

# *Tendring*

## *District Council*



SUBJECT TO

### STATEMENT OF ACCOUNTS

2023/24

# TENDRING DISTRICT COUNCIL

## STATEMENT OF ACCOUNTS

2023/24

### CONTENTS

	Page No
<b>Narrative Report 2023/24</b> .....	i - xxx
<b>Accounting Concepts and Estimation Techniques</b> .....	1
<b>Statement of Responsibilities for the Statement of Accounts</b> .....	2 – 3
<b>Report of the Auditors</b> .....	4 – 7
<b>Core Financial Statements</b>	
Comprehensive Income and Expenditure Statement .....	8
Movement in Reserves Statement .....	9
Balance Sheet .....	10
Cash Flow Statement .....	11
Notes to Core Financial Statements .....	12 – 52
<b>Supplementary Financial Statements</b>	
Housing Revenue Account – Income and Expenditure Statement .....	53
Housing Revenue Account – Movement on the Housing Revenue Account Statement .....	54
Notes to the Housing Revenue Account .....	55 – 59
Collection Fund Income and Expenditure Statement .....	60 – 65
<b>Accounting Policies</b> .....	66 – 78
<b>Other Financial Information</b>	
Other Information .....	79
Glossary of Terms used in the Statement of Accounts .....	80 – 84
<b>Annual Governance Statement</b> .....	Annex

R C Barrett  
Assistant Director Finance and IT  
Town Hall  
Clacton on Sea  
Essex CO15 1SE  
31 May 2024

# NARRATIVE REPORT 2023/24

## 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 2024 as follows:

*In various parts of the country, including some closer to home in Essex, Chief Finance Officers have resorted to issuing Section 114 notices, prompting Councils to consider voluntary redundancies, and to seek permission from the government to enable them to borrow money to bridge the gap in funding required for essential services. The media has often labelled Section 114 notices as bankruptcy, and, although not entirely accurate in the context of councils, it does encapsulate the dire financial predicament they find themselves in – i.e. unable to meet their financial obligations.*

*It's evident that we have a culture here at Tendring District Council, which undoubtedly contributes to our success. This culture was highlighted in a recent discussion I had with Cabinet members from other Borough, City and District councils, where many were surprised to learn about the regular interaction between our Officers and Members. I believe that such collaborative relationships are vital for effective governance, financial resilience and achieving our priorities set out in our Corporate Plan.*

*It is through this joint working that we have been able to identify, and confront, significant challenges. We are expected to find an additional £3 million in savings over the next three years. We must recognise the necessity of making tough decisions in the face of these challenges, albeit with gratitude for the Forecast Risk Fund, which provides some breathing space for thoughtful decision-making.*

*Additionally, new obligations surrounding the Regulator for Social Housing, OFLOG, and recently announced performance reviews, place significant strain on our resources and capacity at a time when we are already stretched thin.*

*Internally, we are grappling with inflation, escalating energy costs, and increasing staff salaries, all of which impact our budgets. Furthermore, our ongoing efforts to address coastal protection issues demand attention, as we endeavour to understand the true costs associated with safeguarding both property and our coastline in the years ahead.*

*It is disappointing that our previous Auditors have yet to finish the 2020/21 accounts or even start on those from 2021/22 and 2022/23. It is crucial to have an independent assessment of our Council's finances, especially given the challenges the public sector is facing, with some councils facing severe financial difficulties.*

*The significant array of challenges we face highlights the critical importance of getting the budget right. Failing to do so will impose a substantial burden on our residents and businesses, impacting them for years to come. While our tenure as Members may be brief, the repercussions for our District will extend far into the future.*

*It is important to note that there are still opportunities amid these challenges. We have several ongoing projects that are well-funded through external sources, but even they may require extra resources for successful delivery. Our aim is to strike a balance between pursuing ambitious endeavours and ensuring financial viability and sustainability.*

*I looked to our Corporate Plan, agreed upon by this Council, and to one of the priorities that talked about financial sustainability and openness. The words we set out under this heading put a good marker down about how we intend to continue to meet these challenges and are therefore worth repeating as follows:*

*'To continue to deliver effective services and get things done we must look after the public purse; that means carefully planning what we do, managing capacity, and prioritising what we focus our time, money and assets on. Tough decisions will not be shied away from, but will be taken transparently, be well-informed, and based upon engagement with our residents. We will give clarity on where the Council spends the money it is provided with.'*

*I think the above captures our intentions clearly and reflects this Council's continued commitment to strong financial stewardship. It is worth acknowledging the reference to capacity, as while we will continue to be ambitious, the*

scale and speed that we can deliver the things we want to do will always need to be balanced against our available resources.

I can report that we have already taken action to meet this commitment, as we have been committed to this approach from day one and I would like to share several examples:

- Maximising external funding opportunities such as those associated with the Government's Levelling Up agenda. This not only includes specific capital projects in Clacton and Dovercourt but also involves exploring further key improvements across the district via the wider Levelling Up Partnership and the High Streets Accelerator scheme. We expect to be granted over £60m in the coming years specifically earmarked for regenerating Clacton and Dovercourt town centres.
- Extending the period that council tax premiums on empty properties become payable along with looking to introduce premiums on second homes from April 2025.
- Recognising the reputational and economic importance of the Clacton Airshow, with a commitment to continue the show for at least the next four years, which is reflected in the budget for 2024/25.
- Commencing a wider review of external funding the Council provides to other local organisations.
- Commencing a review of the Council's Careline Service, with the outcome due to be presented to Cabinet later this year.
- Engaging EELGA to support the Council through the processes associated with the upcoming tender of the Waste and Street Cleansing Contract.
- Completing and opening the new car park and flexible space in Dovercourt known as Orwell Place.
- Completing and opening the new flexible workspaces in Jaywick known as The Sunspot.
- Instigating a review of our housing provision and identifying additional capacity to support the work associated with the new era of Social Regulation.
- Introducing three new Housing Policies which will improve the services we provide while undoubtedly helping to reduce the ongoing financial impact on the Council in terms of homelessness.

As we have discussed before, having a reputation for getting things done will continue to stand us in good stead when potential funding partners look to us in the future.

In turning to the budget proposals for 2024/25 it is worth reflecting on some further points made last year which helps set the context of the forecast and budget setting process this year. Last year highlighted several major global, national and local issues, which included:

- Russia's continuing conflict with Ukraine
- Supply chain disruption
- Commodity market volatility
- Weak GDP growth across the world
- Workforce shortages
- An environment of high Interest rates
- The highest UK inflation for a generation

It is fair to say that these have not gone away, with their impact still being felt in 2024/25 and probably beyond in areas such as:

- Increases in the cost of delivering projects.
- Increased contracts / goods and services
- Higher staff costs
- Increases in the cost of homelessness.
- Energy prices

In terms of the increased costs above, some of these costs are effectively being met from the Forecast Risk Fund until such time as corresponding ongoing savings are identified.

*In terms of securing the savings we need, this work is on-going in consultation with Portfolio Holders and will continue over the coming months, with updates provided via separate reports or alternatively within the regular financial performance reports presented to Members during the year.*

*The cost pressures currently included in the budget for 2024/25 broadly reflect unavoidable items. However, there is a significant level of additional items that remain subject to ongoing review. These items will therefore be considered outside of the budget setting process and prioritised accordingly. Any decisions required will be set out in future reports, which will also set out the use of any one-off funding that is required to support them.*

*In terms of further transparency, it is also proposed to ensure that the list of further potential cost pressures that will be maintained on a 'live' basis, will be made available to Members accordingly.*

*In earlier versions of the forecast, we aimed to avoid being overly optimistic about the money expected from the Government. However, recognising the ongoing challenges faced by Councils, the Government has decided to maintain increased funding for the 2024/25 period. With this increased funding, the total expected from the Government in 2024/25 is just over £2.2 million.*

*The level of council tax remains a key part of the funding jigsaw puzzle for Councils. It is with reluctance, but with this in mind, that the council tax will be increased by 2.99% compared to last year. This brings the total annual amount payable for Tendring Council Services to £193.73 in 2024/25 which is an increase of £5.62, based on a Band D property. Similarly to last year, this is a below inflation increase, which itself creates underlying pressure elsewhere in the budget. This remains a relatively small amount compared with the overall bill that people receive through their letterboxes which includes amounts for ECC, Police and Fire. The £193.73 that would be receivable by the Council has to support a range of services and works out to be £3.73 per week.*

*The report also highlights this Council's inclusion, for the first time, of income from the New Homes Bonus and membership of the Essex Business Rates Pool in its base budget. Previously, such income was not included due to the risk of it not being available year on year. This shift reflects our aim to strike a balance between optimism and pessimism, understanding that the truth often lies somewhere in between.*

*However, it is important to note that the all these factors contributing to the more favourable position in 2024/25 are not necessarily expected to be repeated in 2025/26 and beyond. While this cautious approach is prudent for now, ongoing efforts will refine the forecast in the coming months to better grasp any associated risks, allowing for necessary revisions if needed.*

*Although this does not alleviate the need to find ongoing savings, what it does do is provide additional time and flexibility to help us make well informed decisions instead of short-term knee-jerk ones.*

*The Forecast Risk Fund is estimated to remain in surplus over the remaining life of the forecast period.*

*What we must do for the sake of our residents, businesses and visitors is not to shy away from the challenges at hand, but deliver on a packed and ambitious agenda spread over the next four years. It is essential we continue this Council's sound approach to financial management and planning, whilst balancing the delivery of priorities alongside sound stewardship and ambition.*

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
- Council Performance - Non-Financial and Financial
- 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 long term financial strategy approach, 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 2024 to 2028) during 2023/24 which remains set against the context of a changing environment for Councils with continuing financial pressures and it encompasses a community leadership approach and a listening to residents and businesses commitment. .

The Council's Corporate Plan is complemented by an annual plan that sets out 'highlight priorities' that support the delivery of broader strategic goals and objectives.

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 a mix of issues including reduced Central Government funding over recent years along with significant inflationary pressures.

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 a predominant cross cutting theme within the Corporate Plan. The Council also continues to prioritise investment across its priorities and objectives which will also include investment that supports the delivery of its long term financial plans.

The Council's Corporate Plan 2024 to 2028 is summarised below:

- **Community Leadership (at the heart of everything we do)** - Recognised as a cross cutting element of the Plan
- **Championing our local environment** - We believe our environment is special, it is the space where we live and work, and therefore deserves protection. We will be tough on those who do not respect our environment. We want to create and maintain spaces for leisure, wellbeing and healthy lifestyles, and deliver access to open spaces and community resources.
- **Pride in our area and services to residents** - We want to put residents' first, by promoting clean and tidy communities, providing decent housing that everyone deserves, and tackling the things that make a big difference to you. This means getting the basics right on our services. The Council will look to harness the power of digital delivery of services while ensuring that no resident is left behind. We also want to promote pride in our communities by encouraging everyone to take responsibility for keeping their area a pleasant place in which to live and work. Pride in our area and services to residents
- **Working with partners to improve quality of life** - We want to promote safer, healthier, well connected and inclusive communities by working with our partners across government, public, private and third sectors. We will strive to build on the firm foundations, developed over time, with those partners to meet the identified needs of our communities. We recognise the vital role volunteers play in caring for others and our environment, and we will support, encourage and facilitate those opportunities.
- **Raising aspirations and creating opportunities** - Tending is ambitious and our residents will be supported to reach their potential and realise their opportunities. To do this, working with businesses and partners, we want to improve access to skills learning and training so that residents can find employment and enable businesses to thrive; particularly taking the opportunities afforded by Freeport East and the Garden Community. We want to maximise the opportunities for young people and see them enthused with purpose. To inspire those dreams we will celebrate business success, encourage cultural, tourism and economic growth.
- **Promoting our heritage offer, attracting visitors and encouraging them to stay longer** - We want to boost our tourism by attracting more visitors to the 36 miles of sunshine coast and to our rural towns and villages. We will support our unique heritage, work with our partners, run events and promote the district for the benefit of our residents and to encourage visitors to come and to stay for longer.
- **Financial Sustainability and openness** - To continue to deliver effective services and get things done we must look after the public purse; that means carefully planning what we do, managing capacity, and prioritising what we focus our time, money and assets on. Tough decisions will not be shied away from, but will be taken transparently, be well-informed, and based upon engagement with our residents. We will give clarity on where the Council spends the money it is provided with.

## **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 design of the statement continues to be based on the key principles of being accessible and setting out the key activities that the Council has undertaken during the year along with highlighting a number of key/planned activities in 2024/25. Progress against the actions included are reported to and monitored by the Council's Audit Committee during the year.

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 2024/25 and beyond summarised within the following Chief Finance Officer's (S151 Officer) report to Council in February 2024 as part of the budget process:

### **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 a number of key strands, which include, increases to underlying income, controlling net expenditure inflationary pressure, actively managing cost pressures and liabilities, savings and efficiencies and delivering a favourable outturn position each year.*

*Although annual budget deficits are forecast across the remaining years of the plan, 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 remaining life of the current forecast period (up to and including 2026/27).*

*The need to continue to deliver against the long term forecast is clearly recognised within the Council and will remain a key focus in 2024/25. 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. This was brought into even sharper focus last year given the significant global / national events that continue to have a major impact on the Council's financial position.*

*2023 saw a New Administration within the Council along with a number of new Members and the various induction activities included a focus on the Council's current key financial issues. Work has also continued with the New Executive, with the development of the Council's financial plans being a key consideration at both formal and informal meetings. This has been supported with key meetings between the Leader, Chief Executive and S151 Officer throughout the development of the current forecast and budget for 2024/25.*

*The above is complimented by comprehensive reviews and associated input from the Council's Overview and Scrutiny Committees.*



As has been the case in prior years, key financial issues are routinely considered as part of the preparation of the Council's Annual Governance Statement with the required leadership demonstrated at the most senior level. As part of a direct response to previous year's outturn positions and in looking ahead to the on-going financial challenges, the Chief Executive established a regular cycle of Budget, Performance and Delivery Review meetings with Management Team and other Senior Officers across the Council. These meetings continue to cover a range of issues such as taking a high level review of the in-year budget position for each Directorate / Department to draw out any potential financial issues ahead of the associated impact on the budget, 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 and to review the in-year performance against the Council's key aims and objectives and other key delivery targets.

The past 12 months have seen a number of Local Authority S151 Officer's issue S114 notices. In reviewing the content of such reports, a major issue faced by Councils is not having the necessary practical and pragmatic plans in place to identify the savings required to balance their budgets, with some of their identified options for savings being seen as high risk and potentially unachievable.

As set out in earlier reports, developing 'a savings framework' against the context of the Corporate Plan remains a key activity over the coming months. Senior Managers are continuing to work alongside Portfolio Holders to bring this information together so that it can be considered against the context of the recently agreed Corporate Plan. Based on the most up to date forecast, savings in excess of £2.5m are currently included in the forecast across 2025/26 to 2026/27, which will be subject to ongoing review, as essentially the level of savings required will continue to also act as a 'safety valve' in terms of offsetting any increases in cost pressures or other unavoidable increases in net expenditure.

The scale of the savings required remain significant against the Council's overall net budget and presents a major challenge for the Council. A number of savings have already been identified and included within the 2024/25 budget, but they are not expected to continue on an on-going basis at the same level currently recognised. The associated activities will include a number of strands of work such as zero based reviews, balancing discretionary and statutory service requirements, reviewing service standards, exploring opportunities for efficiencies and how things could potentially be done differently.

It is noted that the Council's partnership working continues to strengthen, which will also likely play an important part in supporting the Council's longer term financial plans e.g. the potential to draw funding together across partners to support the delivery of services and managing cost pressures and future liabilities.

The current forecast period finishes at the end of 2026/27 and following Council's approval of the budget for 2024/25, the opportunity to extend the forecast period will be considered further. This will undoubtedly provide further financial flexibility and allow further opportunities to respond to the structural annual budget deficit that is still estimated to remain at the end of 2026/27.

Regular and comprehensive monitoring of the budget will continue to be undertaken during 2024/25 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 terms of capital investment and treasury management, the Council continues to explore opportunities to strengthen its arrangements such as reviewing and learning from the delivery of current schemes and projects. Future schemes and projects will continue to be based on a robust and overall risk aware approach.*

*Reflecting on the above, it is recognised that there are risks inherent within the Council's financial framework and corresponding detailed estimates. However, actions continue to be taken to mitigate these risks as far as possible. The budgets have been prepared against the background of a continuing and challenging economic outlook.*

### **Budget Assumptions**

*2022/23 and 2023/24 saw a number of emerging issues both nationally and globally that continue to have a significant impact on the Council's own financial position e.g. inflation, supply chain disruption, energy cost, commodity price volatility along with associated secondary impacts.*

*Set against the context above, the overall forecast is based on robust and prudent estimates whilst aiming to avoid any potential optimism bias. 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.*

*Salary estimates have over recent years presented a significant challenge. In effect the savings 'targets' included within 2024/25 and later years of the forecast largely reflect the money required to fund such cost pressures on an on-going basis as they have essentially been funded from reserves in the short term. Future increases in costs have been reflected in the forecast based on the Bank of England's inflation forecasts but this significant element of the budget will be reviewed on an on-going basis heading into 2024/25, with any potential adverse issues being reported to Management Team and Members as soon as possible.*

*The budget for 2024/25 largely includes unavoidable cost pressures, which were identified by maintaining a 'live' list of potential items that could emerge in consultation with Officers and Portfolio Holders. Similarly to savings, a number of items are expected to be one-off or time limited along with being subject to further decision making / review e.g. Careline. In terms of unfunded cost pressures, further comments are set out within the risk section below.*

*Where there is significant uncertainty around specific lines of the future year's forecast, these have been treated as initially one-off in nature and subject to further review during 2024/25.*

*The detailed budget for 2024/25 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.*

*The budget presented for 2024/25 sets out a balanced position, although it includes the use of one-off funding in the short term as has been the case in previous years. However, the long term forecast still provides an effective method of managing financial risks. The on-going impact from various financial challenges is still evolving and it is therefore important to highlight that the money set aside in the forecast risk fund continues to reflect a balanced and realistic approach and provides the flexibility and time to consider the longer term plan and savings that will be required in a more informed way rather than having to potentially taking quick / short term decisions.*

*It is essential that the Council continues to work towards delivering in-year balanced budgets as soon as possible over the forecast period rather than continue to rely on reserves, which is not sustainable in the longer term. However, the reduced call on the forecast risk fund in 2024/25 compared with initial estimates earlier in the financial year does provide some additional flexibility in this context. It is also worth highlighting that even when the savings currently included in the forecast in 2025/26 and 2026/27 are identified and secured, a structural annual budget deficit is still estimated to remain at the end of 2026/27. Support will be provided to Management Team and Members to ensure that the Council uses the time and flexibility that the forecast risk fund has provided to secure the level of savings required to deliver a sustainable financial future for the Council.*

### ***Delivering a positive outturn position each year***

*The support the current financial planning approach and flexibility that the forecast risk fund provides, the forecast continues to include in-year savings targets of £250k. This remains an important element of the overall financial forecast which will be reviewed as part of the regular financial performance reports during the year along with the outturn position at the end of each year.*

*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 and the potential level of unfunded items. 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. This now forms a wider approach to responding to further cost pressures with additional comments set out in the risk section below.*

*It is also important to highlight that wherever possible, the Council continues to 'cash back' schemes and projects so their delivery is secured, rather than relying on projected savings or future forecasts to fund them. This also 'protects' the underlying revenue budget, as investment in priorities are not necessarily jeopardised by changes in the forecast.*

*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. Via the forecast and by maintaining a 'live' potential cost pressure list, financial planning also continues to aim to reflect the outturn position from the previous year along with emerging issues, which allow it to remain alert to 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 previous primary risks to the forecast related to the COVID 19 pandemic, which were replaced in 2022/23 and 2023/24 with wider global / national economic challenges, with their impact continuing in 2024/25 and potentially beyond. The Financial Performance reports presented during the year set out more details around these challenges, which have also been reflected in the forecast as necessary.*

*It is important to highlight that like many other Councils, this Council has had to rely on the use of reserves to balance the budget, albeit in a planned way via the Forecast Risk Fund. It is essential that the Council continues to work towards delivering in-year balanced budgets as soon as possible over the forecast period rather than continue to rely on reserves, which is recognised as not sustainable in the longer term.*

*The revised forecast continues to seek to better balance any optimism / pessimism bias that is inherent in any forecasting process. Given the scale of the current financial challenges faced by the Council, the forecast now includes the use of one-off funding such as the New Homes Bonus in the short term. Based on historical averages, the forecast also now includes additional income from remaining a member of the Essex Business Rates Pool. This is a significant departure from previous years where the Council has historically refrained from using potentially one-off money to support the underlying budget. Although there are no long term guarantees around such sources of funding, it is expected that they will continue in the short term, which reduces the risk over the remaining years of the forecast. This revised approach will continue to be reviewed on an on-going basis and if any information comes to light that indicates an increased risk, then the forecast will be updated and reported to Members as soon as practicable.*

*As highlighted earlier, the mitigation of cost pressures will continue to form an important element of the Council's financial plans. Although the cost pressures included within the budget to date largely reflect unavoidable items, it is acknowledged that there are likely to be significant financial demands on the Council's resources, such as those relating to the repairs and maintenance of property and other assets, supporting 'spend to save' initiatives and items to support the delivery of the corporate priorities and objectives. With this in mind it is proposed to review these items using a risk based approach, but outside of the annual 'base' budget setting cycle, with any associated decisions subject to separate reports or included within other key financial reports during the year.*

*Work remains in progress to identify potential sources of funding within the Council's existing resources to support the above approach. This could include the use of existing budgets and reserves such as the reserve set aside to invest in the Council's assets along with the favourable outturn variance carried forward from 2022/23. It may also be possible to review fees and charges with the aim of supporting / complimenting such funding, which in turn could support any associated cost pressures as necessary.*

*Historically the money receivable from the Government via the annual financial settlement process has been treated as one-off income and subject to the next annual announcement for the following financial year. However, given the Government's historic commitment to date to continue to provide some level of funding to Local Authorities, a cautiously optimistic level of funding has now been included in later years of the forecast. Similarly to the use of the New Homes Bonus, this does increase future financial risk if the Government cease or significantly reduce such funding streams. It is expected that the Government will continue to engage with the Local Authority sector in future years to enable a pragmatic and joined up approach to how Local Councils are funded and in a worst case scenario it would be expected that transitional arrangements would apply in any adverse circumstances. The Council will therefore need to continue to engage / lobby the Government either on its own or with partners with the aim of reducing any potential funding volatility in future years where possible.*

Similarly to the above, the favourable position in respect of income from business rates in 2024/25 has been treated as broadly one-off in nature. More work will be undertaken during 2024/25 with the aim of providing more certainty to the level of income from this source of funding which is becoming increasingly more challenging given the complexities involved.

In addition to the above, it is also worth highlighting that key financial activities are also highlighted within the Council's Annual Governance Statement, with the aim of strengthening the Council's governance arrangements on an on-going basis, which in turn aims to support the Council's long term sustainability and effective use of its resources.

### **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 2023 set out a review of reserves, which is undertaken annually as part each year's budget setting cycle. This was complimented by a review of the Council's uncommitted reserve during the budget setting process set against the broadly increasing risks faced by the Local Councils. When taken together with the Forecast Risk Fund, which supports overlapping risks, the current level of this reserve (£4.000m) remains adequate.

In addition to the above reserve, the forecast risk fund and other specific earmarked reserves, a number of other important general reserves are still maintained, with the following key reserves still held that support the Council's underlying financial resilience:

- 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;
- As highlighted earlier, **£1.019m** remains 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

The above, along with the on-going / annual review of reserves, continues 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 2024/25 that weaken the overall longer term approach to the forecast.

It is also important to highlight that although they have yet to complete their work on the Council's 2020/21, 2021/22 and 2022/23 Statement of Accounts yet, the Council's previous External Auditor have highlighted in their most recent summary report that they have not identified any risks of significant weakness to date in respect of the Council's use of resources.

*It is also worth mentioning the very important issues relating to the Best Value Duty placed on Local Authorities that has been highlighted during the year by the Council's Monitoring Officer. By maintaining a focus on this key duty, it should support a number of cross cutting financial and governance themes that in turn support robust financial management and sustainability that is expected of well-functioning local authority.*

***The proposed budget for 2024/25 resulting from the above processes and governance arrangements is therefore robust / deliverable, and underwritten / supported by reserves.***

The impact from the global/economic challenges that emerged during 2022/23 continue to have a significant impact on the Council's financial position in 2024/25 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.

As highlighted in previous years, there is a revised 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 based on a commentary on the Council's value for money arrangements rather than a conclusion or opinion.

Although the Council awaits its first such report due to External Audit delays (details set further on in this statement), 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:**
- 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:**

As set out in the attached Annual Governance Statement, 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. The Council is therefore in a strong position to respond to the revised 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.

As indicated earlier, there has been significant External Audit delays, which is a well-publicised and national issue and in no way reflects any wrong-doing by those Council's adversely affected. The Council's Statement of Accounts for 2020/21, 2021/22 and 2022/23 therefore still remain subject to being 'signed off' by the External Auditor.

In response to the on-going External Audit delays, the Government continue to work towards a solution, which is based on introducing a series of statutory deadlines for account preparers and auditors to clear the backlog. It is expected that Auditors would still report any significant concerns they may have on an organisation's financial controls and financial reporting, as well as financial resilience, governance and risk. Where necessary, it is understood that auditors may need to limit or disclaim their opinion, making clear to the user of the accounts where this has been the case. Auditors' statutory duty to report on value for money arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) will remain a high priority.

## **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 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 corporate risks.

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 items, which were included in the latest report to the Council's Audit Committee on 25 April 2024:

Risk	How the Risk is Controlled/Mitigated
<p><b>Ineffective Cyber Security Physical and Application (software) Based Protection Management</b> - Failure to adopt, implement and deliver effective Cyber Security protective arrangements leading to a catastrophic or significant IT cyber security breach or loss of personal, sensitive, or vulnerable persons' data or inability to provide IT services and applications supporting Council services (or significant operational difficulties arising from)</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. Cyber-security is an essential part of our induction training. In addition, phishing awareness campaigns are also ongoing.</p> <p>With council cyber-attacks growing exponentially in both volume and complexity the council must consider that it is not IF but WHEN a successful cyber-attack is made and we continue to plan, train and exercise accordingly.</p> <p>Having implemented an 'immutable backup' regime we have data restoration capabilities from locked-down safe sources. That said, in a restoration scenario we will lose any recent made data changes so an element of recovery will still be necessary.</p> <p>Councillors adopting identical working practices to Officers adoption of managed-devices by all and cyber-security posture control council-wide -has achieved This is a significant step-change in minimising the number of attack vectors' (pathways) that a hacker can use to attack and attempt to exploit vulnerabilities to gain access to networks/ computers/ digital devices/ information/ data. We will continue to move towards a Zero trust Network Architecture as a direction of travel over the next 12 months.</p>
<p><b>Coastal Defence</b> - The Council has a coastline of 60km and maintains the sea defence structures along 18.5km of this frontage. These defences protect the towns of Harwich, Dovercourt, and Walton on the Naze, Frinton on Sea, Holland on Sea, Clacton and Brightlingsea. The cliffs are prone to stability issues because of steep slopes in many areas, historical structures, and past shortage of funds for maintenance. Unforeseen expenditure may be required on sea defences, which if left to deteriorate could cause catastrophic cliff failure and impact safety of residents/visitors nearby. The East Coast of the UK is vulnerable to a phenomenon called a North Sea Tidal Surge.</p>	<p>Conducting annual inspections of coast protection structures and responding swiftly to public reporting of minor faults. An annual maintenance programme for the coastal frontage is set each year with an appropriate budget to cover the works. Each year sections of the sea defences are improved as part of a rolling programme of special maintenance schemes funded from the Council's Revenue Budgets. Works undertaken range from day-to-day maintenance of promenades and seawalls to schemes costing millions of pounds. Larger capital schemes attracting grant in aid are produced to comply with Defra guidelines and their High-Level Targets for coast protection. At present there are identified areas of current cliff instability where funding to conduct necessary major projects would need to be identified.</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 Budget Monitoring Processes.</li> <li>• Engagement with key stakeholders, members, and senior management as early as possible. Key financial items discussed at dedicated / regular meetings of Management Team</li> <li>• Responding to and implementing recommendations and advice issued by the Council's External Auditor.</li> </ul> <p>A framework in which to deliver required savings is currently being developed with the aim of capturing key financial information to support the associated decision-making process alongside the corporate plan / priorities process. This will also sit alongside a review of cost pressures across three key strands as set out in the report to full Council of the 13 Feb 2024. A review of the length of the financial planning cycle is subject to review during 2024/25. However, in the event that the long-term approach is unable to support the delivery of the intended outcomes, then the Council can revert to the more traditional / short term approach to setting the budget.</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.</p> <p>To-date all information breaches have been down to human-error. We have robust security breach reporting arrangements, and each such breach is investigated and lessons-learned in terms of reducing the operating risk or providing additional staff training etc.</p> <p>Procedures are in place to manage agreements where appropriate, where partner organisations are managing data on behalf of the Council. Consultation with the Council's Data Protection Officer should be undertaken prior to agreements being formed. This will ensure risk to the organisation is managed effectively.</p> <p>Councillors adopting identical working practices to Officers - adoption of managed-devices by all and cyber-security posture control council-wide – has achieved step-change in minimising the number of attack vectors' (pathways) that a hacker can use to attack and attempt to exploit vulnerabilities to gain access to networks/ computers/ digital devices/ information/ data. These actions would have significantly reduced the likelihood of data loss.</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.

A review of the Council's Risk Management approach and Corporate Risk Register is planned in 2024/25, which will include a review of the risks currently 'captured' along with the consideration of any changes or additions to reflect the most up to date position / challenges faced by the Council.

### 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 reductions in government funding and significant inflationary pressures that continue. A summary of the thinking behind this 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 13 February 2024 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):

Year	Net Budget Position (including adjusting for prior use of reserves etc. to balance the budget)	Forecast Risk Fund - Estimated Surplus Balance at the end of the year
2025/26	£2.027 million (Deficit)	£4.166 million
2026/27	£2.297 million (Deficit)	£2.118 million

The figures in the table above are after taking into account 'required savings targets' of £1.000 million and £1.500 million in 2025/26 and 2026/27 respectively.

The Council maintains a 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**

The Council continues to maintain a Capital and Treasury Strategy which sets 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

A corporate investment 'plan' approach continues that maintains a focus on the prioritisation of resources / investment opportunities and is set against the following key considerations:

- Maintaining a 'corporate framework' to prioritise how, when and where the Council spends/deploys its available resources.
- Supporting the Council's capacity to focus on delivery and making balanced judgements on investment against the corporate priorities.
- Choosing where best to spend and invest their limited resources to achieve the goals they have set.
- Providing maximum visibility to decision makers on the emerging cost pressures / options for investment so that prioritisation can be made knowing the alternative calls on the Council's resources.

As mentioned within the risk section earlier, a framework in which to deliver required savings is currently being developed alongside the on-going development of the forecast and corporate plan / priorities process. This is also reflected as a key item within the Annual Governance Statement.

## **Council Performance 2023/24**

### ***Non-Financial Performance***

Performance reports are presented to Management Team and Members during the year, which includes updates against key projects/'highlight' priorities. Following the local elections in May 2023 and the appointment of a New Administration, the new Leader of the Council emphasised his commitment to focus on delivering projects and priorities that the Council had already committed to. This would run alongside the development of the revised Corporate Plan referred to earlier. With this in mind, the performance against the Council's existing commitments from 2022/23 are set out below:

Highlight Action	Year End Status
Minimise Waste; Maximise Recycling	On its way
Effective Regulation and Enforcement	On its way
Net Carbon Neutral by 2030	Delivered
North Essex Garden Communities	Delivered
Jaywick Sands – More and Better Housing	On its way
Building and Managing Our Own Homes	On its way
10 Year Financial Plan	On its way
Effective and Positive Governance	Delivered
Use of Assets to Support Priorities	On its way
Develop and Attract New Businesses	Delivered
Support Existing Businesses	On its way
Promote Tendring’s Tourism, Cultural and Heritage Offers	Delivered
Health and Wellbeing – For Effective Services and Improved Public Health	Delivered
Education – For Improved Outcomes	Delivered
Joined Up Public Services for the Benefit of Our Residents and Businesses	On its way

More details on the above can be found on the Council’s website using the following link - [Performance Outturn Report 22-23 \(tendringdc.gov.uk\)](#)

At its meeting on 12 March 2024, Cabinet agreed a number of ‘Highlight Priorities’ for 2024/25 which can be found on the Council’s website using the following link - [A2 Appendix B - 2024-25 Highlight Priorities - Final \(tendringdc.gov.uk\)](#). Progress against these priorities will be reported during the year.

### **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 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. The financial performance reports that were presented to Members during 2023/24, which are available on the Council’s website, also include the consideration of cost pressures / investment opportunities.

The Council is meeting its long term forecasted position supported by the forecast risk fund that was set up to ‘underwrite’ the risks associated with the long term approach. In respect of 2024/25, there is an estimated use of the forecast risk fund of £0.449 million. £5.943 million is forecast to be ‘held’ within the forecast risk fund at the end of 2024/25 to continue to support the long term plan in 2025/26 and beyond.

## Financial Performance 2023/24 including comparison with the 2023/24 Budget

The detailed outturn position for 2023/24 has been finalised and will be available on the Council's website from July 2024. A summary is 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 2023/24

	Budget 2023/24 £m	Outturn 2023/24 £m	Variance £m
<b>Net Cost of Services *</b>	<b>32.641</b>	<b>16.942</b>	<b>(15.699)</b>
<b>Other Income and Expenditure</b>			
Revenue Support for Capital Investment	2.200	1.375	(0.825)
Financing Items	(7.090)	(4.585)	2.505
Business Rates (including Tariff and Levy)	(3.150)	(4.408)	(1.258)
Revenue Support Grant	(0.696)	(0.719)	(0.023)
Collection Fund Surplus/Deficit	(0.784)	(0.784)	-
Income from Council Tax Payers	(9.603)	(9.603)	-
<b>Total Other Income and Expenditure</b>	<b>(19.123)</b>	<b>(18.724)</b>	<b>0.399</b>
<b>(Surplus) or Deficit on Provision of Services **</b>	<b>13.518</b>	<b>(1.782)</b>	<b>(15.300)</b>
Opening General Fund Balances	(36.352)	(36.352)	-
(Surplus) or Deficit on General Fund in Year	13.518	(1.782)	(15.300)
<b>Closing General Fund Balances at 31 March</b>	<b>(22.834)</b>	<b>(38.134)</b>	<b>(15.300)</b>

\* the budget of £32.641 million included in the table above is £10.406 million more than the figure (£22.235 million) presented to Full Council in February 2023 when the original budget was agreed, which is primarily due to the amounts carried forward from 2022/23 into 2023/24.

\*\* the difference between budget and actuals is primarily due to requested carry forwards into 2024/25, with some significant items as follows:

- Garden Communities Project - £0.415 million
- General Contingency Budget to support utility costs - £ 0.410 million
- New Burdens Grant Funded Activities - £0.745 million
- Community Housing Trust Grant - £0.611 million
- New Homes Bonus Grant Funded Projects - £1.479 million
- Healthy Homes Grant Funded Projects - £0.736 million
- Revenue Financing of Capital - £0.857 million
- Levelling Up Grant Funded Regeneration Project Delivery - £2.427 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 that also includes the Housing Revenue Account. The Expenditure and Funding analysis set out within the Statement of Accounts shows a Net Cost of Services figure for 2023/24 of £16.847. million. When the HRA is excluded (£0.096 million), the outturn position relating to the Net Cost of Services is £16.942 million as included in the table above.

Within the £15.300 million variance on the (Surplus) or Deficit on Provision of Services above, a general contribution of £1.829 million was made to reserves representing the overall outturn variance for the year. Significant items behind the overall outturn variance for the year included the following:

- Increased External Investment Income - £0.116 million
- Increased Net Income from Business Rates – (in excess of) £1.200 million
- Increased Parking Income - £0.226 million
- Increased Net Income from the Council's Three Main Leisure Facilities - £0.232 million

### Summary of General Fund Capital Programme 2023/24

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 2024/25, with significant items as follows:

- Disabled Facilities Grants - £9.436 million
- Starlings and Milton Road Development - £0.266 million
- Carnarvon House Demolition (Supporting Levelling Up Scheme) - £0.342 million

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

	<b>Budget 2023/24</b>	<b>Outturn 2023/24</b>	<b>C/fwds</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Capital Expenditure	15.460	3.804	11.604	(0.052)
<b>Funding of Capital Expenditure</b>				
	<b>Budget 2023/24</b>	<b>Outturn 2023/24</b>	<b>To Fund C/fwds</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
External Sources of Finance	0.889	0.493	0.392	(0.004)
S106	0.245	0.240	0.006	0.001
Government Grants	11.371	1.861	9.540	0.030
Capital Receipts	1.000	0.106	0.815	(0.079)
Revenue Contributions	0.224	0.271	-	0.047
Use of Earmarked Reserves	1.731	0.833	0.851	(0.047)
<b>Total</b>	<b>15.460</b>	<b>3.804</b>	<b>11.604</b>	<b>(0.052)</b>

## General Fund Reserves

The overall level of reserves at the end of 2023/24 is £38.134 million, made up of £19.708 million for earmarked commitment reserves, £14.426 million for other earmarked reserves and £4.000 million for uncommitted reserves.

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

## Housing Revenue Account 2023/24

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

	Budget 2023/24 £m	Outturn 2023/24 £m	Variance £m
Net Cost of Services	2.497	(0.096)	(2.593)
Other Income and Expenditure	-	-	-
<b>(Surplus) or Deficit on Provision of Services *</b>	<b>2.497</b>	<b>(0.096)</b>	<b>(2.593)</b>
Opening HRA Revenue Reserves	(6.340)	(6.340)	-
(Surplus) or Deficit on HRA in Year	2.497	(0.096)	(2.593)
<b>Closing HRA General Balance at 31 March</b>	<b>(3.843)</b>	<b>(6.436)</b>	<b>(2.593)</b>

\* the difference between budget and actuals is primarily due to carry forwards totalling £2.267 million along with an additional contribution to reserves of £0.520 million.

The overall level of reserves at the end of 2023/24 of £6.436 million is made up of £2.267 million for earmarked commitment reserves and £4.169 million for uncommitted reserves.

## Housing Revenue Account 2023/24 – Capital Expenditure

	Budget 2023/24 £m	Outturn 2023/24 £m	C/fwds £m	Variance £m
HRA Capital Expenditure	12.730	8.034	4.687	(0.009)

A summary of how this capital expenditure was financed in 2023/24 is set out below:

	Budget 2023/24	Outturn 2023/24	To Fund C/fwds	Variance
	£m	£m	£m	£m
Major Repairs Reserve	4.164	4.164	-	-
S106	0.308	0.308	-	-
Capital Receipts	4.114	1.281	2.834	0.001
External Contributions (incl. grants)	2.004	1.993	-	(0.011)
Revenue funding from the HRA	2.140	0.288	1.853	0.001
<b>Total</b>	<b>12.730</b>	<b>8.034</b>	<b>4.687</b>	<b>(0.009)</b>

The overall variance primarily reflects a minor underspend against one capital scheme.

### The Council's Overall Balance Sheet

The Council's balance sheet as at the end of March 2024 is set out within the Statement of Accounts. Some significant matters to highlight are as follows:

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

- **Long Term Investments / Other Long Term Liabilities – Pensions**

At the end of 2023/24 there is an overall pension surplus attributable to the Council of £54.652 million (£34,791 million surplus for 2022/23). In a change to previous years accounting treatment and in-line with IFRIC 14 and its interpretation by Auditors and guidance issued by CIPFA, an asset ceiling approach has been applied by the scheme's Actuary that reflects the underlying nature of any accounting surplus in the pension fund - the accounting standards state *that if an employer has an accounting surplus, it should only be recognised to the extent that it is able to recover the surplus either through reduced contributions in the future, or through refunds. The present value of such economic benefits is commonly referred to as the "asset ceiling"*

The scheme's Actuary also states that their calculations are based on the assumption that there is no unconditional right to a refund of surplus, as such a payment would be at the discretion of the relevant LGPS fund. In effect any surplus would be subject to future reviews and associated contributions would be adjusted accordingly. It is also important to recognise that changes to assumptions, returns on assets, changes in liabilities and methodologies in future years can offset a surplus in any one-year.

The changes between years included within the balance sheet therefore reflect this change in approach with no surplus recognised at the end of March 2024.

- **Short Term Creditors**

The change between years is primarily due to the level of COVID 19 grant funding received from the Government that was being 'held' at the end 2022/23, for either distribution in 2023/24 or to be repaid to the Government during the year. There are no balances held at the end of 2023/24.



- **Capital Grants Receipts In Advance**

The change between years primarily relates to initial tranches of grant funding receivable from the Government in respect of Levelling Up / Capital Regeneration Projects with further details set out later on in this statement.

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 2024/25 that was 'built' on this approach is set out below:

### **General Fund**

The Council's overall net General Fund revenue budget for 2024/25 (excluding amounts carried forward from 2023/24) is £15.123 million with a summary below, including how it is financed:

	2024/25 Original £m
Net Cost of Services	20.884
Revenue Support for capital investment	0.070
Financing items	(5.070)
<b>Net Expenditure</b>	<b>15.884</b>
Net Use of Earmarked Reserves	(0.761)
<b>Total Net Budget</b>	<b>15.123</b>
<b>Financed by:</b>	
Business Rates (excl. S31 Govt. Grant funding)	(3.357)
Revenue Support Grant	(0.767)
Collection Fund (Surplus)/Deficit	(0.951)
<b>Council Tax Requirement (for Tendring District Council)</b>	<b>10.048</b>

A summary of planned Capital Expenditure in 2024/25 (excluding amounts carried forward from 2023/24) and how it is financed is as follows:

	2024/25 Original Budget £m
<b>Expenditure</b>	<b>0.827</b>
<b>Financing</b>	
Government Grants	0.757
Capital Receipts	-
Earmarked Reserves	-
Direct Revenue Contributions	0.070
<b>Total Financing</b>	<b>0.827</b>

The current long term forecast going into 2025/26 and beyond reflects items such as the on-going impact from changes in government funding and the potential for income growth from council tax and business rates, including amounts from property growth. The expected / 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 on salaries are also included along with an estimate of cost pressures and savings.

The Government have stated their intention to undertake a 'fairer funding' review, which therefore also poses a significant risk in future years, which the Council will need to remain alert to, and the forecast adjusted accordingly.

Current global volatility makes it difficult to forecast the speed and scale of future economic growth and the impact on the Council's own financial position. However this will be kept under review and reflected in the long term forecast that will be updated on an on-going basis during 2024/25.

### **Housing Revenue Account**

A summary of the HRA Revenue Budget for 2024/25 is summarised below:

	2024/25 Original Budget £m
Direct Expenditure	10.252
Direct Income	(16.720)
Indirect Income/Expenditure including Financing Costs	5.975
<b>Net (Surplus)/Deficit</b>	<u>(0.493)</u>
<b>Contribution to/(from) Reserves</b>	<u><u>0.493</u></u>

A summary of the HRA Capital Programme for 2024/25 is set out below:

	2024/25 Original Budget £m
<b>Expenditure</b>	<u><u>3.928</u></u>
<b>Financing</b>	
Major Repairs Reserve	3.314
Capital Receipts	-
Revenue funding from the HRA	0.614
<b>Total Financing</b>	<u><u>3.928</u></u>

The Council continues to take steps to deliver existing projects along with developing a number of projects and priorities, with a summary of some key items set out below:

➤ **Levelling up / Capital Regeneration funding for Clacton and Dovercourt Town Centres**

The Government have awarded the Council over £26 million of financial support for investment in capital regeneration projects in Clacton and Dovercourt. Work remains in progress with partners to deliver these two important capital schemes over the next two years. The Council is the accountable body for these two schemes with a number of assurance and governance processes required, which are highlighted within the attached Annual Governance Statement

➤ **Levelling Up Partnerships, Long Term Plan for Towns and High Street Accelerator Funding**

In addition to the £26 million highlighted above, the Government have also awarded the Council a total of over £40 million to support a number of economic and regeneration activities to be undertaken within the district. Work remains in progress to take the opportunities that they present forward, which will also need to be supported by similar governance arrangements mentioned above.

➤ **Freeport East**

The Council remains a key partner in the Freeport East initiative, working with other local authorities and private sector partners to bring forward development at various sites across the Freeport 'boundary' (the scheme relevant to Tendring being at Bathside Bay in Harwich) along with further regeneration benefits that Freeport East could bring to the District of Tendring.

Freeport East Ltd was incorporated on 6 December 2022 as a not-for-profit company created by the following 10 partners:

- East Suffolk Council
- Mid Suffolk District Council
- Tendring District Council
- Suffolk County Council
- Essex County Council
- New Anglia Local Enterprise Partnership Ltd
- University of Essex
- Harwich International Port Ltd
- The Felixstowe Dock and Railway Company
- Gateway 14 Ltd

East Suffolk act as the accountable for the partners and as at the end of March 2024, they held:

- £0.800 million of Forward Funding for Skills, Innovation & Clean Growth from the partner authorities;  
and
- £12 million of 'Seed Capital' from DLUHC

In terms of Freeport East Ltd as a standalone company, their accounts for the year ending 31 March 2024 are due to be published / submitted by September 2024, with a summary of their financial position as follows:

**Expenditure - £679,633**

**Income:**

Capacity Grant Funding - £545,140

Interest Earned on grant funding held - £149,979

Total Income - £695,119

**Net Surplus for the Year - £15,486**

The transactions of the company are not deemed material at this stage to require the consideration of preparing group accounts, although this will remain under review in 2024/25 and beyond as necessary.

The Council has recently approved an associated Freeport Business Plan along with a Business Rates Retention Policy, with the latter underpinning the 'sharing' of business rates generated within the associated tax sites to support the company's operational costs along with providing additional 'base' income to the relevant Local Authority and enabling investment in delivering the tax sites and wider investment in the relevant districts. With the above in mind, £0.092 million of income was generated in 2023/24 which is being held in reserves pending further decisions / discussions with the partner organisations during 2024/25.

With such significant projects being undertaken by the Council, the capacity to ensure successful delivery will be essential. Work is underway to identify the necessary resources which is referenced within the attached Annual Governance Statement.

➤ **Spendells House Capital Programme**

The attached Annual Governance Statement references a Section 5 Report of the Council's Monitoring Officer that relates to unauthorised expenditure being incurred against this project along with other additional costs emerging. Associated reports were presented to Cabinet on 24 May 2024 which are available on the Council's website.

The reports referred to above demonstrated a value for money case to continue with the project that will provide much needed temporary accommodation for homeless households along with identifying additional funding of £0.860 million to complete the project. It was agreed that this funding would be met from the Housing Revenue Account General Reserve in the first instance, which will be kept under review during the year as a more favourable alternative mix of funding may emerge.

Although this does not have a direct impact on the 2023/24 accounts, it is important to highlight the issue and the potential impact on the Housing Revenue Account in 2024/25 given the proposed use of reserves.

➤ **Homelessness Costs**

Although a number of general financial pressures have been mentioned above (e.g. inflation), the increasing cost of providing mandatory temporary accommodation to households that find themselves homeless is being experienced by many Local Authorities across the country. Although the Government provide grant funding, it is not enough to fully meet these costs, which therefore requires Local Council's to fund any shortfall themselves. During the year, the Council provided additional funding of £0.500 million towards the cost of temporary accommodation, but the final outturn position for the year was in excess of this amount by a further £0.591 million.

In looking ahead to 2024/25, the budget has already been increased by £0.500 million. Although the Department remains committed to exploring options to reduce the on-going financial impact on the Council, this issue will need to be kept under on-going review during the year as further additional funding may be required.

In terms of the Council's Housing Revenue Account, the formulation of the budget for 2024/25 was set against the context of the longer-term business plan. As highlighted within the associated budget reports available on the Council's website, one area that is important to note as it will have a bearing on the overall financial position of the HRA in future years, is the new era of social regulation introduced via the Social Housing (Regulation) Act 2023. This is in addition to the national trend of increases in housing disrepair claims made by tenants. The Council remains committed to providing good quality housing whilst also recognising the ambition of building / acquiring new homes for local people. Given the financial issues the Council faces, this balance is becoming increasingly more challenging in the short term. However, the Council remains alert to any changes that may be required in managing its housing stock, which are reflected in the 30 year business plan as necessary. The business plan will continue to be subject to updates during 2024/25 with the on-going aim of delivering the long term financial sustainability of the HRA.

Due to the External Audit delays mentioned earlier and the fact that previous years accounts still remain subject to being 'signed off', it is understood that some Local Authority S151 Officers are finding it increasingly difficult to confirm that the current years accounts provide a 'true and fair view' of the Council's financial position at the end of March 2024.

The Council's S151 Officer has signed off these accounts as providing a 'true and fair view' of the Council's financial position at the end of March 2024 on the following basis:

- These accounts have been prepared in accordance with the associated code of practice / accounting standards and that the financial transactions of the authority have been recorded and presented correctly;
- the Council is aware of the external audit issues still outstanding for 2020/21, which are not expected to have a material impact on the latest position.
- All known material matters have been reflected within these accounts as necessary
- All other significant / relevant matters have been referred to / disclosed within this narrative statement

### **Basis of Preparation and Presentation**

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

## **FINANCIAL STATEMENTS**

The main elements of the financial statements are explained below and comprise of information in respect of accounting concepts and estimation techniques, the responsibilities for the Statement of Accounts along with the report of the Auditors and the detailed financial statements and notes. The format and information in the Accounts has been prepared in line with International Financial Reporting Standards (IFRS) and the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (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 Assistant 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 66). 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 Assistant 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 Assistant Director Finance and IT's Responsibilities

The Assistant 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 Assistant 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 Assistant 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.

## Assistant 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 2024 and the income and expenditure for the year then ended.

R C Barrett  
Assistant Director Finance and IT  
Date: 31 May 2024

The Assistant Director Finance and IT has certified the formal financial statements, which are held by the Assistant Director Finance and IT and can be reviewed upon request.

Reserved for the Chair of the Audit Committee Certificate

SUBJECT TO AUDIT

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
TENDRING DISTRICT COUNCIL  
YEAR ENDED 31 MARCH 2024**

Reserved for the Audit Opinion

SUBJECT TO AUDIT

Reserved for the Audit Opinion

SUBJECT TO AUDIT

Reserved for the Audit Opinion

SUBJECT TO AUDIT

Reserved for the Audit Opinion

SUBJECT TO AUDIT

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2024

Restated 2022/23				2023/24			
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000	Note Ref
			<b>EXPENDITURE ON SERVICES</b>				
2,214	(1,312)	902	Assets	2,376	(1,633)	743	
2,547	(108)	2,439	Corporate Finance and Governance	2,427	(103)	2,324	
11,578	(2,641)	8,937	Environment	11,221	(2,692)	8,529	
64,262	(58,576)	5,686	Housing and Planning	68,564	(57,722)	10,842	
3,578	(1,680)	1,898	Partnerships	3,443	(1,003)	2,440	
2,858	(1,263)	1,595	Economic Growth, Regeneration and Tourism	3,425	(1,924)	1,501	
8,813	(4,493)	4,320	Leisure and Public Realm	9,176	(5,705)	3,471	
946	(264)	682	Budgets Relating to Non Executive Functions	1,135	(348)	787	
<b>96,796</b>	<b>(70,337)</b>	<b>26,459</b>	<b>Net Cost of Services</b>	<b>101,767</b>	<b>(71,130)</b>	<b>30,637</b>	
6,859	(2,457)	4,402	Other Operating Income and Expenditure	2,838	(542)	2,296	11
1,475	(1,862)	(387)	Financing and Investment Income and Expenditure	1,332	(6,209)	(4,877)	12
6,235	(35,047)	(28,812)	Taxation and Non-Specific Grant Income and Expenditure	7,480	(35,718)	(28,238)	13
			<b>(Surplus) or Deficit on Provision of Services</b>				
							(182)
			(11,760) (Surplus) or deficit on revaluation of non-current assets				(21,477) 10(a)
			(56,578) Remeasurements of the net defined benefit liability (asset)				38,283 10(c)
			<b>Other Comprehensive Income and Expenditure</b>				<b>16,806</b>
			<b>Total Comprehensive Income and Expenditure</b>				<b>16,624</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 2022 brought forward</b>	38,071	5,202	5,536	1,380	9,216	59,405	203,659	263,064	
<b>Movement in reserves during the year</b>									
Total comprehensive expenditure and income	(3,273)	1,611	-	-	-	(1,662)	68,338	66,676	
Adjustments between accounting basis and funding basis under regulations	1,554	(473)	(645)	74	2,440	2,950	(2,950)	-	7
<b>Increase/(Decrease) in Year</b>	(1,719)	1,138	(645)	74	2,440	1,288	65,388	66,676	
<b>Restated Balance at 31 March 2023 carried forward</b>	36,352	6,340	4,891	1,454	11,656	60,693	269,047	329,740	8,10
<b>Balance at 1 April 2023 brought forward</b>	36,352	6,340	4,891	1,454	11,656	60,693	269,047	329,740	
<b>Movement in reserves during the year</b>									
Total comprehensive expenditure and income	4,032	(3,850)	-	-	-	182	(16,806)	(16,624)	
Adjustments between accounting basis and funding basis under regulations	(2,250)	3,945	(449)	(233)	(854)	159	(159)	-	7
<b>Increase/(Decrease) in Year</b>	1,782	95	(449)	(233)	(854)	341	(16,965)	(16,624)	
<b>Balance at 31 March 2024 carried forward</b>	38,134	6,435	4,442	1,221	10,802	61,034	252,082	313,116	8,10

# BALANCE SHEET

## AS AT 31 MARCH 2024

Restated 31/03/2023 £000		31/03/2024 £000	Note Ref
	Long Term Assets		
268,140	- Property Plant and Equipment	286,250	14
193	- Heritage Assets	189	
2,364	- Investment Property	2,284	15
1	- Intangible Assets	-	
34,791	- Long Term Investments - Pensions	-	27
271	- Long Term Debtors	271	16
<b>305,760</b>	<b>Total Long Term Assets</b>	<b>288,994</b>	
	Current Assets		
74,351	- Short Term Investments	68,001	16
823	- Assets Held for Sale	823	18
35	- Inventories	53	
10,391	- Short Term Debtors	8,887	19
6,820	- Cash and Cash Equivalents	7,102	20
<b>92,420</b>	<b>Total Current Assets</b>	<b>84,866</b>	
	Current Liabilities		
(1,693)	- Short Term Borrowing	(2,694)	16
(30,880)	- Short Term Creditors	(20,893)	21
(834)	- Provisions	(595)	
(796)	- Capital Grants Receipts in Advance	(3,532)	23
<b>(34,203)</b>	<b>Total Current Liabilities</b>	<b>(27,714)</b>	
	Long Term Liabilities		
(960)	- Long Term Creditors	(937)	
(33,277)	- Long Term Borrowing	(30,841)	16
-	- Other Long Term Liabilities - Pensions	(1,252)	27
<b>(34,237)</b>	<b>Total Long Term Liabilities</b>	<b>(33,030)</b>	
<b>329,740</b>	<b>Total Net Assets</b>	<b>313,116</b>	
	<b>Financed by:</b>		
60,693	Usable Reserves	61,034	9
269,047	Unusable Reserves	252,082	10
<b>329,740</b>	<b>Total Reserves</b>	<b>313,116</b>	

R C Barrett  
Assistant Director Finance and IT  
31 May 2024

The Assistant Director Finance and IT has certified the formal financial statements, which are held by the Assistant Director of Finance and IT and can be reviewed upon request.

# CASH FLOW STATEMENT

Restated 31/03/2023 £000		2023/24 £000	£000
<b>(1,662)</b>	<b>Net surplus or (deficit) on the provision of services</b>		<b>182</b>
	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements:		
11,021	Depreciation, revaluation and impairment of non-current assets	13,340	
(256)	Movement in Investment Property Values	80	
9	Amortisation of Intangible Assets	1	
(4,262)	Increase/decrease in creditors	1,559	
1,559	Increase/decrease in debtors	2,436	
3,417	Movement in pension liability	(2,240)	
(215)	Contributions to/(from) provisions	(239)	
4,567	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	450	
73	Other items	(18)	15,369
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:		
(5,183)	Capital Grants credited to surplus or deficit on the provision of services	(4,392)	
(2,456)	Proceeds from the sale of property, plant and equipment	(540)	(4,932)
<b>6,612</b>	<b>Net cash flows from Operating Activities*</b>		<b>10,619</b>
	Investing Activities:		
(10,070)	Purchase of property, plant and equipment, investment property and intangible assets		(10,543)
(727,503)	Purchase of short term investments		(470,200)
2,458	Proceeds from the sale of property, plant and equipment		540
722,700	Proceeds from short term investments		477,000
-	Other payments for investing activities		-
5,134	Other receipts from investing activities		7,715
<b>(7,281)</b>	<b>Net cash flows from investing activities</b>		<b>4,512</b>
	Financing Activities:		
(2,221)	Repayments of short and long term borrowing		(1,423)
7,730	Other payments for financing activities		(2,157)
(8,060)	Other receipts from financing activities		(11,269)
<b>(2,551)</b>	<b>Net cash flows from financing activities</b>		<b>(14,849)</b>
<b>(3,220)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>282</b>
10,040	Cash and cash equivalents at the beginning of the reporting period		6,820
<b>6,820</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>7,102</b>

\*The cash flows for operating activities include Interest Received of £3.779 million (£1.107 million in 2022/23) and Interest paid of £1.229 million (£1.286 million in 2022/23).

# NOTES TO CORE FINANCIAL STATEMENTS

## 1 Expenditure and Funding Analysis

Restated 2022/23			2023/24			Note Ref
Expenditure Chargeable to GF and HRA Balances	Adjustment between Funding and Accounting basis	Net Expenditure in the CIES	Expenditure Chargeable to GF and HRA Balances	Adjustment between Funding and Accounting basis	Net Expenditure in the CIES	
£000	£000	£000	£000	£000	£000	
<b>EXPENDITURE ON SERVICES</b>						
902	-	902	743	-	743	
(6,947)	9,386	2,439	(6,205)	8,529	2,324	
8,937	-	8,937	8,529	-	8,529	
3,214	2,472	5,686	5,581	5,261	10,842	
1,898	-	1,898	2,440	-	2,440	
1,595	-	1,595	1,501	-	1,501	
4,320	-	4,320	3,471	-	3,471	
682	-	682	787	-	787	
<b>14,601</b>	<b>11,858</b>	<b>26,459</b>	<b>16,847</b>	<b>13,790</b>	<b>30,637</b>	
(14,020)	(10,777)	(24,797)	(18,724)	(12,095)	(30,819)	
<b>581</b>	<b>1,081</b>	<b>1,662</b>	<b>(1,877)</b>	<b>1,695</b>	<b>(182)</b>	
(43,273)			(42,692)			
581			(1,877)			
<b>(42,692)</b>			<b>(44,569)</b>			
<b>Net Cost of Services</b>						
Other Income and Expenditure						
<b>(Surplus) or Deficit on Provision of Services</b>						
Opening General Fund and HRA Balances						
(Surplus) or Deficit on General Fund and HRA Balances in Year						
<b>Closing General Fund and HRA Balances at 31 March</b>						

8

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

Adjustments for Capital Purposes (see a below)	Restated 2022/23				2023/24			
	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>				
747	-	8,639	9,386	Corporate Finance and Governance	903	-	7,626	8,529
3,252	344	(1,124)	2,472	Housing and Planning	6,109	(68)	(780)	5,261
<b>3,999</b>	<b>344</b>	<b>7,515</b>	<b>11,858</b>	<b>Net Cost of Services</b>	<b>7,012</b>	<b>(68)</b>	<b>6,846</b>	<b>13,790</b>
(2,401)	3,073	(11,449)	(10,777)	Other Income and Expenditure	(3,361)	(2,172)	(6,562)	(12,095)
<b>1,598</b>	<b>3,417</b>	<b>(3,934)</b>	<b>1,081</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>3,651</b>	<b>(2,240)</b>	<b>284</b>	<b>1,695</b>

**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 2023/24 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 66).

### **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 23.

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

IFRS16 on leases was issued in January 2016 but adoption is only compulsory from 1 April 2024. The standard makes no changes to the reporting of leases as lessor, but for leases where the Council is lessee all current operating leases effectively become finance leases, which will bring a right of use asset and a lease liability onto the balance sheet. During 2023/24 an exercise has been undertaken to identify all assets leased in by the Council. The Council has set the level below which assets are considered too small to include at £10,000, which is consistent with the level at which capital items are recognised as capital rather than revenue. Additionally, assets under a lease with less than 12 months to run at 1 April 2024 are not brought onto the balance sheet. Where the implicit rate in the lease is known, the right of use asset and corresponding lease liability have been calculated based on this rate. Where the implicit rate is not known, the Council has used the rate for the relevant remaining life of the lease available from the Public Works Loans Board (PWLB) as at 2 April 2024, as this information is readily available and if the Council were to borrow it would be from the PWLB.

The result of this assessment has been to identify some items of horticultural plant and machinery and also contract hire vehicles with a total right of use/lease liability value of £0.224 million. There are also two coastal pieces of land that are leased in with a total right of use/lease liability value of £0.021 million. Therefore, the Council does not consider IFRS16 will have a material impact on the statement of accounts for 2024/25. The Council has no sale and leaseback arrangements.

Other standards issues not adopted are:

- Amendments to IAS1 over the classification of liabilities as current or non-current and non-current liabilities with Covenants.
- Amendments to IAS12 which only apply to multinational groups and amendments to IAS7 and IFRS7 around supplier finance arrangements.

None of these amendments are anticipated to have any impact on 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) Property, Plant and Equipment Valuations**

As set out in note 14 on Property Plant & 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 (EUUV) 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.

### **b) 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 latest actuarial assessment as at 31 March 2024 shows that the discount rate applied by the actuary has increased from 4.8% at 31 March 2023 to 4.9% at 31 March 2024. The impact of this combined with a decline in assumed life expectancy following the full revaluation of the Fund by the actuary as at 31 March 2022 has been to move the Pension liability into a Pension asset at 31 March 2024, showing the scheme funding is more than the estimated liability at that date.

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 £1.970 million.

However, the assumptions interact in complex ways. During 2023/24, the Authority's actuaries advised that the net pensions liability had decreased by £19.863 million as a result of updating a number of factors and assumptions.



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

The Statement of Accounts was authorised for issue by the Assistant Director Finance and IT on 31 May 2024. Consideration for events arising after the Balance Sheet date is given up to the date the accounts are authorised for issue.

SUBJECT TO AUDIT

## 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.

Restated 2022/23					2023/24				
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
3,073	344	-	-	-	(2,172)	(68)	-	-	-
(3,798)	-	-	-	-	251	-	-	-	-
(131)	(5)	-	-	-	29	4	-	-	-
3,047	8,002	-	-	-	2,083	11,525	-	-	-
(256)	-	-	-	-	80	-	-	-	-
8	1	-	-	-	-	1	-	-	-
1,943	8,342	-	-	-	271	11,462	-	-	-

**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**

Restated 2022/23					2023/24				
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>				
(37)	(2,419)	-	-	2,456					
2,786	1,781	-	-	-					
-	17	-	-	(17)					
(1,740)	(3,443)	-	4,190	-					
1	-	-	-	(1)					
-	(3,294)	3,294	-	-					
(201)	(1,414)	-	-	-					
-	-	-	-	-					
993	-	-	-	-					
(2,191)	(43)	-	-	-					
(389)	(8,815)	3,294	4,190	2,438					
					<b>Total Adjustments between Revenue and Capital Resources</b>				
					(2,522)	(7,516)	3,714	2,972	531
					<b>Adjustments to Capital Resources</b>				
-	-	-	-	-					
-	-	(3,939)	-	-					
-	-	-	(4,116)	-					
-	-	-	-	2					
-	-	(3,939)	(4,116)	2					
					<b>Total Adjustments to Capital Resources</b>				
					-	-	(4,163)	(3,205)	(1,385)
					<b>Total Adjustments</b>				
					(2,251)	3,946	(449)	(233)	(854)

## 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 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31 March 2023 £000	Transfers Out 2023/24 £000	Transfers In 2023/24 £000	Balance at 31 March 2024 £000
<b>General Fund:</b>							
Revenue Commitments Reserve	14,745	(14,661)	17,084	17,168	(13,660)	14,972	18,480
Capital Commitments Reserve	3,877	(3,908)	2,077	2,046	(2,046)	1,228	1,228
Forecast Risk Fund	3,205	(431)	541	3,315	(304)	3,415	6,426
Asset Refurbishment/Replacement Reserve	1,269	(250)	-	1,019	-	-	1,019
Benefit Reserve	1,000	-	-	1,000	-	-	1,000
Building for the Future Reserve	1,654	-	686	2,340	(2,340)	-	-
Business Rate Resilience Reserve	4,998	(3,528)	-	1,470	-	289	1,759
Commuted Sums Reserve	507	(22)	-	485	(32)	145	598
Crematorium Reserve	154	(154)	-	-	(11)	240	229
Election Reserve	60	-	30	90	(120)	30	-
Haven Gateway Partnership Reserve	75	-	-	75	-	-	75
Leisure Capital Projects Reserve	51	(36)	50	65	(97)	39	7
Planning Inquiries and Enforcement Reserve	59	(20)	-	39	(20)	-	19
Section 106 Agreements Reserve	2,417	(390)	1,213	3,240	(458)	512	3,294
<b>Total General Fund Earmarked Reserves</b>	<b>34,071</b>	<b>(23,400)</b>	<b>21,681</b>	<b>32,352</b>	<b>(19,088)</b>	<b>20,870</b>	<b>34,134</b>
General Fund Balance	4,000	-	-	4,000	-	-	4,000
<b>Total General Fund</b>	<b>38,071</b>	<b>(23,400)</b>	<b>21,681</b>	<b>36,352</b>	<b>(19,088)</b>	<b>20,870</b>	<b>38,134</b>

	Balance at 1 April 2022	Transfers Out 2022/23	Restated Transfers In 2022/23	Balance at 31 March 2023	Transfers Out 2023/24	Transfers In 2023/24	Balance at 31 March 2024
	£000	£000	£000	£000	£000	£000	£000
<b>Housing Revenue Account:</b>							
General Reserve	4,246	(195)	762	4,813	(644)	-	4,169
Housing Revenue Account Commitments Reserve	956	(956)	1,527	1,527	(1,527)	2,267	2,267
<b>Total Housing Revenue Account</b>	<b>5,202</b>	<b>(1,151)</b>	<b>2,289</b>	<b>6,340</b>	<b>(2,171)</b>	<b>2,267</b>	<b>6,436</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) Benefit Reserve**

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

**vi) Building for the Future Reserve**

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

**vii) Business Rates Resilience Reserve**

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

**viii) Commuted Sums Reserve**

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

**ix) Crematorium Reserve**

To finance future ongoing maintenance costs to the crematorium plant and equipment at Weeley.

**x) Election Reserve**

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

**xi) Haven Gateway Partnership Reserve**

To support the costs associated with the Haven Gateway Partnership.

**xii) Leisure Capital Projects Reserve**

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

**xiii) Planning Inquiries and Enforcement Reserve**

To meet associated costs relating to planning services.

**xiv) 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**

Restated 2022/23 £000		2023/24 £000
97,258	Revaluation Reserve	116,541
135,340	Capital Adjustment Account	135,419
34,791	Pensions Reserve	(1,252)
1,810	Collection Fund Adjustment Account	1,559
(152)	Other Unusable Reserves	(185)
<hr/>		<hr/>
269,047		252,082
<hr/>		<hr/>

### a) Revaluation Reserve

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

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

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

Restated 2022/23			2023/24	
£000	£000		£000	£000
	90,230	<b>Balance at 1 April</b>		97,258
15,229		Upward revaluation of assets	23,873	
		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,397)	
(3,469)				
	11,760	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		21,476
(1,720)		Difference between fair value depreciation and historical cost depreciation	(2,023)	
(3,012)		Accumulated gains on assets sold or scrapped	(170)	
	(4,732)	Amount written off to the Capital Adjustment Account		(2,193)
	97,258	<b>Balance at 31 March</b>		116,541

### 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.

Restated 2022/23			2023/24	
£000	£000		£000	£000
	134,073	<b>Balance at 1 April</b>		135,340
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(11,049)		Charges for depreciation, revaluation and impairment of non-current assets	(13,608)	
256		Movement in Investment Property Values	(80)	
(9)		Amortisation of Intangible Assets	(1)	
(993)		Revenue expenditure funded from capital under statute	(1,421)	
		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	(450)	
(4,567)				
<u>(16,362)</u>			<u>(15,560)</u>	
4,732		Adjusting amounts written out of the Revaluation Reserve	2,194	
	(11,630)	Net written out amount of the cost of non-current assets consumed in the year		(13,366)
		Termination of Finance Lease Transfer from Deferred Capital Receipts		-
		Capital financing applied in the year:		
		Use of the Capital Receipts Reserve to finance new capital expenditure	1,385	
3,939		Use of the Major Repairs Reserve to finance new capital expenditure	4,163	
5,109		Application of grants, donated assets and contributions to capital financing	4,626	
1,615		Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances	1,607	
2,234		Capital expenditure charged against General Fund or HRA	1,664	
	12,897	Total amount of capital financing applied in the year		13,445
	<u>135,340</u>	<b>Balance at 31 March</b>		<u>135,419</u>

**c) Pensions Reserve**

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

2022/23			2023/24	
£000	£000		£000	£000
	(18,370)	<b>Balance at 1 April</b>		34,791
	56,578	Remeasurements of the net defined benefit liability (asset)		(38,283)
(6,362)		Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(1,411)	
2,945		Employer's pensions contributions and direct payments to pensioners payable in the year	3,651	
	(3,417)	Total adjustments to revenue resources		2,240
	<u>34,791</u>	<b>Balance at 31 March</b>		<u>(1,252)</u>

**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 2022</b>	594	(2,582)	(1,988)
Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	113	3,685	3,798
<b>Balance at 31 March 2023</b>	707	1,103	1,810
<b>Balance at 1 April 2023</b>	707	1,103	1,810
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory	(627)	376	(251)
<b>Balance at 31 March 2024</b>	80	1,479	1,559

## 11 Other Operating Expenditure

2022/23		2023/24
£000		£000
2,273	Parish Council Precepts	2,378
1	Payments to the Government Housing Capital Receipts Pool	-
2,128	(Gains)/losses on the disposal of non-current assets	(82)
<u>4,402</u>	Total	<u>2,296</u>

## 12 Financing and Investment Income and Expenditure

2022/23		2023/24
£000		£000
1,301	Interest payable and similar charges	1,252
430	Net interest on the defined benefit liability (asset)	(1,752)
(1,638)	Interest receivable and similar income	(4,229)
(256)	Movement in Investment Property Values	80
(224)	Rental Income from Investment Property	(228)
<u>(387)</u>	Total	<u>(4,877)</u>

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

2022/23		2023/24
£000		£000
11,823	Council tax income	11,831
9,951	Retained Business Rates Income	12,571
(6,235)	Business Rates Tariff and Levy	(7,480)
9,083	Non-Ringfenced Government Grants	8,344
4,190	Capital Grants, Contributions and Donated Assets	2,972
<u>28,812</u>	Total	<u>28,238</u>

Further details for the Non-Ringfenced and Capital Grants disclosed above are provided on note 23.

## 14 Property, Plant and Equipment

### a) Movement on Balances

Movements in 2023/24	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 2023	167,415	59,483	6,359	59,851	558	46	3,597	297,309
Additions	4,222	863	508	521	58	-	4,245	10,417
Accumulated depreciation and impairment written off to Gross Carrying Amount	(1,761)	(631)	-	-	-	-	-	(2,392)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	18,170	3,421	-	-	-	3	-	21,594
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,880)	(3,568)	-	-	-	-	-	(7,448)
Derecognition - Disposals	(386)	(67)	(154)	-	-	-	-	(607)
Assets reclassified (to)/from Assets Held for Sale	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Assets Under Construction	-	5,550	-	-	-	-	(5,550)	-
Other Movements in cost or valuation	(349)	-	-	-	(27)	-	-	(376)
At 31 March 2024	183,431	65,051	6,713	60,372	589	49	2,292	318,497

<b>Movements in 2023/24</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 2023	(440)	(230)	(4,617)	(23,847)	(35)	-	-	(29,169)
Depreciation Charge for 2023/24	(3,498)	(764)	(402)	(1,155)	(1)	-	-	(5,820)
Accumulated depreciation written off to Gross Carrying Amount	1,761	631	-	-	-	-	-	2,392
Impairment losses/(reversals) recognised in the Revaluation Reserve	(49)	(68)	-	-	-	-	-	(117)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(48)	(18)	-	-	-	-	-	(66)
Derecognition - Disposals	3	-	154	-	-	-	-	157
Derecognition - Other								-
Other Movements in depreciation and impairment	349	-	-	-	27	-	-	376
At 31 March 2024	(1,922)	(449)	(4,865)	(25,002)	(9)	-	-	(32,247)
<b>Net Book Value</b>								
at 31 March 2024	181,509	64,602	1,848	35,370	580	49	2,292	286,250
at 1 April 2023	166,975	59,253	1,742	36,004	523	46	3,597	268,140

### Restated Comparative Movements in 2022/23

	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 2022	161,771	58,206	6,558	58,873	550	2,415	382	288,755
Additions	4,256	1,390	279	1,102	8	-	3,215	10,250
Accumulated depreciation and impairment written off to Gross Carrying Amount	(3,244)	(863)	-	-	-	(15)	-	(4,122)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	9,203	2,542	-	-	-	15	-	11,760
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,625)	386	-	-	-	-	-	(4,239)
Derecognition - Disposals	(946)	(2,178)	(478)	(124)	-	(1,546)	-	(5,272)
Assets reclassified (to)/fromt Assets Held for Sale	1,000	-	-	-	-	(823)	-	177
At 31 March 2023	167,415	59,483	6,359	59,851	558	46	3,597	297,309

### Restated Comparative Movements in 2022/23

	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 2022	(438)	(489)	(4,663)	(21,591)	(35)	-	-	(27,216)
Depreciation Charge for 2022/23	(3,251)	(687)	(428)	(2,380)	-	(29)	-	(6,775)
Accumulated depreciation written off to Gross Carrying Amount	3,244	863	-	-	-	15	-	4,122
Derecognition - Disposals	5	83	474	124	-	14	-	700
At 31 March 2023	(440)	(230)	(4,617)	(23,847)	(35)	-	-	(29,169)
<b>Net Book Value</b>								
at 31 March 2023	166,975	59,253	1,742	36,004	523	46	3,597	268,140
at 1 April 2022	161,333	57,717	1,895	37,282	515	2,415	382	261,539

## 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 2023/24 on a straight-line basis over the expected life of the Council's non-current assets after allowing for residual values, based on information provided by the Council's valuer.

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

- Council Dwellings – 30 years.
- Other Buildings – Up to a maximum of 70 years, depending on the asset, its location and type of construction, as set out in the table below:

Life	Asset Categories
56 years	Car park buildings
50-54 years	Beach changing kiosks, beach huts, chapels, crematorium, deck chair kiosks, depots and industrial properties, garages, kiosks, Princes Theatre, pavilions, miscellaneous properties, museums, offices, public halls, swimming pools
49 years	Public conveniences, former public conveniences
41-50 years	Historic buildings, bandstand
39 years	Seafront shelters
25 years	All weather pitch, roller skating rink
46 years	Clacton Leisure Centre

- Land – this is not depreciated.
- Vehicles, Plant, Furniture and Equipment – 4 to 20 years.
- Infrastructure – 20 to 75 years.

## c) Capital Commitments

At 31 March 2024, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment with 2024/25 and future years budgeted to cost £3.855 million. Similar commitments as 31 March 2023 were £1.241 million.



#### d) Revaluations

A desk top revaluation of the Council's Housing Stock and General Fund was undertaken as at 30 September 2023 by P C Smith, BSc (Hons) MRICS, IRRV (Hons) RICS Registered Valuer, Associate Partner of Wilks Head and Eve LLP in accordance with the following guidance:

- CIPFA Code 2023/24
- International Financial Reporting Standards (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 2023 to 31 March 2024 of all the Authority's non-current assets. The Council considers the range of movements identified to be immaterial overall so they are not reflected in the Balance Sheet. The Supplementary Financial Statement for the HRA sets out additional valuation details relating to the Council's housing stock.

#### 15 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.

2022/23		2023/24
£000		£000
(224)	Rental Income from Investment Property	(228)
<u>(224)</u>	Net gain/loss	<u>(228)</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:

2022/23		2023/24
£000		£000
2,108	Balance at start of year	2,364
256	Net Gains/(losses) from fair value adjustments	(80)
<u>2,364</u>	Balance at end of the year	<u>2,284</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, Wilks Head and Eve, to arrive at the fair value using this approach.

For further details of the Valuers used see Note 14 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.

**16 Financial Instruments**

**a) Categories of Financial Instruments**

Restated Long Term 31 March 2023 £000	Restated Current 31 March 2023 £000		Long Term 31 March 2024 £000	Current 31 March 2024 £000
		<b>Financial assets at amortised cost</b>		
-	74,351	Investments	-	68,001
271	3,939	Trade and other receivables	271	3,036
-	6,820	Cash and Cash Equivalents	-	7,102
<u>271</u>	<u>85,110</u>	<b>Total Financial Assets at amortised cost</b>	<u>271</u>	<u>78,139</u>
		<b>Financial liabilities at amortised cost</b>		
33,277	1,693	Borrowing from Public Works Loan Board (PWLB)	30,841	2,694
960	-	Section 106 agreements	937	-
-	4,985	Trade and other payables	-	4,806
<u>34,237</u>	<u>6,678</u>	<b>Total Financial Liabilities at amortised cost</b>	<u>31,778</u>	<u>7,500</u>

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

## b) Reclassifications

There have been no reclassifications of financial assets or liabilities in 2023/24.

## c) Income, Expense, Gains and Losses

2022/23			2023/24		
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
1,272	-	1,272	1,217	-	1,217
-	8	8	-	7	7
<b>1,272</b>	<b>8</b>	<b>1,280</b>	<b>1,217</b>	<b>7</b>	<b>1,224</b>
<b>Total expense in Surplus or Deficit on the Provision of Services</b>			<b>Total expense in Surplus or Deficit on the Provision of Services</b>		
-	(1,638)	(1,638)	-	(4,229)	(4,229)
<b>-</b>	<b>(1,638)</b>	<b>(1,638)</b>	<b>-</b>	<b>(4,229)</b>	<b>(4,229)</b>
<b>Total income in Surplus or Deficit on the Provision of Services</b>			<b>Total income in Surplus or Deficit on the Provision of Services</b>		
<b>1,272</b>	<b>(1,630)</b>	<b>(358)</b>	<b>1,217</b>	<b>(4,222)</b>	<b>(3,005)</b>
<b>Net (gain)/loss for the year</b>			<b>Net (gain)/loss for the year</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 2023			31 March 2024		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000	£000		£000	£000	
34,970	35,671	PWLB borrowing	33,535	32,463	
960	960	Long term Section 106 agreements	937	937	
5,529	5,529	Trade and other payables	4,805	4,805	

The fair value of PWLB loans of £33.535 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.

Restated 31 March 2023			31 March 2024		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000	£000		£000	£000	
74,351	74,351	Investments	68,001	68,001	
271	271	Long term trade and other receivables	271	271	
3,939	3,939	Short term trade and other receivables	3,036	3,036	

## 17 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 2023/24 was £102.445 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. This is because investments are all held at amortised cost.

The Authority allows credit for some customers where payment in advance of service provision is not practicable. £0.409 million of the £1.247 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;

2022/23		2023/24
£000		£000
78	Less than three months	101
34	Three to six months	10
36	Six months to one year	33
234	More than one year	265
382		409
382		409

Impairments of Sundry Debtors at 31 March 2024 totalled £0.569 million (£0.541 million at 31 March 2023).

## **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:

2022/23				2023/24		
Principal	Interest	Total		Principal	Interest	Total
£000	£000	£000		£000	£000	£000
1,422	1,217	2,639	Less than one year	2,881	1,147	4,028
2,623	1,147	3,770	Between one and two years	2,421	1,056	3,477
5,932	2,938	8,870	Between two and five years	4,601	2,764	7,365
5,067	4,110	9,177	Between five and ten years	4,684	3,972	8,656
3,191	3,522	6,713	Between ten and fifteen years	2,850	3,434	6,284
16,464	9,496	25,960	More than fifteen years	16,098	8,840	24,938
<u>34,699</u>	<u>22,430</u>	<u>57,129</u>		<u>33,535</u>	<u>21,213</u>	<u>54,748</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 2024 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 2024, 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	339
Increase in interest receivable on variable rate investments	(869)
	<u>(530)</u>
Impact on Surplus or Deficit on the Provision of Services	<u>(530)</u>
Share of overall impact relating to the HRA	<u>425</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.

## 18 Assets Held for Sale

The Council offices and depot at Weeley ceased operational use at the end of 2021/22 when they were reclassified as surplus. In April 2023 the Council decided on disposal to a developer for housing in return for 9 Council dwellings. Therefore, the buildings have been disposed of at nil consideration and the land has transferred to Assets Held for Sale at 31 March 2023. The legal agreement with the developer is still being finalised but is expected to be completed by 31 March 2025.

2022/23			2023/24	
£000			£000	
1,000	Balance Brought Forward			823
823	Assets reclassified to held for sale in year			-
(1,000)	Assets declassified from held for sale in year			-
<u>823</u>	<b>Balance carried forward</b>			<u>823</u>

## 19 Debtors

Restated 2022/23				2023/24		
Gross Amount	Impairment Allowance	Net		Gross Amount	Impairment Allowance	Net
£000	£000	£000		£000	£000	£000
484	(280)	204	Council tenants arrears	571	(295)	276
3,799	(562)	3,237	Trade debtors	2,906	(590)	2,316
1,992	(1,494)	498	Housing benefit overpayments	1,775	(1,331)	444
			Business rates and Council			
3,567	(1,756)	1,811	Tax Payers	3,849	(2,441)	1,408
			Amounts due from government			
			and preceptors for Business			
1,337	-	1,337	Rates and Council Tax	3,307	-	3,307
			Other amounts due from			
3,296	-	3,296	government	1,110	-	1,110
8	-	8	Other	26	-	26
<u>14,483</u>	<u>(4,092)</u>	<u>10,391</u>	<b>Balance at 31 March</b>	<u>13,544</u>	<u>(4,657)</u>	<u>8,887</u>

## 20 Cash and Cash Equivalents

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

2022/23			2023/24	
£000			£000	
	Current Assets:			
1,264	Bank current accounts			1,261
5,547	Call accounts			5,833
9	Petty cash			8
<u>6,820</u>				<u>7,102</u>

## 21 Creditors

Restated 2022/23		2023/24
£000		£000
330	Council tenants	395
4,124	Trade creditors	4,071
861	Capital creditors	735
	Amounts due to government and preceptors for Business Rates and Council	
5,430	Tax	3,840
11,278	COVID-19 grant funding	-
7,807	Other amounts due to government and preceptors	11,050
1,045	Receipts in Advance for Council Tax and Business Rates	797
5	Other	5
<u>30,880</u>	<b>Balance at 31 March</b>	<u>20,893</u>

## 22 Expenditure and Income Analysed by Nature

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

Restated 2022/23		2023/24
£000		£000
	<b>Expenditure</b>	
22,820	Employee Expenses	21,893
69,182	Other Services Expenses	74,014
11,030	Depreciation, Amortisation, Impairment	13,341
(256)	Movement in Investment Property Values	80
1,301	Interest Payable and Similar Charges	1,252
430	Pension Interest and Return on Pension Assets	-
2,273	Precepts and Levies	2,378
1	Payments to Housing Capital Receipts Pool	-
4,584	Loss on the Disposal of Non-Current Assets	459
<u>111,365</u>	<b>Total Expenditure</b>	<u>113,417</u>
	<b>Income</b>	
(35,724)	Fees and Charges and Other Service Income	(36,561)
(2,457)	Gain on Disposal of Non-Current Assets	(541)
(1,862)	Interest and Investment Income	(4,457)
-	Pension Interest and Return on Pension Assets	(1,752)
(11,823)	Income from Council Tax	(11,831)
(9,951)	Income from Business Rates	(12,571)
(47,886)	Government Grants and Contributions	(45,886)
<u>(109,703)</u>	<b>Total Income</b>	<u>(113,599)</u>
<u>1,662</u>	<b>(Surplus) or Deficit on the Provision of Services</b>	<u>(182)</u>



## 23 Grant Income

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

2022/23 £000		2023/24 £000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
<i>Non-Ringfenced Grants:</i>		
445	Revenue Support Grant	719
231	Lower Tier Services Grant	-
349	Services Grant	205
-	Funding Guarantee	767
1,595	New Homes Bonus Grant	735
485	New Burdens Grant	234
4,703	NDR Section 31 Business Rate Grants	5,133
1,213	Section 106 Agreements	509
62	Other Government Grants	42
<b>9,083</b>		<b>8,344</b>
<i>Capital Grants, Contributions and Donated Assets</i>		
Government Funding		
537	- Dept of Levelling Up and Communities	939
2,192	- South East Local Enterprise Partnership	-
973	Local Authority - Essex County Council	1,649
Other Capital Contributions		
403	- Section 106	126
85	- Football Foundation	258
<b>4,190</b>		<b>2,972</b>
<b>Other Significant Grants Credited to Services</b>		
145	Asylum Dispersal Grant	147
70	Apprenticeship Training Grant	64
36,642	Benefits	35,794
100	Big Lottery Funding	25
1,300	Health Partner Initiatives Grants	(184)
196	Collection Investment/Hardship Administration Grant	405
103	Community Safety	44
154	COVID-19 Grants	-
993	Disabled Facilities Grant	1,267
383	Discretionary Energy Grants	(3)
1,064	Major Preceptors - Technical Agreement Contribution	396
978	Homelessness Grants	1,095
2	Levelling Up Fund and Regeneration Schemes	385
200	Supporting People	-
-	Swimming Support Fund	389
106	UK Shared Prosperity Fund	193
103	Urban Tree Challenge	72
<b>42,539</b>		<b>40,089</b>

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:

2022/23 £000		2023/24 £000
<b>Capital Grants Receipts in Advance</b>		
Government Funding:		
523	Dept of Levelling Up and Communities	3,446
152	Home and Communities Agency	-
121	Local Authority Funding	86
<u>796</u>		<u>3,532</u>

## 24 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). The Officers this applies to are deemed to be the Senior Employees listed in Note 26. Material related party transactions which are not disclosed elsewhere in the Statement of Accounts were as follows:

2022/23			2023/24	
Receipts £000	Payments £000		Receipts £000	Payments £000
3,212	1,166	Essex County Council	3,479	934
319	760	Other Local Authorities	441	447
Transactions with organisations related by a declared interest of Council Members or Senior Officers:				
-	-	Teen Talk	-	-
3	-	Other	15	10
<u>3,534</u>	<u>1,926</u>	<b>Total Related Party Transactions</b>	<u>3,935</u>	<u>1,391</u>

## 25 Members' Allowances

The Authority paid £0.469 million to members of the Council during the year (£0.475 million in 2022/23). Full details are available on the Transparency page of the Council's website.

## 26 Officers' Remuneration

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

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

Post Title	note	2023/24			Total Remuneration
		Salary, Fees and Allowances	Total remuneration excluding Pension Contributions	Employer's Contributions to Pension	
		£	£	£	£
Chief Executive		108,513	108,513	-	108,513
Corporate Director - Operations and Delivery		96,137	96,137	21,150	117,287
Assistant Director - Governance		87,464	87,464	19,242	106,706
Assistant Director - Finance and IT		83,734	83,734	18,421	102,155
Assistant Director - Partnerships		73,768	73,768	16,229	89,997
Assistant Director - Strategic Planning and Place		77,370	77,370	17,022	94,392
Corporate Director - Place and Economy		98,245	98,245	21,614	119,859

Post Title	note	2022/23			Total Remuneration
		Salary, Fees and Allowances	Total remuneration excluding Pension Contributions	Employer's Contributions to Pension	
		£	£	£	£
Chief Executive		105,380	105,380	-	105,380
Corporate Director - Operations and Delivery		90,514	90,514	18,193	108,707
Assistant Director - Governance		82,570	82,570	16,597	99,167
Assistant Director - Finance and IT		79,280	79,280	15,935	95,215
Assistant Director - Partnerships		69,648	69,648	13,999	83,647
Assistant Director - Strategic Planning		74,485	74,485	14,971	89,456
Corporate Director - Place and Economy	1	61,697	61,697	12,401	74,098

#### Notes

1. Post appointed to on 1 August 2022.

### 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:

2022/23 Number of Total	Remuneration Band	2023/24 Number of Total
7	£50,000 - £54,999	9
1	£55,000 - £59,999	4
1	£60,000 - £64,999 *	3
3	£65,000 - £69,999	4
1	£70,000 - £74,999	2
-	£75,000 - £79,999	1
1	£80,000 - £84,999	-
1	£105,000 - £109,999 **	-

\* This band includes the financial strain payment referred to in note c) below.

\*\* In 2022/23 this band included the £51,508 exit package in note c) below

Where the £5,000 bands included no officers in both 2022/23 and 2023/24, 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)	2023/24			
	Number of compulsory redundancies	Number of other departures agreed	Total Number of exit packages by cost band	Total cost of exit packages in each band £
£0 - £20,000	-	1	1	1,535
£20,001-40,000	-	-	-	-
£60,001-80,000*	-	-	-	60,822
<b>Total cost included in Comprehensive Income and Expenditure Statement</b>				<b>62,357</b>

The 1 exit package of £1,535 listed above was paid in 2023/24 and was due to a redundancy.

\* The £60,822 payment listed above was the financial strain payable to the pension fund for the exit package of £24,978 accrued in financial year 2022/23. This was due to the pension fund rather than the individual directly.

Exit package cost band (including special payments)	2022/23			
	Number of compulsory redundancies	Number of other departures agreed	Total Number of exit packages by cost band	Total cost of exit packages in each band £
£0 - £20,000	-	1	1	1,000
£20,001-40,000	-	1	1	24,978
£60,001-80,000	-	1	1	51,508
<b>Total cost included in Comprehensive Income and Expenditure Statement</b>				<b>77,486</b>

Of the 3 exit packages listed above 2 were accrued in the financial year 2022/23 but will be paid in 2023/24. Of the total of £77,486 paid, £75,934 was due to redundancy and £1,552 was due to financial strain payable to the Pension Fund rather than to an individual directly.

## **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:

2022/23 Local Government Pension Scheme £000		2023/24 Local Government Pension Scheme £000
	<b>Comprehensive Income and Expenditure Statement</b>	
	<b>Cost of Services</b>	
	<i>Service cost comprising:</i>	
5,831	Current service cost	2,931
-	Past service costs	112
-	(gain)/loss from settlements	-
101	Administration Expenses	120
	<i>Financing and Investment Income and Expenditure</i>	
430	Net interest expense	(1,752)
6,362	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	1,411
	<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	
	<i>Remeasurement of the net defined benefit liability comprising:</i>	
3,905	Return on plan assets (excluding the amount included in the net interest expense)	(12,898)
-	Actuarial gains and losses arising on changes in demographic assumptions	(1,970)
(75,838)	Actuarial gains and losses arising on changes in financial assumptions	(3,116)
15,355	Experience gains and losses on defined benefit obligation	363
-	Changes in effect of Asset Ceiling	55,904
-	Other Actuarial gains and losses on assets	-
(50,216)	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	39,694
	<b>Movement in Reserves Statement</b>	
(6,362)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(1,411)
	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	
2,945	Employer's contributions payable to scheme	3,651

**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:

2022/23			2023/24	
Local Government Pension Scheme			Local Government Pension Scheme	
£000			£000	
137,927	Present value of the defined benefit obligation		137,347	
(172,718)	Fair Value of plan assets		(191,999)	
-	Impact of Asset Ceiling		55,904	
<b>(34,791)</b>	<b>Net liability (asset) arising from defined benefits obligation</b>		<b>1,252</b>	

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

2022/23			2023/24	
Local Government Pension Scheme			Local Government Pension Scheme	
£000			£000	
175,458	Opening fair value of scheme assets		172,718	
4,520	Interest income		8,249	
	<i>Remeasurement gain/(loss):</i>			
	The return of plan assets, excluding the amount included in the net			
(3,905)	interest expense		12,898	
-	Other actuarial gains/(losses)		-	
2,945	Contributions from employers		3,651	
889	Contributions from employees into the scheme		1,003	
(7,088)	Benefits paid		(6,400)	
-	Other - Settlement prices received / (paid)		-	
(101)	Other - Administration		(120)	
<b>172,718</b>	<b>Closing fair value of scheme assets</b>		<b>191,999</b>	

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)**

2022/23			2023/24	
Local Government Pension Scheme			Local Government Pension Scheme	
£000			£000	
193,828	Opening Balance at 1 April		137,927	
5,831	Current service cost		2,931	
4,950	Interest cost		6,497	
889	Contributions from scheme participants		1,003	
	<i>Remeasurement (gain)/loss:</i>			
	Actuarial gains/losses arising from changes in demographic assumptions		(1,970)	
(75,838)	Actuarial gains/losses arising from changes in financial assumptions		(3,116)	
15,355	Experience gains and losses on defined benefit obligation		363	
-	Past service cost		112	
(7,088)	Benefits paid		(6,400)	
-	Liabilities extinguished on settlements			
<b>137,927</b>	<b>Closing Balance at 31 March</b>		<b>137,347</b>	

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

2022/23				2023/24		
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
-	5,571	5,571	<b>Fair Value of Scheme Assets</b>	-	4,736	4,736
-	-	-	Cash and cash equivalents	-	-	-
90,851	-	90,851	Equities - UK	98,095	-	98,095
			Equities - Overseas			
2,526	-	2,526	Gilts UK index Linked Government Securities	3,430	-	3,430
-	-	-	Bonds - Corporate (UK)	-	-	-
3,278	10,868	14,146	Property	2,881	10,371	13,252
-	8,636	8,636	Private Equity	-	8,255	8,255
-	17,821	17,821	Infrastructure	-	18,697	18,697
-	6,055	6,055	Timber	-	6,487	6,487
-	3,460	3,460	Private Debt	-	4,007	4,007
-	23,652	23,652	Other Managed Funds	-	35,040	35,040
<b>96,655</b>	<b>76,063</b>	<b>172,718</b>		<b>104,406</b>	<b>87,593</b>	<b>191,999</b>



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

Liabilities have been assessed on an actuarial basis using the projected unit 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 2022 which has been rolled forward using financial assumptions that comply with IAS19.

Regulations in respect of the McCloud and Sargent judgements mentioned within last year's accounts came into force on the 1 October 2023. An allowance for the McCloud remedy has been made in the above liabilities where necessary, which is consistent with the method adopted at the last actuarial valuation.

The significant assumptions used by the actuary have been:

2022/23 Local Government Pension Scheme		2023/24 Local Government Pension Scheme
	<i>Mortality assumptions:</i>	
	Longevity at 65 for current pensioners:	
21.1	Men	20.8
23.5	Women	23.3
	Longevity at 65 for future pensioners:	
22.3	Men	22.0
25.0	Women	24.7
2.95%	Rate of inflation - CPI Increases	2.90%
3.95%	Rate of increase in salaries	3.90%
2.95%	Rate of increase in pensions	2.90%
4.80%	Rate for discounting scheme liabilities	4.90%

The demographic assumptions used are in line with those used for the most recent fund valuation, which was carried out as at 31 March 2022. For the assumptions as at 31 March 2024 the CMI\_2022 model has been used, which is a change from last year where the CMI\_2021 model was used.

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>Defined Benefit Obligation in the Scheme</b>		
Longevity (increase or decrease in 1 year - mortality age rating)	143,420	131,564
Rate of increase in salaries (increase or decrease by 0.1%)	137,509	137,187
Rate of increase in pensions (increase or decrease by 0.1%)	139,243	135,498
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	135,377	139,367

#### **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 2025.

The authority expects to pay contributions totalling £3.714 million to the scheme in 2024/25.

The weighted average duration of the defined benefit obligation for scheme members is 15 years, 2023/24 (16 years 2022/23).

## 28 External Audit Costs

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

2022/23		2023/24
£000		£000
65	Fees payable with regard to external audit services carried out by the appointed auditor for the year	162
20	Fees paid in respect of other services provided by the external auditor during the year *	15
<b>85</b>	<b>Total Audit Fees Payable</b>	<b>177</b>

\* This reflects the non-statutory work eg, certification of Government Claims>Returns

## 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.

2022/23		2023/24
£000		£000
41,798	<b>Opening Capital Financing Requirement</b>	40,183
	Capital Investment:	
10,289	Property, Plant and Equipment	10,417
993	Revenue expenditure funded from capital under statute	1,421
	Sources of Finance:	
-	Capital receipts	(1,386)
(5,109)	Government grants and other contributions	(4,624)
(3,939)	Major Repairs Reserve	(4,164)
	Sums set aside from revenue:	
(2,234)	Direct revenue contributions	(1,664)
(201)	MRP/loans fund principal	(193)
(1,414)	Voluntary MRP - HRA	(1,414)
<b>40,183</b>	<b>Closing Capital Financing Requirement</b>	<b>38,576</b>
	<b>Explanation of movements in year</b>	
(1,615)	Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	(1,607)
<b>(1,615)</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(1,607)</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:

2022/23		2023/24
£000		£000
456	Not later than one year	418
1,387	Later than one year and not later than five years	1,326
3,653	Later than five years	3,554
<hr/>		<hr/>
5,496		5,298
<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 2024

Restated 2022/23 £000		2023/24 £000	£000	Note Ref
	<b>EXPENDITURE</b>			
4,469	Repairs and Maintenance	5,482		
2,970	Supervision and Management	3,568		
133	Rents, Rates, Taxes and Other Charges	89		
7,974	Depreciation and Impairments of Non-Current Assets	11,256		5,6
66	Debt Management Costs	72		
89	Movement in the allowance for bad debts	36		
1	Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	1		
15,702	<b>Total Expenditure</b>		20,504	
	<b>INCOME</b>			
(13,533)	Dwelling rents	(14,589)		
(245)	Non dwelling rents	(306)		
(587)	Charges for Services and Facilities	(646)		
(279)	Contributions towards expenditure	(74)		
(14,644)	<b>Total Income</b>		(15,615)	
1,058	Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		4,889	
276	HRA Share of Corporate and Democratic Core		276	
1,334	<b>Net Expenditure / (Income) for HRA Services</b>		5,165	
	<b>HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:</b>			
(621)	(Gain) or loss on sale of HRA Non-current Assets		(30)	
1,262	Interest Payable and Similar Charges		1,208	
(3,443)	Capital Grants and Contributions Receivable		(2,069)	
(143)	Interest and Investment Income		(424)	
(1,611)	<b>(Surplus) / Deficit for the year on HRA Services</b>		3,850	

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

Restated 2022/23		2023/24	
£000		£000	£000
4,246	Balance on the HRA as at the end of the previous year		4,812
1,610	Surplus or (Deficit) on the HRA Income and Expenditure Statement	(3,850)	
	Adjustments between accounting basis and funding basis under regulations:		
4,708	Reversal of Revaluation Changes and Impairment	7,968	
1	Reversal of Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	1	
(621)	Reversal of (Gain) or Loss on sale of HRA Non-current assets	(30)	
(3,443)	Reversal of Capital Grants and Contributions Receivable	(2,069)	
(5)	Reversal of Short Term Accumulating Compensated Absences	4	
(43)	Capital Expenditure Funded by the HRA	(288)	
(1,414)	Debt Repayment & Credit arrangements	(1,414)	
344	HRA share of contributions to or from the Pension Reserve	(68)	
1,137	Net increase or (decrease) before transfer to or from Reserves	254	
	Transfer (to) or from Reserves:		
-	Transfer (to)/from Major Repairs Reserves	(158)	
(571)	Transfers (to)/from Earmarked Reserves	(740)	
566	Increase or (decrease) in year on the HRA		(644)
<u>4,812</u>	<b>Balance on the HRA as at 31 March</b>		<u>4,168</u>

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

### 1 Housing Revenue Account Balances

#### HOUSING REVENUE ACCOUNT RESERVES

Restated 2022/23			2023/24		
Housing Revenue Account £000	Housing Commitments Reserve £000	Total £000	Housing Revenue Account £000	Housing Commitments Reserve £000	Total £000
4,246	956	5,202	4,813	1,527	6,340
567	571	1,138	(644)	740	96
<b>4,813</b>	<b>1,527</b>	<b>6,340</b>	<b>4,169</b>	<b>2,267</b>	<b>6,436</b>

**Balances as at 31 March**

## 2 Housing Assets

As at 31 March 2024, the Council was responsible for managing the following council housing assets:

01/04/2022					31/03/2023					01/04/2023					31/03/2024							
Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value		Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value		
					£000						£000						£000					
1,449	2	6	1,445	58,186		1,445	5	5	1,445	61,270	1,445	5	5	1,445	61,270	1,445	5	5	1,445	61,270		
995	21	8	1,008	76,085	<b>Dwellings</b>	1,008	6	2	1,012	84,597	1,008	6	2	1,012	84,597	1,008	6	2	1,012	84,597		
345	-	-	345	23,574	Flats	345	-	-	345	26,315	345	-	-	345	26,315	345	-	-	345	26,315		
290	-	-	290	8,223	Houses	290	-	-	290	8,347	290	-	-	290	8,347	290	-	-	290	8,347		
9	-	1	8	888	Bungalows	8	-	1	7	964	8	-	1	7	964	8	-	1	7	964		
					Sheltered Accommodation																	
					Do-It-Yourself Shared Ownership (DIYSO)																	
<b>3,088</b>	<b>23</b>	<b>15</b>	<b>3,096</b>	<b>166,956</b>		<b>3,096</b>	<b>11</b>	<b>8</b>	<b>3,099</b>	<b>181,493</b>	<b>3,096</b>	<b>11</b>	<b>8</b>	<b>3,099</b>	<b>181,493</b>	<b>3,096</b>	<b>11</b>	<b>8</b>	<b>3,099</b>	<b>181,493</b>		
					<b>Other Land and Buildings</b>																	
62	-	-	62	2,002	Shared Equity Plots of Land	62	-	2	60	1,965	62	-	2	60	1,965	62	-	2	60	1,965		
361	-	-	361	1,363	Garages	361	1	-	362	1,349	361	1	-	362	1,349	361	1	-	362	1,349		
429	-	-	429	95	Ground Rents re: sold council flats	429	-	-	429	95	429	-	-	429	95	429	-	-	429	95		
1	-	-	1	485	Community Centre	1	-	-	1	505	1	-	-	1	505	1	-	-	1	505		
5	-	-	5	486	Other non-domestic properties	5	1	-	6	1,733	5	1	-	6	1,733	5	1	-	6	1,733		
14	1	1	14	1,627	Land	14	-	-	14	2,121	14	-	-	14	2,121	14	-	-	14	2,121		
<b>3,960</b>	<b>24</b>	<b>16</b>	<b>3,968</b>	<b>173,014</b>	<b>Totals</b>	<b>3,968</b>	<b>13</b>	<b>10</b>	<b>3,971</b>	<b>189,261</b>	<b>3,968</b>	<b>13</b>	<b>10</b>	<b>3,971</b>	<b>189,261</b>	<b>3,968</b>	<b>13</b>	<b>10</b>	<b>3,971</b>	<b>189,261</b>		



In addition to the above table, the Council also held assets under construction with a balance sheet value of £2.002 million as at 31 March 2024 (2022/23 £3.434 million).

2022/23		2023/24
£000		£000
439,709	Vacant Possession Value *	456,530
(167,047)	Less: Existing Use Values (Social Housing)	(181,509)
<u>272,662</u>	Economic Cost of Providing Social Housing	<u>275,021</u>

\* This is the market value of dwellings as at 31 March 2024.

A desktop revaluation of all HRA assets was undertaken by the external valuer during the year with resulting changes and other adjustments being reflected in the Balance Sheet value as at 31 March 2024.

### 3 Capital Expenditure and Financing

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

2022/23		2023/24
£000		£000
	Capital Investment:	
3,939	Operational Assets	3,025
3,412	Property Acquisition and New Build	5,009
<u>7,351</u>		<u>8,034</u>
	Sources of Finance:	
3,939	Major Repairs Reserve	4,163
43	Direct Revenue Financing	288
328	Section 106 Funding	308
2,756	External Funding	1,505
285	New Homes Bonus	489
-	Capital Receipts	1,281
<u>7,351</u>		<u>8,034</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. For 2023/24 there is no requirement to 'pool' part of the capital receipts received by the Council in respect of Right to Buy sales.

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

2022/23		2023/24
£000		£000
6,535	Balance as at 1 April	8,937
	Capital Receipts in the year:	
1,107	Council house sales (net of administration costs)	432
10	Repayment of Discount on Shared Equity Sales	-
131	DIYSO property sales	-
1,153	Other Land Sales	-
-	Shared Equity Sales of Land	49
2	Mortgage principal repayments	1
<u>8,938</u>		<u>9,419</u>
	Less:	
(1)	Capital receipts pooling contribution payable to the Government	(1)
-	Capital receipts used for financing capital expenditure	(1,281)
<u>8,937</u>	Balance as at 31 March	<u>8,137</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.

2022/23		2023/24
£000		£000
3,234	Dwellings	3,477
17	Do-It-Yourself Shared Ownership (DIYSO)	19
27	Garages	27
8	Community Centre	8
7	Other Non-Domestic Properties	25
1	Equipment	1
<u>3,294</u>	<b>Depreciation Charged to the HRA I &amp; E Account for the Year</b>	<u>3,557</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.

2022/23		2023/24
£000		£000
4,978	Impairment charge for works to the Council's dwelling stock	8,241
(298)	Reversal of previous Impairment Losses due to increase in asset values	(541)
<u>4,680</u>	Impairment charge for the year	<u>7,700</u>

Tendring District Council has elected to recover all losses on non-dwellings from the period 2012-2017 to the HRA Reserve. In 2023/24 there were gains of £0.268 million returned to the HRA Reserve (in 2022/23 there were gains of £0.028 million). The balance currently left to recover is £0.991 million.

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

The rent arrears at 31 March 2024 were £0.572 million (2022/23 - £0.400 million), which equates to 3.73% (2.87% for 2022/23) 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 2024 is £0.295 million after the following movements on the account during 2023/24:

2022/23		2023/24
£000		£000
226	Balance as at 1 April	280
89	Provision for year	36
(35)	Arrears written off	(21)
<u>280</u>	Balance as at 31 March	<u>295</u>

## COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

2022/23			2023/24			Note
Council Tax	Business Rates	Total	Council Tax	Business Rates	Total	Ref
£000	£000	£000	£000	£000	£000	
<b>INCOME</b>						
(100,564)	-	(100,564)	(106,211)	-	(106,211)	2
-	(23,970)	(23,970)	-	(26,872)	(26,872)	3
<b>(100,564)</b>	<b>(23,970)</b>	<b>(124,534)</b>	<b>(106,211)</b>	<b>(26,872)</b>	<b>(133,083)</b>	
<b>EXPENDITURE</b>						
Precepts:						
69,905	-	69,905	74,031	-	74,031	4
3,758	-	3,758	4,098	-	4,098	
10,902	-	10,902	11,918	-	11,918	
11,386	-	11,386	11,981	-	11,981	
Shares of Business Rates Income:						
-	11,777	11,777	-	14,189	14,189	3
-	2,120	2,120	-	2,554	2,554	
-	236	236	-	284	284	
-	9,422	9,422	-	11,351	11,351	
2,704	(8,788)	(6,084)	4,019	767	4,786	5
Other Business Rates Payments:						
-	288	288	-	290	290	
-	70	70	-	(3,676)	(3,676)	
-	359	359	-	445	445	
-	-	-	-	92	92	
Bad Debt and Other Provisions:						
615	(659)	(44)	4,899	54	4,953	6
299	339	638	574	180	754	
-	(408)	(408)	-	(598)	(598)	
<b>99,569</b>	<b>14,756</b>	<b>114,325</b>	<b>111,520</b>	<b>25,932</b>	<b>137,452</b>	
<b>(995)</b>	<b>(9,214)</b>	<b>(10,209)</b>	<b>5,309</b>	<b>(940)</b>	<b>4,369</b>	

Council Tax	2022/23 Business Rates	Total		Council Tax	2023/24 Business Rates	Total	Note Ref
£000	£000	£000		£000	£000	£000	
			<b>Collection Fund Balance</b>				
(4,981)	6,456	1,475	Balance brought forward	(5,976)	(2,758)	(8,734)	
(995)	(9,214)	(10,209)	(Surplus)/Deficit for the year	5,309	(940)	4,369	
<b>(5,976)</b>	<b>(2,758)</b>	<b>(8,734)</b>	<b>Balance Carried Forward</b>	<b>(667)</b>	<b>(3,698)</b>	<b>(4,365)</b>	5
			<b>Allocated to:</b>				
-	(1,379)	(1,379)	Central Government	-	(1,849)	(1,849)	
(4,348)	(248)	(4,596)	Essex County Council	(483)	(333)	(816)	
(236)	(28)	(264)	Essex Fire and Rescue	(27)	(37)	(64)	
(685)	-	(685)	Essex Police and Crime Commissioner	(77)	-	(77)	
(707)	(1,103)	(1,810)	Tendring District Council	(80)	(1,479)	(1,559)	
<b>(5,976)</b>	<b>(2,758)</b>	<b>(8,734)</b>		<b>(667)</b>	<b>(3,698)</b>	<b>(4,365)</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 2023/24 was £1,998.60 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 2023/24

2022/23 Band	Valuation	Pro-portion	Full Charge	Paying 75%	Paying 50%	2nd Homes	Empty Properties	Exempt	Total Excluding LCTS	LCTS Scheme 100%	Total
9	*A Up to £40,000	5/9	10	4	-	-	-	-	14	(3)	11
10,359	A Up to £40,000	6/9	4,638	7,357	20	974	104	501	13,594	(3,083)	10,511
15,426	B £40,001 to £52,000	7/9	9,749	7,246	29	618	50	276	17,968	(2,391)	15,577
19,411	C £52,001 to £68,000	8/9	13,424	7,071	42	632	32	363	21,564	(1,963)	19,601
11,014	D £68,001 to £88,000	9/9	8,286	2,985	46	343	15	171	11,846	(485)	11,361
5,322	E £88,001 to £120,000	11/9	4,250	1,131	37	138	11	60	5,627	(113)	5,514
1,924	F £120,001 to £160,000	13/9	1,590	318	32	61	4	24	2,029	(31)	1,998
866	G £160,001 to £320,000	15/9	700	120	34	37	3	6	900	(8)	892
66	H Over £320,000	18/9	47	1	7	6	3	1	65	-	65
<u>64,397</u>			<u>42,693</u>	<u>26,233</u>	<u>247</u>	<u>2,809</u>	<u>222</u>	<u>1,403</u>	<u>73,607</u>	<u>(8,077)</u>	<u>65,530</u>
51,435	Number of equivalent full charge Band D dwellings (unscaled tax base)										52,629
(1,543)	Less Provision for changes in valuation list, discounts and doubtful debts										(1,579)
<u>49,892</u>	Tax base for tax setting purposes										<u>51,050</u>

\* Band A – entitled to Disabled Relief

## Analysis of the Council Tax

### Council Tax for a Band D Dwelling

2022/23 Average £		2023/24 Average £
	Tendring District Council:	
171.18	General Expenses	175.50
11.46	Special Expenses	12.61
45.56	Town and Parish Councils	46.58
1,401.12	Essex County Council	1,450.17
75.33	Essex Fire and Rescue	80.28
218.52	Essex Police and Crime Commissioner	233.46
<u>1,923.17</u>		<u>1,998.60</u>

### 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:

2022/23		2023/24
£80.332m	Rateable Value on 31 March	£92.336m
	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	2022/23 Business Rates	Total		Council Tax	2023/24 Business Rates	Total
£000	£000	£000		£000	£000	£000
-	(4,394)	(4,394)	<b>Allocated to:</b>	-	383	383
1,966	(791)	1,175	Central Government	2,928	69	2,997
108	(88)	20	Essex County Council	157	8	165
306	-	306	Essex Fire and Rescue	457	-	457
324	(3,515)	(3,191)	Essex Police and Crime Commissioner	477	307	784
			Tendring District Council			
<b>2,704</b>	<b>(8,788)</b>	<b>(6,084)</b>		<b>4,019</b>	<b>767</b>	<b>4,786</b>

Therefore, the year end surplus of £0.667 million (£5.976 million in 2022/23) on Council Tax and the surplus of £3.698 million (£2.758 million in 2022/23) on Business Rates together with balances paid over to precepting authorities in 2024/25, will form part of the assessment made in January 2025.



## 6 Bad Debt and Other Provisions

### Provision for Bad and Doubtful Debt

2022/23			2023/24		
Council Tax £000	Business Rates £000	Total £000	Council Tax £000	Business Rates £000	Total £000
914	(320)	594	5,473	234	5,707
(299)	(339)	(638)	(574)	(180)	(754)
<u>615</u>	<u>(659)</u>	<u>(44)</u>	<u>4,899</u>	<u>54</u>	<u>4,953</u>
5,870	1,610	7,480	6,485	951	7,436
615	(659)	(44)	4,899	54	4,953
<u>6,485</u>	<u>951</u>	<u>7,436</u>	<u>11,384</u>	<u>1,005</u>	<u>12,389</u>

### Provisions for Appeals (Business Rates only)

2022/23		2023/24	
£000		£000	
2,494	Balance Brought Forward	2,086	
(408)	Contributions to provisions in year	(598)	
<u>2,086</u>	<u>Balance Carried Forward</u>	<u>1,488</u>	

# ACCOUNTING POLICIES

## a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2023/24 financial year and its position at the year end of 31 March 2024. 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 2023/24 and the Service Reporting Code of Practice 2024/25, 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 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. All components were derecognised in 2022/23 as the difference in the depreciation charge was not significant.

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. Receipts are 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)), Assistant 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  
2023-24

---

# TENDRING DISTRICT COUNCIL

## ANNUAL GOVERNANCE STATEMENT 2023-24

### 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.**

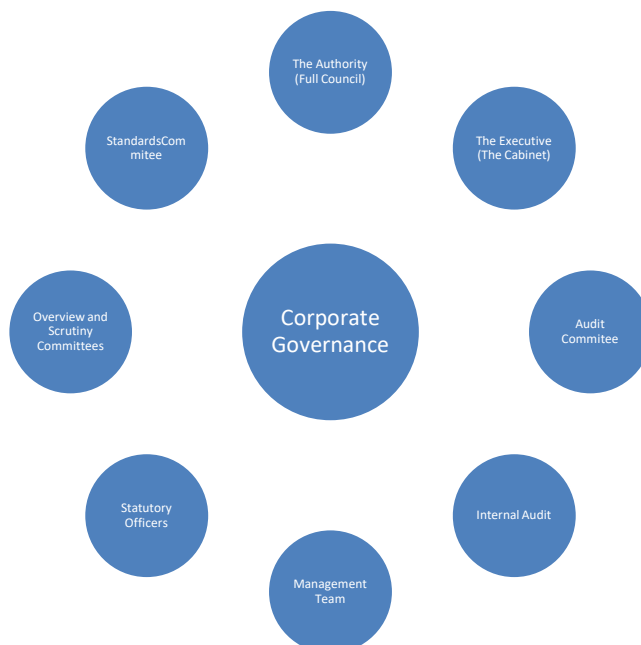
The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the **CIPFA / SOLACE *Delivering Good Governance in Local Government Framework (2016 Edition)***. A copy of the Council's Code is available to be viewed or downloaded from the website ([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 2023 up until its publication with the Council's Statement of Accounts on 31<sup>st</sup> May 2024.

### 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: -

<p align="center"><b>The Authority (Full Council)</b></p> <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>	<p align="center"><b>The Executive (The Cabinet)</b></p> <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>
<p align="center"><b>Standards Committee</b></p>	<p align="center"><b>Overview and Scrutiny Committees</b></p>
<ul style="list-style-type: none"> <li>• Promote and maintain high standards of conduct</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>
<p align="center"><b>Audit Committee</b></p>	<p align="center"><b>Management Team</b></p>
<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 capacity to deliver key functions, priorities and agreed targets in service areas</li> <li>• Review overall performance, both financial and non-financial, and change management</li> </ul>
<p align="center"><b>Statutory Officers</b></p>	<p align="center"><b>Internal Audit</b></p>
<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> <li>• <b>Chief Financial Officer (S151)</b> – lawfulness of Council's financial prudence of decision making</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>

### 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 2024 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, HRA Business Plan / Housing Strategy, 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*"
- 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 periodic 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 **2023/24** 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



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

Annual declaration of interests by Members reported to the Standards Committee

Leader of the Council be authorised to agree the specific milestones for reporting against the adopted highlight priority actions for 2024/25

The Cabinet reports have included Statutory Officer comments reflecting the draft guidance issued by Government on complying with the Council's Best Value Duty, highlighting the relevant themes for the purpose of the report and for the decision makers to take into account

Review of the Council's Whistleblowing Policy undertaken and approved.

Demonstrating strong commitment to ethical values



Induction training undertaken for all District Councillors on a range of governance matters, including the Members' Code of Conduct which also included reference to Sensitive Interests.

The Council live streams all meetings of Committees to enhance access and reach a wider audience to public meetings, including a Standards Hearing

Updates concerning Members' Code of Conduct matters are provided to the Standards Committee

The MO and S151 are both members of Management Team as of right and attend all meetings

Taxi / Private Hire Policy adopted

To reflect emerging requirements from the regulator for Social Housing, a number of policies were revised / renewed / adopted including the new requirements to self-assess against the Housing Ombudsman's Complaint Handling Code.

Respecting the rule of law



A review of the Constitution was conducted (supported by a Member Working Party) including various procedure rules including access to information, overview and scrutiny and finance, Members referral scheme to planning applications and delegated functions and powers, officer employment procedure rules ensuring they complied with the legislation

Cabinet considered reports of the Monitoring Officer issued under Section 5 of the Local Government and Housing Act 1989 to formally inform Members that the Council:  
- had, for reasons beyond its control, failed to publish its certified draft accounts for the 2022/23 financial year by the statutory deadline of 1 Jun 23 and  
- failure to comply with the Council's Financial Procedure Rules in respect of the Spendells House project

Ombudsman's findings of maladministration were reported to Cabinet / Full Council.

## Principle B Ensuring openness and comprehensive stakeholder engagement

### Openness



In July 23 Cabinet approved the process of preparing a new Corporate Plan for 2024-28 which included extensive public consultation through an external social research company enabling the Council to capture Tending specific data.

Consultation on the initial emerging themes included residents, businesses, various stakeholders, Members and staff along with Overview and Scrutiny Committees

The outcome of the consultation referred to above was reported to Cabinet on 10 Nov 23 with final proposals for 'Our Vision' were approved and recommended to Full Council for adoption

Engagement with Members at all stages in developing the key and highlight priorities, actions and initiatives; along with involvement with partners. There are also Cross Party Working Parties established to look at some key initiatives

Draft Sport and Activity Strategy was approved for consultation and a range of improved and updated Housing strategies

### Engaging comprehensively with institutional stakeholders



Through consultation on the Corporate Plan, Cabinet requested the review of the Council's Communication Strategy and Community Engagement Strategy and their operation, with outcomes being presented to a later meeting

All Member Briefings have continued. Internal / External speakers have presented covering specialised subject areas

Oversight of shared projects at the Regeneration Board with Essex County Council and Health Partners

Continued and thorough Community Leadership Overview & Scrutiny work programme

Agreements / partnership arrangements entered into with a number of partners across a range of key projects and priorities (e.g. with Essex University, Colchester City and Essex County Councils, Local Health Partners)

Established two Boards to support the delivery of key projects and reflecting the funding requirements (Levelling Up Long Term Plan for Towns Board and High Street Accelerator Board)

### Engaging with citizen stakeholders



Initial stage of a review of Grant Funding across the Council was considered by Cabinet. Further work identifying gaps and other key considerations to be undertaken including the impact of Subsidy Control legislation and procurement requirements

Consultation was undertaken on the Elmstead Neighbourhood Development Plan and associated Order

Ardleigh, Great Holland and Tending Village Conservation Area Appraisals and Management Plans were approved for consultation with the public and other interested parties

Draft Jaywick Sands Place Plan was approved for consultation with the public and other interested parties

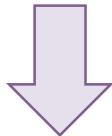
Communications Strategy 2024 - 2028 was approved and adopted

Tending Colchester Borders Garden Community Joint Committee received representation in response to regulation 19 consultation in readiness for public examination

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

Defining outcomes

Sustainable economic, social and environmental benefits



New Corporate Vision 24-28 was adopted and Cabinet's priorities were agreed for 2024/25

Outturn reports produced and agreed by Cabinet reflecting key considerations including setting aside funding to support investment in priorities etc.

Development and delivery of Town Centre Regeneration Plans, the High Street Accelerator and the Capital Regeneration Projects in Dovercourt Town Centre, including capacity building

Support the continuation of delivering the Clacton Air Show for the years 2024-2027, with annual reviews to be undertaken

The Council agreed additional Council Tax Premiums reflecting new legislation

The Council adopted a Retail, Hospitality and Leisure Mandatory Business Rate Relief scheme for both 2023/24 and 2024/25

Events on Council owned Land Policy adopted

Funding agreements signed with Essex County as part of delivering the Levelling Up Projects in Clacton and the Capital Regeneration Projects in Dovercourt

Full Council approved the Annual Capital and Treasury Strategy for 2023/24

Acceptance of Government funding associated with the Levelling Up and Capital Regeneration projects along with agreeing delegation to support their effective delivery

Addressing Health Inequalities – Advice, Support and Mental Health Subsidy Scheme for 23/24 was approved

The progress against the Council's Climate Action Plan was reported to Audit Committee during the year which highlighted a measured reduction in direct and electricity carbon emissions of over 500 tonnes of carbon reduced since baseline year in 2018/19

The work of the Tendring Education Strategic Board (TESB) and associated priorities/projects was reported to Cabinet during the year with a commitment to continue the Council's support.

Assets of Community were reviewed / agreed during the year

The adopted Corporate Plan reflects a number of themes included as part of the consultation, which included 'Championing the Local Environment', 'Pride in our Area' and 'Financial Sustainability and Openness'

## Principle D

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

Determining interventions

Planning interventions

Optimising achievement of intended outcomes



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

The Council's Chief Executive is Chair of the Essex Anchors Network and Vice Chair of the County Health and Wellbeing Board

A review of the Spendells House project was undertaken, which set out a value for money case for continuing

Continued and thorough Resources and Services Overview & Scrutiny work programme, which included a review of the proposed budget before recommendations were made to Full Council

A review of the Council's Careline Service was commenced during the year with the outcome proposed to be report to Cabinet in 2024/25.

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

Work remains in progress to dispose of the Council's Weeley Office site to support the delivery of local homes for local people

Development of governance structures for Town Centre regeneration in Clacton and Dovercourt

The Council worked with key partners to determine the financial sustainability risks to the Council of its continuing membership of the North Essex Parking Partnership (NEPP), which informed the decision made and steps to be undertaken during 2024/25.

The establishment of a Waste Board to oversee / inform the upcoming procurement of the Council's Waste, Recycling and Street Cleansing Contract

An external review of the Council's housing provision was undertaken and reported to the Audit Committee. An action plan has been developed as part of the Council's response.

Approves the updated Housing Revenue Account (HRA) 30 year Business Plan. Which included a recommended 7.7% increase in dwelling rents in 2024/25, along with the detailed HRA Budget proposals for 2024/25

Completion of the Sunspot Business Units and Market in Jaywick Sands, shortlisted for national awards and occupied over 80% within 9 months

Significant progress and completion of key capital projects were achieved during the year

A review was undertaken of the Cabinet and Overview and Scrutiny Protocol with no amendments required to current working practices

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

Developing the Council's capacity



Cabinet noted the progress of the existing partnership with ECC in delivering procurement functions and agreed that the Council forms part of a wider partnership of Councils to explore the Shared Procurement Service for parts of Essex. The Partnership has increased compliance with Council Procurement Procedure Rules, through improved documentation and training, Social Value considerations and emerging national policy and legislation, with additional funding allocated to support this approach

Term of Office for Independent Persons was extended for a further year in order to explore options across Essex

The Council reviewed the delivery model associated with the Levelling Up and Capital Regeneration Projects, with the decision to bring the work in-house. Additional capacity building has taken place to support this agreed approach

The Council commissioned key elements of work from external partners / advisors to support the Waste, Recycling and Street Cleansing Contract. It also commissioned support for the changing Housing requirements

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



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

New e-learning portal purchased for continued development of Officers and Members

MBTI and leadership development workshop for Economic Development Culture and Sports Directorate management team

Ongoing dedicated Member Development Programme including attendance at Local Government Association & District Council Network Conferences and programmes for the Leader and Cabinet Members new to the roles.

Monitoring Officer provided training to Cabinet Members on Best Value Duty requirements and decision making, understanding the roles and responsibilities of Portfolio Holders, exercising delegated powers and declarations of interests.

Directors / Assistant Directors working with Portfolio Holders, supported by programmed / regular meetings



## 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

Regular financial performance reports to Management and Members setting out a snapshot of key financial information

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

Programme Boards set up to support the delivery of Major Capital Schemes receive monthly monitoring information.

A number of key activities are undertaken supported by the relevant Director and S151 Officer to deliver against key governance elements of major projects funded by the Government in-line with the associated Local Authority Assurance Frameworks.

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

The Council promotes horizon scanning to manage risks and responds to them and will link in with departmental plans as necessary

Cabinet endorses projects in alignment with the Council's Corporate Vision

The Council remains alert to the emerging requirements from the Office for Local Government (OFLOG) and includes appropriate references / comments as part of its decision making processes.

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 Finance and Governance Portfolio Holder in consultation with the Section 151 Officer and Chief Executive

Separate monthly meetings of the Council's Management Team work to a standard agenda that includes priorities, budgets, performance, delivery and governance issues

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

Cabinet / Council approved the Financial Forecast / Budget for 2024/25 which included a comprehensive review of cost pressures along with the identification of initial savings that contribute to the longer term savings targets.

The review of cost pressures is undertaken on a regular basis to inform the financial forecast / in-year budget management

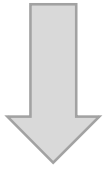
The Treasury Management Strategy and end of year performance was presented to the Members during the year, which reflected emerging requirements from legislation / codes of practice.

The Leader has instructed Portfolio Holders to work with Senior Managers to identify potential savings options to be considered alongside the development of the forecast

## Principle G

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

#### Implementing good practices in transparency



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

The outturn performance of key priority actions with milestones for 2022/23 was produced and published on the Council's website.

Priorities agreed for 2024/25 under new Corporate Plan.

Chief Executive sends a bulletin most evenings to All Members and Management Team of key issues affecting the District and shares the Local Government Bulletin with all Members highlighting national and local issues

#### Implementing good practices in reporting



Regular scheduled time is set aside for the Statutory Officers, Namely the Chief Executive, Monitoring Officer, Section 151 Officer, in order to consider any issues or emerging Financial and Governance matters

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

Internal Audit continues 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

Best Value Duty and standards expected through Guidance being included within reports.

Complaints reported to Cabinet and Council following ombudsman decisions with learning identified

#### Assurance and effective accountability



Completion of the necessary governance and assurance processes relating to the Council's accountable body status and acceptance of significant capital grant funding from the Government under the Levelling Up and Capital Regeneration Schemes.

S.151 & MO comments routinely included in Cabinet reports, highlighting relevant issues to be considered

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

A comprehensive addendum report was submitted to Cabinet that supported a Section 5 Report that represents good practice.

A hearing under the Members' Code of Conduct arrangements was held in public and live streamed. Guidance on best practice for Overview and Scrutiny functions was reviewed with an outcome of no requirement to amend practices.



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

As highlighted within the Narrative Statement within the Statement of Accounts 2023/24, the Council's Statement of Accounts for 2020/21, 2021/22 and 2022/23 remain subject to being 'signed off' due to External Audit delays. Although this is a national issue and in no way reflects any wrong-doing by those Council's adversely affected, it unfortunately contributed to the delay in the publication of the 2022/23 accounts, which were statutorily required to be published by the end of May 2023.

Due to the delays highlighted above, the Council's Monitoring Officer issued an associated Section 5 Report, which is available on the Council's website. By publishing its 2022/23 Statement of Accounts by 1 August 2023, the period of time the Council remained in breach of its statutory responsibilities was limited.

It is also important to highlight that cyber security remains a significant issue for many organisations, including Local Government. This is a significant and growing risk and the Council has undertaken a range of initiatives which include working with DLUHC on a number of actions to strengthen the Council's resilience. This work will continue in 2024/25 and supported by an associated Member Working Group. This important risk is included within the Council's Corporate Risk Register with the latest position reporting the move to a Zero trust Network Architecture (ZTNA) as a direction of travel over the next twelve months.

*(ZTNA means that in addition to monitoring infrastructure hardware for security vulnerabilities, every user device connecting to services is routinely checked for access rights and vulnerabilities in the background)*

#### **5. 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 has now moved to a commentary on such arrangements rather than a conclusion or opinion.

The commentary covers 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 includes these headings for additional governance assurance to be provided, the use of resources and the Corporate Investment Plan approach.

Given the external audit delays discussed earlier, the Council has not received a value for money commentary for three years. This is a significant issue and the Council has been given assurances by the External Auditor that such a report will be provided to the Council during 2024.

Notwithstanding the above, the Council's S151 Officer provides their own assurances as part of the budget process each year, but an independent view is essential in providing a greater degree of assurance.

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 this 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.

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

The Council is required by the Accounts and Audit Regulations 2015 to undertake an effective Internal Audit to evaluate the effectiveness of its risk management, internal control and governance processes, taking into account the Public Sector Internal Auditing Standards (PSIAS).

The Public Sector Internal Audit Standards (PSIAS) state that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The role of the Head of Internal Audit (Internal Audit Manager), in accordance with the PSIAS, is to provide an opinion based upon, and limited to, the work performed on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes.

All guidance from the Chartered Institute of Public Finance and Accountancy is also considered in line with the Accounts and Audit Regulations and the PSIAS when delivering a Head of Internal Audit annual opinion.

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 is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council must ensure that there is a sound system of internal control which facilitates the effective exercise of the Council's functions, and which includes arrangements for the management of risk. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

Therefore, the Council continues to adopt 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, 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 was developed using a risk based approach that incorporates a number of independent reviews of the Councils activities to be able to give an overall opinion on the areas mentioned above.

The internal audit team maintain an agile approach to auditing, seeking to maximise efficiencies and effectiveness in balancing time and resource commitments with the necessity to provide comprehensive, compliant and value adding assurance.

Aspects considered when developing an audit plan and delivering an effective internal audit service can be broken down into the graphic below;



As well as incorporating all of the above areas into the Internal Audit service, we endeavour to ensure that the service is agile and includes the following aspects into our planning and implementation processes;

- Flexibility – Utilising different options to build engagement that allow varied deliverables
- Value creation – Enhancing or improving deliverables while considering culture, organisation maturity and stakeholder needs
- Innovation – Considering new and different ways of delivering audit efficiency, risk coverage and overall value
- Systematic approach – Considering options and making decisions in an orderly way

Communication between Internal Audit, Leadership and the Audit Committee has been effective and remain consistent which provides reasonable assurance around the effectiveness and transparency of reporting arrangements.

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 transformation projects, procurement, ad-hoc investigations and any further advice on procedural changes.

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 2023/24, only one audit from a total of 24 reviews undertaken received an overall audit opinion of “**Improvement Required**” where high severity issues were identified. The audit was Project Management.

The Monitoring Officer has also issued a Section 5a report relating to the Spendells Temporary Housing project due to unauthorised spend, resulting in a substantial overspend against the contract. The S151 Officer has also raised concerns via an addendum report which set out a number of

actions that needed to take place at the request of the Chief Executive to ensure that a formal review of the Spendells project is undertaken and effective governance arrangements are in place for all projects going forwards. This corresponds with the significant governance issues identified within the project management audit and supports the need for a corporate review of project management going forward.

Improvement actions have been recommended 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 councils control environment, governance arrangements and material issues identified.

## **Annual Opinion 2023/24**

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. Any changes to the audit plan were in consultation with the Audit Committee and Management Team to fit with the resources available at the time.

### The Head of Internal Audit Annual Opinion

The majority of audits in the 2023/24 Internal Audit plan received a satisfactory level of assurance. There was a total of 26 moderate issues raised throughout the year which is less than the 39 raised in 2022/23. This represents some improvement with regards to the internal control and governance framework across the organisation. However, this must be caveated by the fact that the majority of 'non-financial' audits are in different service areas from the 2022/23 financial year.

There were two major issues raised in 2023/24, both of which relate to project management. In a different year, this alone may not have had a material impact on the Head of Internal Audit opinion. However, when you combine this with the Section 5a report raised by the Monitoring Officer, the S151 Officers addendum report and the Chief Executives formal review instructions; it does raise serious governance concerns.

The Council has committed to major Levelling Up projects in the realm of £60m in total which could result in financial difficulties and significant reputational damage if not managed in a structured and effective way. The Council does have good governance frameworks in place, they have not been followed in the most effective and disciplined way for a number of projects completed to date. With this in mind, it does conclude that issues raised relating to the Councils current project management arrangements need to be addressed before moving too far ahead with the Levelling Up projects.

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 Internal Audit Manager has considered assurances obtained through:

- All of the information reported above
- Internal Audit outcomes
- Annual Risk Management Review
- The Council's assurance framework
- Management assurance through the Annual Governance Statement process
- External inspections
- Ongoing engagement with the business
- Monitoring and reporting the implementation of agreed management actions

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.

The Internal Audit Manager is satisfied that sufficient work was completed in 2023/24 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.

The governance issues relating to project management have made the overall decision more difficult due to the challenges that the Council face in the next few years to deliver significant benefits to Tendring residents via levelling up funding. If the current issues are not addressed and the same issues arise with future projects, it will be very difficult to provide an unqualified opinion in future years.

After considering all of the above, an overall unqualified opinion of '**Adequate Assurance**' can be provided for the 2023/24 financial year with a commitment from Management Team that all significant issues raised by the Councils statutory officers are addressed as soon as possible.

In noting this opinion, it should be acknowledged that Internal Audit has not reviewed all risks and assurances and cannot provide absolute assurance on the internal control environment.

- **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.

It is however important to highlight that given the External Audit delays mentioned earlier, the Council has not received Final Audit Results Reports or Annual Audit Letters for three years. However it is hoped that this will be rectified via the work being undertaken by the Government to support the sector in returning to more timely reporting schedules as soon as possible.

- **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 (including the Head of the Paid Service, Monitoring Officer and S151 Officer) 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.

## 7. ISSUES RAISED IN THE PREVIOUS YEAR'S ANNUAL GOVERNANCE STATEMENT AND ON-GOING ACTIONS 2024/25

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. (All of the items remain on-going and have therefore been carried forward into 2024/25 and updated as necessary)

On-Going / Outstanding Items at the End of 2023/24 Carried Forward into 2024/25		
Governance Principle & Issue	Required Action(s)	Update / Additional Comments
<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.</p> <p>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 outcome 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 2022/23 – completed areas – training record for Councillors, TDC representatives on outside bodies, E petitions function, automated e mails, submission of final reports for Planning Committee, Cabinet, Council, Committee and Management Team dates published, Environmental Health licensing decisions published, report writing functionality.</li> </ul> <p><b><u>ADDITIONAL FOCUS FOR 2024/25</u></b> Performance monitoring within services and decision implementation and project management.</p>	<p>The outcome from key projects will be reported to Members following completion of the associated project. Upcoming reports will include Jaywick Flexible Workspaces, Starlings and the Office Transformation Project.</p> <p>Modern.Gov – While use of several additional functions of the Modern.Gov system have progressed and have assisted the Council to demonstrate good decision making, report management was not implemented as intended.</p> <p>A revised programme into early 2025 has been prepared. To some extent this roll out has been frustrated by a server upgrade requirement from the Modern.Gov supplier (Civica) and from the report management functionality using a file type (*.bat) that would conflict with the Council's IT security requirements.</p> <p>The server upgrade has been commissioned and is being programmed following approval for the additional budget to meet the related cost. Liaison between Democratic Services, IT and Civica is ongoing at the time of this update to find a solution to the file type issue that does not compromise IT security for the Council corporately. The programme for implementation of report management functionality will be kept under review given these constraints on implementation.</p> <p>The new, automated process to Town and Parish Councils for Planning notifications has been rolled- out.</p>



<p><b>Developing the Council's entity, including the capacity of its leadership and the individuals within it.</b></p> <p>Effectively manage the transition to a new Administration following the local elections in May 2023.</p> <p><b>REVISED FOCUS FOR 2024/25: Capacity to deliver the Council's Corporate Plan and its Priorities, together with new emerging initiatives.</b></p>	<ul style="list-style-type: none"> <li>Continuation of delivery of the Member Development Programme.</li> <li>Cabinet focus on new Corporate Plan, project prioritisation, financial sustainability and robust decision-making.</li> </ul> <p><b><u>REVISED FOCUS FOR 24/25:</u></b> Work is now underway to develop a number of milestone against the highlight priorities as part of delivering against the Corporate Plan themes.</p> <p>Departmental Plans within services will continue to be reviewed against the themes and highlight priorities during the year, with particular focus on governance issues, such as monitoring and implementing decisions, managing risks &amp; budgets.</p> <p>Capacity requirements to be reviewed in light of the new a range of competing capital project</p>	<p><b>WORK COMPLETED:</b> An extensive Development Programme was implemented as part of the Induction arrangements for the newly elected/returning Councillors.</p> <p>This made use of written material, in-person and online events and the opportunity to interact directly with officers from a wide range of services across the Council.</p> <p>The Development Programme has continued and has included arrangements with mock hearings and similar delivered in-house for both Planning and Licensing Committee Members and hearings based training for Members of the Standards Committee delivered by specialist external trainers. Use has been made of LGA in-person and online training and events to further enhance the development offer and this has included specific training for several Cabinet Members through a residential course provided by the LGA.</p> <p>A refresh of the skills audit undertaken at the start of the Municipal Year in 2023 is now planned to inform Member Development for the coming year and beyond.</p> <p>A revised Corporate Plan and Vision was approved by Full Council at its meeting on 28 Nov 23, which included six themes, one of which was Financial Sustainability and Openness.</p> <p>A new online training provider which offers a wider range of courses to develop individuals, including both mandatory and optional courses, has been introduced.</p>
--	--	---

	timescales, resources for projects and existing service provision.	
<p><b>Determining the interventions necessary to optimise the achievement of the intended outcomes.</b></p> <p>Managing risks and performance through robust internal control and strong public financial management.</p>	<ul style="list-style-type: none"> <li>• Review of existing Risk Management / Business Continuity arrangements.</li> <li>• Conduct an audit review in relation to the effectiveness of the Council's response to COVID-19, including a review of the lessons learnt from the Council's response and longer-term consequences.</li> <li>• Review of the effectiveness of the Audit Committee.</li> <li>• 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.</li> </ul>	<p>It is now planned to undertake a review in 2024/25 which is later than originally planned, but it remains a key issue for consideration alongside the wider annual review of the Council's governance arrangements.</p> <p>This continues to form part of the ongoing work of Internal Audit, which will also reflect any learning points that may emerge from the national public inquiry currently underway.</p> <p>It is planned to undertake a review in consultation with the Audit Committee and other key partners as soon as possible. Although this is later than originally planned this remains a key activity along with developing an associated action plan as necessary.</p> <p>The recommendations emerging from the Redmond review will be kept under review along with the identification of an action plan as necessary.</p> <p>The development of the register has commenced and is held on the Council's website as part of its commitment to transparency. It will be added to as strategies and policies are adopted and reviewed. Services have also been requested to reference the relevant strategy or policy within reports supporting decision making.</p>
<p><b>Behaving with integrity, demonstrating strong commitment to ethical values and</b></p>	<ul style="list-style-type: none"> <li>• Review and update the Local Code of Corporate Governance and key policies and procedure.</li> </ul>	<p>The commitment remains in place to undertake this review and will be considered as part of the wider governance statement activities that will be reported to the Audit Committee later in the year.</p>

<p><b>respecting the rule of law.</b></p> <p>Maintaining an up to date Local Code of Corporate Governance along with key policies and procedures.</p>		
<p><b>Implementing good practices in transparency, reporting and audit to deliver effective accountability.</b></p> <p>Delegated decision making.</p>	<ul style="list-style-type: none"> <li>Awareness and further strengthening of good decision making incorporating the Council's policies and framework.</li> </ul>	<p>Work remains in progress to increase the understanding of key principles including consultation, business planning, budget, and procurement, legal. Concept papers and PIDS to be completed comprehensively to ensure successful delivery within the governance framework.</p> <p>It is planned to undertake/continue a number of activities to increase the understanding of key principles including consultation, business planning, budget, and procurement, legal requirements. Concept paper and PIDs to completed comprehensively to ensure successful delivery within the governance framework.</p> <p>This will also focus on robust project management, to provide oversight on financial and non-financial issues especially in key areas such as: Levelling Up Fund / Regeneration Project, waste contract renewal, and housing review recommendations.</p> <p>External funding guidance to be produced, incorporating existing requirements, due to the level of external funding being applied for and managed by the Council.</p>

<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>• Departmental Plans to be subject to review to reflect any updated Council objectives and priorities including the associated management of risk.</li> <li>• Develop the financial planning process with the aim of strengthening the Council's long term financial sustainability.</li> </ul> <p><b><u>ADDITIONAL FOCUS FOR 2024/25</u></b></p> <p>To implement / embed the necessary processes to support the identification of the required level of savings set out in the long term forecast.</p>	<p>As highlighted above reviews of the Departmental Plans will be conducted alongside the new Corporate Plan and emerging highlight priorities.</p> <p>During 2024/25 reviews of the Departmental Plans will be undertaken to align with the new Corporate Vision and Risk Management approach, along with any Peer Reviews as relevant.</p> <p>Review to incorporate resources / capacity to deliver priorities, projects and service provision.</p> <p>A balanced budget was presented to Full Council in Feb 24 with work ongoing as part of the financial sustainability and openness priority highlighted above which will aim to identify the necessary saving to support the Council's long term financial position.</p> <p>The dedicated / regular Officer Management Team meetings will remain ongoing with a focus on financial and non-financial issues along with performance and delivery.</p>
<p><b>Defining outcomes in terms of sustainable economic, social and environmental benefits. Determining the interventions necessary to optimise the achievement of</b></p>	<ul style="list-style-type: none"> <li>• Preparation / reporting updates against the Climate Change for approval by both the Cabinet and Council to form part of the Council's Policy Framework.</li> </ul>	<p>The Corporate Director, Place and Economy, attended the Oct 23 meeting of the Audit Committee and provided a comprehensive update. A further update is due to be presented to Cabinet in 2024/25.</p>

<p><b>the intended outcomes.</b></p> <p>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>		
---	--	--

To support the Council in addressing some of the key issues and improvements that have emerged from the annual review of effectiveness, including any items identified as part of the work of the External Auditor, the following actions have been identified over and above the on-going items carried forward from 2023/24 as set out in the table above:

<b>New Items for 2024/25</b>	
<b>Governance Principle &amp; Issue</b>	<b>Required Action(s)</b>
<p><b>Ensuring openness and comprehensive stakeholder engagement</b></p> <p>Approach to Community Engagement, consultation and participation to be reviewed following adoption of the</p>	<ul style="list-style-type: none"> <li>• Officers be requested to review the Council's Community Engagement Strategy and its operation, taking into account the feedback received through the Corporate Plan consultation with the public, partners and businesses, with a view to the outcomes being presented to a future meeting of the Cabinet.</li> <li>• Review Article 10 of the Council's Constitution which sets out how the Council will promote Community Consultation and Participation through a range of opportunities.</li> </ul>

<p>Corporate Plan and Communications Strategy.</p>	
<p><b>Managing risks and performance through robust internal control and strong public financial management</b></p> <p>In response to the Section 5 of Local Government &amp; Social Housing Act 1989 report from the Council's Monitoring Officer on Spendells House</p>	<p>The Chief Executive:</p> <ul style="list-style-type: none"> <li>(a) Has instructed that a formal review be undertaken to provide further clarity on how the issue arose and developed (including the governance arrangements associated with issuing verbal orders), which in turn can inform any further actions along with informing decision making and project delivery in the future;</li> <li>(b) has issued a directive to all Senior Managers relating to financial and budget management, which explains the consequences and expectations of them in their roles and will be supported by further collective meetings with Senior Officers over the coming weeks / months; and</li> <li>(c) has commenced arrangements for the implementation of a Senior Officer Project 'Board' that in turn will report directly to the Council's Senior Management Team on a regular basis.</li> </ul> <p>Statutory Officers to re-deliver governance awareness at the upcoming Senior Managers' Forum, where attendance is mandatory.</p>

<p><b>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.</b></p> <p><i>(Although this action is expected to cut across all seven of the key governance principles (A to G) set out above)</i></p>	<p>Review OFLOG requirements and revised Best Value Guidance, CIPFA Codes / guidance to identify areas of weakness and improvement and develop an action plan (including learning from external reviews, inspections, and self-assessments).</p>
---	--

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

## **7. CONCLUSION**

We have been advised on the implications of the result of the review of the effectiveness of the governance framework (which will be monitored by the Audit Committee during the year) 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 governance issues identified in this statement, and to further enhance our governance arrangements. We are satisfied that these steps will address the issues identified in our review of effectiveness and will monitor their implementation as part of our next annual review.

**Ian Davidson**  
**Chief Executive**

**Councillor Mark Stephenson**  
**Leader of the Council**

Date: 31 May 2024

Date: 31 May 2024

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