18 to 2019/20, with expected savings of £3.4m being required.</p>

Governance Issue	Action
<p>Delivery of the Transforming The Way We Work project</p>	<p>To continue to maintain strong governance arrangements as the Council transforms the way in which it provides and delivers its services.</p>
<p>Informed Decision Making: Garden Communities Working with partners to identify an agreed strategic approach to the allocation and distribution of large scale housing led mixed use development, including employment opportunities and infrastructure provision. As a new and significant arrangement there may be risks relating to the governance arrangements for the establishment of the project.</p>	<p>To continue to play a key role in the development of the Garden Communities Project including key governance structures and financial arrangements set against open and transparent decision making.</p>
<p>Working with Partners and Other Third Parties Working with partners / third parties to effectively deliver the Jaywick Sands Community Development project</p>	<p>To continue to work with Essex County Council and other partners to develop options for residential and other development. To develop options for housing company and lead on set up of company.</p>
<p>Other Major Issues Competing priorities and resources not being aligned with projects at their outset to establish if there are sufficient resources to deliver those projects within the expected timescales</p> <p>In the light of recent experience, ensuring that the Council operates and delivers safe services.</p>	<p>To ensure deliverability of projects without impact on the day to day operations of the Council.</p> <p>To develop and maintain a robust corporate approach to delivery against the Council's health and safety responsibilities</p>

Progress regarding these governance issues will be monitored throughout the forthcoming year by the Council's Audit Committee.

7. CONCLUSION

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

We propose over the coming year to take steps to address the significant governance issues identified in this statement, and to further enhance our governance arrangements. We are satisfied that these steps will address the needs for improvements that were identified in our review of effectiveness and will monitor their implementation as part of our next annual review.

Ian Davidson
Chief Executive
Date

Neil Stock
Leader of the Council
Date

The Chief Executive and the Leader of the Council have certified the formal Annual Governance Statement, which is held by the Head of Finance, Revenues and Benefits and can be reviewed upon request.