

# *Tendring*

## *District Council*



## **STATEMENT OF ACCOUNTS**

**2021/22**

# TENDRING DISTRICT COUNCIL

## STATEMENT OF ACCOUNTS

2021/22

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# NARRATIVE REPORT 2021/22

## 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 included in his announcements to Full Council earlier in 2022 as follows:

*I spoke last year about how, almost instinctively, we all came together to ensure we were there for our residents and businesses, and this has been the case again over the past 12 months, and just like last year, we have continued to respond to COVID 19 issues but also seamlessly continued with the provision of our day-to-day services.*

*At the heart of an effective Council and its ability to provide quality services, deliver on its objectives, and respond to the challenges and the expectations of residents and businesses, is a strong financial position. This is what enables us to keep the Council evolving and moving forward progressively. This is usually in a planned and programmed way but sometimes it may be in a reactionary way, as in Local Government the world around us is always shifting. You could say that is what makes our roles even more exciting, as I cannot think of such diverse organisations in the private sector. When you stop and think, we are effectively running a significant number of individual businesses, each of which are wildly diverse and varied, which would be a huge challenge for any private sector organisation.*

*These not only require us to think about issues such as social value, health and inequality, climate change and social inclusion, which highlights only a few examples, but all of this has to be built on and captured in the budget and financial forecast - a complex jigsaw puzzle I think it is fair to say.*

*Delivery is important against our existing 'cash backed' promises and the following list details some examples of key projects that we will be able to get underway very soon:*

- *The provision of a covered market and managed workspaces in Jaywick;*
- *The development of the former Starlings site in Harwich;*
- *Various projects set out within the Back to Business action plan;*
- *Supporting the development of the major Freeport project, centred on Harwich;*
- *Replacing the all-weather pitch at Clacton Leisure Centre along with wider investment in the centre;*
- *Supporting celebratory events such as Clacton 150th and Mayflower 400 in Harwich;*
- *The replacement of our cremators at Weeley;*
- *Supporting our heritage assets such as the Treadwheel Crane in Harwich;*
- *Undertaking cliff stabilisation work along Clacton and Holland seafronts;*
- *Demolition of a multi-storey car park in Harwich, to be replaced with housing; and*
- *Disposal of the former Weeley Council office site, which will not only provide us with additional housing, but will also enable us to secure the full savings from disposing of the site.*

*It is essential that the Council has a clear set of priorities, and that those priorities are properly budgeted for. So, looking ahead, we are aiming to implement a Corporate Investment Plan, a framework in which we can consider all the things we have to do, or would like to do, to support our ambitions and to further our priorities. This approach will also start to see our existing Back to Business Plan merge with this new plan as we head into 2022/23.*

*We have already seen a change in the timing and reporting of our corporate priorities. This year we have brought them together to strengthen that all important link to the budget. The Corporate Investment Plan therefore aims to build on this approach.*

*During the course of the year, we often see ideas, projects and schemes come forward, and long may that continue, as this is a much better way of thinking than promoting a culture where people are hesitant to put things forward by self-editing their hopes and aspirations or where raising expectations are feared. There is nothing wrong with raising expectations and confidently promoting what we would like to do, as long as we balance that with the long-term financial sustainability of the Council, and I am sure that is an approach we can all embrace.*

*We now also have the Government's 'levelling up' agenda to consider going forward. Although the devil will be in the detail, it is likely that we will need to have some funding headroom within the Corporate Investment Plan as there will hopefully be opportunities to lever in Government funding on the back of us also committing money to schemes and projects that support this major Government agenda.*

*In terms of prioritisation of the Corporate Investment Plan, further details will be set out within the report to Cabinet but it needs to take into account a number of key priority 'drivers' such as financial viability and sustainability, non-financial consequences such as reputation or health and safety, the outcome from external assessment and regulatory reviews along with being outcome-driven. This approach, therefore, aims to form the basis of a consensus of what we can fund.*

*It also needs to be done in a holistic way looking across the whole of the District. Let us not forget, supporting one area of the District often has a knock-on impact elsewhere in the District, such as the local economy, so we must remain alert to this as part of our decision making.*

*The Corporate Investment Plan approach will also guide us in terms of chasing external funding, as we will have a ready-made, properly thought through list that we can use to go out and make a coherent case to our partners and potential funders.*

*During the budget cycle for 2022/23, a review of reserves was undertaken which was set out within the report to Cabinet back in December. Hopefully, this adequately responded to the simplistic but dangerous view that could have been taken, that we have money just sitting around doing nothing. All our reserves serve a vital purpose and are crucial in supporting the Council's overall financial standing. Our reserves will play an important role going forward, such as helping us look after our assets and to help us deliver our climate change ambitions.*

*Having talked about the need to find savings, let us not forget one of the main principles behind the long-term approach – and that is providing time for our underlying income from business rates and council tax to grow. We all see growth in these two areas of the budget when we are out and about within the District, especially with new commercial units popping up, like those on Brook Park. Although there are no guarantees that I can give, growth in these two areas of the budget may provide us with the ability to consider the level of savings going forward, or alternatively reflect the scale and speed that we can deliver against our priorities – that was one of the main flexibilities behind the long-term approach we have adopted.*

*Through our approach to financial management and planning, priority setting, sound stewardship and ambition we can continue to make a difference for our residents and businesses as well as looking after the District and its natural environment.*

*As Councillors, we have embraced new ways of working, with each other, with our residents and with partners. Our workforce has shown fantastic resilience, flexibility and a determination to deliver, with teams being required to react swiftly to the closure, re-opening and further closures and also to step up to take on entirely new responsibilities, providing essential services that have supported the safety, health and wellbeing of our residents. Not only have they been undertaking additional duties to support the response to the pandemic, but they have also been continuing with their day jobs across the organisation, ensuring that services continued to operate as near as possible to 'business as usual'.*

*As part of our ongoing COVID-19 response, Council staff rose to the call for mutual support from the NHS. Many staff were deployed to the vaccination centres and supported the emergency response. We also had staff working as Covid Ambassadors across the District, supporting businesses and residents.*

*On the subject of the environment, I am pleased to let you know that as a Council we have cut our carbon emissions by over a quarter over the past three years. The Authority's emissions have dropped from 5,083 tonnes in 2018/19 to 3,881 tonnes in 2020/21. The Council has added insulation to offices and installed LED lighting, and we plan to accelerate as we embed climate change considerations into everything we do across the Council. That is a fantastic achievement, and we also urge partners, businesses and residents to join us on this journey.*

*One of our key projects this year is to transform the derelict Starlings site in Harwich into a new carpark which will double as an events space. Starlings will accommodate 51 car parking spaces, including four disabled parking bays and at least four electric charging points. The development will include new public toilets and landscaping. The site will be made level so that it can accommodate one-off events such as markets, travelling fairgrounds and open-air theatres, encouraging footfall and supporting the town's economic recovery. I look forward to seeing this exciting regeneration project finally come to fruition over the next few months.*

*In November, the Council secured almost £2m of funding from the South East Local Enterprise Partnership in support of our ambitious plans to further improve and deliver a 9,500 sq. ft. managed workspace facility, with a market and community garden. Build inflation pushed the project costs up when we went out to tender in November, but I was pleased to be with Essex County Council last month when they announced they will meet the additional costs, so the contractors can get on site to start building. Whilst it is based in Jaywick Sands, this eye-catching new building will provide high quality, reasonably priced office space for small firms from across Tendring to set up shop, with advice on hand from experienced professionals. This is a great example of us helping businesses in Tendring to build back from the pandemic.*

*Section Two of the Local Plan has finally been agreed; we now have in place a robust planning policy that allow us to be masters of our own destiny in respect of what gets built where, at least as far as the current planning system allows. And our plans to increase our stock of council homes is progressing extremely well. The Council has retained ownership of its housing stock, which currently comprises well over 3,000 homes that our Housing and Surveying Teams manage and maintain. Work on these dwellings continues, including the upgrading of heating systems, reassessing fire precautions in the light of the Grenfell tragedy and of course thousands of daily repairs and routine maintenance jobs. Detailed assessments of prospective development sites and potential acquisitions are ongoing, and the Cabinet is committed to completing these assessments and achieving its target of 100 additional homes. Adding additional homes to our stock is a key part of the Housing Strategy 2020-25. The document, entitled “Delivering Homes to Meet the Needs of Local People”, identifies four key strategic housing priorities as follows:*

- Delivering homes to meet the needs of local people*
- Reducing and preventing homelessness and rough sleeping*
- Making the best use of and improving existing housing*
- Supporting people in their homes and communities.*

*I firmly believe these provide us with a strong foundation to work from.*

*We continue to champion work in the areas of Education, Health and Community Safety working with many partners to ensure the best outcomes for Tendring residents. We have developed a Tendring Education Strategic Board, which includes District Headteachers, ECC, Academy leads and the Department for Education.*

*We also work closely with Health colleagues through the Alliance Board and this work has influenced the creation and development of the diagnostics hub at Clacton Hospital. The diagnostics hub has just this month been recognised as the best in the country – and Tendring District Council has been congratulated for our role in its delivery. Partnership work includes influencing, facilitating and in some cases delivering through partners across the District.*

*I am extremely proud of the role this Council has played, working closely with the Port and with other public sector partners on the submission of the successful Freeport East bid to Government. The Freeport's tax sites are now designated in law and going forward, Freeport East will become a legal entity in its own right as a company limited by guarantee with directors being appointed from the key partners, including this Council and Essex County Council, with the detail on the Company functions and structure being discussed with my Working Party prior to Tendring formally signing up. [In terms of Planning consent] the Secretary of State formally notified us of his assent confirming he is satisfied that the proposed conditions and legal agreements will ensure compliance and the safeguarding of the natural environment.*

*It is truly remarkable to me that we have been able to achieve so much together throughout the past twelve months and I know that next year will see even more tremendous achievements by this Council, for and on behalf of our residents and businesses.*

***[The above statements were made by the Leader of the Council during February/March 2022. Further details relating to on-going challenges and impact of the COVID 19 Pandemic are set out further on in this statement.]***

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
- Operational Model
- Risks and Opportunities
- Strategy and Resource Allocation
- Non-Financial and Financial Performance
- Outlook
- Basis of Preparation and Presentation

## **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 over 400 (full time equivalents) of which many are Tendring residents.

The Council's Corporate Plan – alongside the 10 year financial strategy, the Annual Budget and the Local Plan – sets out the long term strategic framework of policies, priorities and projects for the benefit of the Tendring District.

The Council agreed a revised Corporate Plan (covering the period 2020 to 2024) during 2019/20 which remains 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 working collaboratively across a range of issues.

Delivery of a long term financial sustainability plan continues to be an 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 impact of the sustained reduction in Central Government funding over recent years.

The success of the plan also requires **effective and positive governance** to ensure the Council and its various resources – **people, assets, IT and finances** - are well managed to enable the Corporate Plan priorities and the full range of the Council's services to be delivered.

Community Leadership remains as the predominant cross cutting theme within the Corporate Plan along with various economic growth initiatives which also cuts across a wide range of the Council's service activities and projects. The Council launched a Back to Business plan during 2021 which set out how it would work across its range of services and portfolios to support the local economy and Tendring businesses and residents in recovering from the Covid-19 pandemic. As highlighted earlier, this has now merged with the new Corporate Investment Plan approach adopted earlier in 2022 where investment will be prioritised across the Council's priorities and objectives, including front line services as necessary.

The **Vision and Values of the Council** are set out below:



## Our Vision

To put community leadership at the heart of everything we do through delivery of high quality, affordable services and working positively with others.

### Delivering High Quality Services

- Modern, high quality buildings and facilities for customers and staff
- 24 hour a day digital services – My Tendring
- Minimise waste; Maximise recycling
- Proactive Planning Service
- Public spaces to be proud of
- Effective regulation and enforcement
- Carbon Neutral by 2030

# Tendring District Council Corporate Plan 2020-2024



### Community Leadership Through Partnerships

- Health and wellbeing - for effective services and improved public health
- Education - for improved outcomes
- Law and Order - for a safer community
- Sport England and Active Essex- for physical activity and wellbeing
- Joined up public services for the benefit of our residents and businesses
- Influence and lobby - for Tendring's future

## Community Leadership Tendring4Growth

### Building Sustainable Communities for the Future

- North Essex Garden Communities
- Jaywick Sands - more and better housing; supporting the community
- Vibrant Town Centres
- Building and managing our own homes
- Effective planning policies

### Strong Finances and Governance

- Balanced annual budget
- 10 year financial plan
- Effective and positive Governance
- Strong and focused leadership
- Use assets to support priorities

### A Growing and Inclusive Economy

- Develop and attract new businesses
- Support existing businesses
- More and better jobs
- Promote Tendring's tourism, cultural and heritage offers
- Maximise our coastal and seafront opportunities

## Our Values

- ◆ Councillors and staff uphold **personal integrity, honesty** and **respect** for others
- ◆ **Innovative, flexible, professional** staff **committed** to delivering excellence
- ◆ Recognising the diversity and **equality** of individuals
- ◆ Working **Collaboratively**

**Tendring**  
District Council



## **Governance and Operational Model**

The outcome from the annual review of the Council's governance framework is set out within the Annual Governance Statement (an annex to this Statement of Accounts) with many activities undertaken during the year to strengthen/enhance all areas of the framework. The statement has been subject to review in terms of its format and presentation to aid the accessibility to the key activities that the Council has undertaken during the year.

The Annual Governance Statement continues to include references to the impact of the COVID-19 crisis on the Council and how it responded to the changes in how it operates. The Annual Governance Statement highlights a number of key actions and planned activities in 2022/23.

Along with the Council's performance management framework which is discussed further on, the Council's budget and Long Term Financial Plan articulate the use of resources with the position for 2022/23 and beyond summarised within the Chief Finance Officer's (S151 Officer) report to Council in February 2022 as part of the budget process for 2022/23 as follows:

### ***Robustness of the Estimates***

#### **Financial Management / Governance Arrangements**

*During 2017/18, the Council introduced a new long term approach to budgeting / forecasting which saw a long term financial forecast prepared covering an initial ten year period, which is updated on a quarterly basis throughout the year.*

*The long term forecast and budget setting processes continue to be 'built' on the following 5 key strands:*

- *Increases to Underlying Income*
- *Controlling Net Expenditure Inflationary Pressure*
- *Savings and Efficiencies*
- *Cost Pressure Mitigation*
- *Delivering a Favourable Outturn Position*

*Although annual budget deficits are forecast across the remaining years of the plan, this is primarily due to relatively cautious estimates, especially those in respect of increases to underlying income. However, the overall financial forecast risks are underwritten by the use of a dedicated forecast risk fund, which is estimated to remain in a surplus position over the life of the current 10-year plan.*

*Another important element of the long term forecast is the delivery of on-going savings, which act as a 'safety valve' in terms of offsetting increases in cost pressures or other unavoidable increases in expenditure. Although the savings target of £450k was not met in 2022/23 (savings identified totalled £223k), this largely reflects the fact that 2021/22 was seen a transitional year for services as the economy continued its recovery from the COVID 19 pandemic. With the above in mind, a key priority for the Council going into 2022/23 is the development of a zero based approach to budgeting with the aim of identifying the necessary level of savings across years to deliver a long term sustainable position going forward.*

*The need to continue to deliver against the 10-year forecast is clearly recognised within the Council and remains a key focus in 2022/23 and beyond to enable it to continue to provide quality services and invest in its priorities. Self-sufficiency continues to underpin the Council's 10-year forecast along with maximising opportunities through investment and maximising savings opportunities over a longer time period. Taking a longer-term view of the forecast also enables the Council to respond to any significant financial impacts over several years rather than as part of an annual budget cycle, which strengthens financial resilience in the long term.*

*Another aspect to the long term approach to the forecast is the ability to 'flex' the delivery of services rather than cut services. If required by the forecast, the Council could flex the delivery of a service one year but increase it again when money next becomes available, which also provides a key foundation against which the budget can be 'built'.*

*The Council continues to play 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, channel shift and digital transformation projects have supported the Council's overall financial position going forward.*

*Financial resilience remains at the forefront of the financial planning process with money identified where possible to invest in 'spend to save' projects or 'protect' key services that will in turn support the Council in delivering a balanced and sustainable budget. 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.*

*It is currently proposed to review the long term forecast in 2023, which would see 3 to 4 years to go until the end of the original 10-year plan. This will provide an opportune time to review the Council's financial position going forward and reflect on any longer term impact from the COVID 19 crisis.*

*The Council developed a Back to Business Plan in response to the COVID 19 crisis, which has seen a number of key activities being undertaken to support businesses and residents within the district to successfully recover from the very challenging environment that the COVID 19 crisis introduced. This in turn supports the overall health of the local economy and its resilience and helps 'protect' key income strands of the forecast such as business rates.*

*Clear actions in respect of financial resilience also continue to form part of the Council's Annual Governance Statement that includes amongst other things the development of a Corporate Investment Plan linked to the Council's budget, priorities and evolving financial position. Given the pressures on the on-going 'base' revenue budget, it is very unlikely that the long term forecast can generate significant 'surpluses' that can be used to invest in all of its priorities. However, they will still be considered but this will be done outside of the annual 'base' budget setting cycle.*

*Within the Financial Strategy framework, there is Cabinet involvement at various stages in addition to a comprehensive review and associated input from the Resources and Services Overview and Scrutiny Committee.*

*Regular and comprehensive monitoring of the budget will continue to be undertaken during 2022/23 as part of the well-established and comprehensive financial performance reporting process, so issues can be identified and action taken at the earliest opportunity if and when appropriate. In addition, any savings identified during the year will continue to be transferred to the Forecast Risk Fund where possible, to further strengthen the approach taken in 'underwriting' the risks associated with a 10 year forecasting period.*

*In terms of capital investment and treasury management, the Council has adopted the various prudential and treasury management codes and practices with robust actions taken within an overall risk aware approach. This approach also aims to ensure that the Council can successfully respond to changes in such codes and practices, such as those recently announced by the Government, which could see a number of Local Authorities faced with significant increases in costs arising from changes to the calculation of the minimum revenue provision.*

*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 the continuing difficult economic climate, which have been made even more challenging by the COVID 19 crisis.*

*As part of the most recent Audit Completion Report (for the period to 31 March 2020) submitted by the Council's External Auditor, an unqualified opinion on the Statement of Accounts was confirmed. The External Auditor also concluded that the Council had adequate arrangements in place for both budget setting and financial management. While they recognised that there was a funding gap in the long term plan, they were satisfied that the Council is making appropriate arrangements to manage this in a way that will ensure it continues to remain financially sustainable.*

### **Budget Assumptions**

*The forecast is based on robust and prudent estimates with no optimistic bias included. Each element of the forecast and how it has been derived and developed over time is clearly set out within regular reports to Management Team and Members.*

*The detailed budget for 2022/23 has been prepared within the above context and clear rationale has been stated in respect of the formulation of the financial forecast and how it has been translated into the detailed budgets. This has been supported by a risk assessment of each line of the forecast.*

*As discussed during the development of the long term approach, cost pressures continue to present one of the more significant risks to the forecast, especially given the amount of unavoidable cost pressures identified in recent years. Although on-going revenue items remain the most difficult items to respond to, one-off items, such as those associated with repairing / refurbishing assets could also have a significant impact on the forecast. However in respect of the latter, one-off funding remains available elsewhere in the budget to support these costs which 'protects' the underlying revenue budget from the associated risk.*

*As acknowledged in prior years, the long term approach to the forecast requires a compromise 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, the delivery of the Council's priorities or both. A hard but fair and considered approach is being taken in terms of how much additional expenditure by way of cost pressures can be accommodated within the long term forecast.*

*To support the management of risks, the Council continues to resist using one-off money, such as the New Homes Bonus, to support the on-going base budget. The cost pressure allowance was increased during the development of the 2021/22 budget to reflect the level of cost pressures emerging to date and to recognise that items may reappear in future years if the mitigating action that has been taken to date does not provide a permanent solution.*

*In terms of the wider impact from the COVID 19 crisis, there was a significant impact in 2020/21, with 2021/22 seen as being a transitional year where the wider economy started to recover and key elements of the budget start to return to pre-COVID 19 levels. There is still uncertainty around the speed and scale of this return and on-going impact. However, the Government have provided significant financial support to Councils, including general grant funding but also specific funding related to the loss of income in areas such as leisure fees and charges.*

*It is also important to highlight that the Council so far to date has been able to 'cash back' many of its commitments and priorities so their delivery is secured, rather than relying on projected savings or future forecasts to fund them. Similarly to other actions set out in this statement, this 'protects' the underlying revenue budget, as investment in priorities can still be progressed without relying on generating the necessary funds via the long term forecast.*

*Notwithstanding the above, these 'cash backed' items will be revisited as part of developing the Corporate Investment Plan mentioned earlier, as funding required to invest in priorities may come from areas such as external income, money receivable from the government as part of the financial settlement e.g. New Homes Bonus or other new burdens funding, but it could also come from the reprioritisation of existing budgets.*

*The Corporate Investment Plan approach will also provide a solid platform to consider additional use of the 'accelerated delivery budget' to further build on the capacity already identified.*

*The financial forecasting / budget setting process continues to remain alert to government announcements and the impact of external issues such as funding receivable from elsewhere within the public sector. The forecast also aims to reflect the outturn position from the previous year along with emerging issues, which allow it to also remain alert to potential changes to its financial position.*

## **Financial Risks**

*The financial forecasting process continues to include a risk assessment of each line of the long term plan. The future financial settlement arrangements with the Government remains a key risk along with cost pressures and savings and together they represent the highest rated risks within the long term forecast.*

*One of the other primary risks to the forecast are those introduced by the COVID 19 pandemic, especially the potential medium to longer- term impact to key income streams for the Council such as from council tax, business rates and general fees and charges.*

*Although income from council tax and business rates is seeing the continuing trend of recovering back to pre-COVID 19 levels, there remains a secondary impact in areas of the budget such as court costs and money receivable under the terms of the council tax sharing agreement with the major preceptors. In addition, the timing and trajectory of the recovery in fees and charges within leisure centres remains a key financial risk. Although it is expected that the above will continue to recover going into 2022/23, they will remain under review as part of the on-going monitoring of the budget.*

*The Financial Performance report for the second quarter of 2021/22 set out more details around these secondary risks, where it was also highlighted that the general COVID 19 support grants from the Government were expected to be able to offset the impact on the overall budget in 2021/22.*

*However, with the above in mind and the potential for these secondary impacts to continue into 2022/23, the budget report to Cabinet in December also set out the proposal to underwrite such risks via re-focusing the existing Building for the Future Reserve. The estimated balance in this reserve at the end of March 2022 is £1.654m, which is therefore available to underwrite the identified risks during 2022/23.*

*As part of developing the budget, it was also recognised that there would be an on-going loss of income in the early months of 2022/23, whilst new cremators were purchased and installed at the Weeley Crematorium. The budget report to Cabinet on 28 January 2022 provided a timely update and highlighted that this financially adverse position was expected to be managed within the 2021/22 in-year budgets rather than having to include a specific adjustment within the 2022/23 estimates.*

*The long term approach to the forecast therefore still provides flexibility to respond to the various risks to the forecast. However, it must be highlighted that the savings targets set out in the forecast will still need to be delivered in the longer term but they need to remain flexible and react as a counterbalance to other emerging issues and it is therefore accepted that this figure may need to be revised up or down over the life of the forecast.*

*The various risks to the forecast will be monitored via the quarterly financial performance reports during 2022/23, supported by the development of a zero based budgeting approach.*

### **Adequacy of the Reserves / Financial Standing**

*An integral part of the Council's overall strategy is that the level of reserves is sufficient to support identified risks along with supporting a sustainable budget position in the longer term.*

*The report to Cabinet in December 2021 set out a review of reserves, which will be undertaken annually as part of each year's budget setting cycle.*

*Although there were various earmarked reserves included in the above review, the following sets out a number of key reserves that support the Council's underlying financial resilience:*

- *As mentioned above, a Forecast Risk Fund has been established to 'underwrite' the 10-year forecast. Surplus balances are forecast to remain within this reserve over the remaining years of the plan;*

- *the Council has prudently set aside money for other significant risks in the forecast such as £1.758m (NDR Resilience Reserve) and £1.000m (Benefits Reserve), which can be taken into account during the period of the forecast if necessary;*
- *£1.269m has been set side to mitigate cost pressures associated with the repair and maintenance of Council assets along with supporting the Council's commitment to carbon neutrality; and*
- *£1.654m held in the Building for the Future Reserve, which remains available to underwrite risks associated with the secondary impacts from the COVID 19 pandemic along with other potential cost pressures not included within the budget for 2022/23 as highlighted earlier.*

*In addition to the above, the level of uncommitted reserves forecast at 31 March 2022 is £4.000m.*

*The above along with the on-going / annual review of reserves continue to help the Council demonstrate that the current level of reserves remain adequate / prudent to 'underwrite' risks and uncertainties that are inherent within the forecasting process. No significant adjustments have been required in 2022/23 that weaken the overall long term approach to the forecast.*

*The proposed budget for 2022/23 resulting from the above processes and governance arrangements is therefore robust / deliverable, and underwritten / supported by reserves.*

Following the above statement that was made in February 2022, a number of global / economic challenges have emerged which will have a significant impact on the Council's financial position in 2022/23 and beyond. These issues are discussed in more detail further on within this narrative statement.

Further information is also included within the Annual Governance Statement in terms of the framework against which the Council responds to issues such as consultation, engagement with stakeholders, building the capacity of the organisation to support the delivery of its objectives.

The Annual Governance Statement also highlights the new approach to the use of resources assessment following a change in the associated code and guidance. The outcome from the work of the External Auditor is now moving to a commentary on the Council's value for money arrangements rather than a conclusion or opinion.

Although the Council awaits its first such report, the commentary will cover the following 3 headings:

**a) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services:**

This is expected to cover areas such as:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- how the Council plans to bridge its funding gaps and identifies achievable savings;
- how the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;

- how the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- how the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

**b) Governance: how the body ensures that it makes informed decisions and properly manages its risks:**

This is expected to cover areas such as:

- How the Council monitors and assesses risk and how it gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

**c) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services:**

This is expected to cover areas such as:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

Given the broad areas of governance that the new use of resources assessment will cover, there is unsurprisingly a large overlap with the existing Annual Governance Statement activities, where many of the issues are already being addressed or are planned to be addressed or strengthened. Along with the new Corporate Investment Plan approach, the Council is therefore in a strong position to respond to the new assessment, and it is proposed that the outcomes from the work of the External Auditor will be brought together and monitored via the existing Annual Governance Statement processes going forward.



## **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 Corporate Risk Register was reviewed and reported to the Senior Managers and the Audit Committee during the year to aid accessibility, improve the focus on actions that are required to successfully manage risks along with reflecting on the impact of the COVID 19 Pandemic as appropriate.

Within the risk register items have been grouped 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 following three items as follows:

Risk	How the Risk is Controlled/Mitigated
<p><b>Ineffective Cyber Security Physical and Application (software) Based Protection Management</b></p>	<p>Tendring District Council has robust cyber-security including; physical devices (Firewalls), network segregation, protective software applications to protect the Council from the daily occurrences of external Cyber-attack. Our Cloud migration strategy has enabled us to implement further layers of Cloud cyber-security and this action will continue during 2022 due to additional investments by Microsoft around this topic. Cyber-security is an essential part of our induction training. In addition phishing awareness campaigns are also planned for 2022. The last Local Government Association cyber-security self-assessments achieved a robust Amber-green (score 65-79% Essex top-quartile) but with areas of improvement identified. We have undertaken improvements in areas the assessment highlighted. With council cyberattacks growing exponentially in both volume and complexity we are proposing a number of cybersecurity strengthening initiatives during 2022. We are working with the Department for Levelling Up Housing and Communities (DLUHC) and have received significant funding to assist us in our cybersecurity improvements.</p>
<p><b>Financial Strategy</b> - The impact of achieving a balanced budget in an ever-tightening financial environment on service delivery objectives.</p>	<p>Long Term Financial Plan updated on an ongoing basis.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Robust and timely financial performance monitoring.</li> <li>• Engagement with key stakeholders, members and senior management as early as possible.</li> <li>• Responding to and implementing recommendations and advice issued by the Council's External Auditor.</li> <li>• Material savings options to be individually risk assessed</li> </ul> <p>In the event that the long term approach does not deliver the intended outcomes then the Council can revert to the more traditional / short term approach to setting the budget. In addition to the above a zero based approach to budget setting will continue to be developed in 2022/23 along with a corporate investment plan approach to prioritise resource allocation.</p>
<p><b>Loss of sensitive and/or personal data through malicious actions, loss, theft and/or hacking</b></p>	<p>Multi-firewall network segregation implemented with role-based access to systems necessary for work. Governance procedures/ policies/ responsibilities quarterly reviewed by the Information Governance Policy Unit. All remote working is protectively 'tunnelled' utilising Microsoft VPN technology. All officer mobile devices (laptops, tablets and phones) are encrypted with complex passwords and are managed using Microsoft Mobile device Management (MDM) to further protect data. Enhanced monitoring of the Council's internal network data flows focusses on early detection/ isolation of cyber-attack. The Council maintains an ongoing campaign to educate staff and members as to a range of cyber-attacks/ techniques. However, cyber-attacks have significantly increased during the COVID-19 global pandemic</p>

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
- 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. Given the global economic challenges emerging in 2022, the Council's Senior Management Team have requested that Officers review their business continuity, especially in the light of commodity prices and supply chain issues.

### **Strategy and Resource Allocation**

The Council has 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 was set out in the report to Cabinet on 5 September 2017, which is available on the Council's website.

The updated long term forecast presented to Full Council on 15 February 2022 included revised annual forecasts over the remaining years of the 10 year plan which are set out in the table below (including estimated balances on the Forecast Risk Fund that supports the delivery of a balanced budget year on year):

<b>Year</b>	<b>Net Budget Position (including adjusting for prior use of reserves to balance the budget)</b>	<b>Forecast Risk Fund - Estimated Surplus Balance at the end of each year</b>
2023/24	£1.348 million (Deficit)	£2.425 million
2024/25	£1.312 million (Deficit)	£1.613 million
2025/26	£1.205 million (Deficit)	£0.908 million
2026/27	£1.103 million (Deficit)	£0.306 million

The Council continues to focus on the following five key strands, all of which seek to make the necessary contributions to the long term approach to the forecast.

- **Increases to Underlying Income**
- **Controlling Net Expenditure Inflationary Pressure**
- **Savings and Efficiencies**
- **Delivering a favourable Outturn Position**
- **Cost Pressure Mitigation**

In addition to the above, the Council has introduced a 'zero' based approach to budget setting which will be further developed as part of the 2023/24 budget setting process.

The Council recently approved a revised Capital and Treasury Strategy which continues to set out a number of key factors to be included in future capital investment decisions such as:

- Return on Investment/Net Present Value
- Whole life costing/revenue consequences
- Alternative options/opportunity costs
- Sustainability
- Capacity/deliverability

As highlighted earlier, the Council has now adopted a new Corporate Investment Plan approach to the allocation of resources. A summary of the background and key points that were considered by in February 2022 is as follows:

- The key aim of the Corporate Investment Plan is to establish a corporate framework to prioritise how, when and where the Council spends / deploys its available resources.
- The Corporate Investment Plan will strengthen the Council's capacity to focus on delivery, and will enable the Council to make balanced judgements on investment against the corporate priorities.
- It is important to highlight that it aims to complement rather than replace the key investment criteria set out in the Council's Capital Strategy.
- All organisations have finite funding and staff capacity, and need to choose where best to spend and invest their limited resources to achieve the goals they have set.
- The Corporate Investment Plan will bring together a 'pipeline' of opportunities to be funded, which enables the various competing priorities to be considered in a consistent way.
- The aim is to give maximum visibility to decision makers on the options for investment, so that prioritisation can be made knowing the alternative calls on Council's resources.
- In comparison with the criteria included within the Capital Strategy mentioned above, the criteria proposed to be included within the Corporate Investment Plan include key priority 'drivers' such as financial viability / sustainability, non-financial consequences such as reputation / health and safety, the outcome from external assessment / regulatory reviews along with being outcome driven.

The Corporate Investment Plan and associated project 'pipeline' will be further developed in 2022/23.

## Council Performance 2021/22

### **Non-Financial Performance**

A comprehensive performance report is presented to Management Team and Members on a quarterly basis, which includes a number of key projects / priorities. The following sets out a summarised outturn position at the end of March 2022:

(The full/detailed outturn report can be found by following this link - [Transparency - making public information available to everyone | Tendring District Council \(tendringdc.gov.uk\)](https://www.tendringdc.gov.uk/Transparency-making-public-information-available-to-everyone))

<b>Highlight Action</b>	<b>Year End Status</b>
<b>Carbon neutral by 2030</b>	On its Way
<b>Effective Regulation and Enforcement</b>	Delivered
<b>Effective Planning Policies</b>	Delivered
<b>Building and Managing our Own Homes</b>	Delivered
<b>Vibrant Town Centres</b>	On its Way
<b>Balanced Annual Budget</b>	Delivered
<b>Develop and Attract New Businesses</b>	On its Way
<b>Support Existing Businesses</b>	Delivered
<b>Promote Tendring's Tourism, Cultural and Heritage Offers</b>	Delivered
<b>Sport England and Active Essex – for Physical Activity and Well Being</b>	Delivered

*In respect of the above, as set out in the detailed outturn report highlighted earlier, a number of achievements were delivered in 2021/22, with work continuing into 2022/23 and beyond as necessary.*

### **Financial Performance**

Continuing from previous years, the various strands representing the overall financial performance of the Council have been brought together in one report that is reported to members based on a quarterly basis. This approach follows the commitment made to provide regular updates on the long term financial forecast and to bring the reporting of key financial performance and budget monitoring together in one report. The report therefore sets out the overall financial position of the Council in one place and includes a risk assessed approach to each strand of the forecast. Two such financial performance reports were presented to Members during 2021/22 and are available on the Council's website.

The Council is meeting its long term forecasted position with a limited use of the forecast risk fund that was set up to 'underwrite' the risks associated with the new long term approach. In respect of 2022/23, there is an estimated use of the forecast risk fund of £0.431 million, with £3.205 million in the fund at the end of March 2022 to continue to support the long term plan in 2023/24 and beyond.

## Financial Performance 2021/22 including comparison with the 2021/22 Budget

A comprehensive outturn report was presented to the Council's Cabinet on 15 July 2022, which is available on the Council's website, 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 2021/22

	Budget £m	Outturn £m	Variance £m
<b>Net Cost of Services *</b>	<b>30.320</b>	<b>18.528</b>	<b>(11.792)</b>
<b>Other Income and Expenditure</b>			
<i>Revenue Support for Capital Investment</i>	6.754	3.037	(3.717)
<i>Financing Items</i>	(5.745)	(8.372)	(2.627)
<i>Business Rates (including Tariff and Levy)</i>	(4.599)	(4.943)	(0.344)
<i>Revenue Support Grant</i>	(0.431)	(0.431)	-
<i>Collection Fund Surplus/Deficit</i>	6.018	6.018	-
<i>Income from Council Tax Payers</i>	(8.604)	(8.604)	-
<b>Total Other Income and Expenditure</b>	<b>(6.607)</b>	<b>(13.295)</b>	<b>(6.688)</b>
<b>(Surplus) or Deficit on Provision of Services **</b>	<b>23.713</b>	<b>5.233</b>	<b>(18.480)</b>
Opening General Fund Balances	(43.304)	(43.304)	-
(Surplus) or Deficit on General Fund in Year	23.713	5.233	(18.480)
<b>Closing General Fund Balances at 31 March</b>	<b>(19.591)</b>	<b>(38.071)</b>	<b>(18.480)</b>

\* the budget of £30.320 million included in the table above is £10.983 million more than the figure (£19.337 million) presented to Full Council in February 2021 when the original budget was agreed, which is primarily due to the amounts carried forward from 2020/21 into 2021/22.

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

- Garden Communities Project - £1.300 million
- Clacton Town Centre Projects - £2.291 million
- Business Investment and Growth - £0.747 million
- Rural and Urban Infrastructure Fund - £1.184 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 2021/22 of £18.634 million. When the HRA is excluded (£0.108 million), the outturn position relating to the Net Cost of Services is £18.528 million as included in the table above.

Within the £18.480 million variance on the (Surplus) or Deficit on Provision of Services above, a general contribution of £0.252 million was made to reserves representing the overall outturn variance for the year. The main reasons behind the overall outturn variance for the year are summarised below:

- Net Income from Business Rates £0.533 million
- Reduced Housing Benefit and Rent Rebates Net Costs- £0.281 million
- Reduced income from the Council operated Crematorium - £0.917 million

### Summary of General Fund Capital Programme 2021/22

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 disabled facilities grants and major repairs/enhancements to assets. As capital schemes span financial years, amounts are proposed to be carried forward to continue the schemes and projects in 2022/23, with significant items as follows:

- Disabled Facilities Grants - £7.333 million
- Starlings and Milton Road Development - £1.163 million
- Weeley Crematorium Works - £1.539 million

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

	<b>Budget 2021/22 £m</b>	<b>Outturn 2021/22 £m</b>	<b>C/fwds £m</b>	<b>Variance £m</b>
Capital Expenditure	16.509	4.308	12.440	0.239
<hr/>				
<b>Funding of Capital Expenditure</b>	<b>Budget 2021/22 £m</b>	<b>Outturn 2021/22 £m</b>	<b>To Fund C/fwds £m</b>	<b>Variance £m</b>
External Sources of Finance	(0.852)	(0.141)	(0.711)	-
S106	(0.006)	(0.001)	(0.005)	-
Government Grants	(8.082)	(1.130)	(7.043)	(0.091)
Capital Receipts	(0.815)	-	(0.815)	-
Revenue Contributions	(2.243)	(0.222)	(2.171)	(0.150)
Use of Earmarked Reserves	(4.511)	(2.814)	(1.695)	0.002
<b>Total</b>	<b>(16.509)</b>	<b>(4.308)</b>	<b>(12.440)</b>	<b>(0.239)</b>

## General Fund Reserves

The overall level of reserves at the end of 2021/22 is £38.071 million, made up of £18.623 million for earmarked commitment reserves, £15.448 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.

The level of earmarked commitments reserve is lower than at the end of 2020/21 primarily due to the impact from COVID 19 in areas such as Government Grant funding and the associated accounting treatment of business rates via the collection fund.

## Housing Revenue Account 2021/22

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:

	<b>Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Net Cost of Services</b>	<b>0.985</b>	<b>0.108</b>	<b>(0.877)</b>
<b>Other Income and Expenditure</b>	-	-	-
<b>(Surplus) or Deficit on Provision of Services *</b>	<b>0.985</b>	<b>0.108</b>	<b>(0.877)</b>
Opening HRA Revenue Reserves	(5.310)	(5.310)	-
(Surplus) or Deficit on HRA in Year	0.985	0.108	(0.877)
<b>Closing HRA General Balance at 31 March</b>	<b>(4.325)</b>	<b>(5.202)</b>	<b>(0.877)</b>

\* the difference between budget and actuals is primarily due to an additional call on the HRA General Balances of £0.079 million along with carry forwards of £0.956 million.

## Housing Revenue Account 2021/22 – Capital Expenditure

	<b>Budget</b>	<b>Outturn</b>	<b>C/fwds</b>	<b>Variance</b>
	<b>2021/22</b>	<b>2021/22</b>		
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
HRA Capital Expenditure	10.256	4.317	5.870	(0.069)

A summary of how this capital expenditure was financed in 2021/22 is set out below:



	Budget 2021/22 £m	Outturn 2021/22 £m	To Fund C/fwds £m	Variance £m
Major Repairs Reserve	(3.957)	(3.089)	(0.802)	0.066
S106	(1.110)	(0.774)	(0.334)	0.002
Capital Receipts	(0.068)	(0.068)	-	-
External Contributions	(3.977)	(0.199)	(3.778)	-
Revenue funding from the HRA	(1.144)	(0.187)	(0.956)	0.001
<b>Total</b>	<b>(10.256)</b>	<b>(4.317)</b>	<b>(5.870)</b>	<b>0.069</b>

The overall variance of £0.069 million is largely due to the timing and programme of works which will continue in 2022/23 and beyond supported by the various funding sources highlighted in the table above.

### The Council's Overall Balance Sheet

The Council's balance sheet as at the end of March 2022 is set out within the Statement of Accounts. Some significant matters to highlight are as follows:

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

- **Property, Plant and Equipment** - The net book value of Property, Plant and Equipment at 31 March 2022 has increased by £26.880 million to £261.539 million compared to the balance at 31 March 2021. The main factor in this increase is the revaluation movements on the Council's assets. The Council appointed a new firm of Valuers for 2021/22 and they applied different assumptions in reaching their valuations, combined with the ongoing nationwide increases in house purchase prices, which drives the valuation of council dwellings.
- **Pensions** - At the end of 2021/22 there is an overall pension deficit attributable to the Council of £18.370 million (£42.283 million for 2020/21) which has been included in the Balance Sheet as at 31 March 2022. 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 2019. The next triennial review is due in 2022. The deficit reported for 2021/22 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 decrease in the liability is mainly as a result of increases in the value of the fund assets.

The scheme's actuary has applied a discount rate of 2.6% compared to a rate of 2.0% used last year in determining the liabilities for retirement benefits

Although the thinking and philosophy behind the long term financial sustainability plan has been referred to earlier on in this report, the detailed budget for 2022/23 that was 'built' on this approach is set out below:

## General Fund

The Council's overall net General Fund revenue budget for 2022/23 (excluding amounts carried forward from 2021/22) is £9.398 million with a summary below, including how it is financed:

	2022/23 Original £m
Net Cost of Services	20.107
Revenue Support for capital investment	0.082
Financing items	(7.389)
<b>Net Expenditure</b>	<b>12.800</b>
Net Use of Earmarked Reserves	(3.402)
<b>Total Net Budget</b>	<b>9.398</b>
<b>Financed by:</b>	
Business Rates (excl. S31 Govt. Grant funding)	(3.033)
Revenue Support Grant	(0.444)
Collection Fund (Surplus)/Deficit	3.191
<b>Council Tax Requirement (for Tendring District Council)</b>	<b>9.112</b>

A summary of planned Capital Expenditure in 2022/23 (excluding amounts carried forward from 2021/22) and how it is financed is as follows:

	2022/23 Original Budget £m
<b>Expenditure</b>	<b>0.839</b>
<b>Financing</b>	
Government Grants	(0.757)
Capital Receipts	-
Earmarked Reserves	(0.012)
Direct Revenue Contributions	(0.070)
<b>Total Financing</b>	<b>(0.839)</b>

The current long term forecast going into 2023/24 and beyond reflects items such as the on-going impact from the 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. As highlighted later on, there are a number of other emerging financial issues that are expected to have an impact on the Council in 2022/23 and beyond.

Although delayed due to COVID-19, 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 terms of the COVID-19 pandemic, the speed and scale of the economic recovery nationally remains unclear, especially in light of the global financial challenges mentioned later. However this will be kept under review and reflected in the long term forecast that will be updated on an on-going basis during 2022/23.

### **Housing Revenue Account**

A summary of the HRA Revenue Budget for 2022/23 is summarised below:

	2022/23 Original Budget £m
Direct Expenditure	7.072
Direct Income	(14.312)
Indirect Income/Expenditure including Financing Costs	7.240
<b>Net (Surplus)/Deficit</b>	<hr style="width: 100%; border: 0.5px solid black;"/> -
<b>Contribution to/(from) Reserves</b>	<hr style="width: 100%; border: 0.5px solid black;"/> <hr style="width: 100%; border: 0.5px solid black;"/> -

A summary of the HRA Capital Programme for 2022/23 is set out below:

	2022/23 Original Budget £m
<b>Expenditure</b>	<hr style="width: 100%; border: 0.5px solid black;"/> 3.790
<b>Financing</b>	
Major Repairs Reserve	3.176
Revenue funding from the HRA	0.614
<b>Total Financing</b>	<hr style="width: 100%; border: 0.5px solid black;"/> 3.790 <hr style="width: 100%; border: 0.5px solid black;"/>

The Council continues to take forward and develop a number of projects and priorities, with a summary of some key items set out below:

<b>Corporate Plan Priority</b>	<b>Key Actions</b>
<b>Minimise Waste; Maximise Recycling</b>	The Council implemented a substantially different waste and recycling collection service in 2019. The new service brought with it a number of challenges and opportunities that saw recycling rates increase. The objective through the course of this year is to further develop and consolidate the service to ensure it continues to deliver a good recycling rate whilst providing a good level of satisfaction for residents.
<b>Carbon Neutral by 2030</b>	The Council has pledged to become carbon neutral by 2030 from the Council's own activities and from the electricity it uses. The Council has an Action Plan 2020-2023 to help it make progress towards this goal, and it will continue to deliver actions within the Action Plan. In particular, the Council will focus on improving the

	<p>efficiency of the Council's estate, and engaging externally with partners with common interests in climate action.</p>
<p><b>Building and Managing our own homes</b></p>	<p>Working in partnership with procurement specialists at Essex County Council in order to run a tender exercise for the design and construction of single storey homes suitable for older and disabled persons. The procurement exercise will result in a high profile redevelopment of around 20 bungalows at the Honeycroft site in Lawford.</p> <p>The redevelopment will seek to provide homes achieving appropriate energy efficiency and lifetime homes standards along with meeting other industry benchmarks for quality and design. Options for the use of Modern Methods of Construction will be included along with offering the opportunity to Small &amp; Medium size Enterprise (SME) developers. The overall design is to recognise current landscape constraints and provide a secure yet welcoming micro community that supports independent living and quality lifestyle.</p> <p>Further to the redevelopment of Honeycroft site, two further sites held within the Housing Revenue Account (HRA) will be progressed to design and tender phase such that construction can follow on once Honeycroft is completed, or in parallel if funding permits. These sites could deliver a total of ten additional council homes for rent.</p> <p>Discussions with Councillors will be facilitated on a range of further potential development sites identified within the HRA and General Fund estates. Proposals around a range of disposal or development options will touch on a spectrum of priority themes and balance financial and service considerations.</p> <p>All of the above will be subject to appropriate (further) Cabinet and Full Council level decisions on scheme design, cost and funding.</p>
<p><b>Use assets to support priorities</b></p>	<p>Appropriately disposing of land at the redundant Weeley Office Site in support of priorities.</p> <p>To facilitate member decision on a range of potential development sites identified within the Housing Revenue Account and General Fund estates. Propose a range of disposal or development options that touch on a spectrum of priority themes and balance financial and service considerations.</p> <p>To ensure that the Council's general fund assets support in the delivery of the Council's key priorities including the provision of modern high quality buildings for customers and staff along with a commitment to carbon neutrality.</p>
<p><b>Develop and attract new businesses</b></p>	<p>Partners have submitted a successful Outline Business Case for Freeport East, with the potential to bring investment and jobs to the Port at Harwich. On 7 December 2021 the Government formally designated the Freeport tax sites within Freeport East (including at Harwich). The Council will be an effective partner in the Freeport East programme, working with other local authorities and the Port to support efforts to bring forward Bathside Bay. The Council will work with Essex County Council and other partners to develop future proposals for the regeneration benefits that Freeport East could bring to the District of Tendring.</p>
<p><b>Support existing businesses</b></p>	<p>The Council has the opportunity to seek government funding to invest in its major town centres in Clacton and Harwich through the Levelling Up Fund. The Council will develop a pipeline of projects to support the District's town centres, working with partners, and seek funding for them.</p>

In addition to the above, the Outturn Report for 2021/22 that was presented to the Council's Cabinet on 15 July 2022 highlighted a number of significant financial challenges that are currently emerging that are expected to have an impact in 2022/23 and beyond with an extract from that report set out below:

Global factors are continuing to have a major impact on the economy and in turn the financial position of the Council. A number of challenges lay ahead including local issues, some of which are likely to not only have an impact in 2022/23, but are also likely to continue into 2023/24 and beyond. Some examples of the financial pressures faced by the Council include:

- On-going impact from the closure of the Council operated crematorium
- Utility / Fuel costs
- General Inflation
- Increases in the cost of delivering capital projects – key issues relating to supply chain / commodity price pressures. This may also have an impact on ‘usual’ operational costs of the Council.
- Increases in salary costs

Although there are likely to be additional financial pressures over and above the items listed, this relatively limited list of items could alone see additional costs in excess of **£2.000m** over current budgets. This could have a significant impact on not only day to day service delivery but also on the scale and speed that the Council can invest in its priorities.

It is important to highlight that our suppliers and contractors are also likely to experience similar cost pressures, which could have a ‘knock on’ impact on their ability to continue to fulfil contractual obligations. With this in mind, Departments are being asked to review their business continuity plans to ensure that they are robust and effective if faced with such events.

In light of the above, work will be undertaken during 2022/23 to gain a clearer position on the potential financial impacts faced by the Council, with updates presented to Members as part of the regular financial performance reports.

## **The Impact of COVID-19**

The COVID-19 pandemic has had a considerable impact on the Council, our businesses and our residents with significant financial impacts in both 2020/21 and 2021/22.

Although the Council continued to see losses in income in areas such as leisure along with increases in costs associated with the Council’s on-going response to the crisis, this has been supported via various Government grants.

Essex County Council also continued to support the Council financially during the year with the following setting out a summary of the grant funding they have made available:

<b>Grant from ECC</b>	<b>Scheme Supported</b>
£0.145 million	Additional Restrictions Business Grants
£0.950 million	Business Adaptations Grants
£0.100 million	Various compliance activities

In terms of the longer term impact of the COVID 19 pandemic, updated financial analysis and forecasts will continue to take account of such issues as necessary during 2022/23 and beyond.

### **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 follows. 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 2021/22 (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 Director Finance and IT 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.
- **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.



## **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 67). 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;
- **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, provision for doubtful debt, 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.

# 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 Director Finance and IT;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

## **The Director Finance and IT's Responsibilities**

The Director Finance and IT 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 Director Finance and IT 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 Director Finance and IT has also:

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

## **Director Finance and IT's Certificate**

I certify that the accounts set out in this document give a true and fair view of the financial position of the Authority at the 31 March 2022 and the income and expenditure for the year then ended.

R C Barrett  
Director Finance and IT  
Date: 9 December 2024

## **Chair of the Audit Committee' Certificate**

I can confirm that the Audit Committee at the meeting held on the 9 December 2024 approved these accounts.

Councillor G Sudra on behalf of the Tendring District Council  
Chair of the meeting approving the accounts  
Date: 9 December 2024

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

# **INDEPENDENT AUDITOR'S REPORT**

## **TO THE MEMBERS OF**

### **TENDRING DISTRICT COUNCIL**

#### **YEAR ENDED 31 MARCH 2022**

#### **Disclaimer of opinion**

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matter described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit the financial statements of Tendring District Council ("the Authority") for the year ended 31 March 2022 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Income and Expenditure Statement and notes to the financial statements including material accounting information. 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 2021/22.

#### **Basis for disclaimer of opinion**

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2022 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. The conditions created by backstop arrangements have resulted in us not being able to obtain all the necessary audit evidence upon which to form an opinion since there was insufficient time to perform all necessary audit procedures by the backstop date. Consequently, we have not performed any work in respect of any audit area. As a result, we are unable to conclude that the Authority's financial statements for the year ended 31 March 2022 as a whole are free from material misstatement. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

#### **Other information**

The Director Finance and IT is responsible for the other information. The other information includes all other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Code of Audit Practice 2024 requires auditors to report on whether other information published together with the financial statements is consistent with the financial statements. Because of the significance of the matter described in the Basis for disclaimer of opinion section of our report, we have been unable to form an opinion on whether the other information published together with the financial statements is consistent with the financial statements.

## **Matters on which we are required to report by exception**

### *Use of resources*

We are required to report to you if, in our opinion, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in this regard.

### *Other matters on which we report by exception*

We are required to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit;
- we make a written recommendation to the Authority 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 respect of these matters, except that because of the significance of the matter described in the Basis for disclaimer of opinion section of our report, we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

## **Responsibilities of the Director Finance and IT and the Authority**

As explained more fully in the Statement of Responsibilities, the Director Finance and IT is responsible for the preparation of the financial statements and for being satisfied that the financial statements give a true and fair view and for such internal control as the Director Finance and IT determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director Finance and IT 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 they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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 we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required under section 20 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, and to report where we have not been able to satisfy ourselves that it has done so. 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.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

### **Auditor's other responsibilities**

As set out in the Other matters on which we report by exception section of our report there are certain other matters which we are required to report by exception.

### **Certificate**

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

## **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. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Aphrodite Lefevre, Key Audit Partner**

For and on behalf of BDO LLP, Local Auditor  
Norwich, UK

10 December 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

The Appointed Auditor has certified the formal financial statements and this document is held by the Director Finance and IT and can be reviewed upon request.



## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

2020/21			2021/22			
Expenditure	Income	Net	Expenditure	Income	Net	Note
£000	£000	£000	£000	£000	£000	Ref
<b>EXPENDITURE ON SERVICES</b>						
3,941	(1,720)	2,221	4,514	(1,805)	2,709	
6,891	(4,417)	2,474	8,330	(4,985)	3,345	
12,310	(4,845)	7,465	14,096	(4,395)	9,701	
65,966	(62,313)	3,653	59,792	(57,498)	2,294	
648	(363)	285	893	(80)	813	
722	(202)	520	3,064	(2,446)	618	
9,464	(3,101)	6,363	11,449	(3,478)	7,971	
1,039	(350)	689	1,132	(519)	613	
<b>100,981</b>	<b>(77,311)</b>	<b>23,670</b>	<b>103,270</b>	<b>(75,206)</b>	<b>28,064</b>	
2,900	(940)	1,960	3,590	(1,292)	2,298	
2,556	(551)	2,005	1,946	(466)	1,480	11
6,009	(31,036)	(25,027)	6,416	(31,956)	(25,540)	12
		<b>2,608</b>			<b>6,302</b>	
		(16,213)			(30,627)	10(a)
		2,116			(28,823)	10(c)
		<b>(14,097)</b>			<b>(59,450)</b>	
		<b>(11,489)</b>			<b>(53,148)</b>	

## 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	
<b>Balance at 1 April 2020 brought forward</b>	32,892	6,964	4,335	1,890	7,669	53,750	144,677	198,427	
<b>Movement in reserves during the year</b>									
Total comprehensive expenditure and income	(953)	(1,655)	-	-	-	(2,608)	14,097	11,489	
Adjustments between accounting basis and funding basis under regulations	11,365	1	1,113	(363)	(83)	12,033	(12,033)	-	7
<b>Increase/(Decrease) in Year</b>	10,412	(1,654)	1,113	(363)	(83)	9,425	2,064	11,489	
<b>Balance at 31 March 2021 carried forward</b>	43,304	5,310	5,448	1,527	7,586	63,175	146,741	209,916	8,10
<b>Balance at 1 April 2021 brought forward</b>	43,304	5,310	5,448	1,527	7,586	63,175	146,741	209,916	
<b>Movement in reserves during the year</b>									
Total comprehensive expenditure and income	(7,271)	969	-	-	-	(6,302)	59,450	53,148	
Adjustments between accounting basis and funding basis under regulations	2,038	(1,077)	88	(147)	1,630	2,532	(2,532)	-	7
<b>Increase/(Decrease) in Year</b>	(5,233)	(108)	88	(147)	1,630	(3,770)	56,918	53,148	
<b>Balance at 31 March 2022 carried forward</b>	38,071	5,202	5,536	1,380	9,216	59,405	203,659	263,064	8,10

# BALANCE SHEET

## AS AT 31 MARCH 2022

31/03/2021		31/03/2022	Note
£000		£000	Ref
	Long Term Assets		
234,659	- Property Plant and Equipment	261,539	13
-	- Heritage Assets	157	
1,985	- Investment Property	2,108	14
26	- Intangible Assets	10	
467	- Long Term Debtors	273	15
<b>237,137</b>	<b>Total Long Term Assets</b>	<b>264,087</b>	
	Current Assets		
65,611	- Short Term Investments	69,016	15
1,000	- Assets Held for Sale	1,000	17
40	- Inventories	107	
15,947	- Short Term Debtors	16,505	18
11,295	- Cash and Cash Equivalents	10,040	19
<b>93,893</b>	<b>Total Current Assets</b>	<b>96,668</b>	
	Current Liabilities		
(1,968)	- Short Term Borrowing	(2,506)	15
(36,178)	- Short Term Creditors	(40,249)	20
(1,816)	- Provisions	(1,049)	
(1,636)	- Capital Grants Receipts in Advance	(240)	22
<b>(41,598)</b>	<b>Total Current Liabilities</b>	<b>(44,044)</b>	
	Long Term Liabilities		
(312)	- Long Term Creditors	(578)	
(36,921)	- Long Term Borrowing	(34,699)	15
(42,283)	- Other Long Term Liabilities - Pensions	(18,370)	27
<b>(79,516)</b>	<b>Total Long Term Liabilities</b>	<b>(53,647)</b>	
<b>209,916</b>	<b>Total Net Assets</b>	<b>263,064</b>	
	<b>Financed by:</b>		
63,175	Usable Reserves	59,405	9
146,741	Unusable Reserves	203,659	10
<b>209,916</b>	<b>Total Reserves</b>	<b>263,064</b>	

R C Barrett  
 Director Finance and IT  
 9 December 2024

These financial statements replace the unaudited financial statements certified by the Director Finance and IT on 28 July 2022. This is held by the Director Finance and IT and can be reviewed upon request.

## CASH FLOW STATEMENT

2020/21 £000		2021/22 £000	£000
<b>(2,608)</b>	<b>Net surplus or (deficit) on the provision of services</b>		<b>(6,302)</b>
	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements:		
10,285	Depreciation, revaluation and impairment of non-current assets	10,670	
170	Movement in Investment Property Values	(123)	
44	Amortisation of Intangible Assets	16	
14,709	Increase/decrease in creditors	(4,415)	
(1,085)	Increase/decrease in debtors	(5,189)	
565	Movement in pension liability	4,910	
313	Contributions to/(from) provisions	(767)	
565	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	1,893	
(9)	Other items	(66)	6,929
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:		
(892)	Capital Grants credited to surplus or deficit on the provision of services	(2,097)	
(972)	Proceeds from the sale of property, plant and equipment	(2,029)	(4,126)
<b>21,085</b>	<b>Net cash flows from Operating Activities*</b>		<b>(3,499)</b>
	Investing Activities:		
(5,931)	Purchase of property, plant and equipment, investment property and intangible assets		(8,864)
(5,079,900)	Purchase of short term investments		(857,800)
980	Proceeds from the sale of property, plant and equipment		2,056
5,077,200	Proceeds from short term investments		854,403
-	Other payments for investing activities		(963)
1,792	Other receipts from investing activities		1,639
<b>(5,859)</b>	<b>Net cash flows from investing activities</b>		<b>(9,529)</b>
	Financing Activities:		
(1,720)	Repayments of short and long term borrowing		(1,671)
(15,941)	Other payments for financing activities		4,615
10,500	Other receipts from financing activities		8,829
<b>(7,161)</b>	<b>Net cash flows from financing activities</b>		<b>11,773</b>
<b>8,065</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>(1,255)</b>
3,230	Cash and cash equivalents at the beginning of the reporting period		11,295
<b>11,295</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>10,040</b>

\*The cash flows for operating activities include Interest Received of £0.389 million (£0.484 million in 2020/21) and Interest paid of £1.346 million (£1.387 million in 2020/21).

# NOTES TO CORE FINANCIAL STATEMENTS

## 1 Expenditure and Funding Analysis

Expenditure Chargeable to GF and HRA Balances	2020/21		Net Expenditure in the CIES		2021/22			Note Ref
	Adjustment between Funding and Accounting basis	£000			£000	Expenditure Chargeable to GF and HRA Balances	Adjustment between Funding and Accounting basis	
					£000		£000	
				<b>EXPENDITURE ON SERVICES</b>				
2,221	-	2,221	Leader		2,709	-	2,709	
(12,458)	14,932	2,474	Corporate Finance and Governance		(6,264)	9,609	3,345	
7,465	-	7,465	Environment and Public Space		9,701	-	9,701	
4,066	(413)	3,653	Housing		2,474	(180)	2,294	
285	-	285	Partnerships		813	-	813	
520	-	520	Business and Economic Growth		618	-	618	
6,363	-	6,363	Leisure and Tourism		7,971	-	7,971	
689	-	689	Budgets Relating to Non Executive Functions		613	-	613	
<hr/>	<hr/>	<hr/>	<b>Net Cost of Services</b>		<hr/>	<hr/>	<hr/>	
9,151	14,519	23,670			18,635	9,429	28,064	
(17,909)	(3,153)	(21,062)	Other Income and Expenditure		(13,294)	(8,468)	(21,762)	
<hr/>	<hr/>	<hr/>	<b>(Surplus) or Deficit on Provision of Services</b>		<hr/>	<hr/>	<hr/>	
(8,758)	11,366	2,608			5,341	961	6,302	
(39,856)			Opening General Fund and HRA Balances		(48,614)			
(8,758)			(Surplus) or Deficit on General Fund and HRA Balances in Year		5,341			
<hr/>	<hr/>	<hr/>	<b>Closing General Fund and HRA Balances at 31 March</b>		<hr/>	<hr/>	<hr/>	
(48,614)					(43,273)			8

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

2020/21				2021/22				
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
				<b>EXPENDITURE ON SERVICES</b>				
106	-	14,826	14,932	Corporate Finance and Governance	607	-	9,002	9,609
711	207	(1,331)	(413)	Housing	673	462	(1,315)	(180)
817	207	13,495	14,519	<b>Net Cost of Services</b>	1,280	462	7,687	9,429
1,841	358	(5,352)	(3,153)	Other Income and Expenditure	(1,011)	4,448	(11,905)	(8,468)
2,658	565	8,143	11,366	<b>(Surplus) or Deficit on Provision of Services</b>	269	4,910	(4,218)	961

**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 as amended by the Accounts and Audit (Amendment) Regulations 2021 in accordance with proper accounting practices as set out in the Chartered Institute of Public Finance and Accountancy 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Detailed information on the Council's Accounting Policies are detailed in a separate section (see page 67).

### **3 Critical judgements in applying accounting policies**

The appropriate accounting treatment of Grants and Contributions is a result of critical judgements made about whether any attached terms are restrictions or conditions and whether any conditions have been met, see accounting policy (i). If conditions are met, or there are no conditions or only restrictions, then the income must be shown in the Comprehensive Income and Expenditure Statement. However, if there are conditions and they have not been met they must be shown in the Balance Sheet. The Council also recognises as income in the Comprehensive Income and Expenditure Statement income received under s106 planning agreements in the year of receipt as, although these have conditions action is always taken to ensure the conditions are met. Details of grants recognised during the year are set out in Note 22.

### **4 Accounting Standards that have been issued but have not yet been adopted**

The accounting standards introduced by the 2022/23 Code (which has yet to be issued) are expected to be as follows:

- IFRS16 Leases, but the requirement to adopt this has been deferred again by CIPFA and Tendring District Council has decided not to adopt it voluntarily as the changes this will introduce are not expected to materially change the statement of accounts due to the low values and short lives of assets leased by the Council.
- IFRS1 First time adoption, an amendment relating to foreign operations of acquired subsidiaries transitioning to IFRS which is not relevant to Tendring District Council.
- IAS37 Onerous contracts which clarifies the intention of the standard and has no impact for Tendring District Council.
- IAS41 Agriculture which is not relevant to Tendring District Council.
- IAS16 Property, Plant and Equipment proceeds before intended use, which again is not expected to have an impact for Tendring District Council.

### **5 Assumptions made about the future and other major sources of estimation uncertainty**

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:



**a) COVID-19**

The COVID-19 pandemic has continued to have a major impact on the Council's resources and cash flows during the year, which have been outlined elsewhere in this report, most notably in the narrative statement at pages xxvii to xxviii. The impact in 2022/23 is not expected to be significant, beyond repayment of unspent COVID-19 support funding. However, the level of arrears owing to the Council has continued to rise as a result of the suspense of recovery action during the pandemic. The level of impairment of doubtful debts has been re-assessed, but it is not certain this will be sufficient as historic collection rates may not be achievable going forwards. The Valuer has not referred to material valuation uncertainty in valuing the Council's assets at 30 September 2021 in relation to COVID-19.

**b) Property, Plant and Equipment Valuations**

As set out in note 13 on Property Plant and Equipment, the Council uses the services of an external professional valuer in valuing assets. In accordance with the Code council dwellings are valued on a beacon basis by grouping similar houses together and applying the social housing discount factor set by central government. Land and buildings are valued either at existing use value (EUV), which is based on market evidence and the Valuer's professional judgement assuming they remain in existing use; or for specialised assets at Depreciated Replacement Cost (DRC), which includes assumptions made by the Valuer for relevant build costs, obsolescence and professional fees costs.

Assets are depreciated over their useful lives and the length of this life is dependent on the level of repairs and maintenance to keep the asset in good order. The current economic climate has created some uncertainty as to the level of resources that might be available in the future to continue with the current level of repairs and maintenance, although the Council has no intention of changing these plans at present.

**c) 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 £3.598 million.

However, the assumptions interact in complex ways. During 2021/22, the Authority's actuaries advised that the net pensions liability had decreased by £15.243 million primarily as a result of increases in the value of the fund assets.

## **6 Events after the Reporting Period**

The Statement of Accounts was authorised for issue by the Director Finance and IT on 28 July 2022. Consideration for events arising after the Balance Sheet date is given up to the date the accounts are authorised for issue.

In 2015 Tendring District Council entered into an agreement with the Homes and Communities Agency (now Homes England) to build 10 Starter Homes in Lotus Way Jaywick, 5 of which were to be retained as Council Dwellings by Tendring District Council and 5 of which were to be held for sale to local residents. The build project completed in March 2021 and 5 properties were recognised as assets held for sale as at 31 March 2021 with a value of £200,000 per property. As at 31 March 2022, the properties were still being actively marketed by a local Estate Agent, and therefore continued to be recognised as current assets held for sale. On the 17 June 2022 Tendring District Council's Cabinet resolved to retain these 5 properties within the Council's Housing stock as Council Dwellings. This is a non-adjusting event for 2021/22 reporting period as the decision took place after 31 March 2022. The impact of this decision will be recognised in the 2022/23 financial year, with a transfer from 'Current Assets Held for Sale' to 'Council Dwellings', which means that the assets will be revalued at EUV-SH as part of the overall housing stock.

## 7 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.

2020/21					2021/22				
General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
358	207	-	-	-	4,448	462	-	-	-
7,946	-	-	-	-	(4,218)	-	-	-	-
187	10	-	-	-	-	-	-	-	-
3,638	6,661	-	-	-	4,987	5,699	-	-	-
170	-	-	-	-	(123)	-	-	-	-
42	2	-	-	-	15	1	-	-	-
<b>12,341</b>	<b>6,880</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,109</b>	<b>6,162</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Adjustments to the Revenue Resources

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

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

### Total Adjustments to Revenue Resources

2020/21					2021/22					
General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve		General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
					<b>Adjustments between Revenue and Capital Resources</b>					
(95)	(878)	-	-	973	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve and Deferred Capital Receipts	(288)	(1,741)	-	-	2,029
33	532	-	-	-	Amounts of non-current assets written off to the Capital Adjustment Account on disposal	737	1,156	-	-	-
-	14	-	-	(14)	Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	25	-	-	(25)
(891)	(595)	-	106	-	Transfer of capital grants, contributions and donated assets income credited to the Comprehensive Income and Expenditure	(1,285)	(1,652)	-	1,418	-
308	-	-	-	(308)	Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	309	-	-	-	(309)
-	(3,176)	3,176	-	-	Posting of HRA resources from revenue to the Major Repairs Reserve	-	(3,176)	3,176	-	-
(218)	(1,664)	-	-	-	Provision for the repayment of debt (transfer from the Capital Adjustment Account)	(210)	(1,664)	-	-	-
7	-	-	-	(7)	Mitigation of Finance Lease costs in accordance with regulation	24	-	-	-	(24)
796	-	-	-	-	Revenue expenditure financed from capital under statute (transfer from the Capital Adjustment Account)	679	-	-	-	-
(916)	(1,112)	-	-	-	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(3,037)	(187)	-	-	-
(976)	(6,879)	3,176	106	644	<b>Total Adjustments between Revenue and Capital Resources</b>	(3,071)	(7,239)	3,176	1,418	1,671
-	-	-	-	(735)	<b>Adjustments to Capital Resources</b>	-	-	-	-	(68)
-	-	(2,063)	-	-	Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(3,088)	-	-
-	-	-	(469)	-	Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	(1,565)	-
-	-	-	-	8	Application of capital grants to finance capital expenditure	-	-	-	-	27
-	-	(2,063)	(469)	(727)	<b>Total Adjustments to Capital Resources</b>	-	-	(3,088)	(1,565)	(41)
11,365	1	1,113	(363)	(83)	<b>Total Adjustments</b>	2,038	(1,077)	88	(147)	1,630

## 8 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 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000
<b>General Fund:</b>							
Revenue Commitments Reserve	11,423	(11,202)	16,517	16,738	(16,427)	14,434	14,745
Capital Commitments Reserve	3,793	(3,792)	3,128	3,129	(3,118)	3,866	3,877
Forecast Risk Fund	3,088	(393)	1,058	3,753	(1,048)	500	3,205
Asset Refurbishment/Replacement Reserve	1,269	-	-	1,269	-	-	1,269
Beach Recharge Reserve	1,500	-	-	1,500	(1,500)	-	-
Benefit Reserve	1,000	-	-	1,000	-	-	1,000
Building for the Future Reserve	2,610	(1,371)	-	1,239	(270)	685	1,654
Business Rate Resilience Reserve	1,758	-	6,468	8,226	(6,045)	2,817	4,998
Commuted Sums Reserve	389	(28)	66	427	(20)	100	507
Crematorium Reserve	154	-	-	154	-	-	154
Election Reserve	-	-	30	30	-	30	60
Haven Gateway Partnership Reserve	75	-	-	75	-	-	75
Leisure Capital Projects Reserve	124	(92)	50	82	(81)	50	51
Planning Inquiries and Enforcement Reserve	99	(20)	-	79	(20)	-	59
Residents Free Parking Reserve	221	(221)	-	-	-	-	-
Section 106 Agreements Reserve	1,389	(268)	482	1,603	(71)	885	2,417
<b>Total General Fund Earmarked Reserves</b>	<b>28,892</b>	<b>(17,387)</b>	<b>27,799</b>	<b>39,304</b>	<b>(28,600)</b>	<b>23,367</b>	<b>34,071</b>
General Fund Balance	4,000	-	-	4,000	-	-	4,000
<b>Total General Fund</b>	<b>32,892</b>	<b>(17,387)</b>	<b>27,799</b>	<b>43,304</b>	<b>(28,600)</b>	<b>23,367</b>	<b>38,071</b>

	Balance at 1 April 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000
<b>Housing Revenue Account:</b>							
General Reserve	5,270	(823)	-	4,447	(201)	-	4,246
Housing Revenue Account Commitments Reserve	1,694	(1,694)	863	863	(863)	956	956
<b>Total Housing Revenue Account</b>	<b>6,964</b>	<b>(2,517)</b>	<b>863</b>	<b>5,310</b>	<b>(1,064)</b>	<b>956</b>	<b>5,202</b>

## 9 Usable Reserves

Movements in the Authority's usable reserves are shown in the Movement in Reserves Statement with additional detail provided in notes 7 and 8.

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**

Established to fund future costs of replenishing the beaches with sand along the Clacton to Holland coastline. This reserve was fully utilised during 2021/22 to fund Cliff Stabilisation works, which was subject to a separate decision by Cabinet on 23 April 2021.

**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) Commuted Sums Reserve**

Established from commuted sums paid to the Council to cover such items as maintenance costs of Open Spaces and CCTV.
- x) Crematorium Reserve**

To finance future replacement and improvement works to the crematorium plant and equipment at Weeley.
- xi) Election Reserve**

To finance future costs associated with holding District Elections on a periodic basis.
- xii) Haven Gateway Partnership Reserve**

To support the costs associated with the Haven Gateway Partnership.
- xiii) Leisure Capital Projects Reserve**

This reserve has been established to fund ongoing investment in Leisure Facilities.
- xiv) Planning Inquiries and Enforcement Reserve**

To meet associated costs relating to planning services.
- xv) Residents Free Parking Reserve**

To support the continuation of the residents' free parking initiative in the District. This reserve was fully utilised in 2020/21
- xvi) Section 106 Agreements Reserve**

This reserve holds income received from developers under Section 106 of the Town and Country Planning Act 1990 to be spent on specific projects over a number of years in accordance with the terms of the agreements.
- e) Housing Revenue Account**
  - i) General Reserve**

Resources available to meet future running costs for council houses.
  - ii) Housing Revenue Account Commitments Reserve**

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



## 10 Unusable Reserves

2020/21		2021/22
£000		£000
62,104	Revaluation Reserve	90,230
133,198	Capital Adjustment Account	134,073
(42,283)	Pensions Reserve	(18,370)
(6,206)	Collection Fund Adjustment Account	(1,988)
(72)	Other Unusable Reserves	(286)
<u>146,741</u>		<u>203,659</u>

### 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.

2020/21			2021/22	
£000	£000		£000	£000
	47,484	<b>Balance at 1 April</b>		62,104
16,653		Upward revaluation of assets	37,073	
		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(6,446)	
(440)				
<u>          </u>	16,213	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		30,627
(1,464)		Difference between fair value depreciation and historical cost depreciation	(1,740)	
(129)		Accumulated gains on assets sold or scrapped	(761)	
<u>          </u>	(1,593)	Amount written off to the Capital Adjustment Account		(2,501)
	<u>62,104</u>	<b>Balance at 31 March</b>		<u>90,230</u>

**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.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2020/21			2021/22	
£000	£000		£000	£000
	134,922	<b>Balance at 1 April</b>		133,198
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
		Charges for depreciation, revaluation and impairment of non-current assets	(10,686)	
(10,299)		Movement in Investment Property Values	123	
(170)		Amortisation of Intangible Assets	(16)	
(44)		Revenue expenditure funded from capital under statute	(679)	
(796)		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	(1,893)	
(565)				
			(13,151)	
		Adjusting amounts written out of the Revaluation Reserve	2,501	
1,593				
	(10,281)	Net written out amount of the cost of non-current assets consumed in the year		(10,650)
		Termination of Finance Lease Transfer from Deferred Capital Receipts		188
		Capital financing applied in the year:		
		Use of the Capital Receipts Reserve to finance new capital expenditure	68	
735		Use of the Major Repairs Reserve to finance new capital expenditure	3,088	
2,063		Application of grants, donated assets and contributions to capital financing	3,084	
1,849		Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances	1,873	
1,882		Capital expenditure charged against General Fund or HRA	3,224	
2,028				
	8,557	Total amount of capital financing applied in the year		11,337
	133,198	<b>Balance at 31 March</b>		134,073

**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.

2020/21			2021/22	
£000	£000		£000	£000
	(39,602)	<b>Balance at 1 April</b>		(42,283)
	(2,116)	Remeasurements of the net defined benefit liability (asset)		28,823
(5,339)		Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(7,751)	
4,774		Employer's pensions contributions and direct payments to pensioners payable in the year	2,841	
<hr/>	(565)	Total adjustments to revenue resources	<hr/>	(4,910)
	<hr/> <hr/>	<b>Balance at 31 March</b>		<hr/> <hr/>
	(42,283)			(18,370)

**d) 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
<b>Balance at 1 April 2020</b>	396	1,344	1,740
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	(165)	(7,781)	(7,946)
<b>Balance at 31 March 2021</b>	231	(6,437)	(6,206)
<b>Balance at 1 April 2021</b>	231	(6,437)	(6,206)
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	363	3,855	4,218
<b>Balance at 31 March 2022</b>	594	(2,582)	(1,988)

## 11 Financing and Investment Income and Expenditure

2020/21		2021/22
£000		£000
1,512	Interest payable and similar charges	1,251
874	Net interest on the defined benefit liability (asset)	818
(372)	Interest receivable and similar income	(210)
170	Movement in Investment Property Values	(123)
(179)	Rental Income from Investment Property	(256)
<u>2,005</u>	Total	<u>1,480</u>

## 12 Taxation and Non-Specific Grant Income and Expenditure

2020/21		2021/22
£000		£000
10,635	Council tax income	11,095
4,446	Retained Business Rates Income	9,170
(6,009)	Business Rates Tariff and Levy	(6,416)
15,254	Non-Ringfenced Government Grants	9,433
701	Capital Grants, Contributions and Donated Assets	2,258
<u>25,027</u>	Total	<u>25,540</u>

Further details for the Non-Ringfenced and Capital Grants disclosed above are provided on note 22.

## 13 Property, Plant and Equipment

### a) Movement on Balances

Movements in 2021/22	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
<b>Cost or valuation</b>								
At 1 April 2021	142,024	54,123	6,395	56,259	540	45	336	259,722
Additions	4,631	1,281	163	2,404	10	1	327	8,817
Accumulated depreciation and impairment written off to Gross Carrying Amount	(3,045)	(1,713)	-	-	-	(15)	-	(4,773)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	22,516	8,097	-	-	-	15	-	30,628
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,895)	(810)	-	-	-	-	-	(3,705)
Derecognition - Disposals	(1,163)	(681)	-	-	-	-	(46)	(1,890)
Derecognition - Other	-	(44)	-	-	-	-	-	(44)
Assets reclassified (to)/from Surplus Assets	-	(2,369)	-	-	-	2,369	-	-
Assets reclassified (to)/from Assets Under Construction	-	25	-	210	-	-	(235)	-
Other Movements in cost or valuation	(297)	297	-	-	-	-	-	-
At 31 March 2022	161,771	58,206	6,558	58,873	550	2,415	382	288,755

<b>Movements in 2021/22</b>	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
<b>Depreciation and impairments</b>								
At 1 April 2021	(585)	(894)	(4,188)	(19,361)	(35)	-	-	(25,063)
Depreciation Charge for 2021/22	(2,904)	(1,344)	(475)	(2,230)	-	(13)	-	(6,966)
Accumulated depreciation written off to Gross Carrying Amount	3,045	1,478	-	-	-	15	-	4,538
Accumulated impairment written off to Gross Carrying Amount	-	235	-	-	-	-	-	235
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - Disposals	6	6	-	-	-	-	-	12
Derecognition - Other	-	28	-	-	-	-	-	28
Other Movements in depreciation and impairment	-	2	-	-	-	(2)	-	-
<b>At 31 March 2022</b>	<b>(438)</b>	<b>(489)</b>	<b>(4,663)</b>	<b>(21,591)</b>	<b>(35)</b>	<b>-</b>	<b>-</b>	<b>(27,216)</b>
<b>Net Book Value</b>								
at 31 March 2022	161,333	57,717	1,895	37,282	515	2,415	382	261,539
at 1 April 2021	141,439	53,229	2,207	36,898	505	45	336	234,659

<b>Movements in 2020/21</b>	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
	<b>Cost or valuation</b>							
At 1 April 2020	129,995	53,388	6,316	50,901	534	40	6,869	248,043
Additions	3,924	176	239	592	6	-	189	5,126
Accumulated depreciation and impairment written off to Gross Carrying Amount	(3,758)	(1,511)	-	-	-	-	-	(5,269)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	14,521	1,748	-	-	-	5	-	16,274
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,130)	382	-	-	-	-	-	(2,748)
Derecognition - Disposals	(536)	-	(160)	-	-	-	-	(696)
Assets reclassified (to)/from Held for Sale	-	(1,008)	-	-	-	-	-	(1,008)
Assets reclassified (to)/from Assets Under Construction	1,008	948	-	4,766	-	-	(6,722)	-
At 31 March 2021	142,024	54,123	6,395	56,259	540	45	336	259,722



<b>Movements in 2020/21</b>	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
<b>Depreciation and impairments</b>								
At 1 April 2020	(1,708)	(705)	(3,831)	(17,380)	(34)	-	-	(23,658)
Depreciation Charge for 2020/21	(2,639)	(1,465)	(517)	(1,981)	(1)	-	-	(6,603)
Accumulated depreciation written off to Gross Carrying Amount	3,688	1,511	-	-	-	-	-	5,199
Accumulated impairment written off to Gross Carrying Amount	70	-	-	-	-	-	-	70
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	(61)	-	-	-	-	-	(61)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	(174)	-	-	-	-	-	(174)
Derecognition - Disposals	4	-	160	-	-	-	-	164
At 31 March 2021	(585)	(894)	(4,188)	(19,361)	(35)	-	-	(25,063)
<b>Net Book Value</b>								
at 31 March 2021	141,439	53,229	2,207	36,898	505	45	336	234,659
at 1 April 2020	128,287	52,683	2,485	33,521	500	40	6,869	224,385

## 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 2021/22 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 56 years, depending on the asset, its location and type of construction, as set out in the table below:

<b>Life</b>	<b>Asset Categories</b>
56 years	Car park buildings
51-54 years	Beach changing kiosks, beach huts, chapels, crematorium, deck chair kiosks, depots and industrial properties, garages, investment property, kiosks, Princes Theatre, pavilions, miscellaneous properties, museums, offices, public halls, squash courts, swimming pools
49 years	Public conveniences, former public conveniences
41-51 years	Historic buildings, bandstand
39 years	Seafront shelters
26 years	All weather pitch, roller skating rink
48 years	Clacton Leisure Centre

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

## c) Capital Commitments

At 31 March 2022, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment with 2022/23 and future years budgeted to cost £1.241 million. Similar commitments as 31 March 2021 were £0.228 million.

#### d) Revaluations

Full revaluation of all General Fund and Housing Revenue Account (HRA) Properties was undertaken in 2021/22 as at 30 September 2021 by P C Smith, BSc (Hons) MRICS, IRRV (Hons) RICS Registered Valuer of Wilks Head and Eve LLP in accordance with the following guidance:

- CIPFA Code 2021/22
- IFRS
- Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards (issued November 2021 and effective January 2022) and the RICS Valuation – Global Standards 2017: UK National Supplement (issued November 2018 and effective from 14 January 2019)
- RICS Global Standards 2017: UK National Supplement – UK VPGA 4 Valuation of local authority assets for accounting purposes.

A market review estimate was also obtained from Wilks Head and Eve LLP as to the change in value from 30 September 2021 to 31 March 2022 of all the Authority's non-current assets. The Council considers the range of movements identified for General Fund Assets to be immaterial overall so they are not reflected in the Balance Sheet. For HRA Assets the movements identified by the Valuer of 7.5% for flats and 10% for houses were modelled through the portfolio and resulted in a material increase so they are reflected in the Balance Sheet. The Supplementary Financial Statement for the HRA sets out additional valuation details relating to the Council's housing stock.

#### 14 Investment Properties

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.

2020/21		2021/22
£000		£000
(179)	Rental Income from Investment Property	(256)
<u>(179)</u>	Net gain/loss	<u>(256)</u>

There are no restrictions on the authority's ability to realise the value inherent in 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:

2020/21		2021/22
£000		£000
2,155	Balance at start of year	1,985
(170)	Net Gains/(losses) from fair value adjustments	123
<u>1,985</u>	Balance at end of the year	<u>2,108</u>

### a) Fair Value hierarchy

The investment property held is a commercial unit and is valued at Level 2 under accounting policy r), 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 of 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 Financial Instruments

### a) Categories of Financial Instruments

Long Term 31 March 2021 £000	Current 31 March 2021 £000		Long Term 31 March 2022 £000	Current 31 March 2022 £000
		<b>Financial assets at amortised cost</b>		
-	65,611	Investments	-	69,016
467	2,710	Trade and other receivables	273	2,364
-	11,295	Cash and Cash Equivalents	-	10,040
<u>467</u>	<u>79,616</u>	<b>Total Financial Assets at amortised cost</b>	<u>273</u>	<u>81,420</u>
		<b>Financial liabilities at amortised cost</b>		
36,921	1,968	Borrowing from Public Works Loan Board (PWLB)	34,699	2,506
312	-	Section 106 agreements	578	-
-	3,974	Trade and other payables	-	4,116
<u>37,233</u>	<u>5,942</u>	<b>Total Financial Liabilities at amortised cost</b>	<u>35,277</u>	<u>6,622</u>

The Council's balance of Investments at amortised cost consisted of fixed term deposits and certificates of deposit with UK banks, Building Societies, central government's Debt Management office and other Local Authorities.

All borrowing – Financial liabilities at amortised cost were from the Public Works Loans Board.

## b) Reclassifications

There have been no reclassifications of financial assets or liabilities in 2021/22.

## c) Income, Expense, Gains and Losses

2020/21				2021/22		
Financial Liabilities measured at amortised cost	Financial Assets measured at amortised cost	Total		Financial Liabilities measured at amortised cost	Financial Assets measured at amortised cost	Total
£000	£000	£000		£000	£000	£000
1,375	-	1,375	Interest expense	1,333	-	1,333
-	-	-	Fee expense	-	6	6
<b>1,375</b>	<b>-</b>	<b>1,375</b>	<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>1,333</b>	<b>6</b>	<b>1,339</b>
-	(371)	(371)	Interest income	-	(210)	(210)
<b>-</b>	<b>(371)</b>	<b>(371)</b>	<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(210)</b>	<b>(210)</b>
<b>1,375</b>	<b>(371)</b>	<b>1,004</b>	<b>Net (gain)/loss for the year</b>	<b>1,333</b>	<b>(204)</b>	<b>1,129</b>

## 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, 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;
- 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 as this is a fair approximation of fair value.

The fair values calculated are as follows:

31 March 2021			31 March 2022	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
38,889	54,384	PWLB borrowing	37,205	48,456
312	312	Long term Section 106 agreements	578	578
3,974	3,974	Trade and other payables	4,116	4,116

The fair value of PWLB loans of £48.456 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 reduced 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 2021			31 March 2022	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
65,611	65,611	Investments	69,016	69,016
467	467	Long term trade and other receivables	273	273
2,710	2,710	Short term trade and other receivables	2,364	2,364

## 16 Nature and Extent of Risks arising from Financial Instruments

The Council has adopted CIPFA's Code of Practice on Treasury Management, as amended, and complies with the Prudential Code for Capital Finance in Local Authorities, as amended. Financial instrument risk management is based on policies approved by the Council in the Annual Treasury Strategy before the start of the financial year. The Strategy emphasises that priority is to be given to security and liquidity, rather than yield and is underpinned by Treasury Management Practices (TMPs) specifying the practical arrangements to be followed to manage these risks. The Council employs specialist Treasury Advisors to assist officers.

### 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 2021/22 was £94.098 million.

The TMPs set out the criteria for deciding with which organisations the Council will invest money. Most investments are with HM Government and other UK Local Authorities, investments with other organisations are determined by reference to their credit ratings, as provided by the 3 main credit rating agencies. In addition a limit is placed on the amount that can be invested with any one organisation. A limit is also applied to the amount of investment that can be placed in individual countries other than the UK.

The Council has had no experience of default on investments and does not expect any losses, nor has credit risk increased significantly since initial recognition, so no loss allowance has been made for investments.

The Authority allows credit for some customers where payment in advance of service provision is not practicable. £0.429 million of the £2.200 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;

2020/21		2021/22
£000		£000
187	Less than three months	12
112	Three to six months	40
76	Six months to one year	48
331	More than one year	329
<hr/>		<hr/>
706		429
<hr/> <hr/>		<hr/> <hr/>

Impairments of Sundry Debtors at 31 March 2022 totalled £0.604 million (£0.685 million at 31 March 2021).

## **b) Liquidity Risk**

The Council manages its liquidity position through its cash flow management procedures. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that the Council will be unable to raise finance to meet its commitments.

Instead, the risk is that the Authority will have to replace its borrowings at a time of unfavourable interest rates. This is addressed by monitoring the maturity structure of its debt and the limits placed on investments of more than one year in duration.

The maturity analysis of financial liabilities in respect of the PWLB debt at 31 March was as follows:

2020/21				2021/22		
Principal	Interest	Total		Principal	Interest	Total
£000	£000	£000		£000	£000	£000
1,671	1,926	3,597	Less than one year	2,222	1,272	3,494
2,222	1,272	3,494	Between one and two years	1,422	1,217	2,639
6,467	3,420	9,887	Between two and five years	7,466	3,173	10,639
6,782	4,436	11,218	Between five and ten years	5,449	4,257	9,706
3,914	3,727	7,641	Between ten and fifteen years	3,532	3,619	7,151
17,536	10,847	28,383	More than fifteen years	16,830	10,164	26,994
<u>38,592</u>	<u>25,628</u>	<u>64,220</u>		<u>36,921</u>	<u>23,702</u>	<u>60,623</u>

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

### c) Market Risk

#### ➤ Interest Rate Risk

At 31 March 2022 the Council's borrowing for more than one year was all at fixed rates of interest with the PWLB. The Annual Treasury Strategy draws together the Council's Prudential Indicators and its expected treasury operations, including an expectation of interest rate movements. The effects of movements in interest rates on investments are immaterial as the sums invested are at fixed interest rates for short periods.

At 31 March 2022, 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	377
Increase in interest receivable on variable rate investments	(844)
	<u>(467)</u>
Impact on Surplus or Deficit on the Provision of Services	<u>(467)</u>
Share of overall impact relating to the HRA	<u>282</u>

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

#### ➤ Price Risk

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

#### ➤ Foreign Exchange Risk

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



## 17 Assets Held for Sale

During 2020/21 the Council completed the construction of 10 new homes at Lotus Point in Jaywick. It was decided that five of these should be sold as affordable housing and were being actively marketed, so the spend on these five homes was transferred to Assets Held for Sale in 2020/21. None have been sold during 2021/22 and in June 2022 Cabinet changed the decision to sell these assets, see note 6 for further information.

2020/21			2021/22	
£000			£000	
33	Balance Brought Forward		1,000	
1,008	Assets reclassified to held for sale in year		-	
752	Additions in year		-	
(760)	Revaluation losses		-	
(33)	Assets sold in year		-	
<u>1,000</u>	<b>Balance carried forward</b>		<u>1,000</u>	

## 18 Debtors

2020/21				2021/22		
Gross Amount	Impairment Allowance	Net		Gross Amount	Impairment Allowance	Net
£000	£000	£000		£000	£000	£000
359	(175)	184	Council tenants arrears	374	(226)	148
2,632	(699)	1,933	Trade debtors	2,259	(618)	1,641
1,980	(1,387)	593	Housing benefit overpayments	1,919	(1,344)	575
			Business rates and Council			
3,011	(1,429)	1,582	Tax Payers	3,891	(1,760)	2,131
			Amounts due from government			
			and preceptors for Business			
10,780	-	10,780	Rates and Council Tax	5,921	-	5,921
			Other amounts due from			
852	-	852	government	6,085	-	6,085
23	-	23	Other	4	-	4
<u>19,637</u>	<u>(3,690)</u>	<u>15,947</u>	<b>Balance at 31 March</b>	<u>20,453</u>	<u>(3,948)</u>	<u>16,505</u>

## 19 Cash and Cash Equivalents

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

2020/21			2021/22	
£000			£000	
	Current Assets:			
(113)	Bank current accounts		1,327	
11,398	Call accounts		8,703	
10	Petty cash		10	
<u>11,295</u>			<u>10,040</u>	

## 20 Creditors

2020/21		2021/22
£000		£000
3,518	Trade creditors	3,784
456	Capital creditors	334
	Amounts due to government and preceptors for Business Rates and Council	
9,980	Tax	8,620
14,267	COVID-19 grant funding	19,805
7,360	Other amounts due to government and preceptors	6,976
591	Receipts in Advance for Council Tax and Business Rates	729
6	Other	1
<u>36,178</u>	<b>Balance at 31 March</b>	<u>40,249</u>

## 21 Expenditure and Income Analysed by Nature

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

2020/21		2021/22
£000		£000
	<b>Expenditure</b>	
19,990	Employee Expenses	23,549
76,671	Other Services Expenses	75,451
10,329	Depreciation, Amortisation, Impairment	10,686
170	Movement in Investment Property Values	(123)
1,512	Interest Payable and Similar Charges	1,251
874	Pension Interest and Return on Pension Assets	818
2,046	Precepts and Levies	2,100
308	Payments to Housing Capital Receipts Pool	309
546	Loss on the Disposal of Non-Current Assets	1,181
<u>112,446</u>	<b>Total Expenditure</b>	<u>115,222</u>
	<b>Income</b>	
(26,936)	Fees and Charges and Other Service Income	(31,093)
(940)	Gain on Disposal of Non-Current Assets	(1,292)
(551)	Interest and Investment Income	(466)
(10,635)	Income from Council Tax	(11,095)
(4,446)	Income from Business Rates	(9,170)
(66,330)	Government Grants and Contributions	(55,804)
<u>(109,838)</u>	<b>Total Income</b>	<u>(108,920)</u>
<u>2,608</u>	<b>(Surplus) or Deficit on the Provision of Services</b>	<u>6,302</u>

## 22 Grant Income

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

2020/21 £000		2021/22 £000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
<i>Non-Ringfenced Grants:</i>		
429	Revenue Support Grant	431
-	Lower Tier Services Grant	403
1,514	New Homes Bonus Grant	644
340	New Burdens Grant	131
8,899	NDR Section 31 Business Rate Grants	5,372
150	EU Exit/Transition Funding	-
482	Section 106 Agreements	885
3,413	COVID-19 Support Grants	1,397
27	Other Government Grants	170
<hr/> 15,254 <hr/> <hr/>		<hr/> 9,433 <hr/> <hr/>
<i>Capital Grants, Contributions and Donated Assets</i>		
<i>Government Funding</i>		
79	- Environment Agency	451
	- Historic England	140
-	- South East Local Enterprise Partnership	199
-	Local Authority - Essex County Council	13
<i>Other Capital Contributions</i>		
-	- Section 106	613
27	- Walton Flood Wall	2
595	Donated Assets	840
<hr/> 701 <hr/> <hr/>		<hr/> 2,258 <hr/> <hr/>
<b>Other Significant Grants Credited to Services</b>		
62	Apprenticeship Training Grant	64
43,869	Benefits	39,790
125	Big Lottery Funding	-
323	Health Partner Initiatives Grants	42
193	Collection Investment/Hardship Administration Grant	196
6,618	COVID-19 Grants	6,891
786	Disabled Facilities Grant	666
289	Essex County Council - Technical Agreement Contribution	441
111	Historic England Grants	12
498	Homelessness Grants	1,052
85	Individual Electoral Registration	-
-	Levelling Up Fund	125
<hr/> 52,959 <hr/> <hr/>		<hr/> 49,279 <hr/> <hr/>

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:

2020/21			2021/22	
£000			£000	
<b>Capital Grants Receipts in Advance</b>				
Government Funding:				
975		Business, Energy and Industrial Strategy		-
451		The Environment Agency		-
152		Home and Communities Agency		152
55		Local Authority Funding		88
3		Other capital contributions		-
<hr/>			<hr/>	
1,636				240
<hr/>			<hr/>	

### 23 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:

2020/21			2021/22	
Receipts	Payments		Receipts	Payments
£000	£000		£000	£000
2,903	175	Essex County Council	2,503	759
212	325	Other local authorities	252	507
Transactions with organisations related by a declared interest of Council Members or Senior Officers:				
-	2	Association of Retained Council Housing	-	-
-	-	Teen Talk	-	30
2	3	Other	5	2
<hr/>			<hr/>	
3,117	505	Total Related Party Transactions	2,760	1,298
<hr/>			<hr/>	

### 24 Members' Allowances

The Authority paid £0.429 million to members of the Council during the year (£0.458 million in 2020/21). Full details are available on the Transparency page of the Council's website.

## 25 Officers' Remuneration

### a) Analysis of "senior employees" remuneration

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

Post Title	note	2021/22			Total Remuneration
		Salary, Fees and Allowances	Total remuneration excluding Pension Contributions	Employer's Contributions to Pension	
		£	£	£	£
Chief Executive		137,772	137,772	27,692	165,464
Corporate Director - Operations and Delivery		86,688	86,688	17,424	104,112
Assistant Director - Governance		80,874	80,874	16,255	97,129
Assistant Director - Finance and IT		75,886	75,886	15,253	91,139
Assistant Director - Partnerships	1	78,731	78,731	13,413	92,144
Assistant Director - Strategic Planning and Place	2	55,186	55,186	11,093	66,279

#### Notes

1. Post became a Senior Post on 1 April 2021 following Senior Management Restructure.
2. Post became a Senior Post on 1 July 2021 following Senior Management Restructure.

Post Title		2020/21			Total Remuneration
		Salary, Fees and Allowances	Total remuneration excluding Pension Contributions	Employer's Contributions to Pension	
		£	£	£	£
Chief Executive		135,945	135,945	27,325	163,270
Corporate Director - Place and Economy		101,477	101,477	20,397	121,874
Corporate Director - Planning and Regeneration Services	1	10,790	10,790	1,963	12,753
Corporate Director - Operations and Delivery	2	53,409	53,409	10,735	64,144
Assistant Director - Governance		76,140	76,140	15,304	91,444
Assistant Director - Finance and IT		72,871	72,871	14,647	87,518

#### Notes

1. Left on 10 May 2020.
2. Post created by Senior Management Restructure and appointed to on 1 August 2020 on an Acting Up basis, the post was made substantive on 1 October 2020.

**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:

2020/21 Number of Total	Remuneration Band	2021/22 Number of Total
6	£50,000 - £54,999	4
2	£55,000 - £59,999	4
4	£60,000 - £64,999	2
2	£65,000 - £69,999	3
-	£120,000 - £125,000 **	1

\*\* This band includes the £72,120 exit package in note c) below.

Where the £5,000 bands included no officers in both 2020/21 and 2021/22, they have been excluded from the note.

**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)	2021/22		Total Number of exit packages by cost band	Total cost of exit packages in each band £
	Number of compulsory redundancies	Number of other departures agreed		
£0 - £20,000	-	4	4	23,652
£20,001-40,000	-	2	2	45,037
£60,001-80,000	-	1	1	72,120
<b>Total cost included in Comprehensive Income and Expenditure Statement</b>				<b>140,809</b>

Exit package cost band (including special payments)	2020/21		Total Number of exit packages by cost band	Total cost of exit packages in each band £
	Number of compulsory redundancies	Number of other departures agreed		
£0 - £20,000	-	2	2	13,430
<b>Total cost included in Comprehensive Income and Expenditure Statement</b>				<b>13,430</b>

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

## **26 Termination Benefits**

The contracts of 6 employees ceased in 2021/22. A further termination was agreed in 2021/22 with the contract ceasing in 2022/23. This incurred total liabilities of £140,809 (there were 4 contracts for employees that ceased in 2020/21 of which 2 were accounted for in 2020/21 incurring total liabilities of £13,430 with the remaining 2 recorded in 2019/20 as they were agreed in that year). Of the total paid of £140,809, £97,279 was compensation for loss of office. Further details can be found in Note 25(c).

## **27 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.

### **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:

2020/21 Local Government Pension Scheme £000		2021/22 Local Government Pension Scheme £000
	<b>Comprehensive Income and Expenditure Statement</b>	
	<b>Cost of Services</b>	
	<i>Service cost comprising:</i>	
4,359	Current service cost	6,745
-	Past service costs	110
12	(gain)/loss from settlements	-
94	Administration Expenses	78
	<i>Financing and Investment Income and Expenditure</i>	
874	Net interest expense	818
5,339	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	7,751
	<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	
	<i>Remeasurement of the net defined benefit liability comprising:</i>	
(33,803)	Return on plan assets (excluding the amount included in the net interest expense)	(11,983)
(1,917)	Actuarial gains and losses arising on changes in demographic assumptions	(4,917)
39,989	Actuarial gains and losses arising on changes in financial assumptions	(7,779)
(2,153)	Experience gains and losses on defined benefit obligation	(2,768)
-	Other Actuarial gains and losses on assets	(1,376)
7,455	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	(21,072)
	<b>Movement in Reserves Statement</b>	
(5,339)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(7,751)
	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	
4,774	Employer's contributions payable to scheme	2,841



**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:

2020/21 Local Government Pension Scheme £000		2021/22 Local Government Pension Scheme £000
203,724	Present value of the defined benefit obligation	193,828
(161,441)	Fair Value of plan assets	(175,458)
<u>42,283</u>	<b>Net liability arising from defined benefits obligation</b>	<u>18,370</u>

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

2020/21 Local Government Pension Scheme £000		2021/22 Local Government Pension Scheme £000
124,603	Opening fair value of scheme assets	161,441
2,931	Interest income	3,204
	<i>Remeasurement gain/(loss):</i>	
33,803	The return of plan assets, excluding the amount included in the net interest expense	11,983
-	Other actuarial gains/(losses)	1,376
4,774	Contributions from employers	2,841
820	Contributions from employees into the scheme	848
(5,461)	Benefits paid	(6,157)
65	Other - Settlement prices received / (paid)	-
(94)	Other - Administration	(78)
<u>161,441</u>	<b>Closing fair value of scheme assets</b>	<u>175,458</u>

The employer contributions include financial strain payments relating to liabilities associated with early retirements if they arise during the year.

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

2020/21			2021/22	
Local Government Pension Scheme			Local Government Pension Scheme	
£000			£000	
164,205	Opening Balance at 1 April		203,724	
4,359	Current service cost		6,745	
3,805	Interest cost		4,022	
820	Contributions from scheme participants		848	
	<i>Remeasurement (gain)/loss:</i>			
(1,917)	Actuarial gains/losses arising from changes in demographic assumptions		(4,917)	
39,989	Actuarial gains/losses arising from changes in financial assumptions		(7,779)	
(2,153)	Experience gains and losses on defined benefit obligation		(2,768)	
-	Past service cost		110	
(5,461)	Benefits paid		(6,157)	
77	Liabilities extinguished on settlements		-	
<b>203,724</b>	<b>Closing Balance at 31 March</b>		<b>193,828</b>	

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

2020/21				2021/22		
Quoted Prices in Active Markets	Unquoted Prices (not in Active Markets)	Total		Quoted Prices in Active Markets	Unquoted Prices (not in Active Markets)	Total
£000	£000	£000		£000	£000	£000
			<b>Fair Value of Scheme Assets</b>			
-	4,067	4,067	Cash and cash equivalents	-	4,966	4,966
7,905	-	7,905	Equities - UK	9,131	-	9,131
86,636	-	86,636	Equities - Overseas	86,215	-	86,215
			Gilts UK index Linked Government Securities	4,246	-	4,246
4,113	-	4,113	Bonds - Corporate (UK)	7,619	-	7,619
7,853	-	7,853	Property	4,182	10,804	14,986
3,365	8,012	11,377	Private Equity	-	8,780	8,780
-	7,583	7,583	Infrastructure	-	15,150	15,150
-	11,231	11,231	Timber	-	5,050	5,050
-	4,557	4,557	Private Debt	-	1,915	1,915
-	2,767	2,767	Other Managed Funds	-	17,400	17,400
-	13,352	13,352				
<b>109,872</b>	<b>51,569</b>	<b>161,441</b>		<b>111,393</b>	<b>64,065</b>	<b>175,458</b>

## 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 2019 which has been rolled forward using financial assumptions that comply with IAS19.

Remedial regulations are expected in 2022 arising from the Court of Appeal Judgement in respect of the McCloud and Sargent cases which relate to age discrimination within the Judicial and Fire Pension Schemes. An allowance has been made in previous reporting periods for the potential impact therefore no further explicit adjustments have been made in this period. The McCloud remedy is expected to only apply to benefits accrued up to 31 March 2022 and therefore an adjustment is required to the Projected Service Cost from 1 April 2022 so that no further allowance for the McCloud remedy is made. This will be reflected in the Current Service Cost in the next accounting period.

The significant assumptions used by the actuary have been:

2020/21 Local Government Pension Scheme		2021/22 Local Government Pension Scheme
	<i>Mortality assumptions:</i>	
	Longevity at 65 for current pensioners:	
21.6	Men	21.0
23.6	Women	23.5
	Longevity at 65 for future pensioners:	
22.9	Men	22.3
25.1	Women	24.9
2.8%	Rate of inflation - CPI Increases	3.20%
3.8%	Rate of increase in salaries	4.20%
2.8%	Rate of increase in pensions	3.20%
2.0%	Rate for discounting scheme liabilities	2.60%

The demographic assumptions used are in line with those used for the most recent fund valuation, which was carried out as at 31 March 2019. For the assumptions as at 31 March 2022 the CMI\_2021 model has been used, this is consistent with the previous accounting 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
<b>Impact on the Defined Benefit Obligation in the Scheme</b>		
Longevity (increase or decrease in 1 year - mortality age rating)	203,434	184,081
Rate of inflation (increase or decrease by 0.1%)	196,938	190,153
Rate of increase in salaries (increase or decrease by 0.1%)	193,794	193,196
Rate of increase in pensions (increase or decrease by 0.1%)	196,938	190,153
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	189,838	197,264

#### **h) Impact on the Authority's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant a 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 as at 31 March 2022.

The authority expects to pay contributions totalling £2.675 million to the scheme in 2022/23.

The weighted average duration of the defined benefit obligation for scheme members is 19 years, 2021/22 (19 years 2020/21).

## 28 External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts:

2020/21		2021/22
£000		£000
45	Fees payable with regard to external audit services carried out by the appointed auditor for the year	45
21	Fees payable in respect of other services provided by the external auditor during the year - certification of Housing Benefit Subsidy and Pooling of Housing Capital Receipts **	41
<b>66</b>	<b>Total Audit Fees Payable</b>	<b>86</b>

\*\* For 2021/22 this includes £3,700 that relates to additional fees associated with claims certification work for 2019/20, with the balance relating to the estimated accrued amount for claims certification work for 2020/21.

## 29 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.

2020/21		2021/22
£000		£000
45,554	<b>Opening Capital Financing Requirement</b>	43,672
	Capital Investment:	
5,283	Property, Plant and Equipment	7,946
2	Intangible Assets	-
796	Revenue expenditure funded from capital under statute	679
	Sources of Finance:	
(735)	Capital receipts	(68)
(1,255)	Government grants and other contributions	(2,245)
(2,063)	Major Repairs Reserve	(3,089)
	Sums set aside from revenue:	
(2,028)	Direct revenue contributions	(3,224)
(218)	MRP/loans fund principal	(209)
(1,664)	Voluntary MRP - HRA	(1,664)
<b>43,672</b>	<b>Closing Capital Financing Requirement</b>	<b>41,798</b>
	<b>Explanation of movements in year</b>	
(1,882)	Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	(1,874)
<b>(1,882)</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(1,874)</b>

### 30 Operating Leases - Authority as Lessor

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:

2020/21		2021/22
£000		£000
426	Not later than one year	424
1,364	Later than one year and not later than five years	1,349
3,756	Later than five years	3,670
<hr/>		<hr/>
5,546		5,443
<hr/>		<hr/>

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 has been extended to 2026.

## HOUSING REVENUE ACCOUNT – INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

2020/21 £000		2021/22 £000	£000	Note Ref
<b>EXPENDITURE</b>				
4,416	Repairs and Maintenance	4,283		
2,979	Supervision and Management	2,893		
240	Rents, Rates, Taxes and Other Charges	227		
6,646	Depreciation and Impairments of Non-Current Assets	5,685		5,6
66	Debt Management Costs	66		
27	Movement in the allowance for bad debts	63		
	Sums Directed by the Secretary of State that are Expenditure in			
2	Accordance with the Code	1		
14,376	<b>Total Expenditure</b>		13,218	
<b>INCOME</b>				
(12,636)	Dwelling rents	(12,813)		
(230)	Non dwelling rents	(234)		
(518)	Charges for Services and Facilities	(472)		
(28)	Contributions towards expenditure	(46)		
(13,412)	<b>Total Income</b>		(13,565)	
964	Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		(347)	
276	HRA Share of Corporate and Democratic Core		276	
1,240	<b>Net Expenditure / (Income) for HRA Services</b>		(71)	
<b>HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:</b>				
(332)	(Gain) or loss on sale of HRA Non-current Assets		(561)	
1,362	Interest Payable and Similar Charges		1,322	
(595)	Capital Grants and Contributions Receivable		(1,652)	
(20)	Interest and Investment Income		(7)	
1,655	<b>(Surplus) / Deficit for the year on HRA Services</b>		(969)	

## HOUSING REVENUE ACCOUNT – MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2020/21		2021/22	
£000		£000	£000
5,270	Balance on the HRA as at the end of the previous year		4,447
(1,655)	Surplus or (Deficit) on the HRA Income and Expenditure Statement	969	
	Adjustments between accounting basis and funding basis under regulations:		
3,948	Reversal of Revaluation Changes and Impairment	2,739	
2	Reversal of Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	1	
(332)	Reversal of (Gain) or Loss on sale of HRA Non-current assets	(561)	
(595)	Reversal of Capital Grants and Contributions Receivable	(1,652)	
10	Reversal of Short Term Accumulating Compensated Absences	-	
(1,112)	Capital Expenditure Funded by the HRA	(187)	
(1,664)	Debt Repayment & Credit arrangements	(1,664)	
208	HRA share of contributions to or from the Pension Reserve	462	
(1,190)	Net increase or (decrease) before transfer to or from Reserves	107	
	Transfer (to) or from Reserves:		
(464)	Transfer (to)/from Major Repairs Reserves	(215)	
831	Transfers (to)/from Earmarked Reserves	(93)	
(823)	Increase or (decrease) in year on the HRA		(201)
<u>4,447</u>	<b>Balance on the HRA as at the end of the current year</b>		<u>4,246</u>



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

### 1 Housing Revenue Account Balances

#### HOUSING REVENUE ACCOUNT RESERVES

Housing Revenue Account	2020/21			2021/22		
	Housing Commitments Reserve	Total		Housing Revenue Account	Housing Commitments Reserve	Total
£000	£000	£000		£000	£000	£000
5,270	1,694	6,964	Balances as at 1 April	4,447	863	5,310
(823)	(831)	(1,654)	Surplus/(deficit) for year	(201)	93	(108)
<b>4,447</b>	<b>863</b>	<b>5,310</b>	<b>Balances as at 31 March</b>	<b>4,246</b>	<b>956</b>	<b>5,202</b>

## 2 Housing Assets

As at 31 March 2022, the Council was responsible for managing the following council housing assets:

01/04/2020					31/03/2021					01/04/2021					31/03/2022					
Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	
										£000										
										<b>Dwellings</b>										
1,458	5	6	1,457	50,963	Flats	1,457	-	8	1,449	57,129	1,457	-	8	1,449	57,129	1,457	-	8	1,449	57,129
995	14	4	1,005	62,824	Houses	1,005	2	12	995	72,861	1,005	2	12	995	72,861	1,005	2	12	995	72,861
336	4	1	339	19,087	Bungalows	339	7	1	345	22,518	339	7	1	345	22,518	339	7	1	345	22,518
321	-	31	290	7,867	Sheltered Accommodation	290	-	-	290	8,033	290	-	-	290	8,033	290	-	-	290	8,033
12	-	3	9	698	Do-It-Yourself Shared Ownership (DIYSO)	9	-	-	9	792	9	-	-	9	792	9	-	-	9	792
<b>3,122</b>	<b>23</b>	<b>45</b>	<b>3,100</b>	<b>141,439</b>		<b>3,100</b>	<b>9</b>	<b>21</b>	<b>3,088</b>	<b>161,333</b>	<b>3,100</b>	<b>9</b>	<b>21</b>	<b>3,088</b>	<b>161,333</b>	<b>3,100</b>	<b>9</b>	<b>21</b>	<b>3,088</b>	<b>161,333</b>
										<b>Other Land and Buildings</b>										
62	-	-	62	1,395	Shared Equity Plots of Land	62	-	-	62	1,741	62	-	-	62	1,741	62	-	-	62	1,741
360	-	-	360	1,583	Garages	360	1	-	361	1,422	360	1	-	361	1,422	360	1	-	361	1,422
417	5	-	422	84	Ground Rents re: sold council flats	422	7	-	429	86	422	7	-	429	86	422	7	-	429	86
1	-	-	1	193	Community Centre	1	-	-	1	444	1	-	-	1	444	1	-	-	1	444
4	1	-	5	375	Other non-domestic properties	5	-	-	5	415	5	-	-	5	415	5	-	-	5	415
12	-	-	12	1,248	Land	12	2	-	14	1,468	12	2	-	14	1,468	12	2	-	14	1,468
<b>3,978</b>	<b>29</b>	<b>45</b>	<b>3,962</b>	<b>146,317</b>	<b>Totals</b>	<b>3,962</b>	<b>19</b>	<b>21</b>	<b>3,960</b>	<b>166,909</b>	<b>3,962</b>	<b>19</b>	<b>21</b>	<b>3,960</b>	<b>166,909</b>	<b>3,962</b>	<b>19</b>	<b>21</b>	<b>3,960</b>	<b>166,909</b>

In addition to the above table, the Council also held assets under construction with a balance sheet value of £0.382 million as at 31 March 2022 (2020/21 £0.056 million). There were also assets held for sale with a balance sheet value of £1.000 million as at 31 March 2022 (please see note 17 for further details).

2020/21		2021/22
£000		£000
367,280	Vacant Possession Value *	426,146
(140,649)	Less: Existing Use Values (Social Housing)	(161,423)
<u>226,631</u>	Economic Cost of Providing Social Housing	<u>264,723</u>

\* This is the market value of dwellings as at 31 March 2022.

A full revaluation of all HRA assets was undertaken by the external valuer during the year with resulting changes and other adjustments being reflected in the Balance Sheet value as at 31 March 2022.

### 3 Capital Expenditure and Financing

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

2020/21		2021/22
£000		£000
	Capital Investment:	
2,063	Operational Assets	3,088
2,098	Property Acquisition and New Build	1,228
<u>4,161</u>		<u>4,316</u>
	Sources of Finance:	
2,063	Major Repairs Reserve	3,088
1,112	Direct Revenue Financing	187
261	Section 106 Funding	774
-	External Funding	199
725	Capital Receipts	68
<u>4,161</u>		<u>4,316</u>

#### 4 Housing Capital Receipts Reserve

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

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

2020/21		2021/22
£000		£000
5,360	Balance as at 1 April	5,192
	Capital Receipts in the year:	
772	Council house sales (net of administration costs)	1,395
-	Repayment of Discount on Shared Equity Sales	3
92	DIYSO property sales	
-	Other Land Sales	320
1	Mortgage principal repayments	2
<u>6,225</u>		<u>6,912</u>
	Less:	
(308)	Capital receipts pooling contribution payable to the Government	(309)
(725)	Capital receipts used for financing capital expenditure	(68)
<u>5,192</u>	Balance as at 31 March	<u>6,535</u>

#### 5 Depreciation

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

2020/21		2021/22
£000		£000
2,628	Dwellings	2,889
14	Do-It-Yourself Shared Ownership (DIYSO)	15
29	Garages	29
7	Community Centre	4
4	Other Non-Domestic Properties	8
30	Equipment	17
<u>2,712</u>	<b>Depreciation Charged to the HRA I &amp; E Account for the Year</b>	<u>2,962</u>

## 6 Impairment Charges

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

2020/21		2021/22
£000		£000
4,944	Impairment charge for works to the Council's dwelling stock	4,544
(1,010)	Reversal of previous Impairment Losses due to increase in asset values	(1,821)
<u>3,934</u>	Impairment charge for the year	<u>2,723</u>

Tendring District Council has elected to recover all losses on non-dwellings from the period 2012-2017 to the HRA Reserve. In 2021/22 there were gains of £0.016 million returned to the HRA Reserve (in 2020/21 there were gains of £0.014 million). The balance currently left to recover is £1.287 million.

## 7 Rent Arrears and the Provision for Bad and Doubtful Debts

The rent arrears at 31 March 2022 were £0.375 million (2020/21 - £0.359 million), which equates to 2.80% (2.70% for 2020/21) of the rent roll due for the year, 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 2022 is £0.226 million after the following movements on the account during 2021/22:

2020/21		2021/22
£000		£000
159	Balance as at 1 April	175
27	Provision for year	64
(11)	Arrears written off	(13)
<u>175</u>	Balance as at 31 March	<u>226</u>

## COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

Council Tax	2020/21 Business Rates	Total		Council Tax	2021/22 Business Rates	Total	Note Ref
£000	£000	£000		£000	£000	£000	
<b>INCOME</b>							
(90,867)	-	(90,867)	Council Tax Payers	(94,665)	-	(94,665)	2
-	(12,240)	(12,240)	Income from Business Ratepayers	-	(21,328)	(21,328)	3
<b>(90,867)</b>	<b>(12,240)</b>	<b>(103,107)</b>	<b>Total Income</b>	<b>(94,665)</b>	<b>(21,328)</b>	<b>(115,993)</b>	
<b>EXPENDITURE</b>							
Precepts:							
63,931	-	63,931	Essex County Council	64,948	-	64,948	4
3,576	-	3,576	Essex Fire and Rescue	3,579	-	3,579	
9,612	-	9,612	Essex Police and Crime Commissioner	10,100	-	10,100	
10,400	-	10,400	Tendring District Council	10,705	-	10,705	
Shares of Business Rates Income:							
-	13,628	13,628	Central Government	-	13,753	13,753	3
-	2,453	2,453	Essex County Council	-	2,476	2,476	
-	272	272	Essex Fire and Rescue	-	275	275	
-	10,903	10,903	Tendring District Council	-	11,002	11,002	
3,364	2,402	5,766	Share of Collection Fund Balance	228	(15,112)	(14,884)	5
Other Business Rates Payments:							
-	287	287	Costs of Collection	-	288	288	
-	140	140	Transitional Protection	-	(226)	(226)	
-	364	364	Renewable Energy Schemes	-	357	357	
Bad Debt and Other Provisions:							
1,337	582	1,919	Provisions	1,532	570	2,102	6
52	6	58	Write Offs	520	100	620	
-	657	657	Provisions for Appeals	-	(1,793)	(1,793)	
<b>92,272</b>	<b>31,694</b>	<b>123,966</b>	<b>Total Expenditure</b>	<b>91,612</b>	<b>11,690</b>	<b>103,302</b>	
<b>1,405</b>	<b>19,454</b>	<b>20,859</b>	<b>(Surplus)/Deficit for the Year</b>	<b>(3,053)</b>	<b>(9,638)</b>	<b>(12,691)</b>	

Council Tax	2020/21 Business Rates	Total
£000	£000	£000
(3,333)	(3,360)	(6,693)
1,405	19,454	20,859
<b>(1,928)</b>	<b>16,094</b>	<b>14,166</b>

**Collection Fund Balance**

Balance brought forward  
(Surplus)/Deficit for the year

**Balance Carried Forward**

<b>Allocated to:</b>			
-	8,047	8,047	Central Government
(1,402)	1,448	46	Essex County Council
(78)	161	83	Essex Fire and Rescue
(217)	-	(217)	Essex Police and Crime Commissioner
(231)	6,438	6,207	Tendring District Council
<b>(1,928)</b>	<b>16,094</b>	<b>14,166</b>	

Council Tax	2021/22 Business Rates	Total	Note Ref
£000	£000	£000	
(1,928)	16,094	14,166	
(3,053)	(9,638)	(12,691)	
<b>(4,981)</b>	<b>6,456</b>	<b>1,475</b>	5
-	3,228	3,228	
(3,625)	581	(3,044)	
(198)	65	(133)	
(564)	-	(564)	
(594)	2,582	1,988	
<b>(4,981)</b>	<b>6,456</b>	<b>1,475</b>	

## 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 2021/22 was £1,844.34 for a Band D dwelling. This rate of tax, which covers estimated net expenditure of the Council, Essex County Council, Essex Fire and Rescue, 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 2021/22

2020/21 Band	Valuation	Pro-portion	Full Charge	Paying 75%	Paying 50%	2nd Homes	Empty Properties	Exempt	Total Excluding LCTS	LCTS Scheme 100%	Total
8	*A Up to £40,000	5/9	9	4	-	-	-	-	13	(4)	9
10,178	A Up to £40,000	6/9	4,603	7,194	25	493	662	449	13,426	(3,181)	10,245
15,263	B £40,001 to £52,000	7/9	9,894	6,950	30	277	449	278	17,878	(2,559)	15,319
18,940	C £52,001 to £68,000	8/9	13,250	6,729	47	388	352	371	21,137	(2,033)	19,104
10,443	D £68,001 to £88,000	9/9	7,790	2,778	46	227	208	181	11,230	(523)	10,707
5,011	E £88,001 to £120,000	11/9	3,949	1,021	30	89	105	63	5,257	(119)	5,138
1,814	F £120,001 to £160,000	13/9	1,467	298	32	39	44	22	1,902	(32)	1,870
839	G £160,001 to £320,000	15/9	645	119	36	31	20	8	859	(10)	849
61	H Over £320,000	18/9	42	3	10	4	4	1	64	-	64
<u>62,557</u>			<u>41,649</u>	<u>25,096</u>	<u>256</u>	<u>1,548</u>	<u>1,844</u>	<u>1,373</u>	<u>71,766</u>	<u>(8,461)</u>	<u>63,305</u>
49,889	Number of equivalent full charge Band D dwellings (unscaled tax base)										50,454
(1,497)	Less Provision for changes in valuation list, discounts and doubtful debts										(2,018)
<u>48,392</u>	Tax base for tax setting purposes										<u>48,436</u>

\* Band A – entitled to Disabled Relief



## Analysis of the Council Tax

### Council Tax for a Band D Dwelling

2020/21 Average £		2021/22 Average £
	Tendring District Council:	
160.47	General Expenses	166.05
12.17	Special Expenses	11.59
42.27	Town and Parish Councils	43.37
1,321.11	Essex County Council	1,340.91
73.89	Essex Fire and Rescue	73.89
198.63	Essex Police and Crime Commissioner	208.53
<hr/> <hr/>		<hr/> <hr/>
1,808.54		1,844.34

### 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:

2020/21		2021/22
£81,110m	Rateable Value on 31 March	£80,448m
	Non-Domestic Rate per £	
49.9p	Small Businesses	49.9p
51.2p	Standard	51.2p

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 and Rescue

#### 4 Precepts

The Council (the collecting authority) and Essex County Council, Essex Fire and Rescue 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.

Council Tax	2020/21 Business Rates	Total		Council Tax	2021/22 Business Rates	Total
£000	£000	£000		£000	£000	£000
-	1,201	1,201	<b>Allocated to:</b>	-	(7,556)	(7,556)
2,452	216	2,668	Central Government	167	(1,360)	(1,193)
140	24	164	Essex County Council	9	(151)	(142)
			Essex Fire and Rescue			
			Essex Police and Crime			
372	-	372	Commissioner	25	-	25
400	961	1,361	Tendring District Council	27	(6,045)	(6,018)
<b>3,364</b>	<b>2,402</b>	<b>5,766</b>		<b>228</b>	<b>(15,112)</b>	<b>(14,884)</b>

Therefore, the year end surplus of £4.981 million (£1.928 million in 2020/21) on Council Tax and deficit of £6.456 million (£16.094 million deficit in 2020/21) on Business Rates together with balances paid over to precepting authorities in 2022/23, will form part of the assessment made in January 2023. The change on these balances between 2020/21 and 2021/22 is due to the effect of Covid-19. This is particularly significant with regard to business rates as in 2020/21 the government scheme to support business through the pandemic significantly reduced the rates receipts in the Collection Fund. The Government funding for this scheme was received in the General Fund which created a large deficit on the Collection Fund. In 2021/22 the government scheme continued but at a reduced level as Covid restrictions eased, therefore resulting in a lower deficit in 2021/22.

## 6 Bad Debt and Other Provisions

### Provision for Bad and Doubtful Debt

2020/21			2021/22		
Council Tax £000	Business Rates £000	Total £000	Council Tax £000	Business Rates £000	Total £000
1,389	588	1,977	2,052	670	2,722
(52)	(6)	(58)	(520)	(100)	(620)
<u>1,337</u>	<u>582</u>	<u>1,919</u>	<u>1,532</u>	<u>570</u>	<u>2,102</u>
			Movements in Year:		
			Contributions to provisions in year		
			Less: Amounts written off in the year		
			Net change in provisions		
			Balances on provisions:		
			Balance Brought Forward		
			Net change in provisions		
<u>4,338</u>	<u>1,040</u>	<u>5,378</u>	<u>5,870</u>	<u>1,610</u>	<u>7,480</u>
			Balance Carried Forward		

### Provisions for Appeals (Business Rates only)

2020/21		2021/22	
£000		£000	
3,630	Balance Brought Forward	4,287	
657	Contributions to provisions in year	(1,793)	
<u>4,287</u>	Balance Carried Forward	<u>2,494</u>	

# ACCOUNTING POLICIES

## a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022. 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 2021/22 and the Service Reporting Code of Practice 2021/22, 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.

## 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the requirements set out in the contract.
- 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) 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.

**e) 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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## **f) 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 the 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. 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 Finance and Corporate Resources.
  - ❖ **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 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.

## **g) 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.

## **h) 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.

### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Authority's business model is to hold investments to collect contractual cash flows, which only comprise principal and interest. Financial assets are therefore classified at amortised cost.

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost 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. 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 carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the investments 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.

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.

### **Expected Credit Loss Model**

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or a lifetime basis. The expected credit loss model also applies to lease receivables. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

### **i) 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.

#### **j) 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.

## **k) 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 Lessor – 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).

## **l) 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.

## **m) 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.

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 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.

## **n) 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.

## **o) 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.

## **p) 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.

## **q) Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from HM 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.

**r) Fair Value Measurement of Non-Financial Assets**

The Council measures some of its non-financial assets such as surplus assets and investment property 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, Revenue Estimates, Capital Programme and quarterly financial performance reports, 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](http://www.tendringdc.gov.uk).

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](mailto:rbarrett@tendringdc.gov.uk)), Director Finance and IT, 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 and Rescue 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 and Rescue 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 and Rescue 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.

**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.

***Tendring***  
***District Council***



Annual  
Governance  
Statement  
2021-22

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# TENDRING DISTRICT COUNCIL

## ANNUAL GOVERNANCE STATEMENT 2021-22

### 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; and**
- **management of risk.**

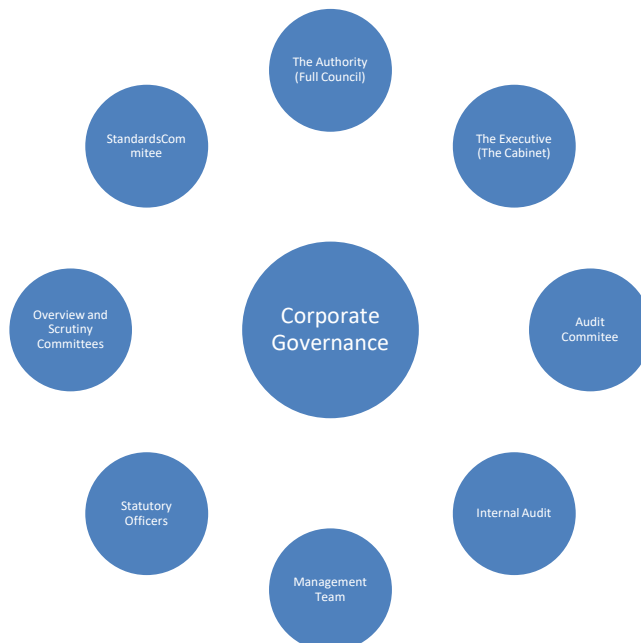
The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the **CIPFA / SOLACE *Delivering Good Governance in Local Government Framework (2016 Edition)***. A copy of the Council's Code is available to be viewed or downloaded from the website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

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 01 April 2021 up until its publication with the Council's Statement of Accounts on 29 July 2022.

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





The Leader of the Council and the Chief Executive play key leadership roles in embedding good governance and driving on-going improvements within the Council. Other key roles and responsibilities in respect of the development and maintenance of the governance environment can be summarised as follows: -

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

### 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 2022 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, opportunities and values
- **Budget and Policy Frameworks** covering key policies and plans that must be approved or adopted by full Council, including its Budget, Council Tax, Housing Investment Programme, Local Development Plans, Licensing Policies, Procurement Strategy and Information Governance.

##### 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 within 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 **2021/22** strengthening the Council's Governance Framework. The key activities and actions are set out below against the **Core Principles of Good Governance** identified in the Council's Code of Corporate Governance.

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

Behaving with integrity



Officer decision training has been conducted with the Senior Managers and other departments, along with a dedicated Governance training session during each Senior Managers' Forum

A Member Development Working Group with cross party representation was launched creating a dedicated work programme

The Centre for Governance and Scrutiny undertook a review of the Council's governance and scrutiny arrangements. A number of recommendations were received which were reported to Full Council on 12 Jul 22 and are referenced within the Cabinet's Priority Highlight Actions for 2022/23

Annual declaration of interests by Members reported to the Standards Committee

Full Council agreed to the continued opt in to Public Sector Audit Appointments (PSAA) for the appointment of external auditors for a period of 5 years commencing 2023/24

Demonstrating strong commitment to ethical values



Forthcoming refresher Members' Code of Conduct for all Members of the Council and sessions are available to Town and Parish Councils

Specialist committee training has been delivered to the Planning Committee, Licensing and Registration Committee and ongoing training for the Audit Committee

The Standards Committee have been considering the recommendation to Full Council for the adoption of the Local Government Association Model Code of Conduct

The Council has continued to live stream all meetings of Committees to enhance access and reach a wider audience to public meetings

Quarterly updates concerning Members' standards matters are provide to the Standards Committee

Full Council unreservedly condemns the unprovoked aggression of Russia in invading Ukraine

Respecting the rule of law



RIPA and Social Media Policy have been updated and published

A review of the Constitution was conducted including Council Procedure Rules, Property Dealing Procedure, Procurement Procedure Rules, size of committees and the protocol for live webcasting of meetings; to maintain the efficiency, effectiveness and consistency of the Constitution

The Council is re-introducing to all departments the governance quarterly checklist to be reviewed by the Management Team

Officer training has been delivered included acting within the Council's legal powers

Regular discussions are held with the Leader, Portfolio Holders and Statutory Officers regarding potentially contentious matters within the governance framework

Full Council adopted the Pay Policy Statement 2022/23, Gambling Policy (Statement of Licensing Principles) and Section 2 of the Local Plan

## Principle B

### Ensuring openness and comprehensive stakeholder engagement

#### Openness



The continued live streaming of all meetings of Committees remains possible due to the investment in new broadcasting equipment

A 6 month exercise to be undertaken to invite suggestions from the community and other interested parties for structures to include on the Local Heritage List of non-designated heritage assets

Stakeholder engagement was undertaken to assist with drafting the Community Engagement Strategy

Members have agreed for the Equality Strategy to be a priority over this year

Memorandum of Understanding with education partners through the Tendring Strategic Education Board

Engagement has continued with Members through all stages of key priorities, actions and initiatives; along with the involvement with partners

#### Engaging comprehensively with institutional stakeholders



All Member Briefings have continued with remote access remaining an option, resulting in a far higher attendance from Members compared with solely in person attendance. External speakers have presented covering specialised subject areas

Informal resolution process has been provided by an external provider to a town council following a Standards matter

DPD consultation for Tendring Colchester Border has concluded with outcomes to be produced at the newly formed joint committee

Memorandum of Understanding with Tendring Colchester Border on working relationships to benefit the practice between the Council and Colchester Borough Council.

Cabinet endorses the continued involvement with the North East Essex CCG

The organisation continues to chair the police scrutiny group, Independent Advisory Group (IAG)

#### Engaging with citizen stakeholders



Consultation was undertaken with the Chair of the Tenants' Panel with regard to the HRA budget.

Public consultation undertaken on the joint use facility proposal

Cabinet agree that rents due from clubs or groups that are part of the CAROS (Community Assets Rent Offsetting Scheme) be waived for the 12 month period 21-22

£2.060m be allocated to support the recent bid to the government's 'Levelling Up Fund', funded by the use of amounts identified within the 21/22 budget

Funding from the CCG and the East Suffolk and North East Essex Foundation Trust for addressing inequalities at place project

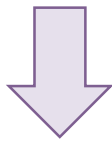
Community projects have been presented to Cabinet and the Council has renewed its service level agreement with Citizens Advice Tendring

Public consultation was undertaken on the work programme for Overview and Scrutiny Committees

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

Defining outcomes

Sustainable economic, social and environmental benefits



Further development of performance reporting for 2021/22 with Cabinet's priorities being agreed

The Corporate Investment Plan has been implemented and aligned with the Corporate Priorities reflecting upon the Back to Business report of the previous year

Outturn reports produced and agreed by Cabinet

The outcome of the Digital Transformation Project was presented to Cabinet which highlighted the need for the transformation to be completed, which highlighted further opportunities for investment

Letter of support provided for the principles in regard to Retained Business Rates generated within the Freeport East Tax Site to accompany the Outline Business Case

Cabinet's priorities have been adopted and are reported on throughout the year

Officers have continued to work on key decision making areas such as full project development and monitoring arrangements along with proportionate due diligence requirements

The Council and its departments have been striving to prioritise the Corporate Plan

The budget has been agreed by Cabinet

Investment into a Contract and Procurement Manager post in which the Procurement Strategy will be reviewed

The Council continues to work towards its goal to reduce carbon emissions to net zero by 2030 providing updates to Cabinet, Overview and Scrutiny Committees and Full Council

It has been determined that the purpose for the Council within its role in Freeport East is to see an increase in skills, promote transport improvements and careers advice within the District

The Honeycroft Site to be redeveloped with bungalows for older persons, to provide more modern independent living, and retained within the Council's housing stock

Cabinet approves the refurbishment of the artificial grass pitch at Clacton Leisure Centre

£1.539m allocated for the necessary remedial works to Weeley Crematorium from the General Fund Outturn Variance

Full Council approved the Annual Capital and Treasury Strategy for 2022/23



**Principle D**  
**Determining the interventions necessary to optimise the achievement of the intended outcomes**

**Determining interventions**

**Planning interventions**

**Optimising achievement of intended outcomes**



Cabinet has approved the Corporate Investment Plan approach for 2022/23

The Council has internal governance arrangements to support delivery of major projects, which includes scheduling regular meetings attended by senior officers

The Council is part of the Essex Anchors Network, a programme to provide a platform for members to work collaboratively on shared strategic priorities. Information and best practices are disseminated into the wider system to facilitate and promote engagement across Essex

The Council's Chief Executive is Chair of the Essex Anchors Network

The Procurement Forward Plan is being developed across all service areas in order to be able to allocate appropriate resources

The Council has undertaken a key partner role with Ukraine resettlements and continues its work with refugees from Afghanistan

The Council has issued discretionary relief grants to assist with the relocating of Ukrainian nationals into the District

The Council has been responsible for issuing the £150 energy rebate as directed by Central Government to applicable residents across the District

The Council continues to deliver a long term financial sustainability plan with the underlying key aim of protecting services

The Accelerated Delivery Programme continues across services

The services of external consultants have been engaged to work with the organisation on its bids for the Levelling Up Fund

A Memorandum of Understanding has been produced and associated funding has been received from the CCG in order to address health inequalities

The Council managed an adaptation grant scheme to support businesses recovering from COVID-19 national restrictions allocating £1.8 million in grants

The Jaywick Market project raised nearly £2 million from Essex County Council to support delivery of the project and developed the relationship with the service provider

The Starlings project has developed including a funding package and planning permission for regeneration of Harwich and Dovercourt

Adoption of the Alresford Neighbourhood Plan

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

Developing the Council's capacity

Developing the capability of the Council's leadership and other individuals



An additional seat to the Cabinet has been implemented with the addition of the role of Portfolio Holder for Planning

The Council entered a Service Level Agreement with Essex County Council to enable the Council to buy in various procurement services to support its day to day operational activities and the delivery of one-off projects

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 and projects in line with the Council's Corporate Plan and Priorities also to adapt to meet the demands of local government

The Corporate Director, Projects Delivery, is an addition to the Council's Management Team

The HR and Council Tax Committee approved the Redundancy Policy and Remote Working Policy

Three senior officers have been enrolled and are actively participating on the Leading Greater Essex programme

A Member Development Working Group with cross party representation was launched creating a dedicated work programme

Dedicated training for Members and officers on the Overview and Scrutiny function

Topical learning and development activities for staff continue to be delivered and available for individual topics and areas across the Council

The creation of the Corporate Contracts and Procurement Manager Post and Corporate Finance post to provide specialist support

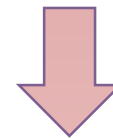
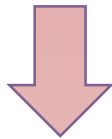
Gold award received as part of the Ministry of Defence Employer Recognition Scheme



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

Managing risks, performance and data

Robust internal control and strong public financial management



A review of the Corporate Risk Register has been conducted by the Fraud and Risk Manager

Reviews of the performance of the Careline Service and Career Track have been conducted by the Audit Committee

The continuation of a regular comprehensive financial performance report to Management Team and Members setting out a snapshot of key financial information in one place

Senior officers continue to attend the Council's Audit Committee when required in order to support them in their assurance work and in responding to significant governance issues

The Internal Audit Team continues to have an open dialogue with the Council's Senior Management Team on the organisation's risks and risk appetite

The Council continually conducts horizon scanning to manage risks and responds to them and will link in with departmental plans for the future 22/23 period

Resource management will be strengthened via the introduction of the Corporate Investment Plan

The financial forecast/budget was updated and regularly reported to senior managers and Members during the year and included separate and detailed reviews by the Corporate Finance and Governance Portfolio Holder in consultation with the Sect 151 Officer

Review of Social Media Guidance for Members

A number of key cyber security actions were taken including data protection hardware and Members utilizing Council e mail addresses only

Revised Cabinet report template in order to better explain and demonstrate governance matters

Cabinet approves the realignment of particular milestones for key priority actions for 21/22

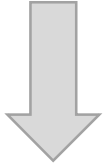
Separate monthly meetings of the Council's Management Team have focused on priorities, budgets and performance, where risks have been managed to produce better outcomes

Key corporate risks were reviewed by the Audit Committee during the year in addition to independent /regular review by the Council's Senior Management Team which included following up against key risks where appropriate

## Principle G

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

Implementing good practices in transparency



Section 5 Monitoring Officer's report presented to Cabinet and in response Cabinet endorses the reduction in Leisure Centre fees during 20/21 to support the transitional period during COVID-19 restrictions being lifted and the refurbishment of Clacton Leisure Centre

Regular meetings and discussions between the three Statutory Officers and Internal Audit on individual cases, strengthening the efficiency of the 'golden triangle'

The key priority actions for 2022/23 include milestones against each quarter, performance against to be available to the public and Overview and Scrutiny Committees

The Council's Leader and Members are appraised of key challenges and actions being taken by the Council

Implementing good practices in reporting



A revised Cabinet reporting template has been introduced placing emphasis on governance requirements

Fortnightly meetings take place between the Monitoring Officer, Sect 151 Officer, Internal Audit Manager and Executive Projects Manager – Governance

Meetings with the Group Leaders continue in order to discuss a range of topics across political groups, adopting a 'one council' approach

Internal Audit continue to attend key project boards and working parties through the development of schemes and initiatives rather than just at the end of the process

Regular reporting to the Management Team of key health and safety issues during the year

Focus groups of key officers have been instigated for service areas requiring a particular focus and improvement plans have included the Council's voids rates, Careline service and Career Track

Assurance and effective accountability



The Monitoring Officer has issued two Section 5 reports resulting in detailed assurances of enhanced control measures

Cabinet reports have highlighted effective governance across the organization

Local Government Ombudsman decisions were presented to Cabinet and appropriate assurances given

Council resolved that the appointments of the Committees and Sub Committees, along with the Chair and Vice Chair of the Council. The Chair and Vice Chair of the Resources and Services Overview and Scrutiny Committee, are Members from political groups which do not form part of the Administration were appointed for the 2022/2023 municipal year

Group Leaders attend all Cabinet meetings as a matter of right and can question the Leader and Cabinet on any matters contained within the agenda

#### **4. Other Governance Issues:**

##### **Impact of Coronavirus 19**

THE COVID-19 pandemic Coronavirus started to impact on governance during March 2020 and continued to do so throughout 2020 and into 2021. Therefore the AGS reflects the impact on governance arrangements throughout this period.

During the first part of 2021, certain COVID-19 control measures implemented by central government were still in place. As these measures eased, the Emergency Planning structure for the pandemic was stood down as the authority made a 'return to normal'. Internal audits have a focus element of the effect of COVID-19 on services, as detailed within the Head of Internal Audit's annual opinion.

In addition to specific points set out under the six principles referred to earlier, a range of timely and effective responses have been made during the period of the pandemic to ensure that the Council continued to effectively maintain, operate and deliver its operations and services, whilst reflecting on key governance issues. From an assurance perspective, these have been reported to the Council's Audit Committee as part of the oversight of the Council's risk management arrangements with a summary of key items as follows:

<b>ISSUE</b>	<b>RESPONSE</b>
<b>IT network resilience</b>	Resilience is built into the Council's IT Investment Strategies including 'mirrored' data storage at two external sites. This supports increased resilience and much speedier 'disaster recovery' capability.
<b>Effective communication / management of information</b>	Laptops were upgraded to support home working arrangements along with the roll out of the necessary applications to enable remote meetings at an officer and member level. Additional hardware cyber security has been implemented and was briefed to Members at an All Members' Briefing. The Chief Executive compiles a daily All Members bulletin containing the last government information and a snap shot of the Council's activities.
<b>Effective Cyber Security</b>	The IT team have remained alert to these attacks and continue to carry out work in this area including increasing staff awareness on these issues while working remotely.
<b>Comply with legislative requirements</b>	The Council has remained alert to new legislative requirements such as the changes associated with holding remote meetings etc. The necessary decision making processes and practical arrangements were put in place where necessary.
<b>Fraud and Corruption</b>	The Council has remained alert to such issues and where controls have had to be changed or implemented to accommodate new working

	<p>practices (such as remote working), these changes have been made in consultation with Internal Audit and will form part of their follow up work later in the year.</p> <p>A significant amount of assurance work has also been undertaken by the Revenues and Benefits Team in connection with the payment of various business grants to ensure money is paid out correctly to those eligible.</p>
<p><b>Key Staff and Capacity to Deliver Core Services</b></p>	<p>The Council remains alert to the pressures it currently faces, not only responding to COVID-19 issues which have been varied and challenging to resource, but also to other emerging activities both locally and nationally.</p> <p>Council staff have risen to the challenge in terms of being flexible, positive and willing to support different areas of the Council.</p> <p>However with continuing changes in the Local Government sector, such as those emerging from the Government, the level of capacity to not only deliver against these emerging issues but also the day to day operations of the Council may become more challenging over time.</p>
<p><b>Financial Strategy / Resilience</b></p>	<p>There has been a significant impact on business rates and council tax collection during the pandemic along with losses of income from areas such as leisure facilities. The Government have provided financial support to the Council to underwrite some risks and financial updates have been reported to Senior Managers and members throughout the year.</p> <p>It is very difficult to predict the longer term impact on the Council's financial strategy at the present time. However an underlying strength in the financial resilience of the Council is the flexibility that the long term approach provides, which will enable any adverse impact to be managed over a longer period of time.</p>
<p><b>Health and Safety, Effective Emergency Planning and Business Continuity Planning</b></p>	<p>At the beginning of the pandemic earlier in 2020, the Council invoked its emergency planning and business continuity processes. Usually this response would be over a very short period of time dealing with a one-off major event such as coastal flooding, so they have never been tested in a long term scenario such as COVID-19. However the plans that have been put in place have enabled the Council to maintain business as usual over a major part of its normal operations. Arrangements have also continued to evolve over the period of the pandemic in delivering a successful response to the longer term nature of the COVID-19 crisis. There will</p>

	inevitably be lessons learnt that need to be reflected in any necessary revisions to emergency planning and business continuity arrangements which will form part of future updates.
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## Use of Council Resources

Each year, the External Auditor provides an opinion on the Council's use of its resources / value for money. Following the publication of associated guidance, the outcome from the work of the External Auditor is now moving to a commentary on such arrangements rather than a conclusion or opinion.

The commentary will cover the following 3 headings:

- A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and
- C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

The Cabinet report template has been updated to include governance assurance, the use of resources and the Corporate Investment Plan approach.

Given the broad areas of governance that the new use of resources assessment covers, there is a large overlap with the existing governance activities set out elsewhere within this document where many of the issues are already being addressed or are planned to be addressed or strengthened. Although the Council is therefore in a strong position to respond to the new assessment, it is proposed that the outcomes from the work of the External Auditor will be brought together and monitored via the existing Annual Governance Statement and associated processes going forward.

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

The framework in place continues to provide 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 **2021/22** 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 Council adopts a 'Three Lines of Defence' assurance model which is taken from the following sources;

1. **Senior Management and Departmental Leadership**

Under the first line of defence, operational management has ownership, responsibility and accountability for directly assessing, controlling and mitigating risks.

2. **Internal Governance**

The second line of defence consists of activities covered by several components of internal governance (Statutory Officers, Corporate Oversight Functions, Quality Control, IT Security, Data Protection and other control departments). This line of defence monitors and facilitates the implementation of effective risk management practices by operational management and assists the risk owners in reporting adequate risk related information up and down the organisation.

3. **Internal Audit**

The requirement for an internal audit function in local government is detailed within the Accounts and Audit Regulations 2015, which states that a relevant body must:

- Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, and taking into account public sector internal auditing standards or guidance.

### **Internal Audit Approach**

The Internal Audit function undertakes a 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. The audit programme has been developed using a risk based approach and comprises of different audit techniques to make it leaner and more supportive of service delivery to meet the Council's needs.

CIPFA released guidance on Head of Internal Audit Annual Opinions in November 2020 due to the impact of COVID-19 for public services to address the risks of limitations of audit scope and notes: 'CIPFA recognizes that local government bodies are struggling with considerable challenges and are having to make difficult decisions on how best to use their available staff and financial resources to meet critical needs. However, the professional and regulatory expectations on local government bodies to ensure that their internal audit arrangements conform with PSIAS have not changed. In this difficult situation, heads of internal audit will need to consider whether they can still issue the annual opinion of whether there will need to be a limitation of scope.'

The key elements identified by CIPFA within the latest guidance were:

- Planning adequate assurance to support the annual opinion

- Engagement between the leadership team, Audit Committee and HIA
- Making effective use of internal audit resources
- Early identification of a limitation of scope

Communication between Internal Audit, Leadership and the Audit Committee continues to remain effective and frequent, especially during the last phase of exiting the pandemic. All of the key areas identified by CIPFA above had been addressed at the beginning of the financial year and continue to be assessed to date.

Internal Audit has continued to work with services on a consultancy basis to support the implementation of new processes, identify and analyse root cause if necessary and ensure that all relevant employees have the appropriate training to competently carry out their role. This includes advising service areas on their response to the COVID 19 pandemic and ensuring that the best possible service can be provided to the public when there has been a change to working practices or a shift in priorities due to the pandemic and the transition to exiting the pandemic.

Independent investigatory work has also been undertaken throughout the year as and when required to support Senior Management when internal control issues arise within service areas.

In 2021/22, only two audits from a total of 27 reviews undertaken received an overall audit opinion of 'Improvement Required' where high severity issues were identified. The audits were Careline and Housing Repairs and Maintenance. It has been difficult to reach an overall unqualified opinion this year as there has been other activity that must be taken into account when forming an opinion. Examples include the fact that two statutory 'Section 5' reports have been issued in order to correct decisions that have contravened law / constitutional requirements. As well as there being early indications from the outturn process suggesting that there is significant unauthorised overspends of the Council's budgets. With all of the above to be considered, the balancing factors are that all significant issues identified are addressed instantly which includes setting up working groups when needed and that overall the Council's internal control environment is sound, it just needs to be followed.

Improvement actions are in place for the mentioned audit areas which are followed up by the Internal Audit function to assess the progress of implementation. All significant issues are reported to the Audit Committee with required improvement actions throughout the year to provide a continuous update on the Council's control environment, governance arrangements and material issues identified.

#### Annual Opinion 2021/22

The Head of Internal Audit annual assurance opinion is based on the following:

- Internal Audit work completed during the course of the year;
- observations from consultancy/ advisory support;
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- a review of assurance from other providers including those from first and second lines of defence, independent regulators and peer reviews;
- the extent of resources available to deliver the internal audit work; and
- the quality and performance of the Internal Audit service and the extent of compliance with the Public Sector Internal Audit Standards

#### Limitations to the Annual Opinion

There are no limitations to report on the ability to deliver the Internal Audit Plan and provide an annual opinion on the effectiveness of governance, risk management and internal control. There were changes to the audit plan throughout the year due to emerging risks and changes to service provision which meant some audits were merged once we received further information and some elements were amended within individual audits. The changes to the audit plan were in consultation with the Audit Committee and Management Team, furthermore the amendments to the plan only added to the overall assurance opinion provided by the Internal Audit Team.

## The Head of Internal Audit Opinion

The overall direction of travel regarding the internal control environment since 2020/21 has remained the same as all but two audits received a satisfactory level of assurance throughout the 2021/22 financial year. We are unable to state that the control environment has improved overall as the majority of audits received an 'Adequate Assurance' opinion meaning that although there were no significant issues identified within those audits there was still some work to be done to develop the control environment at an operational level. A total of 39 moderate issues and 6 major issues were identified with actions agreed with operational management throughout the year. All major actions due have been reported to the Audit Committee and all moderate actions are managed through the audit follow-up process with the service area.

Governance arrangements and internal controls have been evaluated in all audits within the plan, albeit with varying levels of scope. Senior Management continue to review strategic risks on a regular basis within Management Team and the Corporate Risk Register is reviewed bi-annually with any feedback reported to Management Team for consideration.

The opinion of the Internal Audit 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.

The Internal Audit function updated the annual Quality Assurance and Improvement Programme (QAIP) which is a self-assessment questionnaire against the Public Sector Internal Audit Standards. The (QAIP) was completed and presented to and agreed by the Audit Committee in April 2022.

The Internal Audit Manager is satisfied that sufficient work was completed in 2021/22 to draw a reasonable conclusion on the adequacy and effectiveness of the Council's activities. The internal control environment continues to remain stable with some significant changes in specific service areas which have been reported to the Audit Committee throughout the year as part of the periodic reporting arrangements. An open dialogue with Senior Management on risk remains in place and a generally sound system of internal control has been assessed across the majority of the Councils operational areas. Therefore, an overall unqualified opinion of 'Adequate Assurance' can be provided.

There are risks to being able to provide an unqualified opinion in 2022/23 given the wider governance issues identified and the difficulties reaching an overall opinion for 2021/22 highlighted earlier. This will form a key element of the AGS to ensure that adequate progress can be made to resolve historical issues and avoid a potentially unfavourable opinion in the future. As part of an immediate and direct response, the Chief Executive has established a regular cycle of Budget, Performance and Delivery Review meetings with Management Team and other senior officers across the Council. It is recommended that these meetings cover the following key issues:

- High level review of the in-year budget position for each Directorate / Department, which needs to aim to draw out any potential financial issues ahead of the associated impact on the budget e.g. potential overspends, underspends and/or other financial issues / pressures
  - Following on from the point above, to promote and oversee any associated decision making / governance processes
  - To identify financial pressures that may impact on the Council's long term financial plan
  - To promote connections / linkages with the recently implemented Corporate Investment Plan
  - To review the in-year performance against the Council's key aims and objectives and other key delivery targets
  - To identify and oversee any other key governance issues
  - Set against all of the above, keep under on-going review the level of resources / capacity to meet the various demands on the Council's departments and services
- 
- **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.

## 6. ISSUES RAISED IN THE PREVIOUS YEAR'S ANNUAL GOVERNANCE STATEMENT AND ON-GOING ACTIONS 2022/23

In respect of the governance issues identified as part of last year's Annual Governance Statement, the most up to date position against the identified actions is set out below. Given the impact from COVID-19 on the delivery of these actions during 2021/2022, they largely remain on-going and therefore form the basis of the proposed actions in 2022/2023, along with newly identified items as necessary.

Governance Issue	Required Action(s)	Update / Proposed Action(s) 2021/22
<p><b>Implementing good practices in transparency, reporting and audit to deliver effective accountability.</b></p> <p>Ensuring compliance of the Council's governance arrangements through project board reviews. Utilising the Council's systems to implement best practice for drafting, reporting and decision making.</p>	<ul style="list-style-type: none"> <li>• Review of project outcomes being undertaken by the Project Board to support future decision making and delivery.</li> <li>• Continuation of the roll out of the functionality of Modern.gov over a phased approach in 2021/22.</li> </ul>	<p><b>ON-GOING in 2022/23</b> - The outcome from key projects will be reported to the Project Board / Members following completion of the associated project.</p> <p><b>ON-GOING in 2022/23</b> - Modern.gov remains an on-going and live project with additional functionality planned to be rolled out during 2022/23. The delivery team have received updated training to support the future roll out of this system.</p>
<p><b>Developing the entity's capacity, including the</b></p>	<p>Finalise the operational</p>	<p><b>ON-GOING in 2022/23</b> - This action is included as</p>

<p><b>capacity of its leadership and the individuals within it.</b> Ensuring the Council has the appropriate structures in place to support delivery of the Corporate Plan following the Senior Management restructure.</p>	<p>capacity review and implement any recommended and approved staffing structures.</p>	<p>a standing agenda item on the regular Assistant Director meetings with actions underway in collaboration with HR, to continue to deliver a prioritised/phased approach to this key activity during 2022/23.</p>
<p>Determining the interventions necessary to optimise the achievement of the intended outcomes. Managing risks and performance through robust internal control and strong public financial management. By strengthening the linkages between the Corporate Plan priorities and the Council's investment plans along with review of the longer term impact of COVID-19.</p>	<p>As part of the Back to Business and Recovery Plan:</p> <ul style="list-style-type: none"> <li>• Undertake a corporate review of the Council's operational assets to prioritise spending from an associated reserve over the next few years;</li> <li>• To develop an investment plan during 2020/21 which will be directly linked to the Council's budget and evolving financial position and supported by the reprioritisation of budgets / existing funding and / or as part of the long term forecast;</li> <li>• Conduct an audit review in relation to the effectiveness of the Council's response to COVID-19, including a</li> </ul>	<p><b>Completed</b> – associated actions now form part of alternative processes underway in the Council.</p>

	<p><i>review of the lessons learnt from the Council's response and longer term consequences.</i></p>	
<p><b>Defining outcomes in terms of sustainable economic, social and environmental benefits.</b>  <b>Determining the interventions necessary to optimise the achievement of the intended outcomes.</b>  To set out the Council's vision following the Council's Climate Emergency declaration of the Council's activities being 'carbon neutral' by 2030.</p>	<ul style="list-style-type: none"> <li>• Prepare an Action Plan for approval by both the Cabinet and Council to form part of the Council's Policy Framework.</li> </ul>	<p><b>COMPETED</b> - A Climate Change Action Plan was agreed by Full Council on 24 November 2020 and included within its priority actions from 2021/22, which forms the background against which performance is being formally reported via the revised monitoring arrangements.</p>
<p><b>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.</b>  Ensure the Local Code of Corporate Governance and key policies and procedures are up to date.  <b>Ensuring openness and comprehensive stakeholder engagement.</b>  Establishing a corporate framework to support community engagement.</p>	<ul style="list-style-type: none"> <li>• Review of the Council's Equality and Diversity strategy, policies and procedures</li> <li>• Developing the Council's approach and adopting principles for community engagement</li> </ul>	<p><b>ON-GOING in 2022/23</b> - Both of these actions will be considered as part of the respective Service's key priorities and actions during 2022/23 and are included within the revised performance monitoring arrangements, with updates being reported to Management team during the year.</p>
<p><b>Implementing good practices in transparency, reporting and audit to deliver effective accountability.</b>  Delegated decision making</p>	<ul style="list-style-type: none"> <li>• Awareness and further strengthen good decision making incorporating the Council's policies and framework.</li> </ul>	<p><b>ON-GOING in 2022/23</b> - Increase the understanding of key principles including consultation, business planning, budget, and procurement, legal. Concept paper and PIDs to completed comprehensively to ensure successful delivery within</p>

		the governance framework.
<p><b>Managing risks and performance through robust internal control and strong public financial management</b></p> <p>In terms of business continuity this is especially important given the current global/economic climate</p>	<ul style="list-style-type: none"> <li>The relaunch of the Governance Checklist monitored quarterly and development of service area plans for 2023, both of these will cover risks and business continuity, these should cover the 3 headings under Use of Resources, to include project based risks</li> </ul>	<b>New for 2022/23</b>
<p><b>Defining outcomes in terms of sustainable economic, social and environmental benefits.</b></p> <p><b>Determining the interventions necessary to optimise the achievement of the intended outcomes.</b></p>	<p>Develop and implement a Corporate policy and strategy 'register' to ensure that these are reviewed and updated in a timely manner and to support decision making</p>	<b>New for 2022/23</b>

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.

**Chief Executive**

Date: 9 December 2024

**Leader of the Council**

Date: 9 December 2024

The Chief Executive and the Leader of the Council have approved the formal Annual Governance Statement, which is held by the Director Finance and IT and can be reviewed upon request.