Tendring District Council

STATEMENT OF ACCOUNTS

2017/18

TENDRING DISTRICT COUNCIL

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26 July 2018

NARRATIVE REPORT 2017/18

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:

We recently had a Local Government Association Peer Review. The Peer Review Team visited Tendring during the 6th to 9th March. The team consisted of a senior Councillor, Chief Executive and senior managers from other Councils. A number of sessions and discussions were held with our Councillors, officers and external partners. They spoke to in excess of 90 people and had more than 30 meetings. Even though the team was only with us for a short period of time, I was impressed by how quickly and how well they got to know us. It did not take them very long at all to understand who we are, what we are and what we are aiming to achieve. At the end of the visit the Team gave an overview of their feedback, key messages and recommendations.

[Some key highlights from their feedback are as follows]

- *Tendring District Council (TDC) is having a significant and positive impact right across its district.*

- *The Council has become more outwardly focused and is now an effective community leader. It is a member of the key decision making bodies in its area. It is acting as a catalyst for more effective and joined up public services and it is holding other service providers to account.*

- *Despite the challenges faced by the district the Council is ambitious and has a record of delivering significant projects. These have often been delivered in partnership and the Council has been very successful in leveraging significant funds from partners.*

- *TDC's finances are robust. It has already made £13 million of savings in recent years without any significant loss of services. It has adequate reserves, and its council tax is low. TDC has a future savings plan that aims to deliver £300,000 savings each year over the next ten years.*

The Peer Review Team made the following recommendations:-

- *Improve how we tell the story of what we are achieving;*
- *Devise an approach to programme management and project delivery;*
- *Bring the four strands of transformation – customers, property, digital and people – together;*
- *Review how we deal with underspends, savings and financial risk and look at the phasing of our capital programme;*
- *Add housing as a strand to our community leadership focus alongside education, health and community safety;*
- *Be confident in our plans for Jaywick Sands.*

These are sound recommendations and I am confident that they will strengthen and enhance our approach.

[In respect of the Council's Financial Position, the] underlying principle when we put together the budget each year was always to protect front line services wherever possible. Up until this year our focus has been on working more efficiently and reducing our staffing and overhead costs alongside modest changes to service delivery. This approach has seen in excess of £13 million being taken out of the budget over recent years with only minimal impact on front line services.

As we all already know, the pace of the reductions in Revenue Support Grant from the Government has meant that local authorities have not had the space and time to become self-sufficient. However, this Council has always made it clear that it is committed to 'growing' its own income via regeneration and economic development initiatives for example. We therefore needed a way to create the time and space to allow our local income to grow, and even if we are only partially successful, it would give the Council a fighting chance to emerge from the current difficult financial environment we currently face in good shape with only minimal reductions in service provision compared with the more traditional alternative of making significant and short-term cuts to services.

The longer-term approach to the forecast that we have adopted will enable us time to identify various actions that can be developed to deliver the underlying income growth required to offset changes in expenditure. If we get this right we aim to be delivering budget surpluses in the not too distant future, which we would then be available to reinvest in services. The budget presented achieves the first step within this new longer-term approach by delivering a balanced budget with only minimal use of the Forecast Risk Fund, and there are no reductions in services proposed.

Whilst mentioning the Forecast Risk Fund, it is important to highlight that we chose to set aside £1.434 million from the outturn position in 2016/17 to underwrite the financial risks going forward. This is therefore paying off and in fact we have been able to contribute an additional £454,000 to this fund from the 2017/18 revised budget, so we can move onto the 2019/20 budget over the coming months with growing confidence.

[The Council has] also taken the opportunity to make significant financial commitments to a number of projects. We have identified in excess of £7.5 million to fund a number of projects such as:

- *£2 million for Garden Communities*
- *£1 million for Harwich Public Realm*
- *£500,000 for housing in Jaywick Sands*
- *£1.5 million for office transformation and channel shift*
- *Over £2 million on regeneration and economic development projects*
- *Nearly £600,000 on repairs to key assets*

We want investment to also support our on-going financial position, so we are looking for a return on our money to provide income or to reduce cost pressures that may emerge in the later years of the forecast.

This Budget [2018/19] epitomises the ethos and spirit that underpins so much of what we are about at this Council:

- *it is about doing more with less by being innovative and creative.*
- *it is about facing down financial pressures with a dauntless positivity and confident optimism.*
- *it is about coming together for the greater good, because I see that despite our many and varied political backgrounds we do want to deliver the very best we can for the residents of this great district of Tendring.*

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:

- Organisational Overview and External Environment
- Governance and Operational Model
- Risk and Opportunities
- Strategy and Resource Allocation
- Non-Financial and Financial Performance
- Outlook

Organisational Overview and External Environment

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 the Council's Community Leadership role and involvement across a range of issues. It is recognised that effective partnership working will be an important element of delivering against key priorities within the district in the years ahead.

Delivery of a long term financial sustainability plan is the overriding priority for this Council with this having an influence on other projects and priorities, targets, delivery and performance management. The overriding pressure on the budget is the on-going reduction in Central Government funding which will decrease by £1.650 million over the next 3 years (12% of the Councils 2017/18 net budget)

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.

Governance and Operational Model

The outcome from the annual review of the Council's governance framework is set out within the Annex to the Statement of Accounts with many activities undertaken during the year to strengthen/enhance all areas of the framework. It is worth highlighting that the Acting Audit and Governance Manager proposes to issue an unqualified audit opinion for 2017/18.

Following a review of the Council's Committee structure during the year, Overview and Scrutiny Committees have been reduced from three to two with a focus on external and internal arrangements which has taken effect in early 2018/19.

An LGA peer review was undertaken during the year, the outcomes of which have been summarised earlier on in this narrative report as part of highlighting some of the key points made by the Council's leader in his annual State of Tendring District Statement. Delivery against the recommendations emerging from the peer review are included as significant governance actions to be addressed in 2018/19 along with other key activities set out within the Annual Governance Statement.

The following sets out the Chief Finance Officer (S151 Officer) report to Council as part of the budget process:

The budget estimates for 2017/18 have been prepared within the framework of a risk based process. Clear rationale has been stated surrounding the formulation of the 2017/18 budget which is supported by a robust reserves position. This position has been supported by a programme of actions, including Portfolio Working Parties, which have contributed 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 2017/18 that changes this underlying principle. A specific statement on reserves is set out further on in this section of the report.

The budget process continues to remain alert to government announcements and the impact of external issues such as funding receivable from elsewhere within the public sector. Budgets also aim to reflect 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 in respect of financial resilience continue to 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 may have a financial consequence. Where the Council makes significant financial commitments, such as regeneration projects, money is found from within existing budgets and set aside accordingly rather than relying on projected savings or future forecasts.

It is recognised that cost pressures will emerge over and above those included within the 2017/18 budget. The list of emerging cost pressures will remain under on-going review so a 'live' schedule is maintained with a view to prioritise them and explore opportunities to fund them outside of the annual budget setting process where possible.

The Council has also engaged in a programme of bringing services back in-house where advantageous to the Council, which has already generated savings for the Council. This work remains on-going with at least one further contract being planned on being brought back in-house over the coming months.

The Council's External Auditor confirmed in its most recent Annual Audit Letter that key assumptions underpinning the budget have been identified and they also acknowledged the setting in place of the programme to identify the required savings and that to date the Council has responded well to the financial challenges it faces.

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 continues to form a key element of the Council's approach going into 2017/18 and beyond.

The Council is also playing a key role in a number of activities such as engaging with cross authority working and maximising commercial opportunities wherever possible, all of which are important elements in supporting the Council's longer term financial strength. Significant transformation activities including office rationalisation and channel shift projects are now underway within the Council to support the overall financial position going forward.

In respect of the 2017/18 budget, work has been undertaken in association with departments to produce detailed budgets that are to a large extent effectively cash limited to previous year's spending levels. Inflationary pressures have been separately considered with budgets adjusted to take account of such pressures where significant.

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.

The Council remains alert to the risks associated with the highly complex area of the budget introduced via the local retention of business rates. A separate NDR Resilience Reserve has been established to support the Council through periods where income may be volatile, which provides the Council with a longer recovery period through a self-sufficiency approach.

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.

Within the Financial Strategy framework there is Cabinet involvement at various stages in addition to a comprehensive review and associated input from the Corporate Management Committee.

Regular and comprehensive monitoring of the budget will be undertaken during 2017/18 as part of the well-established and comprehensive Corporate Budget Monitoring process so issues can be identified and action taken at the earliest opportunity if and when appropriate.

Similarly to last year, the 2017/18 budget is supported by one-off funding as part of a 2 year budget cycle which uses a favourable financial position when taking 2016/17 and 2017/18 together. The figure included in the estimates is challenging but 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 2017/18 budget has been agreed.

The proposed budget resulting from this process is therefore robust and deliverable and is supported by reserves.

In terms of the inputs, outputs and operational activities of the Council's key services, these can be demonstrated by reference to the performance section of this report, where financial and non-financial performance of the Council is set out.

Risks and Opportunities

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 six 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 the 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 a summary of this item as currently 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.	• Long Term Financial Plan updated on an ongoing basis. • Financial Strategy/Forecast 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

As highlighted above, the Corporate Risk register recognises the risks associated with the delivery of key projects and initiatives, with the current risk register recognising items such as:

- Transforming the way the Council works
- The Garden Communities Project
- Building Council Homes
- Coastal Defences

The Corporate Risk Register also acknowledges the risks associated with the development of services and includes items such as:

- The management of council assets
- The management of information
- Partnership working

In addition to the above, risks and opportunities are reviewed, considered and reported to the Council's Senior Management Team and Members as part of the Council's decision making processes when projects are identified and developed during the year.

Strategy and Resource Allocation

During the year the Council adopted a long term financial sustainability plan with the primary aim of protecting services, as far as is reasonably possible, that the Council provides to its residents, businesses and visitors in the wake of the on-going and significant reductions in government funding. A summary of the thinking behind this new approach is set out below: (a full copy of the relevant report considered by the Council's Cabinet on 5 September 2017 is available on the Council's website)

Over recent years, the reductions in Government funding have been so significant in comparison to the Council's net budget that it has been impossible to generate underlying growth in locally generated income to make up the shortfall at the same pace as the reductions in grant funding.

However, the Council has always made it clear that it is committed to 'growing' its own income via regeneration and economic development initiatives for example.

The pace of the reductions in Revenue Support Grant (RSG) from the Government has meant that local authorities have not had the space and time to become self-sufficient. [The new approach] sets out a longer term view of the forecast and proposes the use of one-off money to support the budget until such time as growth in income exceeds expenditure forecasts.

It is therefore projected that the revised approach will create the time for income to outperform reductions in RSG and net expenditure pressures with the Council emerging from the current difficult financial environment in good shape with only minimal reductions in service provision compared with the alternative of making significant and short term cuts to services.

The longer term approach enables various actions to be developed to deliver the underlying income growth required to offset changes in expenditure with the eventual aim of delivering budget surpluses in the future and recognises that savings can be identified over a longer period of time.

As highlighted, the approach relies upon utilising one-off money set aside to support budget deficits in the short term. The one-off money set aside as part of the Outturn for 2016/17 totalled ***£1.434 million,*** *which provides a strong foundation against which to build on going forward to support the budget. [The above amount has been contributed to a Forecast Risk Fund with additional contributions made to it via the revised budget process for 2017/18 and the reserve now stands at* ***£1.888 million*** *at the end of March 2018]*

The forecast will need to be closely managed with periodic adjustments over time. Should it not be possible to deliver the revised approach, the Council can revert back to the more traditional shorter term strategy.

The forecast annual deficit or surplus within the long term plan is summarised as follows, with deficits met by the Forecast Risk Fund:

Year	Net Budget Position (including adjusting for prior use of reserves to balance the budget)
2017/18	£0.558 million (Deficit)
2018/19	£0.144 million (Deficit)
2019/20	£0.650 million (Deficit)
2020/21	£0.857 million (Deficit)
2021/22	£0.652 million (Deficit)
2022/23	£0.441 million (Deficit)
2023/24	£0.225 million (Deficit)
2024/25	£0.004 million (Deficit)
2025/26	£0.223 million (Surplus)
2026/27	£0.454 million (Surplus)

The long term forecast will be updated during the first half of 2018/19.

In considering a delivery plan, five key strands have been identified, all of which seek to make the necessary contributions to the proposed new long term approach.

- **Increases to Underlying Income**
  This strand concentrates on delivering growth in council tax and business rates and will include year on year increases in the council tax levy, increasing collection performance, on-going compliance work to ensure that people / businesses are paying what they are liable to pay along with general housing and business growth in the district.

- **Controlling Net Expenditure Inflationary Pressure**
  It would be useful if the Council could hold future costs to 2017/18 prices, which would enable income growth to quickly outstrip the cost of growth in net expenditure. Although it is accepted that this will not be possible in the purest sense, it is a good base to work from e.g. reducing energy usage, redesigning/alternative service delivery, reducing printing and paper usage, office rationalisation, working with Town and Parish Councils and renegotiating contracts. The above set out only a few examples where the Council can look to limit net increases in its overall budget which will be developed as part of the overall delivery plan and will also include maximising its assets and generating money from capital investment.

- **Savings and Efficiencies**
  Savings still feature within the forecast, albeit at a much more modest annual rate than would otherwise have been the case and provide opportunities to maximise savings over a longer period.

- **Delivering a favourable Outturn Position**

  Although favourable outturn positions have been delivered historically, primarily through one-off items or the aggregate of a number of smaller items, actions to influence the likelihood of a favourable position can be put in place such as holding vacancies for a longer period of time where there would be no adverse impact on service delivery, reviewing carry forward requests each year, ‘banking’ fortuitous savings as they emerge such as unringfenced government grants and favourable increases in fees and charges income.

- **Cost Pressure Mitigation**

  Each year there are a number of cost pressures that emerge and are usually formed of a mix of where there is no option such as reductions in external funding and the living wage along with items where there is a choice whether to fund or not. The proposed new approach to the forecast does highlight the need to compromise to some extent in terms of the speed at which the Council can spend money on items where it has a choice to do so or not. This may involve areas where the additional expenditure may support income growth or the Council’s reputation. A hard but fair line will need to be taken to how much additional expenditure by way of cost pressures can be accommodated within the ten year forecast.

Where a need for a cost pressure is identified, the following questions need to be asked:

1) Can the expenditure be delayed until such time as there is a surplus in the forecast?
2) Can mitigating action be put in place or an alternative option implemented?
3) Can the cost pressure be supported by one-off money in the short term?
4) Can the cost pressure be mitigated via corresponding budget reductions within departmental budgets? Although this may be difficult for larger items, it may be possible for more modest amounts.

The Council is already delivering against many of the above strands e.g. office rationalisation, investment in commercial property, a reduction in the number of members, staff restructuring along with looking to renegotiate revised terms relating to the Council’s insurance premium portfolio.

Council Performance 2017/18

Non-Financial Performance

A comprehensive performance report is presented to Management Team and Members on a quarterly basis each year with a summary of the final position on key items for 2017/18 as follows:

PROJECTS

	Council and Community		Health and Housing		Employment and Enjoyment
!	Transforming the way we work	✓	Jaywick Community Development	✓	Local Plan
✓	Financial Self Sufficiency	✓	Cliff Stabilisation (Protecting our Coastline)	✓	Economic Development Delivery
✓	Property Management		Health and Wellbeing (Influencing)	✓	Maximising Tourism and Leisure Opportunities
	Education (Influencing)			!	Leisure Facilities
				✓	Garden Community

TARGETS

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

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	!

Transforming the way we work (Council and Community)

Behind Target

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

*Martyn Knappett – **Deputy Chief Executive***   *Finance and Corporate Resources Portfolio Holder*

Office Rationalisation – A White

Milestones	Progress	To be Completed
Develop detailed delivery plan and seek additional approvals as required.	The business case was signed off by the CEO: 14 September 17.	Complete *(Sept 17)*
Start work on alterations at Pier Avenue, Clacton.	Toilet refurbishment as preliminary phase is completed.	Complete *(Jan 18)*
Obtain statutory consent/s for next project stages.	Design team working on designs in the order of the phasing of the project. * Detailed investigations into structural and fire precaution issues prior to submission of the applications.	Feb 18 - Pier Ave *(Revised target: Apr 18*)* Apr 18 - Barnes House Jun 18 - Town Hall

Modern and Accessible Customer Experience – M Westall

Milestones	Progress	To be Completed
Recruit temporary staff to address back scanning of archives.	Staff have been appointed.	Complete *(Nov 17)*
Deploy centralised post processes.	Housing Team testing in progress. Expecting to go live by end April 18.	*Feb 18* *(Revised target: Apr 18)*
Purchase self-serve and CRM software and implement roll-out with Benefits & Revenues team.	Cabinet have agreed the funding for the project. Procurement should take place in mid-April 18.	Dec 17 (*Revised target: Feb 18)* Cabinet Report; Feb 18

Transforming the way we work (Council and Community) Continued…

Behind Target

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

*Martyn Knappett – **Deputy Chief Executive*** *Finance and Corporate Resources Portfolio Holder*

Programme of works for delivery of £1.5m IT investment – J Higgins (Year 3 of 3)

Milestones	Progress	To be Completed
Savings achieved, return on investment following project.	Achieved - subject to ratification by Financial Services and to commence 1 April 18.	Complete
Wi-Fi Networks, server upgrades and virtualisation to be completed.	The 'Phase 2' investigative work leading to the development of a low level replacement design incorporating the Office Transformation plans has commenced.	Virtualisation - Completed Wi-Fi - Phase 1 Completed Wi-Fi - Phase 2
Complete plan for roll-out of self-serve kiosks around Tendring District and begin implementation.	The Digital Transformation Programme was approved by Cabinet on 16 February 18. 'In house' IT developed Customer Access Portals are proving very popular within the Council's Pier Avenue office. Wider roll-out across the District to partner locations will be undertaken in co-ordination with the development of key customer self-service delivery decisions associated with the digital transformation programme, procurement of new customer self-service "My Tendring Portal" software and the planned re-design for our website. Revised target for Customer Access Portal (previously Kiosk) roll-out will become a key element of the Digital Transformation Strategy - March 19.	MT: Nov 17 Cabinet: Dec 17 Report Agreed Cabinet: Feb 18 March 19
IDOX Document management implemented.	Delivery is complete but ongoing training/ support remains on offer.	Complete *(Dec 17)*
MS Lync rolled out to all users. NOTE: Microsoft Lync is now called Microsoft Skype for Business (MS SfB).	The leisure centre model remains on trial and will now be reviewed/ finalised as a key component of the Office Transformation network re-design and WiFi phase 2 works.	Complete corporately *(Dec 17)* (currently trialling leisure centre model)
Mobile hardware issued.	Ongoing as some manager's continue to embrace flexible working or roles change and flexible working becomes an option.	2017-2019

Financial Self Sufficiency (Council and Community)

On Target

"Investigate opportunities to generate a self-sufficiency approach to the funding of the Council's overall budget."

*Ian Davidson – **Chief Executive** Finance and Corporate Resources Portfolio Holder*

Delivery Mechanism: Long Term Stability Plan / 10 Year Forecast .

Update: The 2018/19 budget was presented to Council at their meeting on 6 February 18. It is currently proposed to remove updates on financial self sufficiency from the performance report in 18/19 and include it as part of a revised corporate budget monitoring report which will include on-going updates on the financial forecast.

Milestone	Position
Increase in Business Rates Collectable	-£100,898
Increase in Council Tax Base (properties)	575

Jaywick Sands Community Development (Health and Housing)

"To increase the stock of new affordable/Council homes."

Paul Price – **Corporate Director** *Housing Portfolio Holder*

On Target

Delivery Mechanism: Bring forward at least one development at Jaywick. Work with Essex County Council (ECC) and other potential partners to develop options for residential and other development. Develop options for consideration to establish a housing company to facilitate development. Work with Planning to develop urban design layout.

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

Milestones	Progress	To be Completed
Commence development of one of the three identified preferred development sites.	Ground condition survey completed and is with structural engineers. The Archaeological survey is also complete. Reptile translocation recommenced March 18 with aim to complete early April 18. Working with UKPN to relocate power supply and install new sub station.	Anticipated 'on-site' date: Feb 18 *Revised target: Apr 18*
Identify funding mechanisms.	Jaywick Stakeholder Forum organised for June 18 to agree appropriate approach to funding. Core of forum will be based around Coastal Community Team (CCT) membership, facilitated by Trowers and Savills. Visit organised for May 18 for Legal & General/Muse/Homes England JV site evaluation.	"Ongoing" - dependent on availability of appropriate funding streams.
Put in place development pipeline based on outputs from funding workshop and collaborative work with ECC and residents.	Outline Development Capacity study completed and evaluated by CCT and Jaywick Sands Renewal Advisory Panel (JSRAP). Spatial vision (Place Plan) specification being finalised to commission external planning consultants to form place-shaping plan.	"Ongoing" - dependent on availability of appropriate funding streams (as above) - ECC requested to undertake de-risking surveys - ecological, topographic, archaeological & ground conditions.
Development vehicle/mechanism agreed, maybe linked to garden settlement delivery vehicle.	This will be agreed at Jaywick Stakeholder Forum in June 18.	Dec 17 *(Revised target: Jun 18)* Discussions with Trowers & Savills re potential

Health & Wellbeing **(Health and Housing)**

*Paul Price – **Corporate Director*** *Health and Education Portfolio Holder*

"Seek to influence and assist partners in the delivery of improved health and wellbeing outcomes for residents and visitors to the area."

Delivery Mechanism: Working with partners to identify shared opportunities to help drive improvements.

Update: The highlight this month is around the work on the Sport England Local Delivery Pilot.

Milestones	Progress	To be completed
Livewell Campaign (*Partnership arrangement with Braintree Council and Essex County Council).*	Official press launch took place on 8 January 18 with Portfolio Holder and Lead Officers in attendance. Public Health Improvement Coordinator presented Livewell to the Senior Manager's Forum on the 17 January 18. Livewell pull up banners and A5 leaflets have been distributed for promotion in all Tendring District Council Buildings and Leisure Centres as well as external partner Community Voluntary Services (CVS) Tendring based in Clacton.	Live Website Complete *(Jan 18)*
Public Health Officers Group (PHOG) - Working towards a Health & Wellbeing Strategy.	Agenda for meeting on 20 February 18 consisted of updates on Sport England Local Delivery Pilot, Livewell, Tendring Health and Wellbeing Strategy including livewell Delivery Plan and Active Tendring. An update on 'Community Projects' was also added as a standing agenda item. Next meeting will be in April/May 18.	PHOG meet bi-monthly
Outdoor Gym in Cliff Park, Harwich.	Project completed with ongoing support provided by Tendring Community Voluntary Services in the form of a free weekly 30 minute circuit class on Monday's.	Complete (*Aug 17)*
Health and Wellbeing Strategy.	Draft strategy completed. The Tendring H&WB Strategy was taken to the Tendring Health and Wellbeing Board for formal consultation on the 22 February 18.	Complete *(Nov 17)* *(Feb 18)*
Clacton / Harwich Junior parkrun.	The Harwich Junior Parkrun 2km route has now been signed off by the Parkrun UK Ambassador and the Core Team now has 5 members. The Clacton Junior parkrun will have a test run on Sunday 8 April 18 with the official launch scheduled for Sunday 15 April 18.	Dec 17 *(Revised target: April 18*)

Health & Wellbeing Continued... (Health and Housing)

*Paul Price – **Corporate Director*** *Health and Education Portfolio Holder*

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

Delivery Mechanism: Working with partners to identify shared opportunities to help drive improvements.

Milestones	Progress	To be completed
Sport England Local Delivery Pilot (LDP).	Jason Fergus (Active Essex Director) presented an update on Sport England Local Delivery Pilot to the Tendring Health and Wellbeing Board on 22 February 18. The Project Team is working on applying for a 'development award' from the Sport England LDP funding to get started on some ground work for the pilot to generate whole systems change. .	Ongoing
Housing and Health *Increase awareness of housing hazards and strengthen the referral pathway between TDC and Anglian Community Enterprise (ACE).*	Public Health Improvement Coordinator attended Partner's meeting with Anglian Community Enterprise (ACE) on the 23 February 18 to promote the Livewell Housing and Health video.	Complete *(Dec 17)* Promotion now in place

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."

On Target

*Ewan Green – **Corporate Director*** *Investment and Growth 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**: This month's progress comments are noted next to each individual milestone in the table below.

Milestones	Progress	To be Completed
Deliver four business/skills events to promote growth in line with the Council's Economic Strategy.	During the course of 2017/18 the Regeneration Team has facilitated a number of Business Surgeries and Drop-in Events with partner organisations (BEST Growth Hub, ECC, et al), as well as the annual Jobs and Careers Fair and the Blue Ribbon Business Awards Event, both of which took place in October 17. Work is now progressing to stage further business events during the course of 2018/19. *A Blue Ribbon Sponsors Event is scheduled to take place on 17 May 18.	Complete Feb/Mar 18
Roll-out the Council's Small, Medium Enterprise (SME) Growth Fund targeted on new and existing businesses within the District.	A report making the case for extending the SME Growth Fund Scheme (which is due to end in March 18) has been drafted and will be considered by Cabinet at its meeting in April 18.	Mar 18 (*Revised target: Apr 18*)
Dig 4 Jaywick Community Garden.	As previously reported grant funding has been awarded by the ECC Public Health Team, to TDC, to fund the post of Dig 4 Jaywick Community Garden Project Assistant, for a period of one year. Recruitment exercise undertaken, however, no suitable candidate identified, therefore, recruitment remains ongoing.	Mar 18 (*Revised target: 18/19)*
Energy, Marine Engineering and Port related activity.	A draft action plan has been prepared by Nautilus Associates Ltd, following a facilitated workshop in November 17. The draft action plan will inform the energy related interventions to be pursued by the North Essex authorities and Haven Gateway Partnership in the new financial year. Work is in hand to secure the participation of the private sector, to ensure that the North Essex offer is effectively articulated to the market.	2018-2019
South East Local Enterprise Partnership (SELEP) Coastal Communities Group (CCG).	Work is progressing with respect to the Group's contribution to the SELEP's refresh of its Strategic Economic Plan. The next meeting of the Coastal Communities Group is scheduled to take place on 20 April 18.	Mtg: Apr 18 Nov/Dec 18
Deliver a Creative and Cultural Strategy with associated Implementation Plan, detailing project interventions.	Black Radley Limited has been appointed (subject to contract) to assist the Council to prepare a Creative and Cultural Strategy and Implementation Plan for Tendring. Work is expected to commence shortly.	Jul 18

Maximising Tourism and Leisure Opportunities

(Employment and Enjoyment)

On Target

"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 tourism programme."

*Paul Price – **Corporate Director*** *Leisure and Tourism 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. The Mayflower 400 will involve working with private and voluntary sector partners, together with the other key destinations involved in the Mayflower story.

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

Milestones	Progress	To be Completed
Tour de Tendring.	The Tour de Tendring took place on Sunday 14 May 17. Approximately 1,000 cyclists took part in the event.	Complete (*May 17)*
Beside the Seaside.	The Harwich Festival Team were commissioned to project manage the events, which included a wide variety of musical and traditional entertainment. The Clacton event took place on 18 June 17 and the first ever Dovercourt festival was held on 12 August 17. The debrief for these events took place with the organising team on 6 October 17. They were also discussed at Service Development and Delivery Committee in early October 17. The key issues discussed were additional trade stands for the events and portaloos for Dovercourt Bay.	Complete ***(Clacton:** Jun 17)* ***(Dovercourt Bay**: Aug 17)*
Clacton Air Show.	The 2017 Clacton Air Show attracted approximately 250,000 visitors and incorporated a second year of night flights which was considered another great success. A formal debrief with partners was held on 29 Sept 17. The event was also discussed at the Service Development and Delivery Committee in early Oct 17. Income held even with the previous year at approximately £82k. Although programme sales and bucket collections declined by approximately £1500, sponsorship increased from £5000 to £9,500.	Complete *(Aug 17)* *(Oct 17)*
District Wide Tourism Strategy	It has not been possible to complete the strategy for consideration in 2017/18 and this will be added to the plan for 2018/19, with a view to bring it forward by August 18.	Feb 18 (*Revised target: Aug 18)*

Maximising Tourism and Leisure Opportunities Continued…

On Target

(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 tourism programme."

*Paul Price – **Corporate Director*** *Leisure and Tourism 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. The Mayflower 400 will involve working with private and voluntary sector partners, together with the other key destinations involved in the Mayflower story.

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

Milestones	Progress	To be Completed
Mayflower 400: Series of events and projects to build up to the celebrations in 2020, including:- **Agree projects and events for Mayflower 400. Deliver Illuminate Festival. Work with National Partners to deliver national Mayflower Trail to sell to American market.**	A report on Mayflower 400 and the Council's involvement in the commemorations will be considered by Cabinet in May 18. A successful conference was held at Harwich International Port in March 18 to engage with local businesses in the opportunities afforded by the anniversary.	May 18
Princes Theatre **Delivery of Annual Pantomime** **Deliver two events/exhibitions**	Large body of work undertaken to ensure the box office and theatre processes are ready for General Data Protection Regulations deadline. Hosted; 6 professional shows, 4 large hires, 2 weddings along with providing a venue and free booking solution for the E-safety event organised by the safer communities team. The theatre management has also been requested by The Old Town Hall in Hemel Hempsted (civic) to give advice following the successful implementation of restoration fees.	Ongoing

Garden Community **(Employment and Enjoyment)**

"Innovative joint work with Colchester Borough Council (CBC), Braintree District Council (BDC) and Essex County Council (ECC) to develop a number of communities in North Essex based on Garden City principles."

On Target

Ewan Green – **Corporate Director** *Leader*

Delivery Mechanism: Selection of locations to be part of the Local Plan process. Funding made available by Central Government to support the work (£1.2million up to April 2017 with a further £700k announced for 17/18). The Leader (supported by the Chief Executive) sits on North Essex Garden Communities (NEGC) Ltd board. The Corporate Director and Head of Planning Services sit on senior officer Steering Group and Legal, Finance and Planning Officers participating in topic work streams. Close collaboration on Local Plan process re Garden Communities approach. A shared Chapter 1 of the Plan and specific requirements of any proposed Garden Community proposals across North Essex agreed by each Council. NEGC Ltd has formed Local Delivery Vehicles (LDV's) to progress each Garden Community Area allocated in the Local Plan (although potential Development Corporation could change the role of the LDVs).

Update: The Local Plan Section 1 Examination in Public was undertaken and this included specific sessions on the North Essex Garden Communities proposals. The NEGC proposals were also subject of a public consultation in respect of an Issues & Options Report and the outcomes from this will be considered and reported in Spring 2018 with a view to informing detailed proposals in the future.

Milestones	Progress
Governance	Complete — October 17.
Land Negotiations	No agreements yet reached, this is ongoing. Key aim remains to achieve agreements through this route.
Planning	Complete — October 17.
Development Corporation / Compulsory Purchase Order (CPO)	New legislation (May 17) provides for locally accountable Development Corporations (with extensive powers). NEGC actively investigating as possible strong means of delivering Garden Communities, possibly including the use of CPO.

Financial Performance

Financial Performance 2017/18 including comparison with the 2017/18 Budget

A comprehensive outturn report was presented to the Council's Portfolio Holder for Finance and Corporate Resources on 18 May 2018, with a summary set out below that follows a similar format of the Expenditure and Funding analysis within the Statement of Accounts:

Summary of General Fund Revenue Financial Performance 2017/18

	Budget £m	Outturn £m	Variance £m
Net Cost of Services	**23.052**	**13.036**	**(10.016)**
Other Income and Expenditure			
Revenue Support for Capital Investment	7.890	3.317	(4.573)
Financing Items	0.503	(0.840)	(1.343)
Business Rates (including Tariff and Levy)	(4.390)	(4.397)	(0.007)
Revenue Support Grant	(1.650)	(1.651)	(0.001)
Collection Fund Surplus/Deficit	(0.218)	(0.218)	-
Income from Council Tax Payers	(7.229)	(7.229)	-
Total Other Income and Expenditure	**(5.094)**	**(11.018)**	**(5.924)**
(Surplus) or Deficit on Provision of Services *	**17.958**	**2.018**	**(15.940)**
Opening General Fund Balances	(29.642)	(29.642)	-
(Surplus) or Deficit on General Fund in Year	17.958	2.018	(15.940)
Closing General Fund Balances at 31 March	**(11.684)**	**(27.624)**	**(15.940)**

* the difference between budget and actuals is primarily due to carry forwards, with significant items as follows:

- Garden Communities Project - £1.750 million
- Digital Transformation Project - £0.865 million
- Local Plan - £1.117 million
- Business Investment and Growth - £2.087 million

The above figures relate to the General Fund only which explains the difference with the figures set out in the Expenditure and Funding Analysis which include the Housing Revenue Account. The Expenditure and Funding analysis set out within the Statement of Accounts shows a Net Cost of Services figure for 2017/18 of £12.881 million. When the HRA is excluded (£0.155 million), the outturn position relating to the Net Cost Of Services is £13.036 million as included in the table above.

Within the £2.018 million (Surplus) or Deficit on Provision of Services above, a general contribution of £1.263 million was made to reserves representing the overall outturn variance for the year. The main reasons behind this variance are summarised below:

- Increased Income from Business Rates - £0.642 million
- Reduced Housing Benefit and Rent Rebates Net Costs- £0.305 million
- Increased Planning Income - £0.298 million

Summary of General Fund Capital Programme 2017/18

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 a commercial property acquisition, disabled facilities grants and major repairs to assets. As capital schemes span financial years, amounts have been carried forward to continue the schemes and projects in 2018/19, with significant items as follows:

- Office Rationalisation - £1.160 million
- Disabled Facilities Grants - £2.047 million
- Harwich Public Realm - £1.000 million
- Cliff Stabilisation Scheme - £4.602 million

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

	Budget 2017/18	Outturn 2017/18	C/fwds	Variance
	£m	£m	£m	£m
Capital Expenditure	18.043	5.811	12.250	0.018

Funding of Capital Expenditure	**Budget 2017/18**	**Outturn 2017/18**	**To Fund C/fwds**	**Variance**
	£m	£m	£m	£m
External Sources of Finance	0.302	0.142	0.159	(0.001)
S106	0.087	0.080	0.007	-
Government Grants	8.033	1.421	6.612	-
Capital Receipts	1.730	0.850	0.880	-
Revenue Contributions	3.766	2.917	0.868	0.019
Use of Earmarked Reserves	4.125	0.401	3.724	-
Total	**18.043**	**5.811**	**12.250**	**0.018**

General Fund Reserves

The overall level of reserves at the end of 2017/18 is £27.624 million, made up of £16.198 million for earmarked commitment reserves, £7.426 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 2017/18

A summary for the year is set out in the table below that follows a similar format of the Expenditure and Funding analysis within the Statement of Accounts:

	Budget £m	Outturn £m	Variance £m
Net Cost of Services	**2.649**	**(0.155)**	**(2.804)**
Other Income and Expenditure	**-**	**-**	**-**
(Surplus) or Deficit on Provision of Services *	**2.649**	**(0.155)**	**(2.804)**
Opening HRA Revenue Reserves	(8.286)	(8.286)	-
(Surplus) or Deficit on HRA in Year	2.649	(0.155)	(2.804)
Closing HRA General Balance at 31 March	**(5.637)**	**(8.441)**	**(2.804)**

* the difference between budget and actuals is primarily due to carry forwards.

Housing Revenue Account 2017/18 – Capital Expenditure

	Budget 2017/18 £m	Outturn 2017/18 £m	C/fwds £m	Variance £m
HRA Capital Expenditure	7.375	3.233	3.752	(0.390)

A summary of how this capital expenditure was financed in 2017/18 is set out below:

	Budget 2017/18 £m	Outturn 2017/18 £m	To Fund C/fwds £m	Variance £m
Major Repairs Reserve	4.111	2.801	0.920	(0.390)
Government Grants	0.179	0.099	0.080	-
Capital Receipts	0.156	0.156	-	-
S106	0.092	0.092	-	-
Revenue funding from the HRA	2.837	0.085	2.752	-
Total	**7.375**	**3.233**	**3.752**	**(0.390)**

The overall variance of £0.390 million is largely due to the timing and programme of works which will continue in 2018/19 and beyond supported by the Major Repairs Reserve within a wider stock condition/refurbishment programme.

The Council's Overall Balance Sheet

The Council's balance sheet as at the end of March 2018 is set out within the Statement of Accounts. Some significant issues to highlight are as follows:

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

  - ***Short Term Debtors - 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 2018 when a claim for subsidy is finalised and sent to DWP. For 2017/18 the final subsidy figure being claimed from DWP is £2.180 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 77 note 18).

  - ***Creditors – Central Government Bodies –*** The amount owed to the Government has increased compared to last year, which is primarily due to business rates and the money payable under the current 50% retention arrangements.

  - ***Other Long Term Liabilities - Pension Liability*** - At the end of 2017/18 there is an overall pension deficit attributable to the Council of £48.294 million (£56.906 million for 2016/17) which has been included in the Balance Sheet as at 31 March 2018. 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 2017/18 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 2.55% compared to a rate of 2.7% used last year in determining the liabilities for retirement benefits

- **Long Term Borrowing**

  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 2017/18 in respect of either the General Fund or Housing Revenue Account. The total external debt of the Council as at 31 March 2018 stood at £43.898 million compared to its capital financing requirement (which represents the overall borrowing requirement) as at 31 March 2018 of £49.346 million. The difference between external debt and the capital financing requirement is the amount met by internal resources.

Outlook

Although the thinking and philosophy behind the long term financial sustainability plan has been set out earlier on in this report, the detailed budget for 2018/19 that was 'built' on this position is set out below:

General Fund

The Council's overall net General Fund revenue budget for 2018/19 (excluding amounts carried forward from 2017/18) is £13.902 million with a summary below, including how it is financed:

	2018/19 Original £m
Net Cost of Services	17.403
Revenue Support for capital investment	0.100
Financing items	(4.632)
Net Expenditure	**12.871**
Net Use of Earmarked Reserves	1.031
Total Net Budget	**13.902**
Financed by:	
Business Rates (excl. S31 Govt. Grant funding)	(4.578)
Revenue Support Grant	(1.070)
Collection Fund (Surplus)/Deficit	(0.652)
Council Tax Requirement (for Tendring District Council)	**7.602**

A summary of planned Capital Expenditure in 2018/19 (excluding amounts carried forward from 2017/18) and how it is financed is as follows:

	2018/19 Original Budget £m
Expenditure	0.857
Financing	
Government Grants	0.690
Capital Receipts	0.067
Direct Revenue Contributions	0.100
Total Financing	0.857

The current long term forecast going into 2019/20 and beyond reflects on items such as the on-going reduction in government funding and the potential for income growth from council tax and business rates, including amounts from property growth. The proposed changes to business rates nationally remains as a significant risk to Councils and will continue to be monitored and reflected in the forecast accordingly. On the expenditure side of the forecast, inflation such as salaries and the living wage are also included along with an estimate of cost pressures and potential savings.

The Government's 'fairer funding' review also poses a significant risk in future years which the Council will need to remain alert to and the forecast will need to be adjusted accordingly.

In addition to the above, it is worth highlighting that the Council has received confirmation that the Health and Safety Executive will be prosecuting the Council following a legionella investigation at Frinton and Walton pool during 2016/17. At the present time the Council is waiting for further information.

As highlighted elsewhere, the Council has embarked on the following project:

Garden Communities

Along with 3 other Local Authority partners, the Council continues to develop 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 to date the Council has identified a total of £2.250 million from within its budgets to support its continued development.

With the recent introduction of the potential option to establish locally led Development Corporations, the Councils continue to explore the most effective way to take this major project forward. Although significant financial investment may be required, this will form part of a business plan approach and separate decision making processes within the Council and will be considered against the context of the long term financial sustainability plan.

In terms of the position reflected in the Statement of Accounts, the four Councils involved set up a separate company in 2016/17 to develop this project. 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 or 2017/18, a note is included within the Statement of Accounts setting out further details about this arrangement

Housing Revenue Account

A summary of the HRA Revenue Budget for 2018/19 is summarised below:

	2018/19 Original Budget £m
Direct Expenditure	6.971
Direct Income	(13.875)
Indirect Income/Expenditure including Financing Costs	7.154
Net (Surplus)/Deficit	0.250
Contribution to/(from) Reserves	(0.250)

A summary of the HRA Capital Programme for 2018/19 is set out below:

	2018/19 Original Budget £m
Expenditure	3.657
Financing	
Major Repairs Reserve	3.176
Direct Revenue Contributions	0.481
Total Financing	3.657

As highlighted elsewhere, the Council has embarked on the following project:

Regeneration of Jaywick Sands

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 to the HRA as impairment. However the Councils actions in Jaywick Sands continue to build confidence in the market which has seen an increase in land values. This has resulted in the previous impairment charge being reversed out with a credit of £0.012 million being made to the HRA during 2017/18 (bringing the total reversal of impairment to £0.285 million when taking into account the figure for 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.

Basis of Preparation and Presentation

The financial statements and what they show including the accounting concepts etc. applied are set out in the Statement of Accounts that follow. The financial statements are based on the going concern basis which means that the Council will continue in operational existence for the foreseeable future.

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 2017/18 (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 2016/17 comparatives have been restated into the segments used for internal reporting as required by the 2017/18 Code (see note 37).

- **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' (i.e. 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 (i.e. borrowing) to the authority.

Expenditure and Funding Analysis Note - In addition to the four core statements this note demonstrates to council tax and rent payers how the funding available to the authority (i.e. 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. This note is positioned as Note 1 to the Core Financial Statements to provide it with due prominence. The 2016/17 comparatives have been restated into the segments used for internal reporting as required by the 2017/18 Code (see note 37).

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 108). 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 108);
- **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 108).

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, Revenues 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, Revenues and Benefits' Responsibilities

The Head of Finance, Revenues 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, Revenues 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, Revenues 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 2018 and the income and expenditure for the year then ended.

R C Barrett
Head of Finance, Revenues and Benefits
Date: 26 July 2018

Chair of the Audit Committee' Certificate

I confirm that the Audit Committee at the meeting held on the 26 July 2018 approved these accounts.

Councillor A Coley on behalf of Tendring District Council
Chair of the meeting approving the accounts
Date: 26 July 2018.

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 2018

Opinion

We have audited the financial statements of Tendring District Council for the year ended 31 March 2018 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,
- Related Notes 1 to 37 and Accounting Policies,
- Housing Revenue Account Income and Expenditure Statement and Movement on the Housing Revenue Account Statement, and the related notes 1 to 7; and
- Collection Fund 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Tendring District Council as at 31 March 2018 and of its 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 2017/18.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Finance, Revenues and Benefits' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Head of Finance, Revenues and Benefits has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other Information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Head of Finance, Revenues and Benefits is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, 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 2018.

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 Council;
- 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.

Responsibility of the Head of Finance, Revenues and Benefits

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 34, the Head of Finance, Revenues and Benefits is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Head of Finance, Revenues and Benefits is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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 for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 2017, as to whether 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 2018.

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.

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.

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.

Use of our Report

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.

Kevin Suter (Key Audit Partner)
Ernst and Young LLP (Local Auditor)
Luton
31 July 2018

The maintenance and integrity of Tendring District Council web site is the responsibility of the directors; 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 2018

2016/17 Restated See Note 37				2017/18			
Expenditure	Income	Net		Expenditure	Income	Net	Note
£000	£000	£000		£000	£000	£000	Ref
			EXPENDITURE ON SERVICES				
250	-	250	Leader	250	-	250	
2,481	(178)	2,303	Finance and Corporate Resources	2,298	(175)	2,123	
8,166	(3,395)	4,771	Environment	8,510	(3,560)	4,950	
81,882	(80,123)	1,759	Housing	79,195	(78,468)	727	
426	(89)	337	Health and Education	499	(48)	451	
3,946	(2,389)	1,557	Corporate Enforcement	3,496	(2,542)	954	
736	(76)	660	Investment and Growth	564	(132)	432	
12,153	(4,341)	7,812	Leisure and Tourism	10,491	(4,379)	6,112	
884	(290)	594	Budgets Relating to Non Executive Functions	1,041	(323)	718	
110,924	(90,881)	20,043	**Net Cost of Services**	106,344	(89,627)	16,717	
2,804	(1,605)	1,199	Other Operating Expenditure	3,388	(1,839)	1,549	10
3,372	(310)	3,062	Financing and Investment Income and Expenditure	3,153	(468)	2,685	11
5,661	(26,371)	(20,710)	Taxation and Non-Specific Grant Income and Expenditure	5,723	(26,102)	(20,379)	12
		3,594	**(Surplus) or Deficit on Provision of Services**			572	
		443	(Surplus) or deficit on revaluation of non-current assets			(6,372)	9(a)
		(2)	(Surplus) or deficit on revaluation of available for sale financial assets			1	
		3,636	Remeasurements of the net defined benefit liability (asset)			(8,353)	9(c)
		4,077	**Other Comprehensive Income and Expenditure**			(14,724)	
		7,671	**Total Comprehensive Income and Expenditure**			(14,152)	

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 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 at 1 April 2017 brought forward	29,642	8,286	4,485	166	5,031	47,610	104,289	151,899	
Movement in reserves during the year									
Total comprehensive expenditure and income	(598)	26	-	-	-	(572)	14,724	14,152	
Adjustments between accounting basis and funding basis under regulations	(1,420)	129	373	-	692	(226)	226	-	6
Increase/(Decrease) in Year	(2,018)	155	373	-	692	(798)	14,950	14,152	
Balance at 31 March 2018 carried forward	27,624	8,441	4,858	166	5,723	46,812	119,239	166,051	7,9

BALANCE SHEET

AS AT 31 MARCH 2018

31/03/2017 £000		31/03/2018 £000	Note Ref
	Long Term Assets		
210,007	- Property Plant and Equipment	210,862	13
14	- Heritage Assets	11	
-	- Investment Property	3,100	14
463	- Intangible Assets	257	15
476	- Long Term Debtors	485	18
210,960	**Total Long Term Assets**	214,715	
	Current Assets		
49,067	- Short Term Investments	52,057	16
33	- Assets Held for Sale	33	
42	- Inventories	57	
6,498	- Short Term Debtors	6,022	18
5,527	- Cash and Cash Equivalents	4,812	19
61,167	**Total Current Assets**	62,981	
	Current Liabilities		
(2,314)	- Short Term Borrowing	(2,156)	16
(9,617)	- Short Term Creditors	(11,615)	20
(1,028)	- Provisions	(1,191)	21
(5,315)	- Capital Grants Receipts in Advance	(5,144)	26
(18,274)	**Total Current Liabilities**	(20,106)	
	Long Term Liabilities		
(1,150)	- Long Term Creditors	(1,169)	20
(43,898)	- Long Term Borrowing	(42,076)	16
(56,906)	- Other Long Term Liabilities - Pensions	(48,294)	31
(101,954)	**Total Long Term Liabilities**	(91,539)	
151,899	**Total Net Assets**	166,051	
	Financed by:		
47,610	Usable Reserves	46,812	8
104,289	Unusable Reserves	119,239	9
151,899	**Total Reserves**	166,051	

These financial statements replace the unaudited financial statements certified by the Head of Finance, Revenues and Benefits on 31 May 2018. This is held by the Head of Finance, Revenues and Benefits and can be reviewed upon request.

R C Barrett, Head of Finance, Revenues and Benefits
26 July 2018

CASH FLOW STATEMENT

2016/17 £000		2017/18 £000	2017/18 £000	Note Ref
(3,594)	Net surplus or (deficit) on the provision of services		(572)	
	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements:			
13,195	Depreciation, revaluation and impairment of non-current assets	8,337		
-	Movement in Investment Property Values	144		
202	Amortisation of Intangible Assets	234		
196	Increase/decrease in creditors	1,460		
(2,155)	Increase/decrease in debtors	499		
1,245	Movement in pension liability	(259)		
(300)	Contributions to/(from) provisions	163		
1,415	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	1,645		
(11)	Other items	(15)	12,208	
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:			
(1,699)	Capital Grants credited to surplus or deficit on the provision of services	(1,834)		
(2,036)	Proceeds from the sale of property, plant and equipment	(2,049)	(3,883)	
6,458	Net cash flows from Operating Activities		7,753	22
(4,554)	Investing Activities		(6,988)	23
(1,902)	Financing Activities		(1,480)	24
2	Net increase or (decrease) in cash and cash equivalents		(715)	
5,525	Cash and cash equivalents at the beginning of the reporting period		5,527	
5,527	Cash and cash equivalents at the end of the reporting period		4,812	

NOTES TO CORE FINANCIAL STATEMENTS

1 Expenditure and Funding Analysis

2016/17 Restated See Note 37				2017/18			
Expenditure Chargeable to GF and HRA Balances	Adjustment between Funding and Accounting basis	Net Expenditure in the CIES		Expenditure Chargeable to GF and HRA Balances	Adjustment between Funding and Accounting basis	Net Expenditure in the CIES	Note Ref
£000	£000	£000		£000	£000	£000	
			EXPENDITURE ON SERVICES				
250	-	250	Leader	250	-	250	
(1,960)	4,263	2,303	Finance and Corporate Resources	(2,268)	4,391	2,123	
4,771	-	4,771	Environment	4,950	-	4,950	
424	1,335	1,759	Housing	1,282	(555)	727	
337	-	337	Health and Education	451	-	451	
1,557	-	1,557	Corporate Enforcement	954	-	954	
660	-	660	Investment and Growth	432	-	432	
7,812	-	7,812	Leisure and Tourism	6,112	-	6,112	
594	-	594	Budgets Relating to Non Executive Functions	718	-	718	
14,445	5,598	20,043	**Net Cost of Services**	12,881	3,836	16,717	
(18,936)	2,487	(16,449)	Other Income and Expenditure	(11,018)	(5,127)	(16,145)	
(4,491)	8,085	3,594	**(Surplus) or Deficit on Provision of Services**	1,863	(1,291)	572	
(33,437)			Opening General Fund and HRA Balances	(37,928)			
(4,491)			(Surplus) or Deficit on General Fund and HRA Balances in Year	1,863			
(37,928)			**Closing General Fund and HRA Balances at 31 March**	(36,065)			7

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

2016/17					2017/18			
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				
140	-	4,123	4,263	Finance and Corporate Resources	432	-	3,959	4,391
2,814	(19)	(1,460)	1,335	Housing	719	155	(1,429)	(555)
2,954	(19)	2,663	5,598	**Net Cost of Services**	1,151	155	2,530	3,836
4,364	1,264	(3,141)	2,487	Other Income and Expenditure	(1,481)	(414)	(3,232)	(5,127)
7,318	1,245	(478)	8,085	**(Surplus) or Deficit on Provision of Services**	(330)	(259)	(702)	(1,291)

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 2017/18 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 108 – 124.

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

The 2018/19 Code introduces four changes in accounting policies that will apply from 1 April 2018, as follows:

- IFRS9 Financial Instruments, which will require the reclassification of the Council's financial assets. It is expected they will all be reclassified as held at amortised cost, which will have minimal impact on the statement of accounts. Impairments of financial assets over the next 12 months, and also for higher risk areas for the life of the asset are also to be recognised, but given the Council's treasury management strategy and policies this is expected to have no significant impact.

- IFRS15 Revenue from Contracts with Customers, which has the potential to change the point of which income under contracts with customers is recognised. An analysis carried out to date indicates that there will be no material impact on any of the Council's income streams.

- Amendments to IAS12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses – this has no impact for Tendring District Council.

- Amendments to IAS7 Statement of Cash Flows: Disclosure initiative which relates to changes in liabilities arising from financing activities. Based on the available guidance the Council does not expect to be required to make any additional disclosures following the introduction of IAS7 as the changes required relate to items that are already disclosed elsewhere or that are not currently applicable to the Council.

Changes under IFRS9 and IFRS15 are prospective only, meaning that the 2017/18 figures are not restated.

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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.342 million for every year that useful lives had to be reduced.

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.	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 £2.893 million. However, the assumptions interact in complex ways. During 2017/18, the Authority's actuaries advised that the net pensions liability had decreased by £8.612 million primarily due to estimates being corrected as a result of updating the assumptions.
Business Rate Appeals	Estimation of the settlement of existing and future backdated Business Rate appeals under the 2010 and 2017 Rate Revaluations. Uncertainty over the level of settlement of existing outstanding appeals and the extent to which they will be backdated to 1 April 2010 and 1 April 2017 respectively.	The total provision for Business Rate appeals is £2.848 million, the Council's share is £1.139 million (40%). This has been estimated on the basis that following the settlement of appeals there is an average reduction in net rate income of 4.7%. If this increased by 0.5% the increase in the provision would be £0.303 million, the Council's share being £0.121 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 31 May 2018. 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.

2016/17 General Fund Balance	2016/17 Housing Revenue Account	2016/17 Major Repairs Reserve	2016/17 Capital Grants Unapplied	2016/17 Capital Receipts Reserve		2017/18 General Fund Balance	2017/18 Housing Revenue Account	2017/18 Major Repairs Reserve	2017/18 Capital Grants Unapplied	2017/18 Capital Receipts Reserve
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
					Adjustments to the Revenue Resources					
					Amounts by w hich income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance w ith statutory requirements:					
1,264	(19)	-	-	-	Pensions costs (transferred to/from the Pensions Reserve)	(414)	155	-	-	-
(478)	-	-	-	-	Council Tax and Business Rates (transferred to/from the Collection Fund Adjustment Account)	(702)	-	-	-	-
					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):					
5,426	8,042	-	-	-	- Depreciation, revaluation and impairment of non-current assets	2,729	5,620	-	-	-
-	-	-	-	-	- Movement in Investment Property Values	144	-	-	-	-
183	19	-	-	-	- Amortisation of intangible assets	213	21	-	-	-
6,395	8,042	-	-	-	**Total Adjustments to Revenue Resources**	1,970	5,796	-	-	-

2016/17 General Fund Balance £000	2016/17 Housing Revenue Account £000	2016/17 Major Repairs Reserve £000	2016/17 Capital Grants Unapplied £000	2016/17 Capital Receipts Reserve £000		2017/18 General Fund Balance £000	2017/18 Housing Revenue Account £000	2017/18 Major Repairs Reserve £000	2017/18 Capital Grants Unapplied £000	2017/18 Capital Receipts Reserve £000
					Adjustments between Revenue and Capital Resources					
(768)	(1,268)	-	-	1,982	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve and Deferred Capital Receipts	(16)	(2,033)	-	-	2,049
431	984	-	-	-	Amounts of non-current assets written off to the Capital Adjustment Account on disposal	210	1,435	-	-	-
-	26	-	-	(26)	Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	44	-	-	(44)
(1,579)	(120)	-	260	-	Transfer of capital grants credited to the Comprehensive Income and Expenditure Statement	(1,643)	(191)	-	623	-
355	-	-	-	(355)	Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	308	-	-	-	(308)
-	(3,250)	3,250	-	-	Posting of HRA resources from revenue to the Major Repairs Reserve	-	(3,173)	3,174	-	-
(257)	(1,964)	-	-	-	Provision for the repayment of debt (transfer from the Capital Adjustment Account)	(246)	(1,664)	-	-	-
4	-	-	-	(4)	Mitigation of Finance Lease costs in accordance with regulation	5	-	-	-	(5)
1,501	-	-	-	-	Revenue expenditure financed from capital under statute (transfer from the Capital Adjustment Account)	1,309	-	-	-	-
(415)	(32)	-	-	-	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(3,317)	(85)	-	-	-
(728)	(5,624)	3,250	260	1,597	**Total Adjustments between Revenue and Capital Resources**	(3,390)	(5,667)	3,174	623	1,692
					Adjustments to Capital Resources					
-	-	-	-	(61)	Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-	(1,006)
-	-	(3,262)	-	-	Use of the Major Repairs Reserve to finance capital expenditure	-	-	(2,801)	-	-
-	-	-	(260)	-	Application of capital grants to finance capital expenditure	-	-	-	(623)	-
-	-	-	-	5	Cash payments in relation to deferred capital receipts	-	-	-	-	6
-	-	(3,262)	(260)	(56)	**Total Adjustments to Capital Resources**	-	-	(2,801)	(623)	(1,000)
5,667	2,418	(12)	-	1,541	**Total Adjustments**	(1,420)	129	373	-	692

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 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000
General Fund:							
Revenue Commitments Reserve	11,512	(10,791)	12,980	13,701	(13,480)	11,386	11,607
Capital Commitments Reserve	1,584	(1,584)	2,914	2,914	(2,914)	4,591	4,591
Forecast Risk Fund	-	-	-	-	-	1,888	1,888
Asset Refurbishment/Replacement Reserve	135	-	-	135	-	-	135
Beach Recharge Reserve	-	-	150	150	-	1,350	1,500
Benefit Reserve	1,100	-	-	1,100	-	-	1,100
Building for the Future Reserve	4,117	(227)	801	4,691	(4,635)		56
Business Rate Resilience Reserve	2,022	(414)	-	1,608	-	-	1,608
Careline System Replacement Reserve	37	-	-	37	-	-	37
Commuted Sums Reserve	175	(39)		136	(39)		97
Crematorium Reserve	154	-	-	154	-	-	154
Election Reserve	-	-	30	30	-	30	60
Haven Gateway Partnership Reserve	75	-	-	75	-	-	75
Leisure Capital Projects Reserve	-	-	-	-	-	50	50
Planning Inquiries and Enforcement Reserve	319	(20)	-	299	(20)	-	279
Project Investment Reserve	19	(19)	-	-	-	-	-
Public Convenience Reserve	140	-	-	140	(140)	-	-
Residents Free Parking Reserve	221	-	-	221	-	-	221
Specific Revenue Grants Reserve - Homelessness	336	(85)	-	251	(85)	-	166
Total General Fund Earmarked Reserves	21,946	(13,179)	16,875	25,642	(21,313)	19,295	23,624
General Fund Balance	4,000	-	-	4,000	-	-	4,000
Total General Fund	25,946	(13,179)	16,875	29,642	(21,313)	19,295	27,624

	Balance at 1 April 2016	Transfers Out 2016/17	Transfers In 2016/17	Balance at 31 March 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31 March 2018
	£000	£000	£000	£000	£000	£000	£000
Housing Revenue Account:							
Housing Repairs Reserve	1,811	(3,942)	3,704	1,573	(4,356)	3,738	955
Housing Revenue Account Commitments Reserve	-	(1,403)	3,554	2,151	(2,151)	2,752	2,752
General Reserve	5,680	(1,403)	285	4,562	(138)	310	4,734
Total Housing Revenue Account	7,491	(6,748)	7,543	8,286	(6,645)	6,800	8,441

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.

ii) **Capital Commitments Reserve**

This is earmarked for capital items of expenditure for which financial provision was made in the previous or current year.

iii) **Forecast Risk Fund**

This reserve has been established to support planned annual budget deficits as part of the Long Term Financial Sustainability Plan.

iv) **Asset Refurbishment/Replacement Reserve**

To provide for the maintenance, enhancement and replacement of the Council's assets.

v) **Beach Recharge Reserve**

To fund future costs of recharging the beaches along the Clacton to Holland coastline.

vi) **Benefit Reserve**

To meet any potential costs arising from the obligation to pay benefits and to support future changes to the Welfare Regime.

vii **Building for the Future Reserve**

To support the delivery of a balanced budget in future years.

viii) **Business Rates Resilience Reserve**

To support the Council in reacting to potential future changes in Business Rate appeals and income.

ix) **Careline System Replacement Reserve**

To finance future equipment/investment.

x) **Commuted Sums Reserve**

Established from commuted sums paid to the Council to cover such items as maintenance costs of Open Spaces and CCTV.

xi) **Crematorium Reserve**

To finance future replacement and improvement works to the crematorium plant and equipment at Weeley.

xii) **Election Reserve**

To finance future costs associated with holding District Elections on a periodic basis.

xiii) **Haven Gateway Partnership Reserve**

To support the costs associated with the Haven Gateway Partnership.

xiv) **Leisure Capital Projects Reserve**

This reserve has been established to fund ongoing investment in Leisure Facilities.

xv) **Planning Inquiries and Enforcement Reserve**

To meet associated costs relating to planning services.

xvi) **Project Investment Reserve**

To provide for investment in major new projects. The balance on this reserve was fully utilised in 2016/17.

xvii) **Public Convenience Reserve**

To provide resources to manage the condition and provision of public conveniences operated by the Council. The balance on this reserve was fully utilised in 2017/18.

xviii) **Residents Free Parking Reserve**

To support the continuation of the residents' free parking initiative in the District.

xix) **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.

iv) **Housing Revenue Account Commitments Reserve**

This is earmarked for items of expenditure for which financial provision was made in the previous or current year.

9 Unusable Reserves

2016/17 £000		2017/18 £000
26,972	Revaluation Reserve	32,385
133,618	Capital Adjustment Account	133,849
(56,906)	Pensions Reserve	(48,294)
341	Deferred Capital Receipts Reserve	335
396	Collection Fund Adjustment Account	1,098
(134)	Accumulated Absences Account	(134)
2	Other	-
104,289		119,239

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.

2016/17		2017/18	
£000		£000	£000
28,494	**Balance at 1 April**		26,972
10,135	Upward revaluation of assets	6,889	
(10,578)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(517)	
(443)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		6,372
(732)	Difference between fair value depreciation and historical cost depreciation	(778)	
(347)	Accumulated gains on assets sold or scrapped	(181)	
(1,079)	Amount written off to the Capital Adjustment Account		(959)
26,972	**Balance at 31 March**		32,385

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

2016/17		2017/18	
£000		£000	£000
141,435	**Balance at 1 April**		133,618
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(13,468)	Charges for depreciation, revaluation and impairment of non-current assets	(8,349)	
-	Movement in Investment Property Values	(144)	
(202)	Amortisation of Intangible Assets	(234)	
(1,501)	Revenue expenditure funded from capital under statute	(1,309)	
(1,415)	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	(1,645)	
(16,586)		(11,681)	
1,079	Adjusting amounts written out of the Revaluation Reserve	959	
(15,507)	Net written out amount of the cost of non-current assets consumed in the year		(10,722)
	Capital financing applied in the year:		
61	Use of the Capital Receipts Reserve to finance new capital expenditure	1,006	
3,262	Use of the Major Repairs Reserve to finance new capital expenditure	2,801	
1,699	Application of grants to capital financing	1,834	
2,221	Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances	1,910	
447	Capital expenditure charged against General Fund or HRA	3,402	
7,690	Total amount of capital financing applied in the year		10,953
133,618	**Balance at 31 March**		133,849

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.

2016/17		2017/18	
£000		£000	£000
(52,025)	**Balance at 1 April**		(56,906)
(3,636)	Remeasurements of the net defined benefit liability (asset)		8,353
(4,405)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,516)	
3,160	Employer's pensions contributions and direct payments to pensioners payable in the year	5,775	
	Total adjustments to revenue resources		259
(56,906)	**Balance at 31 March**		(48,294)

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.

2016/17		2017/18
£000		£000
292	**Balance at 1 April**	341
54	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
(5)	Transfer to the Capital Receipts Reserve upon receipt of cash	(6)
341	**Balance at 31 March**	335

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	Business Rates	Total
	£000	£000	£000
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
Balance at 1 April 2017	385	11	396
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	(43)	745	702
Balance at 31 March 2018	342	756	1,098

f) **Accumulated Absences Account**

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

10 Other Operating Expenditure

2016/17		2017/18
£000		£000
1,439	Parish Council Precepts	1,600
355	Payments to the Government Housing Capital Receipts Pool	308
(595)	(Gains)/losses on the disposal of non-current assets	(359)
1,199	Total	1,549

11 Financing and Investment Income and Expenditure

2016/17		2017/18
£000		£000
1,606	Interest payable and similar charges	1,550
1,766	Net interest on the defined benefit liability (asset)	1,459
(310)	Interest receivable and similar income	(295)
-	Movement in Investment Property Values	144
-	Rental Income from Investment Property	(173)
3,062	Total	2,685

12 Taxation and Non-Specific Grant Income and Expenditure

2016/17 £000		2017/18 £000
8,600	Council tax income	9,154
10,824	Retained Business Rates Income	10,716
(5,661)	Business Rates Tariff and Levy	(5,723)
6,687	Non-Ringfenced Government Grants	5,609
260	Capital Grants and Contributions	623
20,710	Total	20,379

Further details for the Non-Ringfenced and Capital Grants disclosed above are provided on page 80 note 26.

13 Property, Plant and Equipment

a) Movement on Balances

Movements in 2017/18	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 2017	128,468	45,746	5,298	50,148	512	30	287	230,489
Additions	3,010	55	556	247	-	-	593	4,461
Accumulated depreciation and impairment written off to Gross Carrying Amount	(4,003)	(964)	-	-	-	-	-	(4,967)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,552	2,816	-	-	-	5	-	6,373
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,876)	931	-	-	-	-	-	(1,945)
Derecognition - Disposals	(1,454)	(196)	(167)	-	-	-	(16)	(1,833)
Assets reclassified (to)/from Assets Under Construction	134	-	-	-	-	-	(134)	-
At 31 March 2018	126,831	48,388	5,687	50,395	512	35	730	232,578

Movements in 2017/18	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
Depreciation and impairments								
At 1 April 2017	(2,890)	(2,370)	(3,703)	(11,487)	(32)	-	-	(20,482)
Depreciation Charge for 2017/18	(2,718)	(1,334)	(381)	(1,956)	-	-	-	(6,389)
Accumulated depreciation written off to Gross Carrying Amount	3,977	964	-	-	-	-	-	4,941
Accumulated impairment written off to Gross Carrying Amount	26	-	-	-	-	-	-	26
Derecognition - Disposals	19	2	167	-	-	-	-	188
At 31 March 2018	(1,586)	(2,738)	(3,917)	(13,443)	(32)	-	-	(21,716)
Net Book Value								
at 31 March 2018	125,245	45,650	1,770	36,952	480	35	730	210,862
at 1 April 2017	125,578	43,376	1,595	38,661	480	30	287	210,007

Comparative Movements in 2016/17

	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 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

Comparative Movements in 2016/17	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
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
Accumulated impairment written off to Gross Carrying Amount								-
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

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 2017/18 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 70 years, depending on the asset, its location and type of construction, as set out in table below:

Life	Asset Categories
13-70 years	Public conveniences
58 years	Princes Theatre, Crematorium buildings
48-50 years	Council offices, Chapels, cemetery buildings, historic buildings, public halls, Frinton and Walton pool
33-38 years	Clacton leisure centre, squash courts, Dovercourt pool, Cliff Park building Harwich
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
3-18 years	Seafront Shelters
10 years	Alexandra Road Garage
6 years	Brightlingsea Pool
3 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 2018, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years budgeted to cost £0.979 million. Similar commitments as 31 March 2017 were £0.843 million. The major commitments over £25,000 as at 31 March 2018 or entered into before the publication of the accounts are:

➢ **General Fund**

	£000
IT Strategic Investment	42
Venetian Bridge	38
Bath House Meadow Play Area Walton	38
Cliff Stabilisation	30
	148

➢ **Housing Revenue Account**

	£000
Various improvements and enhancements	755
Disabled adaptations	65
	820

d) **Revaluations**

A desk top revaluation of its Housing Stock and most General Fund properties was undertaken as at 30 September 2017 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. A full revaluation of General Fund properties where there had been significant changes since 2016/17 was also undertaken as at 30 September 2017.

An estimate was also obtained from Martin Wilson of Bruton Knowles as to the change in value from 30 September 2017 to 31 March 2018 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 Investment Properties

In August 2017 the Council purchased some Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2016/17 £000		2017/18 £000
-	Rental Income from Investment Property	(173)
-	Direct operating expenses arising from Investment Property	-
-	Net gain/loss	(173)

There are no restrictions on the authority's ability to realise the value inherent it its investment property or on the authority's right to the remittance of income and the proceeds of disposal. The authority has no contractual obligations to purchase, construct or develop investment property, or repairs, maintenance or enhancement.

The movement in the fair value of investment property over the year is as follows:

2016/17 £000		2017/18 £000
-	Balance at start of year	-
-	Purchases	3,244
-	Net Gains/losses from fair value adjustments	(144)
-	Balance at end of the year	3,100

(a) **Fair Value hierarchy**

The investment property held is a commercial unit and is valued at Level 2 under accounting policy (v), with significant observable inputs.

The fair value has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area.

Sufficient actively purchased and sold similar properties have been identified by the Council's Valuer, Bruton Knowles, to arrive at the fair value using this approach.

For further details to the Valuers used see Note 13 on Property, Plant and Equipment.

There have been no transfers between levels in the fair value hierarchy and there have been no changes in the valuation techniques used during the year.

(b) **Highest and best use of investment properties**

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

Gains or losses arising from changes in the fair value of investment property are recognised in the Surplus or deficit on the provision of services – financing and investment income and expenditure line.

15 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.

2016/17 £000		2017/18 £000
	Balance at start of year:	
1,922	Gross carrying amounts	1,839
(1,368)	Accumulated amortisation	(1,376)
554	**Net carrying amount at start of year:**	**463**
	Additions:	
111	Purchases	28
(202)	Amortisation for the period	(234)
	Write out for software no longer used:	
(194)	Gross carrying amounts	-
194	Accumulated amortisation	-
463	**Net carrying amount at end of year**	**257**
	Comprising:	
1,839	Gross carrying amounts	1,867
(1,376)	Accumulated amortisation	(1,610)
463	**Net carrying amount at end of year**	**257**

16 Financial Instruments

a) Categories of Financial Instruments

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

Long Term 31 March 2017 £000	Current 31 March 2017 £000		Long Term 31 March 2018 £000	Current 31 March 2018 £000
		Investments		
-	45,056	Loans and receivables	-	46,086
-	4,011	Available-for-sale financial assets	-	5,971
-	49,067	**Total Investments**	-	52,057
		Debtors		
303	-	Loans and receivables	310	-
173	2,439	Financial assets carried at contract amounts	175	2,788
476	2,439	**Total Debtors**	485	2,788
		Borrowings		
43,898	2,314	Financial liabilities at amortised cost	42,076	2,156
43,898	2,314	**Total Borrowings**	42,076	2,156
		Creditors		
1,150	3,307	Financial liabilities at amortised cost	1,169	3,689
1,150	3,307	**Total Creditors**	1,169	3,689

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 certificates of deposit with a range of banks held at 31 March 2018.

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

b) Reclassifications

No Financial Assets or Liabilities have been reclassified.

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

2016/17						2017/18				
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
1,598	-	-	-	1,598	Interest expense	1,540	-	-	-	1,540
-	-	3	-	3	Fee expense	-	-	4	-	4
1,598	-	3	-	1,601	**Total expense in Surplus or Deficit on the Provision of Services**	1,540	-	4	-	1,544
-	(261)	(49)	-	(310)	Interest income	-	(259)	(36)		(295)
-	(261)	(49)	-	(310)	**Total income in Surplus or Deficit on the Provision of Services**	-	(259)	(36)	-	(295)
-	-	-	-	-	Gains on Revaluation	-	-	-	-	-
-	-	-	-	-	**Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure**	-	-	-	-	-
1,598	(261)	(46)	-	1,291	**Net (gain)/loss for the year**	1,540	(259)	(32)	-	1,249

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 (v) in both 2016/17 and 2017/18), 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 2018 has been assessed by the brokers who provide the custody service for these instruments, based on market prices for comparable assets and it closely approximates to the amortised cost;
- 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 2017			31 March 2018	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
46,212	62,566	Financial Liabilities	44,232	59,031
1,150	1,150	Long term Creditors	1,169	1,169

The fair value of PWLB loans of £59.031 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 2017			31 March 2018	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
45,056	45,056	Loans and receivables	46,086	46,086
4,011	4,011	Available for Sale financial assets	5,971	5,971
303	303	Long term Debtors	310	310

The carrying value of Available-for-sale financial assets of £5.971 closely approximates to the fair value, based on what the market would currently pay for these instruments. They all mature during 2018/19 and the Council intends holding them all to maturity.

Loans and receivables are held at amortised cost and all mature during 2018/19, 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.

17 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 2017/18 was £73.878 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 over recent 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 2018	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2018	Estimated maximum exposure to default and uncollect-ability at 31 March 2018	Estimated maximum exposure at 31 March 2017
	£000	%	%	£000	£000
Banks	9,467	3.09	3.09	293	430
Local Authorities	46,086			-	-
	55,553			293	430

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. £0.510 million of the £1.107 million sundry debtor balance is past its due date for payment. The past due, but not impaired, amount can be analysed by age as follows:

2016/17		2017/18
£000		£000
324	Less than three months	114
70	Three to six months	18
34	Six months to one year	77
194	More than one year	301
622		510

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:

2016/17		2017/18
£000		£000
2,314	Less than one year (includes interest)	2,156
1,822	Between one and two years	1,764
5,155	Between two and five years	5,613
11,110	Between five and ten years	9,978
5,449	Between ten and fifteen years	5,067
20,362	More than fifteen years	19,654
46,212		44,232

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

c) **Market Risk**

- **Interest Rate Risk**

At 31 March 2018 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 2018, 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	449
Increase in interest receivable on variable rate investments	(635)
Impact on Surplus or Deficit on the Provision of Services	(186)
Share of overall impact relating to the HRA	324
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	-

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.

18 Debtors

a) Debtors due to be paid within one year

2016/17 £000		2017/18 £000
3,475	Central government bodies	2,770
726	Other local authorities	662
31	NHS Bodies	155
4,932	Other entities and individuals	5,157
9,164	Total gross debtors	8,744
(2,666)	Less provision for doubtful debts	(2,722)
6,498	Total net debtors	6,022

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

2016/17 £000		2017/18 £000
10	Sale of council houses (mortgages)	9
12	Car loans	23
125	Debts subject to charging orders	128
34	Rents to Mortgage Scheme	34
248	Finance Leases	244
47	Other outstanding loans	47
476	Total long term debtors	485

19 Cash and Cash Equivalents

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

2016/17 £000		2017/18 £000
	Current Assets:	
3,905	Cash held by the Authority	3,506
1,622	Bank current accounts	1,306
5,527		4,812

20 Creditors

2016/17 £000		2017/18 £000
	Creditors due within one year:	
2,615	Central government bodies	4,544
3,229	Other local authorities	2,847
3,773	Other entities and individuals	4,224
9,617	**Total Creditors**	11,615

2016/17 £000		2017/18 £000
	Creditors due after more than one year:	
1,150	Section 106 contributions	1,169

Creditors due to Central Government bodies within one year have increased by £1.929 million at the end of 2017/18 compared to 2016/17. This is mainly due to an increase of £0.983 million relating to Business Rates.

21 Provisions

2016/17		2017/18		
		Business Rates	Other Provisions	Total
£000		£000	£000	£000
1,328	**Balance at 1 April**	977	51	1,028
(262)	Net movement for business rate appeals in year	163	-	163
(38)	Net movement on other provisions	-	-	-
1,028	**Balance at 31 March**	1,140	51	1,191

22 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2016/17		2017/18
£000		£000
232	Interest received	431
(1,622)	Interest paid	(1,559)

23 Cash Flow Statement – Investing Activities

2016/17		2017/18
£000		£000
(3,944)	Purchase of property, plant and equipment, investment property and intangible assets	(7,677)
(268,645)	Purchase of short term and long term investments	(261,450)
(19)	Other payments for investing activities	-
2,041	Proceeds from the sale of property, plant and equipment	2,055
261,250	Proceeds from short term and long term investments	258,495
4,763	Other receipts from investing activities	1,589
(4,554)	**Net cash flows from investing activities**	(6,988)

24 Cash Flow Statement – Financing Activities

2016/17		2017/18
£000		£000
(2,248)	Repayments of short and long term borrowing	(1,971)
346	Council Tax and NNDR adjustments	491
(1,902)	**Net cash flows from financing activities**	(1,480)

25 Expenditure and Income Analysed by Nature

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

2016/17 £000		2017/18 £000
	Expenditure	
15,520	Employee Expenses	17,470
87,667	Other Services Expenses	86,027
13,398	Depreciation, Amortisation, Impairment	8,571
-	Movement in Investment Property Values	144
1,606	Interest Payments	1,550
1,766	Pension Interest and Return on Pension Assets	1,459
1,439	Precepts and Levies	1,600
355	Payments to Housing Capital Receipts Pool	308
1,010	Loss on the Disposal of Non-Current Assets	1,479
122,761	**Total Expenditure**	118,608
	Income	
(28,811)	Fees and Charges and Other Service Income	(29,478)
(1,605)	Gain on Disposal of Non-Current Assets	(1,839)
(310)	Interest and Investment Income	(468)
(8,600)	Income from Council Tax	(9,154)
(10,824)	Income from Business Rates	(10,716)
(69,017)	Government Grants and Contributions	(66,381)
(119,167)	**Total Income**	(118,036)
3,594	**(Surplus) or Deficit on the Provision of Services**	572

26 Grant Income

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

2016/17 £000		2017/18 £000
	Credited to Taxation and Non-Specific Grant Income	
	Non-Ringfenced Grants:	
2,564	Revenue Support Grant	1,650
2,147	New Homes Bonus Grant	1,752
707	Community Housing Fund	-
164	New Burdens Grant	244
1,045	Section 31 Business Rate Relief Grants	1,871
60	Other Grants	92
6,687		5,609
	Capital Grants and Contributions	
	Government Funding	
75	- Environment Agency	270
7	- DCLG Inspire Annexe III	-
1	- Individual electoral registration grant	-
1	- Growth point funding	-
17	- Homes and Communities Agency	99
-	Local Authority - Essex County Council	82
	Other Capital Contributions	
159	- Section 106	172
260		623
	Other Significant Grants Credited to Services	
61,917	Benefits	60,169
205	Collection Investment/Hardship Administration Grant	201
62	Crime Reduction/Community Safety Grants	48
1,433	Disabled Facilities Grant	1,151
-	Essex County Council - SME Growth Fund	60
822	Essex County Council - Technical Agreement Contribution	865
-	Homelessness Grants	354
-	North East Essex CCG - Locality Working Model	100
64,439		62,948

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:

2016/17 £000		2017/18 £000
	Capital Grants Receipts in Advance	
	Government Funding:	
5,001	The Environment Agency	4,731
164	Home and Communities Agency	244
137	Local Authority Funding	157
13	Other capital contributions	12
5,315		5,144

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:

2016/17 Receipts £000	2016/17 Payments £000		2017/18 Receipts £000	2017/18 Payments £000
2,045	320	Essex County Council	2,378	221
139	183	Other Essex local authorities	177	472
		Transactions with organisations related by a declared interest of Council Members or Senior Officers:		
-	-	Association of Retained Council Housing	-	11
-	14	VineHR	-	-
3	9	Other	3	3
2,187	526	Total Related Party Transactions	2,558	707

28 Members' Allowances

The Authority paid £0.446 million to members of the Council during the year (£0.460 million in 2016/17). 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:

2016/17

Post Title	note	Salary, Fees and Allowances	Expense Allowances	Total remuneration excluding Pension Contributions	Employer's Contributions to Pension	Compensation for loss of office	Total Remuneration
		£	£	£	£	£	£
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

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

2017/18

Post Title	note	Salary, Fees and Allowances	Expense Allowances	Total remuneration excluding Pension Contributions	Employer's Contributions to Pension	Compensation for loss of office	Total Remuneration
		£	£	£	£	£	£
Chief Executive		126,810	-	126,810	21,050	-	147,860
Corporate Director - Corporate Services		87,899	-	87,899	14,591	-	102,490
Corporate Director - Operational Services		85,341	-	85,341	14,166	-	99,507
Corporate Director - Planning & Regeneration Services	1	53,267	-	53,267	8,843	-	62,110
Head of Governance & Legal Services		60,500	-	60,500	10,043	-	70,543
Head of Planning	2	24,904	-	24,904	4,134	-	29,038
Head of Finance, Revenues and Benefits		60,500	-	60,500	10,043	-	70,543

Notes

1. This is a part year payment from appointment on 31 July 2017.
2. This is a part year payment to 31 July 2017 when the role changed following 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:

2016/17 Number of Total	Remuneration Band	2017/18 Number of Total
6	£50,000 - £54,999	6
1	£55,000 - £59,999	-
-	£60,000 - £64,999	-
-	£65,000 - £69,999	-
-	£70,000 - £74,999	1
-	£75,000 - £79,999	-
-	£80,000 - £84,999	-
-	£85,000 - £89,999	-
-	£90,000 - £94,999	-

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)	**2016/17 Number of compulsory redundancies**	**Number of other departures agreed**	**Total Number of exit packages by cost band**	**Total cost of exit packages in each 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 Comphensive Income and Expenditure Statement				85,466

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

Exit package cost band (including special payments)	**2017/18 Number of compulsory redundancies**	**Number of other departures agreed**	**Total Number of exit packages by cost band**	**Total cost of exit packages in each band**
				£
£0 - £20,000	1	3	4	35,329
£20,001 - £40,000	-	2	2	48,656
Total cost included in Comphensive Income and Expenditure Statement				83,985

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 6 employees ceased in 2017/18. This incurred total liabilities of £83,985 (£85,466 in 2016/17). Of this total, £83,985 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 108).

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:

2016/17 Local Government Pension Scheme £000	Comprehensive Income and Expenditure Statement	2017/18 Local Government Pension Scheme £000
	Cost of Services	
	Service cost comprising:	
2,596	Current service cost	4,016
1	Past service costs including curtailments	-
42	Administration Expenses	41
	Financing and Investment Income and Expenditure	
1,766	Net interest expense	1,459
4,405	***Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services***	5,516
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
(15,762)	Return on plan assets (excluding the amount included in the net interest expense)	(5,340)
(3,961)	Actuarial gains and losses arising on changes in demographic assumptions	-
26,928	Actuarial gains and losses arising on changes in financial assumptions	(3,013)
(3,569)	Other	-
8,041	***Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement***	(2,837)
	Movement in Reserves Statement	
(4,405)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(5,516)
	Actual amount charged against the General Fund Balance for pensions in the year:	
3,160	Employer's contributions payable to scheme	5,775

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:

2016/17 Local Government Pension Scheme £000		2017/18 Local Government Pension Scheme £000
173,640	Present value of the defined benefit obligation	174,396
(116,734)	Fair Value of plan assets	(126,102)
56,906	**Net liability arising from defined benefits obligation**	48,294

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

2016/17 Local Government Pension Scheme £000		2017/18 Local Government Pension Scheme £000
98,936	Opening fair value of scheme assets	116,734
3,436	Interest income	3,164
	Remeasurement gain/(loss):	
15,762	The return of plan assets, excluding the amount included in the net interest expense	5,340
185	Other	-
3,160	Contributions from employers	5,775
648	Contributions from employees into the scheme	688
(5,351)	Benefits paid	(5,558)
(42)	Other	(41)
116,734	**Closing fair value of scheme assets**	126,102

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)**

2016/17 Local Government Pension Scheme £000		2017/18 Local Government Pension Scheme £000
150,961	Opening Balance at 1 April	173,640
2,596	Current service cost	4,016
5,202	Interest cost	4,623
648	Contributions from scheme participants	688
	Remeasurement (gain)/loss:	
(3,961)	Actuarial gains/losses arising from changes in demographic assumptions	-
26,928	Actuarial gains/losses arising from changes in financial assumptions	(3,013)
(3,384)	Other	-
1	Losses/(gains) on curtailment	-
(5,351)	Benefits paid	(5,558)
173,640	**Closing Balance at 31 March**	174,396

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

2016/17 Quoted Prices in Active Markets	2016/17 Unquoted Prices (not in Active Markets)	2016/17 Total		2017/18 Quoted Prices in Active Markets	2017/18 Unquoted Prices (not in Active Markets)	2017/18 Total
£000	£000	£000		£000	£000	£000
			Fair Value of Scheme Assets			
-	3,514	3,514	Cash and cash equivalents	-	4,337	4,337
9,683	-	9,683	Equities - UK	-	-	-
70,048	-	70,048	Equities - Overseas	76,502	-	76,502
4,417	-	4,417	Gilts UK index Linked Government Securities	8,389	-	8,389
4,744	-	4,744	Bonds - Corporate (UK)	4,685	-	4,685
7,185	4,172	11,357	Property	4,326	7,635	11,961
-	3,355	3,355	Private Equity	-	5,798	5,798
-	2,282	2,282	Infrastructure	-	5,790	5,790
(134)	-	(134)	Derivatives	(629)	-	(629)
-	1,141	1,141	Timber	-	2,140	2,140
-	1,141	1,141	Illiquid Debt	-	-	-
-	-	-	Private Debt	-	2,014	2,014
-	5,186	5,186	Other Managed Funds	-	5,115	5,115
95,943	20,791	116,734		93,273	32,829	126,102

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:

2016/17 Local Government Pension Scheme		2017/18 Local Government Pension Scheme
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.1	Men	22.2
24.6	Women	24.7
	Longevity at 65 for future pensioners:	
24.3	Men	24.4
26.9	Women	27.0
3.5%	Rate of inflation - RPI Increases	3.35%
2.6%	Rate of inflation - CPI Increases	2.35%
4.1%	Rate of increase in salaries	3.85%
2.6%	Rate of increase in pensions	2.35%
2.7%	Rate for discounting scheme liabilities	2.55%
50%	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)	181,231	167,826
Rate of inflation (increase or decrease by 0.1%)	177,088	171,749
Rate of increase in salaries (increase or decrease by 0.1%)	174,651	174,142
Rate of increase in pensions (increase or decrease by 0.1%)	177,088	171,749
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	171,503	177,340

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 £1.748 million to the scheme in 2018/19.

The weighted average duration of the defined benefit obligation for scheme members is 17 years, 2017/18 (17 years 2016/17).

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:

2016/17 Restated £000		2017/18 £000
62	Fees payable with regard to external audit services carried out by the appointed auditor for the year	59
12	Fees payable for the certification of grant claims and returns for the year	13
74	**Total Audit Fees Payable**	**72**

This note on External Audit costs has been restated for 2016/17 to disclose Code of Audit Practice audit fees and certification fees relating to 2016/17 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.

2016/17 £000		2017/18 £000
53,478	**Opening Capital Financing Requirement**	51,257
	Capital Investment:	
4,096	Property, Plant and Equipment	4,461
-	Investment Property	3,244
111	Intangible Assets	28
1,501	Revenue expenditure funded from capital under statute	1,309
	Sources of Finance:	
(61)	Capital receipts	(1,006)
(1,699)	Government grants and other contributions	(1,834)
(3,262)	Major Repairs Reserve	(2,801)
	Sums set aside from revenue:	
(686)	Direct revenue contributions	(3,402)
(257)	MRP/loans fund principal	(246)
(1,964)	Voluntary MRP - HRA	(1,664)
51,257	**Closing Capital Financing Requirement**	49,346
	Explanation of movements in year	
(2,221)	Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	(1,911)
(2,221)	**Increase/(Decrease) in Capital Financing Requirement**	(1,911)

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:

2016/17 £000		2017/18 £000
286	Not later than one year	283
562	Later than one year and not later than five years	368
848		651

- **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. One property became vacant during 2017/18 and was returned to Colne Housing Society.

2016/17 No of Properties		2017/18 No of Properties
3	Balance brought forward 1 April	3
-	Returned to Lessor	(1)
3	Balance carried forward 31 March	2

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:

2016/17 £000		2017/18 £000
60	Finance lease debtor (net present value of minimum lease payments)	56
188	Unguaranteed residual value of property	188
248		244
224	Unearned finance income	197
472	Gross investment in the lease	441

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

2016/17 Gross Investment in the Lease	2016/17 Minimum Lease Payments		2017/18 Gross Investment in the Lease	2017/18 Minimum Lease Payments
£000	£000		£000	£000
31	4	Not later than one year	32	5
158	33	Later than one year and not later than five years	345	37
283	23	Later than five years	64	14
472	60		441	56

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 2017/18 £9,100 contingent rents were receivable by the Authority (2016/17 - £11,988).

- **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:

2016/17		2017/18
£000		£000
293	Not later than one year	318
996	Later than one year and not later than five years	1,032
3,044	Later than five years	2,911
4,333		4,261

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 2018, 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 2018 the Council has paid a total levy of £0.076 million under the scheme of arrangement although no payments were made in 2017/18. 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 £0.276 million. (£0.352 million gross claim payments to date less the levy already paid to date of £0.076 million)

The Council has received confirmation that the Health and Safety Executive will be prosecuting the Council following a legionella investigation at Frinton and Walton pool during 2016/17. At the present time the Council is waiting for further information.

36 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 the development of three potential garden communities in the area of North Essex.

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 Garden Communities Limited was incorporated on 9 August 2016. The company commenced trading in October 2017 following the recruitment of a Managing Director. The company has prepared dormant accounts to 31 August 2017. Following a change of accounting reference date it has also prepared accounts to 31 March 2018.

The accounts were prepared in accordance with International Financial Reporting Standards and will be submitted for approval to the Board of North Essex Garden Communities Limited.

The accounts to 31 March 2018 are not expected to be material to the group, and as such will not be incorporated into the Group Accounts of the four owning authorities.

It is anticipated that the company will be consolidated into future Group Accounts as an associate entity as the Council does not have power, or the ability to have power over the company.

37 Restatement of the 2016/17 prior year comparators for Net Cost of Services in the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis Note

Since 2016/17, the Code required that an authority shall present information on reportable segments using the service analysis in the Comprehensive Income and Expenditure Statement and the segmental analysis within the Expenditure and Funding Analysis. It has also been required that reportable segments shall be based on an authority's internal management reporting, for example, departments, directorates or portfolios.

In line with these requirements, in 2016/17, the Council's Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis disclosed the Net Cost of Services (£20.043 million) as:

Portfolio	£000	Note
Leader	250	(a)
Resources and Corporate Services	2,303	(b)
Commercialisation, Seafronts and Parking	3,711	(c)
Environment	4,771	(a)
Housing	1,759	(a)
Leisure and Partnerships	3,820	(c)
Planning and Regeneration	2,040	(c)
Tourism and Culture	795	(c)
Budgets Relating to Non Executive Functions	594	(a)
	20,043	

During 2017/18 Tendring District Council changed its Portfolio structure and therefore the analysis shown above is no longer in line with internal management reporting. The result of this change is as follows:

(a) These four portfolios remain unchanged.

(b) This portfolio was renamed to be 'Finance and Corporate Resources'

(c) These four portfolios (totalling £10.366 million) were completely replaced by four new portfolios:

Portfolio	£000
Health and Education	337
Corporate Enforcement	1,557
Investment Growth	660
Leisure and Tourism	7,812
	10,366

The result of these changes on the 2016/17 comparators can be seen in full in the Comprehensive Income and Expenditure Statement (see page 40) and the segmental analysis within the Expenditure and Funding Analysis (See note 1 page 44).

HOUSING REVENUE ACCOUNT – INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

2016/17 £000		2017/18 £000	£000	Note Ref
	EXPENDITURE			
3,947	Repairs and Maintenance	4,359		
2,432	Supervision and Management	2,843		
113	Rents, Rates, Taxes and Other Charges	135		
7,769	Depreciation and Impairments of Non-Current Assets	5,608		5,6
66	Debt Management Costs	66		
81	Movement in the allowance for bad debts	35		
19	Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	21		
14,427	**Total Expenditure**		13,067	
	INCOME			
(13,239)	Dwelling rents	(12,918)		
(226)	Non dwelling rents	(221)		
(561)	Charges for Services and Facilities	(663)		
(137)	Contributions towards expenditure	(251)		
(14,163)	**Total Income**		(14,053)	
264	Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		(986)	
276	HRA Share of Corporate and Democratic Core		276	
540	Net Expenditure / (Income) for HRA Services		(710)	
	HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:			
(258)	(Gain) or loss on sale of HRA Non-current Assets		(554)	
1,517	Interest Payable and Similar Charges		1,484	
(120)	Taxation and Non Specific Grant Income (Capital Grant)		(191)	
(56)	Interest and Investment Income		(55)	
1,623	**(Surplus) / Deficit for the year on HRA Services**		(26)	

HOUSING REVENUE ACCOUNT – MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2016/17 £000		2017/18 £000	£000
5,680	Balance on the HRA as at the end of the previous year		4,562
(1,623)	Surplus or (Deficit) on the HRA Income and Expenditure Statement	26	
	Adjustments between accounting basis and funding basis under regulations:		
5,219	Reversal of Revaluation Changes and Impairment	2,888	
19	Reversal of Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	21	
(258)	Reversal of (Gain) or Loss on sale of HRA Non-current assets	(554)	
(120)	Reversal of Capital Grant	(191)	
(32)	Capital Expenditure Funded by the HRA	(85)	
(1,964)	Debt Repayment & Credit arrangements	(1,664)	
(19)	HRA share of contributions to or from the Pension Reserve	155	
1,222	Net increase or (decrease) before transfer to or from Reserves	596	
	Transfer (to) or from Reserves:		
(427)	Transfer (to)/from Major Repairs Reserves	(441)	
(1,913)	Transfers (to)/from Earmarked Reserves	17	
(1,118)	Increase or (decrease) in year on the HRA		172
4,562	**Balance on the HRA as at the end of the current year**		4,734

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

1 Housing Revenue Account Balances

HOUSING REVENUE ACCOUNT RESERVES

2016/17 Housing Revenue Account	2016/17 Housing Repairs Reserve	2016/17 Housing Commitments Reserve	2016/17 Total		2017/18 Housing Revenue Account	2017/18 Housing Repairs Reserve	2017/18 Housing Commitments Reserve	2017/18 Total
£000	£000	£000	£000		£000	£000	£000	£000
5,680	1,811	-	7,491	Balances as at 1 April	4,562	1,573	2,151	8,286
(1,118)	(238)	2,151	795	Surplus/(deficit) for year	172	(618)	601	155
4,562	1,573	2,151	8,286	**Balances as at 31 March**	4,734	955	2,752	8,441

2 Housing Assets

As at 31 March 2018, the Council was responsible for managing the following council housing assets:

01/04/2016				31/03/2017		01/04/2017				31/03/2018
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
					Dwellings					
1,489	-	8	1,481	44,252	Flats	1,481	-	15	1,466	44,201
1,034	-	10	1,024	53,748	Houses	1,024	1	19	1,006	53,542
338	-	2	336	15,467	Bungalows	336	-	1	335	15,974
321	-	-	321	6,977	Sheltered Accommodation	321	-	-	321	6,101
19	-	2	17	895	Do-It-Yourself Shared Ownership (DIYSO)	17	-	1	16	934
3,201	-	22	3,179	121,339		3,179	1	36	3,144	120,752
					Other Land and Buildings					
64	-	2	62	1,060	Shared Equity Plots of Land	62	-	-	62	1,060
425	-	10	415	1,220	Garages	415	-	-	415	1,233
388	1	-	389	78	Ground Rents re: sold council flats	389	15	-	404	81
1	-	-	1	513	Community Centre	1	-	-	1	561
3	-	-	3	180	Other non-domestic properties	3	1	-	4	341
10	-	-	10	1,188	Land	10	1	-	11	1,217
4,092	1	34	4,059	125,578	**Totals**	4,059	18	36	4,041	125,245

In addition to the above table, the Council also held equipment with a balance sheet value of £0.103 million as at 31 March 2018 (£0.055 million in 2016/17), the Council also held assets under construction with a balance sheet value of £0.202 million as at 31 March 2018 (2016/17 £0.176 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.

2016/17 £000		2017/18 £000
332,646	Vacant Possession Value	331,783
(129,116)	Less: Existing Use Values (Social Housing)	(128,276)
203,530	Economic Cost of Providing Social Housing	203,507

A desktop 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 2018.

3 Capital Expenditure and Financing

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

2016/17 £000		2017/18 £000
	Capital Investment:	
3,262	Operational Assets	2,801
151	Property Acquisition and New Build	432
3,413		3,233
	Sources of Finance:	
3,262	Major Repairs Reserve	2,801
32	Direct Revenue Financing	85
102	Funding of S106	92
17	External Funding	99
-	Capital Receipts	156
3,413		3,233

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:

2016/17 £000		2017/18 £000
1,926	Balance as at 1 April	2,816
	Capital Receipts in the year:	
1,083	Council house sales (net of administration costs)	1,932
104	DIYSO property sales	57
56	Shared Equity Plots of Land	-
1	Mortgage principal repayments	1
3,170		4,806
	Less:	
(354)	Capital receipts pooling contribution payable to the Government	(308)
-	Capital receipts used for financing capital expenditure	(156)
2,816	Balance as at 31 March	4,342

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.

2016/17 £000		2017/18 £000
2,763	Dwellings	2,654
19	Do-It-Yourself Shared Ownership (DIYSO)	21
25	Garages	25
12	Community Centre	12
4	Other Non-Domestic Properties	6
-	Equipment	14
2,823	**Depreciation Charged to the HRA I & E Account for the Year**	2,732

6 Impairment Charges

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

2016/17 £000		2017/18 £000
7,455	Impairment charge for works to the Council's dwelling stock	3,954
(2,509)	Reversal of previous Impairment Losses due to increase in asset values	(1,078)
4,946	Impairment charge for the year	2,876

The reversal of previous impairment losses includes £0.012 million revaluation gains applied directly to the HRA CIES due to revaluation gains on HRA Non-Dwellings. Tendring District Council has elected to return all losses on non-dwellings from the period 2012-2017 to the HRA Reserve. (In 2016/17 there were impairment charges of £4.946 million less a £0.548 million impairment reversal on HRA Non-Dwellings).

7 Rent Arrears and the Provision for Bad and Doubtful Debts

The rent arrears at 31 March 2018 were £323,382 (2016/17 - £347,203), which equates to 2.37% (2.47% for 2016/17) 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 2018 is £0.129 million after the following movements on the account during 2017/18:

2016/17 £000		2017/18 £000
144	Balance as at 1 April	144
81	Provision for year	35
(81)	Arrears written off	(50)
144	Balance as at 31 March	129

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

2016/17		2017/18 Council Tax	Business Rates	Total	Note
£000		£000	£000	£000	Ref
	INCOME				
(72,155)	Council Tax Payers	(75,890)	-	(75,890)	2
(26,585)	Income from Business Ratepayers	-	(26,867)	(26,867)	3
(98,740)	**Total Income**	**(75,890)**	**(26,867)**	**(102,757)**	
	EXPENDITURE				
	Precepts:				4
50,752	Essex County Council	53,367	-	53,367	
3,039	Essex Fire Authority	3,166	-	3,166	
6,831	Essex Police and Crime Commissioner	7,202	-	7,202	
8,294	Tendring District Council	8,829	-	8,829	
	Shares of Business Rates Income:				3
12,969	Central Government	-	12,289	12,289	
2,334	Essex County Council	-	2,212	2,212	
259	Essex Fire Authority	-	246	246	
10,375	Tendring District Council	-	9,832	9,832	
2,220	Share of Collection Fund Balance	3,060	(375)	2,685	5
	Other Business Rates Payments:				
295	Costs of Collection	-	290	290	
136	Transitional Protection	-	(489)	(489)	
297	Renewable Energy Schemes	-	289	289	
	Bad Debt and Other Provisions:				6
153	Provisions	345	32	377	
737	Write Offs	312	273	585	
(654)	Provisions for Appeals	-	405	405	
98,037	**Total Expenditure**	**76,281**	**25,004**	**101,285**	
(703)	**(Surplus)/Deficit for the Year**	**391**	**(1,863)**	**(1,472)**	
	Collection Fund Balance				
(2,523)	Balance brought forward	(3,199)	(27)	(3,226)	
(703)	(Surplus)/Deficit for the year	391	(1,863)	(1,472)	
(3,226)	**Balance Carried Forward**	**(2,808)**	**(1,890)**	**(4,698)**	5
	Allocated to:				
(14)	Central Government	-	(945)	(945)	
(2,358)	Essex County Council	(2,065)	(170)	(2,235)	
(141)	Essex Fire Authority	(122)	(19)	(141)	
(317)	Essex Police and Crime Commissioner	(279)	-	(279)	
(396)	Tendring District Council	(342)	(756)	(1,098)	
(3,226)		**(2,808)**	**(1,890)**	**(4,698)**	

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 2017/18 was £1,582.30 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 2017/18

2016/17	Band	Valuation	Pro-portion	Full Charge	Paying 75%	Paying 50%	2nd Homes	Empty Properties	Exempt	Total Excluding LCTS	LCTS Scheme 100%	Total
10	*A	Up to £40,000	5/9	9	7	-	-	-	-	16	(5)	11
9,407	A	Up to £40,000	6/9	4,386	7,202	22	585	518	324	13,037	(3,487)	9,550
14,373	B	£40,001 to £52,000	7/9	9,796	6,993	24	301	311	206	17,631	(3,026)	14,605
18,150	C	£52,001 to £68,000	8/9	13,157	6,552	38	446	225	271	20,689	(2,392)	18,297
9,752	D	£68,001 to £88,000	9/9	7,420	2,572	43	224	107	124	10,490	(612)	9,878
4,586	E	£88,001 to £120,000	11/9	3,663	921	27	94	54	49	4,808	(137)	4,671
1,605	F	£120,001 to £160,000	13/9	1,321	254	38	40	21	15	1,689	(37)	1,652
767	G	£160,001 to £320,000	15/9	591	104	41	33	10	8	787	(9)	778
58	H	Over £320,000	18/9	41	2	9	4	2	-	58	-	58
58,708				40,384	24,607	242	1,727	1,248	997	69,205	(9,705)	59,500
46,634		Number of equivalent full charge Band D dwellings (unscaled tax base)										47,327
(1,726)		Less Provision for changes in valuation list, discounts and doubtful debts										(1,467)
44,908		Tax base for tax setting purposes										45,860

* Band A – entitled to Disabled Relief

Analysis of the Council Tax

Council Tax for a Band D Dwelling

2016/17 Average £		2017/18 Average £
	Tendring District Council:	
141.47	General Expenses	146.61
11.17	Special Expenses	11.03
32.05	Town and Parish Councils	34.88
1,130.13	Essex County Council	1,163.70
67.68	Essex Fire Authority	69.03
152.10	Essex Police and Crime Commissioner	157.05
1,534.60		1,582.30

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:

2016/17		2017/18
£70.778m	Rateable Value on 31 March	£78.492m
	Non-Domestic Rate per £	
48.4p	Small Businesses	46.6p
49.7p	Standard	47.9p

A Business Rate revaluation took place on 1 April 2017 which resulted in the significant changes to rate in the pound and rateable values shown above.

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.

2016/17		2017/18		
		Council Tax	Business Rates	Total
£000		£000	£000	£000
	Allocated to:			
(515)	Central Government	-	(187)	(187)
2,296	Essex County Council	2,254	(34)	2,220
136	Essex Fire Authority	135	(4)	131
323	Essex Police and Crime Commissioner	303	-	303
(20)	Tendring District Council	368	(150)	218
2,220		**3,060**	**(375)**	**2,685**

Therefore the year end surplus of £2.808 million on Council Tax and £1.890 million on Business Rates together with balances paid over to precepting authorities in 2018/19, will form part of the assessment made in January 2019.

6 Bad Debt and Other Provisions

Provision for Bad and Doubtful Debt

2016/17 Council Tax £000	2016/17 Business Rates £000	2016/17 Total £000		2017/18 Council Tax £000	2017/18 Business Rates £000	2017/18 Total £000
			Movements in Year:			
695	195	890	Contributions to provisions in year	657	305	962
(574)	(163)	(737)	Less: Amounts written off in the year	(312)	(273)	(585)
121	32	153	Net change in provisions	345	32	377
			Balances on provisions:			
1,689	132	1,821	Balance Brought Forward	1,810	164	1,974
121	32	153	Net change in provisions	345	32	377
1,810	164	1,974	Balance Carried Forward	2,155	196	2,351

Provisions for Appeals (Business Rates only)

	2016/17 £000	2017/18 £000
Balance Brought Forward	3,097	2,443
Contributions to provisions in year	(654)	405
Balance Carried Forward	2,443	2,848

ACCOUNTING POLICIES

a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. 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 2017/18 and the Service Reporting Code of Practice 2017/18, 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) is 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, non-housing rental income, electricity and similar regular quarterly/monthly 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 (i.e. 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 Non-Domestic Rates

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 2.55%. The discount rate used is such that the net present value of the notional cash flows, discounted at this single rate, equates to the net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve.

- 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 (q) 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

Inventories are included in the Balance Sheet at cost.

n) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements 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.

o) 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).

p) 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.

q) 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.

r) **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.

s) **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.

t) **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.

u) **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.

v) **Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets, investment property 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 Forecast 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.

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.

APPENDIX A

TENDRING DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2017-18

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**

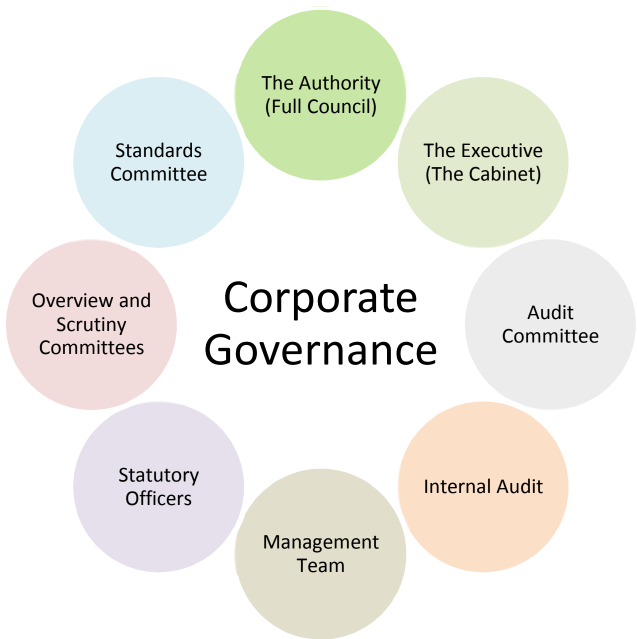
The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the **CIPFA / SOLACE *Delivering Good Governance in Local Government Framework (2016 Edition)***. A copy of the Council's Code is available to be viewed or downloaded from the website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

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 councils to, each financial year: -

(a) conduct a review of the effectiveness of the system of internal control
(b) prepare an Annual Governance Statement

This Annual Governance Statement covers the period from 1 April 2017 up until its publication with the Council's Statement of Accounts on 31 July 2018.

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)
• Approve Constitution and Policy Framework • Approve Council's overall budget • Approve matters reserved by law to Full Council	• Undertake the Council's Executive functions • Making decisions within the Budget and Policy Framework
Standards Committee	**Overview and Scrutiny Committees**
• Promote and maintain high standards of conduct • Develop culture of openness, transparency, trust and confidence • Embed a culture of strong ethical and corporate governance	• 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**
• Approve the Council's Statement of Accounts • Independent assurance of adequacy of risk management framework • Consider Internal / External Audit work and recommendations arising	• 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**
• **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	• 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 within the Council for the year ended 31 March 2018 and reviewed 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, Reports, 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.

As part of the Annual Review of the Council's Governance Framework, a number of activities and actions have been identified and undertaken during 2017/18 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

- Working throughout 2017/18 to achieve compliance with General Data Protection Regulation (GDPR) legislation using a programme based upon the Information Commissioner's Office twelve point GDPR action plan. Activities have included external challenge of our existing governance arrangements, training activities and a current state assessment. Initially, the Council formed a GDPR project alliance with colleagues from Thurrock Council to combine resources and over time that partnership has grown to include most local authorities with the Essex Online Partnership group.
- Approval of a new 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 and adoption of a revised Members' Code of Conduct to ensure an easier understanding of the rules and obligations, especially in respect of interests for both the public and elected members.
- Social Media Guidance for Councillors issued following approval by the Standards Committee.
- Annual Report on Declarations of Interests and mandatory training requirements for members
- On-going training opportunities provided to Officers including dedicated procurement and health and safety training plus topical issues presented to the Senior Managers Forum. Examples of presentations covering GDPR, Income Generation and Trading considerations, increase in Ombudsman decisions finding failings in recording reasons for actions and a workshop on recording and publishing Officer Decisions.
- Emphasising the importance of the legal section content of Reports highlighting the legislative and constitutional powers where relevant to the decision and publishing Officer Decisions.

B. Ensuring openness and comprehensive stakeholder engagement

- The Council continued to be engaged in a number of community projects in partnership with stakeholders with a comprehensive update being endorsed by Cabinet during the year, to be delivered to support the Council's Priorities.
- Key corporate projects with stakeholders were also included within the Council's performance management reports.
- A continuing role for the Local Plan Committee overseeing the final stages of preparing the Publication Draft Local Plan, and recommendation to Full Council, for public consultation prior to submission to the Secretary of State for Examination in Public, with approval, addressing the fundamental issues raised by objectors and dealing with other aspects of planning policy work.
- Reported an updated position since the establishment of North Essex Garden Communities Limited including endorsing exploration of a development corporation with central government.
- Engagement with key stakeholders on significant matters including changes within service delivery, examples being the proposed closure of two sheltered housing schemes and waste and recycling collection.
- All Member briefings on topical subjects including Universal Credits, proposed changes in service delivery of the waste and recycling contract, tools for dealing with Anti-social Behaviour , GDPR and Local Plan matters such as Garden Communities and 5 year housing supply.

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

- Continuing delivery of the Corporate Plan for 2016-2020 which outlined the Council's vision, its priorities and projects, and with community leadership at its heart.
- Regular governance meetings, attended by the Statutory Officers and the Deputy Chief Executive have been established to facilitate the on-going review of corporate governance and the identification of actions that support and promote these issues within the Council. Two areas identified are to:
  - enhance the initial Business Case scoping of spending/investment decisions, with a template being developed; and

- review the Cabinet Report template and provide refreshed guidance on ensuring equalities implications and alternative options are incorporated into early draft reports.

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

- Approval of a revised Treasury Strategy and associated treasury management practices to support the delivery of investment activity that remains in accordance with the relevant Codes of Practice and guidance.
- The Council has established a long term financial sustainability plan during the year with the underlying key aim of protecting services, as far as reasonably practical, during the on-going and challenging public sector financial environment.
- Review of the Council's Committee Structure reducing the Overview and Scrutiny Committees from 3 to 2, responsibilities being split between the Council's resources and services and community leadership with an emphasis on the principle of using task and finish review groups producing evidence based recommendations.
- Review of Financial and Procurement Procedure Rules along with the requirement to use standard contract clauses
- The Council, including Members and Officers fully engaged in a Peer Review undertaken by the Local Government Association which included a section on Governance and Leadership. An Action Plan being developed in response to recommendations and findings from the review.
- The Council supports the governance arrangements (internally and externally) to deliver major projects, such as Garden Communities and the Coastal Community Team (CCT) for Jaywick Sands, which includes scheduling regular meetings attended by senior officers.

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 responding to evolving priorities.
- Changes to Cabinet roles and responsibilities during the year to meet the challenges ahead, including Corporate Enforcement being allocated to a Cabinet Member with special responsibility to drive the area.
- An Electoral Review Working Group, with cross party representation from Members, worked on and recommended to Council a reduction in the total number of Councillors and numbers and boundaries of wards submitted to the Local Government Boundary Commission for England (LGBCE). The final recommendations from the LGBCE were reported to and noted by full Council with officers being authorised to review meeting arrangements, Cabinet and committee size, frequency and make up in preparation for the reduction to 48 Councillors in 2019.
- Review of Committee Structure reducing Overview and Scrutiny Committees to two, focusing on external and internal arrangements to take effect from the Annual Council Meeting in April 2018
- The initiation of a digital transformation project to deliver improvements to business continuity and resilience producing efficiencies in working practices.
- Reporting to full Council if members fail to attend meetings within 4 months (rather than 6 months automatic disqualification)
- The approval of a dedicated Senior Governance Officer for recruitment to support the Statutory Officers in the delivery of the Corporate Governance Framework

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.
- The establishment of a dedicated fraud and risk management team within the Council encompassing corporate health and safety responsibilities.
- Formalising the appointment of a named data protection officer in accordance with new GDPR legislation

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

- Monthly reviews being undertaken by the Statutory Officers of the six principles as set out in the Local Code of Corporate Governance consistent with the CIPFA / SOLACE Framework for delivering good governance in Local Government.
- Development of an investment spending decision making template proving guidance on matters to consider such as outcomes to be delivered in accordance priorities, contribution to long term financial sustainability, project management, risks of delivery, equality impact assessments and other miscellaneous decision making requirements.
- Developing improved project management including review of outcome/benefits allocation of resources.

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 associated 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 backcloth of ongoing reductions in Government funding of the Council and associated savings targets, action has continued within the Council in 2017/18 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**

As set out in the Public Sector Internal Audit Standards (PSIAS) there is a requirement under PSIAS 2450 that the Chief Audit Executive must provide an annual report to the Audit Committee, timed to support the Annual Governance Statement. This must include:

- an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment);
- a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies); and
- a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme.

The Chief Audit Executive presented his annual report to the Audit Committee on 26 July 2018, with a copy of his associated opinion set out below:

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

A qualified opinion was provided in 2016/17 based on a number of significant issues being identified within some of the core activity areas of the Council. I am pleased to report that based on the work completed in 2017/18, significant work has been undertaken to ensure that improvement action has been implemented in all of the areas where significant exposure to risk was reported.

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.

Internal Audit has been working with services on a consultancy basis to support the implementation of new processes and to ensure that all relevant employees have the appropriate training to competently carry out their role. Procurement, Risk Management and Health and Safety are the three areas where this type of work has been undertaken.

In 2017/18, only two audits received an overall audit opinion of “Improvement Required” where significant issues were identified. The audits were Walton-on-the-Naze Lifestyles and Health and Safety with the issues set out below:

Health and Safety

TDC currently does not have a Health and Safety Program of Works. This is a requirement under HSE guidance as it evidences that the organisation is aware of its main risk areas and can prioritise Health and Safety work rather than being a reactive function. Although the Health and Safety Officer does have an informal plan there is no official program of works that evidences management and officer input. The agreed action is reported below;

- The Fraud and Risk Manager and the Health and Safety Officer will create, implement and monitor a Health and Safety Program of Works. This will need to be reviewed and approved by the Councils Management Team and rolled out to all departments to ensure that all Officers are aware of the Council's Health and Safety priorities.

The second high finding relates to inconsistent approaches to Health and Safety requirements when working with contractors. HSE guidance specifies that the size of the project or work does not matter and therefore Health and Safety principals should be applied consistently to all areas of work. However, because construction work is devolved within each service it increases the risk of staff approaching projects / work differently. Recommendations have been made to ensure that a consistent risk assessment process is designed and used by all departments. The agreed action is stated below;

- Management Team to communicate the importance of a consistent Health and Safety risk assessment approach when working with all building contractors working on behalf of or in partnership with the Council. The Fraud and Risk Manager to be appointed as key contact ensuring that all departments work in and record information in a consistent way.

Walton-on-the-Naze Lifestyles

Card Payments - PCI Compliance

Merchant copy receipts for credit/debit card transactions display the card holder's full credit card number including the start and expiry dates. This does not comply with PCI Security Standards which states that sensitive card holder details should not be stored on computers or on paper.

Agreed Action;

- Investigations into the configuration of card machines at the Leisure Centres will be undertaken with the merchant supplier in order to remove the personal card details from the receipts held.

Unauthorised Refunds

The process for issuing refunds/credit notes is inconsistent and restrictions on the ability to issue a refund and the approval mechanism are not in place.

Agreed Action;

- In order to provide a consistent and robust approach, procedures will be written which clarify both the process to be followed when issuing a refund and the necessity for appropriate authorisation.

Inadequate Records of Refunds

Terminal readings taken from the Leisure Management System indicate the number of refunds undertaken and the total, these totals could not be matched to any other records held.

Without adequate controls in place unauthorised refunds may be recorded which could result in incorrect balances on the Gladstone system and the potential risk of fraud and erroneous refunds being processed.

Agreed Action;

- In future wherever possible refunds will be actioned on the system.
- A new book has been created to record refunds which includes columns for both the officer actioning the refund and the authorising officer.
- Where system capabilities allow for an electronic alternative to any part of the refund process which can still demonstrate authorisation, the move to a paperless route will be considered.
- Management checks will also be undertaken as part of the monitoring process.

As the majority of audits in 2017/18 received an adequate or substantial assurance opinion and Internal Audit have been and currently are involved in areas where processes are being redesigned, there is reasonable assurance that there is a sound system of internal control with adequate governance arrangements in place. Although work is still ongoing with Risk Management at a departmental level, Senior Management and the Audit Committee are involved in and aware of the changes being made.

Governance arrangements and internal controls have been evaluated in all audits within the plan, albeit with varying levels of scope. Consultancy work is in progress regarding Risk Management with outcomes and actions from the 2016/17 review remaining ongoing.

The opinion of the Acting Audit and Governance Manager is drawn from all of the information reported above, external reviews carried out throughout the year from other assurance providers and through the ongoing work in supporting Senior Management and Services in delivering the Councils objectives and vision.

Based on the significant improvements made since 2016/17, the open dialogue with Senior Management on risk and a generally sound system of internal control, an overall unqualified opinion of Adequate Assurance is provided.

In respect of general risk management actions identified during the year, the following remain in progress within the Council in 2018/19:

- Management Team are currently working with the Fraud and Risk Manager to effectively promote the importance of operational risk management within the Council. The Corporate Fraud and Risk Manager will be attending Management Team meetings on a quarterly basis and provide monthly updates.
- One to one meetings have started to be carried out with senior managers and reviews of the Council's departmental risk registers are being undertaken. Any gaps identified will be included in the next corporate risk register update that will be reported to the Audit Committee in January 2019.
- The Corporate Fraud and Risk Manager has arranged one to one meetings with senior managers to discuss business risks, once identified the findings will be reviewed on a regular basis with an update to be provided to the Audit Committee in January 2019.

- **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: -

- **Sustainable Resource Deployment - Achievement of Savings Needed over the Medium Term:**

  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 backcloth 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

  - A long term financial sustainability plan / 10 year forecast was agreed by Cabinet on 5 September 2017

  - The budget for 2018/19 was agreed by full Council on 6 February 2018 which was in-line with the forecast

  - Work remains on-going to develop the necessary plan to deliver against the forecast going into 2019/20 along with considering how performance against the forecast can effectively be reported to Members on a regular basis during the year.

- **Sustainable Resource Deployment - Achievement of Savings Needed over the Medium Term:**

  To continue to maintain strong governance arrangements as the Council transforms the way in which it provides and delivers its services

  - The office rationalisation business plan was agreed in September 2017 and work is now underway to deliver this major project

  - A major digital transformation project was agreed by Cabinet in February 2018, with the final steps of the associated procurement process now completed to enable relevant activities to commence as soon as possible going into 2018/19.

- **Informed Decision Making: Garden Communities:**

  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.

  - The Interim Business Plan of NEGC Ltd is due to be presented in June 2018 for approval of the work programme which will set out the anticipated key decision making milestones to be reached in 2018/19 with associated reports expected to be presented to Members later in the year.
  - It is recognised that associated governance frameworks may be subject to change as the potential option of establishing a Development Corporation to deliver this project continues to be explored.

- **Working with Partners and Other Third Parties: Jaywick Sands:**

  To continue to work with Essex County Council and other partners to develop options for residential and other development. To develop options for a housing company and lead on the set up of a company

  - Work remains in progress to take this major project forward via the Coastal Community Team (CCT), which is chaired by a Council Director, as the key governance mechanism for delivering on the overall renewal strategy and comprises representatives from external stakeholders. The project will form part of a wider Housing Strategy which is being developed for reporting to Members in 2018/19.

- **Other Major Issues:**

  To ensure deliverability of projects without impact on the day to day operations of the Council

  - This forms part of business cases / plans when developing significant projects.

- **Other Major Issues:**

  To develop and maintain a robust corporate approach to delivery against the Council's health and safety responsibilities

  - Health and safety responsibilities were brought together with risk management in 2017 under the leadership of the Fraud and Risk Manager within a dedicated team. Development of a robust corporate approach to delivery against the Council's health and safety responsibilities forms a key focus for this dedicated team going into 2018/19.

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
Managing risks and performance through robust internal control and strong public financial management	Continue to develop the long term forecast with a focus on: • Ensuring the robustness of assumptions

The Council adopted a new ten year approach to budgeting in 2017, aimed at maximising savings opportunities whilst delivering growth in underlying income to deliver a balanced budget over a ten year forecast. The plan depends upon the use of a reserve specifically established to support the long term financial plan which is estimated to provide up to £3.7 million of funding over the plan period. Risks exist to the plan should income generation schemes not materialise while using non-recurrent reserves to addressing budget gaps is not sustainable should austerity continue.	used in financial planning/forecasting. • Prioritising resources whilst maintaining services wherever possible. • Develop a new way of reporting progress against the new long term forecast including an assessment of risk. • Delivery a balanced budget in 2019/20 in-line with the forecast.
Implementing good practices in transparency, reporting, and audit to deliver effective accountability **Developing the entity's capacity, including the capacity of its leadership and the individuals within it** Council continuing to demonstrate Value for Money in the use of its resources and delivery of major projects, for example, Garden Communities and Jaywick Sands.	To develop a robust project management approach to governance arrangements and reporting against the expected benefits / outcomes of the Council's use of resources. To enhance the business planning process to ensure mandates are achieved for initial scoping and developing business cases for deployment and profiling of resources. This will include a review of the Cabinet Report template and issue refreshed guidance on ensuring equalities implications and alternative options are fully incorporated through early considerations. Progress against associated projects to be reported via the Council's performance management framework
Developing the entity's capacity, including the capacity of its leadership and the individuals within it ***(Continue the Delivery of the Transforming the Way We Work Project)*** There are four main strands to this project with work already underway: • Digital • Customer Service/channel shift • Office Accommodation • People	Continue to deliver against the project aims and objectives with regular reporting via the Council's performance management framework, including the establishment of Project Boards.
Developing the entity's capacity, including the capacity of its leadership and the individuals within it The Council's Committee Structure is reducing to two Overview and Scrutiny Committees focusing on external and internal arrangements	Embed and develop the new Committee Structure during 2018/19.

Managing risks and performance through robust internal control and strong public financial management Robust information security arrangements, including the implementation of GDPR	To implement and embed the new requirements introduced via the new responsibilities placed on the Council by the General Data Protection Requirements.
Determining the interventions necessary to optimise the achievement of the intended outcomes Outcomes from Peer Review	To develop an action plan for implementation in response to outcomes from the recent review including effective reporting of progress against each action identified.

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.