

# *Tendring*

## *District Council*



SUBJECT TO

### **STATEMENT OF ACCOUNTS**

**2020/21**

# TENDRING DISTRICT COUNCIL

## STATEMENT OF ACCOUNTS

2020/21

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# NARRATIVE REPORT 2020/21

## 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 2021 as follows:

*Last year I spoke about making sure that our commitments and 'cash backed' promises started to be seen on the ground. Unfortunately we were then hit by COVID 19.*

*There are two important points I would like to make about what happened next, in what has been a remarkable year for a number of reasons.*

*The first is the way this Council responded to the pandemic and how almost instinctively we all came together to ensure we were there for our residents and businesses. This included the provision of direct support via the various business grant schemes, setting up essential shielding activities for the most vulnerable within our District, the implementation of two phases of the Members' small grants scheme, working together politically along with supporting our public sector partners in a host of other ways.*

*Let us also not forget that whilst we were responding to COVID19 we were also seamlessly making sure that the important services we provide to our residents and businesses carried on as normally as possible.*

*I mentioned last year that with constant and relentless positivity we can make a difference especially in making the case for Tendring and attracting external funding into our area. As a Council our attitude for a long time now has been that we can always make a difference locally regardless of how things pan out nationally, with a focus on what we can control rather than what we cannot.*

*We made a commitment to deliver on the ground and we have seen a significant amount of our time diverted to our successful response to the COVID 19 crisis. [However] in terms of what we have achieved against the background of the COVID 19 pandemic, a quick summary is as follows:*

- *Developed a Housing Strategy for 2020 to 2025: Delivering the Homes to meet the needs of Local People*
- *On the back of this we have adopted a Housing Acquisition and development policy*
- *We have developed an Economic Growth Strategy*
- *Agreed a Tourism Strategy*
- *Adopted a climate change action plan*
- *Adoption of Section 1 of our local plan*
- *Set out our Back to Business Plan backed with an initial contribution of £860k*

*These are also built on the financial and governance foundations we have put in place. This work never stays still, with various activities undertaken such as ensuring strong finances, a "cash backed" approach to delivering our commitments, a modern and fit-for-purpose constitution and governance arrangements.*

*Turning to the details of the general fund budget [for 2021/22], unlike last year where we presented an overall surplus position because of the late notification of revenue support grant funding, this year we are presenting an overall deficit position of just over £1million. This would be a position that would likely frighten many Councils and lead to short-term decisions that may be to the detriment of their local areas. For us it is all part of the considered approach we have taken and the long-term plan has given us the flexibility to accommodate such a position without us having to look to make knee jerk cuts to services. That's not to say we don't need to find savings going into 2022/23 and beyond, but we can do this in a considered and well thought out way.*

*Another point worth mentioning is about financial resilience – yes we can cope with annual shocks to the budget, but the cliff remedial works required along the Holland-on-sea front has presented a sizeable challenge for us financially. However, because of the well managed approach we have taken to the Council's finances, we are in the flexible position to look at other options apart from just borrowing to fund this scheme.*

*As set out in the various reports we have considered as part of developing the 2021/22 budget, the upcoming year can be seen as a transitional year as we start the recovery process from COVID 19. We are prudently underwriting many of the risks via specific reserves set aside for this purpose or where necessary we have repurposed existing money. Having the comfort that they provide in the short term is essential to the continued management of our strong financial position, but when we are free from the associated risks there is no reason why we can't look to invest any unspent money where appropriate.*

*Our Back to Business plan is a really innovative approach to helping our district recover, not just economic recovery but all aspects of the lives of our residents and businesses.*

*Tendring has so much to offer and we have an exciting future. Everything we do is aimed at making a difference for our residents and businesses as well as enhancing our wonderful surroundings and natural environment. This all has to be built on strong financial foundations, which the budget forms an important element of.*

*Late last year we published our first action plan in respect of becoming a net zero carbon council by 2030. I know that a number of projects are underway involving many of our officers and we will see more on this as the year progresses.*

*Section One of the Local Plan has been agreed and we are moving at great pace towards the adoption of Section Two. Alongside this, the Colchester Tendring Borders 'Preferred Options' plan is going through a process of community engagement and will be presented to Councillors in due course.*

*Our plans to build more council homes have been progressing. The Council has retained ownership of its housing stock which currently comprises around 3,100 general purpose dwellings that our Housing and Surveying Teams manage and maintain. Work on these dwellings continues, including the upgrading of heating systems, reassessing fire precautions in the light of the Grenfell tragedy and of course thousands of routine repairs and maintenance jobs every year.*

*Adding additional homes to our stock is a key part of the Housing Strategy 2020-25 that we published last year. The document, entitled Delivering Homes to meet the needs of local people, identifies four key strategic housing priorities as follows:*

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

*Freeport East has been chosen as one of the new Freeports in the UK and I, along with the rest of Council will undoubtedly look forward to realising the potential this opportunity represents. Freeport East, encompassing Harwich and Felixstowe, is ideally located to link the UK with global markets, help to boost the local, regional and national economies, through job creation, tax incentives and strengthening global trade routes. The major strength of Freeport East is its strategic location as well as its tie up with clean energy, transport links and technological innovation. Hydrogen and wind power are going to be major factors in the UK meeting the government's climate change ambition and so the awarding of the Freeport status to the area is a significant milestone in achieving this goal.*

*Tourism remains a key priority and we expect and indeed hope to experience similarly high numbers of visitors to our wonderful seafronts in 2021 as we did in 2020 and are actively planning for this, to help manage the situation for the benefit of our residents and visitors alike.*

*This year marks the 150th anniversary of Clacton-on-Sea and in conjunction with our partners, we are planning a range of activities to celebrate this wonderful event. We continue to champion work in the areas of Education, Health and Community Safety working with many partners to ensure the best outcomes for Tendring residents.*

***[The above statements were made by the Leader of the Council during February/March 2021. Further details relating to the response and impact of the COVID 19 Pandemic are set out further on in this statement.]***

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

- Organisational Overview and External Environment
- Governance
- Operational Model
- Risks and Opportunities
- Strategy and Resource Allocation
- Non-Financial and Financial Performance
- Outlook
- Basis of Preparation and Presentation

## **Organisational Overview and External Environment**

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

- Tendring enjoys over 36 miles of coastline, award-winning sandy beaches, numerous coastal towns providing anything from the traditional pleasures of the seaside to maritime heritage, a variety of beautiful and picturesque villages and one of the busiest harbours in Europe.
- The coastal geography is one of the greatest assets but also presents difficulties such as expensive management issues.
- A large majority of people living in Tendring consider it a good place to live, which is reflected in the number of individuals who have decided to retire to the area. A very high proportion of our residents are over the age of 65. The population is growing rapidly and is predicted to grow to 170,000 by 2026.
- People live in five main areas of settlement and villages across the District with differing community needs and aspirations.
- The Council has a workforce of over 400 (full time equivalents) of which many are Tendring residents.

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

The Council agreed a revised Corporate Plan (covering the period 2020 to 2024) during 2019/20 which remains set against the context of a changing environment for Councils with continuing financial pressure and an increased focus on the Council's Community Leadership role working collaboratively across a range of issues.

Delivery of a long term financial sustainability plan continues to be an overriding priority for this Council with this having an influence on other projects and priorities, targets, delivery and performance management. The overriding pressure on the budget is the impact of the sustained reduction in Central Government funding over recent years.

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

Community Leadership remains as the predominant cross cutting theme within the Corporate Plan along with various economic growth initiatives which also cuts across a wide range of the Council's service activities and projects. The Council launched its Back to Business plan during the year which set out how it would work across its range of services and portfolios to support the local economy and Tendring businesses and residents in recovering from the Covid-19 pandemic. Actions were set against the following 3 main themes:

**STRIVE (support for our businesses)** - Throughout the pandemic the Council has been working hard preparing for how we can support our economy through the challenges it undoubtedly faces. We have updated our economic development strategy and are concentrating resources to support the local recovery, whilst recognising it is Tendring's businesses that will deliver economic growth;

**THRIVE (support for our residents)** - Many residents of all ages have been adversely affected by the impact of the Covid-19 pandemic, whether through being furloughed, feeling isolated while shielding or being home-schooled during lockdown. We are looking at measures to support our residents through these difficult times, towards a positive future;

**LIVE (pride in our District)** - Alongside economic recovery, we will continue to focus on the importance of pride in where we live, celebrating our culture and heritage and improving quality of life. There has never been a more appropriate time to focus on all the things that make Tendring special.

Further details relating to major projects and initiatives set against the Back to Business approach are set out further on within this narrative statement.

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

SUBJECT TO AUDIT

## Our Vision

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



## Our Values

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

**Tendring**  
District Council





## **Governance and Operational Model**

The outcome from the annual review of the Council's governance framework is set out within the Annual Governance Statement (an annex to this Statement of Accounts) with many activities undertaken during the year to strengthen/enhance all areas of the framework.

The Annual Governance Statement includes reference to the impact of the COVID-19 crisis on the Council and how it responded to the changes in how it operates. It also includes an action where a review of the Council's response along with what actions may still be required is planned to be undertaken during 2021/22.

The Annual Governance Statement also highlights a number of further key actions and planned activities in 2021/22.

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 2021/22 and beyond summarised within the Chief Finance Officer's (S151 Officer) report to Council in February 2021 as part of the budget process for 2021/22 as follows:

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

*As part of the Long Term Financial Sustainability Plan introduced during 2017/18, the forecast and budget setting processes continue to be built on the following 5 key strands:*

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

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

*The detailed budget for 2021/22 has been prepared within the above context and clear rationale has been stated in respect of the formulation of the financial forecast and how it has been translated into the detailed budgets. This has been supported by a risk assessment of each line of the forecast.*

*As discussed during the development of the long term approach, cost pressures continue to present one of the more significant risks to the forecast, especially given the amount of unavoidable cost pressures included in both 2020/21 and 2021/22. 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 has been made available elsewhere in the budget to support these costs which 'protects' the underlying revenue budget from the associated risk.*

*As acknowledged in prior years, the long-term approach to the forecast requires a compromise in terms of the speed at which the Council can spend money on items where it has a choice to do so or not. This may involve areas where the additional expenditure may support income growth, the delivery of the Council's priorities or both. A hard but fair and considered approach is being taken in terms of how much additional expenditure by way of cost pressures can be accommodated within the long-term forecast.*

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

*Another important element of the long-term forecast is the delivery of on-going savings, which act as a 'safety valve' in terms of offsetting increases in cost pressures or other unavoidable increases in expenditure. As part of its overall response to the COVID 19 crisis, the savings target was 'relaxed' in 2021/22 but this can be effectively managed due to the flexibility that the long-term approach to the forecast provides. However, savings will be required in 2022/23 and beyond and the Council has included within its key priority work streams for next year an action to develop a robust governance framework to identify and deliver the savings required, with the target remaining as £0.450m per year.*

*In terms of the wider impact from the COVID 19 crisis, there has been a significant impact in 2020/21, which is being managed and supported by the essential grant funding being provided by the Government. It is expected that 2021/22 will be a 'transitional year' where the wider economy starts to recover and key elements of the budget start to return to pre-COVID 19 levels. The speed and scale of this return remains uncertain and the on-going impact has been included in the budget where possible, including the use of a specific earmarked reserve to underwrite the risk to income streams, such as those associated with the Council's leisure facilities.*

*The financial forecasting process continues to remain alert to government announcements and the impact of external issues such as funding receivable from elsewhere within the public sector. The forecast also aims to reflect the outturn position from the previous year along with emerging issues, which allow it to also remain alert to potential changes to its financial position. The future financial settlement arrangements with the Government remains a key risk along with cost pressures and savings targets discussed earlier and together they represent the highest rated risks within the long term forecast.*

*In terms of emerging issues, a significant item relating to the Council's coast protection responsibilities has been identified. The associated remedial works required are estimated to cost £4.000m. The Council's response to this major issue is currently under review with potential funding options being considered, such as seeking contributions from other key stakeholders and the potential to reprioritise existing budgets, both of which aim to avoid pressure being placed on the on-going revenue budget and protect as far as possible the long-term forecast.*

*Clear actions in respect of financial resilience continue to form part of the Council's Annual Governance Statement that includes amongst other things a number of financial risks and issues that enable the Council to keep a watching brief on significant upcoming matters that may have a financial consequence.*

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

*The on-going review of reserves continues to demonstrate that the Council's current level of reserves remain adequate to 'underwrite' risks and uncertainties that are inherent within the forecasting process, supported by the specific Forecast Risk Fund. No significant adjustments have been required in 2021/22 that weaken the overall long-term approach to the forecast. A specific statement on reserves is set out further on in this section of the report.*

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

*The need to continue to deliver against the 10-year forecast is clearly recognised within the Council and remains the key focus in 2021/22 and beyond to enable it to continue to provide quality services and invest in its priorities. Self-sufficiency continues to underpin the Council's 10-year forecast along with maximising opportunities through investment and maximising savings opportunities over a longer time period. Taking a longer-term view of the forecast also enables the Council to respond to any significant financial impacts over several years rather than as part of an annual budget cycle, which strengthens financial resilience in the long term.*

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

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

*The Council has also developed a Back to Business Plan in response to the COVID 19 crisis. The primary aim of the plan is to support businesses and residents within the district to successfully recover from the very challenging environment that the COVID 19 crisis has introduced. This will in turn also support the overall health of the local economy and its resilience, which 'protects' key income stands of the forecast such as business rates.*

*It is recognised that there are risks inherent within the Council's financial framework and corresponding detailed estimates. However, action has been taken to mitigate these risks as far as possible. The budgets have been prepared against the background of the continuing difficult economic climate, which have been made even more challenging by the COVID 19 crisis.*

*The Council's External Auditor recently highlighted as part of their value for money work [relating to the 2019/20 Statement of Accounts] that the Council has adequate arrangements for setting and monitoring financial budgets and forecasts. While they recognised that there was a funding gap in the long-term plan, they were satisfied that the Council is making appropriate arrangements to manage this in a way that will ensure it continues to remain financially sustainable.*

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

*Regular and comprehensive monitoring of the budget will continue to be undertaken during 2021/22 as part of the well-established and comprehensive financial performance reporting process, so issues can be identified and action taken at the earliest opportunity if and when appropriate. In addition, any savings identified during the year will continue to be transferred to the Forecast Risk Fund where possible, to further strengthen the approach taken in 'underwriting' the risks associated with a 10 year forecasting period.*

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

*The proposed budget resulting from the above processes and governance arrangements is therefore robust and deliverable and is supported by reserves with further details below.*

#### **Adequacy of the Reserves**

*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 level of uncommitted reserves forecast at 31 March 2021 is £4.000 million. All of the reserves are regarded as adequate / prudent and recognise significant risks such as from potential business rates volatility, the on-going impact from COVID 19 and to support the mitigation of cost pressures relating to the Council's assets.*

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

*As part of the on-going development of the forecast, the level and appropriateness of reserves will be subject to a review based on factors such as historic usage, associated risks, sensitivity analysis and their underlying purpose, which was also the subject of a recent recommendation from the Council's External Auditor.*

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

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

The commentary will cover the following 3 headings:

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

This is expected to cover areas such as:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- how the Council plans to bridge its funding gaps and identifies achievable savings;
- how the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- how the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- how the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

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

This is expected to cover areas such as:

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

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

This is expected to cover areas such as:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;

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

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

## **Risks and Opportunities**

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

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

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

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

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 two items as follows:

Risk	How the Risk is Controlled/Mitigated
<p><b>Ineffective Cyber Security Physical and Application (software) Based Protection Management</b></p>	<p>Tendring District Council has robust cyber-security including; physical devices (Firewalls), network segregation, protective software applications to protect the Council from the daily occurrences of external Cyber-attack. In recognising the need to raise staff awareness/ vigilance and cyber security knowledge the Council was the first in Essex to roll-out cyber security training to staff and members in partnership with the Essex Police Cyber Crime Unit in 2017 and repeated in 2019. Training videos are available for staff and members to complete and cyber-security is part of our induction training. Our cyber-security is independently tested during our annual Public Services Network (PSN) connectivity 'IT Health Check'. Local Government Association cyber-security self-assessments are undertaken regularly with the latest one providing a robust Amber-green (score 65-79%) - but with areas of improvement identified. We are working on the improvement areas highlighted. Our Cloud migration strategy has enabled us to implement additional Cloud cyber-security functionality during 2020. We purchase 'best of breed' cyber security and anti-malware detection application(s) and key individuals complete NCSC approved cyber security training. National Cyber Security Centre (NCSC) Cyber Essentials - working towards this in certification in 2021. Our final data defence is that of officer and councillor vigilance, timely reporting of suspicions or incidents and robust daily backup and physical storage of this backed up data for use in a significant or cyber breach situation.</p>
<p><b>Financial Strategy</b>- The impact of achieving a balanced budget in an ever-tightening financial environment on service delivery objectives.</p>	<p>Long Term Financial Plan updated on an ongoing basis.</p> <ul style="list-style-type: none"> <li>• Financial Strategy / Forecast Preparation including identifying and capturing significant risks such as changes to government funding, and the identification of savings which will require some challenging decisions.</li> <li>• Robust and timely financial performance monitoring.</li> <li>• Engagement with key stakeholders, members and senior management as early as possible.</li> <li>• Responding to and implementing recommendations and advice issued by the Council's External Auditor.</li> <li>• Material savings options to be individually risk assessed</li> </ul> <p>If the event that the long term approach does not deliver the intended outcomes then the Council can revert to the more traditional / short term approach to setting the budget.</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.

### **Strategy and Resource Allocation**

During 2017/18 the Council adopted a long term financial sustainability plan with the primary aim of protecting services, as far as is reasonably possible, that the Council provides to its residents, businesses and visitors in the wake of the on-going and significant reductions in government funding. A summary of the thinking behind this new approach 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 16 February 2021 included revised annual forecasts over the remaining years of the 10 year plan which are set out in the table below:

<b>Year</b>	<b>Net Budget Position (including adjusting for prior use of reserves to balance the budget)</b>
2022/23	£1.098 million (Deficit)
2023/24	£0.866 million (Deficit)
2024/25	£0.630 million (Deficit)
2025/26	£0.388 million (Deficit)
2026/27	£0.142 million (Deficit)



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

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

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

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

## **Council Performance 2020/21**

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

In Tending our Community Leadership role has never been more important than during the COVID 19 pandemic. Working with our members the Council took on additional responsibilities in supporting our residents and businesses throughout the year. With the above in mind, Tending District Council did not formally report on its performance against priorities during 2020. However, much was achieved in delivering against the priorities set out in its Corporate Plan, including but not limited to:

- The adoption of a local Back to Business Agenda which not only supports businesses to survive but preparing to help them flourish.
- The roll out of numerous grants to businesses
- An Economic Growth Strategy focusing on recovery for the future.
- Allocation of monies from the Tending Community Fund to Ward Councillors to provide grants to local organisations to enable them to respond to the pandemic locally.
- Business continuity arrangements immediately being invoked to ensure Council services remained in place where they were able to do so and for those services impacted by the various lockdowns, staff were redeployed to work with different teams in response to the pandemic, such as the Community Hub.
- Adoption of a Climate Change Action Plan to meet the Council's aspirations towards the Climate Emergency.
- Section 1 of the Local Plan was found sound by the Planning Inspectorate establishing the 5 year housing supply of 550 dwellings per annum, a North Essex vision and the Garden Community at Tending Colchester Borders

- A balanced budget and revised governance arrangements to ensure democratic decision making continued throughout.
- Getting ready to build or acquire new council homes. We adopted a Corporate Housing Strategy to deliver homes to meet the needs of local people, making the best use of and improving existing housing and supporting people in their homes and communities. Separate strategies and policies were introduced to assist reducing homeless and rough sleeping in the district, providing financial assistance policies for private sector housing and acquiring land and buildings to increase council housing stock.

All of these provide a great foundation on which the Council will continue to deliver its priorities in the remaining years of the Corporate Plan. The 2021/22 actions (agreed by Cabinet at its meeting on 19 March 2021 and available on the Council's website), will, of themselves, underpin further actions in 2022/23. As such, it is appropriate to invest time and energy to delivering them.

### ***Financial Performance***

Continuing from previous years, the various strands representing the overall financial performance of the Council have been brought together in one report that is reported to members based on a quarterly basis. This approach follows the commitment made to provide regular updates on the long term financial forecast and to bring the reporting of key financial performance and budget monitoring together in one report. The report therefore sets out the overall financial position of the Council in one place and includes a risk assessed approach to each strand of the forecast. Two such financial performance reports were presented to Members during 2020/21 and are available on the Council's website along with a special financial performance report that reflected on the impact from the COVID 19 pandemic.

The Council is meeting its long term forecasted position with only a limited use of the forecast risk fund that was set up to 'underwrite' the risks associated with the new long term approach. In respect of 2021/22, there is an estimated use of the forecast risk fund of £1.049 million, with £3.753 million in the fund at the end of March 2021 to continue to support the long term plan in 2022/23 and beyond.

### **Financial Performance 2020/21 including comparison with the 2020/21 Budget**

A comprehensive outturn report was presented to the Council's Portfolio Holder for Corporate Finance and Governance in July 2021, with a summary set out below that follows a similar format of the Expenditure and Funding analysis within the Statement of Accounts:

## Summary of General Fund Revenue Financial Performance 2020/21

	Budget £m	Outturn £m	Variance £m
<b>Net Cost of Services *</b>	<b>23.324</b>	<b>7.497</b>	<b>(15.827)</b>
<b>Other Income and Expenditure</b>			
<i>Revenue Support for Capital Investment</i>	4.030	0.916	(3.114)
<i>Financing Items</i>	(3.430)	(3.424)	0.006
<i>Business Rates (including Tariff and Levy)</i>	(4.438)	(5.258)	(0.820)
<i>Revenue Support Grant</i>	(0.429)	(0.429)	-
<i>Collection Fund Surplus/Deficit</i>	(1.360)	(1.360)	-
<i>Income from Council Tax Payers</i>	(8.354)	(8.354)	-
<b>Total Other Income and Expenditure</b>	<b>(13.981)</b>	<b>(17.909)</b>	<b>(3.928)</b>
<b>(Surplus) or Deficit on Provision of Services **</b>	<b>9.343</b>	<b>(10.412)</b>	<b>(19.755)</b>
Opening General Fund Balances	(32.893)	(32.893)	
(Surplus) or Deficit on General Fund in Year	9.343	(10.412)	(19.755)
<b>Closing General Fund Balances at 31 March</b>	<b>(23.550)</b>	<b>(43.305)</b>	<b>(19.755)</b>

\* the budget of £23.324 million included in the table above is £3.987 million more than the figure (£19.337 million) presented to Full Council in February 2020 when the original budget was agreed, which is primarily due to the amounts carried forward from 2019/20 into 2020/21.

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

- Garden Communities Project - £1.300 million
- Projects to be funded from the New Homes Bonus - £1.054 million
- Business Investment and Growth - £1.344 million
- Rural and Urban Infrastructure Fund - £1.184 million

The above figures relate to the General Fund only which explains the difference with the figures set out in the Expenditure and Funding Analysis which include the Housing Revenue Account. The Expenditure and Funding analysis set out within the Statement of Accounts shows a Net Cost of Services figure for 2020/21 of £9.151 million. When the HRA is excluded (£1.654 million), the outturn position relating to the Net Cost of Services is £7.497 million as included in the table above.

Within the £10.412 million variance on the (Surplus) or Deficit on Provision of Services above, a general contribution of £1.539 million was made to reserves representing the overall outturn variance for the year. The main reasons behind this variance are summarised below:

- Net Income from Business Rates £0.902 million
- Reduced Housing Benefit and Rent Rebates Net Costs - £0.239 million
- Reduced income from the council tax sharing agreement with the major preceptors - £0.430 million

## Summary of General Fund Capital Programme 2020/21

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 have been carried forward to continue the schemes and projects in 2021/22, with significant items as follows:

- Disabled Facilities Grants - £4.922 million
- Starlings and Milton Road Development - £0.985 million
- Cliff Stabilisation Scheme - £0.611 million
- Clacton Leisure Centre Refurbishments – £0.592 million.

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

	<b>Budget 2020/21</b>	<b>Outturn 2020/21</b>	<b>C/fwds</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Capital Expenditure	10.890	1.920	8.970	-

  

<b>Funding of Capital Expenditure</b>	<b>Budget 2020/21</b>	<b>Outturn 2020/21</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	0.043	-	0.043	-
S106	0.109	0.103	0.006	-
Government Grants	5.986	0.994	4.992	-
Capital Receipts	0.825	0.010	0.815	-
Revenue Contributions	0.335	0.024	0.311	-
Use of Earmarked Reserves	3.592	0.789	2.803	-
<b>Total</b>	<b>10.890</b>	<b>1.920</b>	<b>8.970</b>	<b>0.000</b>

## General Fund Reserves

The overall level of reserves at the end of 2020/21 is £43.305 million, made up of £19.868 million for earmarked commitment reserves, £19.437 million for other earmarked reserves and £4.000 million for uncommitted reserves.

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

The level of earmarked commitments reserve is higher than at the end of 2019/20 primarily due to the need to carry forward significant Government Grant funding relating to COVID 19, where the various associated schemes continue to be delivered in 2021/22 and includes the associated accounting treatment of business rates via the collection fund.

## Housing Revenue Account 2020/21

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

	Budget £m	Outturn £m	Variance £m
<b>Net Cost of Services</b>	<b>1.860</b>	<b>1.654</b>	<b>(0.206)</b>
<b>Other Income and Expenditure</b>	-	-	-
<b>(Surplus) or Deficit on Provision of Services *</b>	<b>1.860</b>	<b>1.654</b>	<b>(0.206)</b>
Opening HRA Revenue Reserves	(6.964)	(6.964)	-
(Surplus) or Deficit on HRA in Year	1.860	1.654	(0.206)
<b>Closing HRA General Balance at 31 March</b>	<b>(5.104)</b>	<b>(5.310)</b>	<b>(0.206)</b>

\* the difference between budget and actuals is primarily due to an additional call on the HRA General Balances of £0.657 million.

### Housing Revenue Account 2020/21 – Capital Expenditure

	Budget 2020/21 £m	Outturn 2020/21 £m	C/fwds £m	Variance £m
HRA Capital Expenditure	6.910	4.160	2.352	(0.398)

A summary of how this capital expenditure was financed in 2020/21 is set out below:

	Budget 2020/21 £m	Outturn 2020/21 £m	To Fund C/fwds £m	Variance £m
Major Repairs Reserve	3.196	2.063	0.780	(0.353)
S106	0.852	0.261	0.596	0.005
Capital Receipts	0.838	0.725	0.113	-
External Contributions	0.050	-	-	(0.050)
Revenue funding from the HRA	1.974	1.111	0.863	-
<b>Total</b>	<b>6.910</b>	<b>4.160</b>	<b>2.352</b>	<b>(0.398)</b>

The overall variance of £0.398million is largely due to the timing and programme of works which will continue in 2021/22 and beyond supported by the Major Repairs Reserve within a wider stock condition/refurbishment programme.

### The Council's Overall Balance Sheet

The Council's balance sheet as at the end of March 2021 is set out within the Statement of Accounts. Some significant matters to highlight are as follows:

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

- **Short Term Debtors** – At the end of 2020/21 there is a balance of £15.947 million (£3.986 million in 2019/20) an increase of £11.961 million which is largely due to changes on Collection Fund balances of £3.856 million on Council Tax and £8.158 million on Business Rates. The amounts on Council Tax have arisen due to delayed collection during the COVID-19 pandemic. The amount on Business Rates is mostly due to timing differences between the recognition of Business Rates income and the COVID-19 support grant received from government and the differing ways these are accounted for within the Council's General Fund and Collection Fund. These timing differences will resolve themselves in future years.
- **Cash and Cash Equivalents** – At the end of 2020/21 there is a balance of £11.295 million (£3.230 million in 2019/20) with the main reason for this change being the inclusion of £7.800 million in Money Market Funds (nil at the end of 2019/20).
- **Short Term Creditors** – At the end of 2020/21 there is a balance of £36.178 million (£16.222 million in 2019/20) an increase of £19.956 million. This increase is mostly due to the balance of COVID-19 grants held at the 31 March of £14.268 million which will either be distributed to recipients during 2021/22 or repaid to government. The other main changes are a balance due to Department of Work and Pensions of £2.309 million for Housing related Benefits at 31 March and an increase in Collection Fund balances of £1.581 million for the same reasons as set out under Short Term Debtors above.

➤ **Long Term Borrowing**

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

The Council manages its debt portfolio with advice from external consultants. No new borrowing was undertaken during 2020/21 in respect of either the General Fund or Housing Revenue Account. The total external debt of the Council as at 31 March 2021 stood at £38.889 million compared to its capital financing requirement (which represents the overall borrowing requirement) as at 31 March 2021 of £43.672 million. The difference between external debt and the capital financing requirement is the amount met by internal resources.

**Outlook**

Although the thinking and philosophy behind the long term financial sustainability plan has been referred to earlier on in this report, the detailed budget for 2021/22 that was 'built' on this approach is set out below:

## General Fund

The Council's overall net General Fund revenue budget for 2021/22 (excluding amounts carried forward from 2020/21) is £7.616 million with a summary below, including how it is financed:

	2021/22 Original £m
Net Cost of Services	19.172
Revenue Support for capital investment	0.059
Financing items	(4.973)
<b>Net Expenditure</b>	<b>14.258</b>
Net Use of Earmarked Reserves	(6.642)
<b>Total Net Budget</b>	<b>7.616</b>
<b>Financed by:</b>	
Business Rates (excl. S31 Govt. Grant funding)	(4.599)
Revenue Support Grant	(0.431)
Collection Fund (Surplus)/Deficit	6.018
<b>Council Tax Requirement (for Tendring District Council)</b>	<b>8.604</b>

A summary of planned Capital Expenditure in 2021/22 (excluding amounts carried forward from 2020/21) and how it is financed is as follows:

	2021/22 Original Budget £m
<b>Expenditure</b>	<b>0.816</b>
<b>Financing</b>	
Government Grants	0.757
Capital Receipts	-
Earmarked Reserves	0.004
Direct Revenue Contributions	0.055
<b>Total Financing</b>	<b>0.816</b>

The current long term forecast going into 2022/23 and beyond reflects items such as the on-going impact from the reduction in government funding and the potential for income growth from council tax and business rates, including amounts from property growth. The proposed changes to business rates nationally remains as a significant risk to Councils and will continue to be monitored and reflected in the forecast accordingly. On the expenditure side of the forecast, inflation such as salaries and the living wage are also included along with an estimate of cost pressures and potential savings.

Although delayed due to COVID-19, the Government's 'fairer funding' review also poses a significant risk in future years which the Council will need to remain alert to, and the forecast will need to be adjusted accordingly.

In terms of the COVID 19 pandemic, the speed and scale of the economic recovery nationally remains unclear but will be reflected in the long term forecast that will be undated on an on-going basis during 2021/22.

### **Housing Revenue Account**

A summary of the HRA Revenue Budget for 2021/22 is summarised below:

	2021/22 Original Budget £m
Direct Expenditure	6.572
Direct Income	(13.690)
Indirect Income/Expenditure including Financing Costs	7.140
<b>Net (Surplus)/Deficit</b>	<u>0.022</u>
<b>Contribution to/(from) Reserves</b>	<u><u>(0.022)</u></u>

A summary of the HRA Capital Programme for 2021/22 is set out below:

	2021/22 Original Budget £m
<b>Expenditure</b>	<u>3.457</u>
<b>Financing</b>	
Major Repairs Reserve	3.176
Revenue funding from the HRA	<u>0.281</u>
<b>Total Financing</b>	<u><u>3.457</u></u>

As highlighted last year, the Council continues to take forward and develop a number of projects and priorities, a key strand of which is housing delivery. This includes the development of a garden community on the west of the district along with key actions / activities within Jaywick Sands. A brief description of the various major projects being delivered /developed by the Council are as follows:

- Following on from purchases in previous years, the Council continues to explore further opportunities in Jaywick Sands as part of the early phases of providing housing/regeneration improvements. To correct historic market failure within the Jaywick area the Council purchased land at a price in excess of what a private developer may wish to pay for it. The difference in values is charged to the Housing Revenue Account as impairment. The Council is in a position to take such an approach as it can view its investments over a longer term than the private sector. However the Council's actions in Jaywick Sands continue to build confidence in the market which has seen an increase in land values. This has resulted in the previous impairment charges being reversed out with a total credit of £0.299 million being made to the HRA up to and including 2020/21. Although the impairment charge remaining in the HRA of £1.303 million at the end of 2020/21 will inevitably limit the scale and speed of future investment in Jaywick Sands, it is not expected to have a direct impact on the underlying HRA position



which remains in good health to enable the Council to continue to provide quality housing and associated services to its tenants.

- 10 new properties were recently completed in Jaywick Sands. The outcome from the proof of concept approach taken and the much longer term and wider value for money considerations will be subject to review as part of the Council's project management activities, where lessons learnt can help inform future regeneration activities in Jaywick Sands.
- The Council is committed to the delivery of 200 new homes across the district. This will be via a mix of a number of approaches either working alone or in partnership with other organisations. The funding of this major commitment will be subject to on-going review as part of the HRA Business Plan, which will also need to consider the investment required in its existing housing stock to strike the balance both financially and in terms of maintaining properties to a decent standard.
- Working with its partners (The Government, The South East Local Enterprise Partnership and Essex County Council), the Council has embarked on the delivery of a covered market and managed workspace in Jaywick Sands. The full report where further details are set can be found on the Council's website. In terms of the funding for the Scheme, ECC have committed £0.350 million with £1.972 million coming from the Government's Getting Building Fund via the South East Local Enterprise Partnership.
- The Council has also recently submitted a bid to the Government's 'Levelling up fund'. Similarly to the above, the Council is working with Essex County Council to take this major project forward which could see a multi-million pound investment being made in Clacton. The Council is expected to be a 'co-funder' for this project, with further financial decisions being subject to separate reports to the Council's Cabinet during 2021/22.
- Throughout 2020, the Council worked with public and private sector partners on a bid to the Government to establish Freeport East (which includes Harwich International and Felixstowe Ports), as one of the Government's nominated Freeports. The Government have confirmed that the Freeport East bid has been selected to progress to the next stage of Freeport designation. Essentially, Freeports are innovative hubs, which boost global trade, attract inward investment and increase prosperity in the surrounding area. There are several steps required before confirmation of Freeport status - key elements of this include the submission of an Outline Business Case (OBC) followed by a Full Business Case (FBC) during 2021/22. A Freeport is a cross-sector and cross-industry development and is based upon a partnership between both private and public sectors. Appropriate governance arrangements will be required and developed on the basis of partnership working and joint approaches, in which the Council will play a key role.

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

The COVID-19 pandemic has had a considerable impact on the Council, our businesses and our residents. There was only a very limited impact in 2019/20 given the timing of the Government's 'lockdown' so the true scale of the crisis only emerged in 2020/21.

Although the Council saw losses in income in areas such as leisure along with increases in costs associated with the Council's direct response to the crisis, this has been supported via various Government grants.

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

<b>Grant from ECC</b>	<b>Scheme Supported</b>
£0.296 million	Track and Trace Support Payments
£0.264 million	Business Adaptations Grants to Businesses
£0.180 million	Various compliance activities
£0.179 million	Various COVID 19 activities including outbreak control, supporting the clinically vulnerable and other emergency assistance.

In addition to the above, ECC have also made available a further £0.275 million to support discretionary business grant schemes within the district during 2021/22.

In terms of the medium to longer term impact of the COVID 19 pandemic, updated financial analysis and forecasts will be presented to members during 2021/22 to follow on from the various financial performance reports that were presented in 2020/21.

The outturn report for 2020/21 that was agreed by the Portfolio Holder for Corporate Finance and Governance is available on the Council's website that provides more detail around the impact from COVID 19 including a detailed appendix that sets out the various funding streams (including those highlighted above) and how they have been allocated or are planned to be allocated as activities continue during 2021/22. The Council remains in a strong financial position going forward although there will be on-going risks to its financial position such as the recovering of income outstanding at the end of March 2021 (council tax, business rates and general debt) along with inflationary pressures. It remains unclear whether inflationary pressures within the economy are transitory in nature rather than an indication of a much longer period of rising prices. One immediate inflationary risk relates to commodity prices which may have an impact on the various schemes and capital projects the Council is delivering. These risks will be kept under review during the year as part of the quarterly financial performance reports.

Further ongoing actions relating to the Council's response to the COVID-19 crisis are included in the Annual Governance Statement (Annex to these Statement of Accounts), which will be monitored by the Council's Audit Committee over the course of the year.

### **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 2020/21 (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 67). These are consistent with the fundamental accounting concepts of:

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

## Estimation Techniques

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

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## **The Authority's Responsibilities**

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the 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 2021 and the income and expenditure for the year then ended.

R C Barrett  
Assistant Director Finance and IT  
Date: 30 July 2021

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 2021**

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 2021

Restated 2019/20*							
Expenditure	Income	Net		Expenditure	Income	Net	Note
£000	£000	£000		£000	£000	£000	Ref
<b>EXPENDITURE ON SERVICES</b>							
4,800	(1,931)	2,869	Leader	3,941	(1,720)	2,221	
2,469	(263)	2,206	Corporate Finance and Governance	6,891	(4,417)	2,474	
11,902	(4,752)	7,150	Environment and Public Space	12,310	(4,845)	7,465	
68,416	(65,895)	2,521	Housing	65,966	(62,313)	3,653	
581	(285)	296	Partnerships	648	(363)	285	
1,026	(95)	931	Business and Economic Growth	722	(202)	520	
11,257	(4,470)	6,787	Leisure and Tourism	9,464	(3,101)	6,363	
1,579	(644)	935	Budgets Relating to Non Executive Functions	1,039	(350)	689	
<b>102,030</b>	<b>(78,335)</b>	<b>23,695</b>	<b>Net Cost of Services</b>	<b>100,981</b>	<b>(77,311)</b>	<b>23,670</b>	
3,149	(1,621)	1,528	Other Operating Income and Expenditure	2,900	(940)	1,960	
2,610	(840)	1,770	Financing and Investment Income and Expenditure	2,556	(551)	2,005	11
6,164	(32,061)	(25,897)	Taxation and Non-Specific Grant Income and Expenditure	6,009	(31,036)	(25,027)	12
		<b>1,096</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>2,608</b>	
		(12,324)	(Surplus) or deficit on revaluation of non-current assets			(16,213)	10(a)
		(7,295)	Remeasurements of the net defined benefit liability (asset)			2,116	10(c)
		<b>(19,619)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(14,097)</b>	
		<b>(18,523)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(11,489)</b>	

\*The 2019/20 Comprehensive Income and Expenditure Statement has been restated to reflect the Council's Portfolio structure in place in 2020/21. The restatement is a change in categorisation and does not affect the net cost of services.

## 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 2019 brought forward</b>	31,207	8,783	4,811	166	6,278	51,245	128,659	179,904	
<b>Movement in reserves during the year</b>									
Total comprehensive expenditure and income	(2,089)	993	-	-	-	(1,096)	19,619	18,523	
Adjustments between accounting basis and funding basis under regulations	3,774	(2,812)	(476)	1,724	1,391	3,601	(3,601)	-	7
<b>Increase/(Decrease) in Year</b>	1,685	(1,819)	(476)	1,724	1,391	2,505	16,018	18,523	
<b>Balance at 31 March 2020 carried forward</b>	32,892	6,964	4,335	1,890	7,669	53,750	144,677	198,427	8,10
<b>Balance at 1 April 2020 brought forward</b>	32,892	6,964	4,335	1,890	7,669	53,750	144,677	198,427	
<b>Movement in reserves during the year</b>									
Total comprehensive expenditure and income	(953)	(1,655)	-	-	-	(2,608)	14,097	11,489	
Adjustments between accounting basis and funding basis under regulations	11,365	1	1,113	(363)	(83)	12,033	(12,033)	-	7
<b>Increase/(Decrease) in Year</b>	10,412	(1,654)	1,113	(363)	(83)	9,425	2,064	11,489	
<b>Balance at 31 March 2021 carried forward</b>	43,304	5,310	5,448	1,527	7,586	63,175	146,741	209,916	8,10

# BALANCE SHEET

## AS AT 31 MARCH 2021

31/03/2020		31/03/2021	Note
£000		£000	Ref
	Long Term Assets		
224,385	- Property Plant and Equipment	234,659	13
2,155	- Investment Property	1,985	14
69	- Intangible Assets	26	
483	- Long Term Debtors	467	15
<b>227,092</b>	<b>Total Long Term Assets</b>	<b>237,137</b>	
	Current Assets		
63,024	- Short Term Investments	65,611	15
33	- Assets Held for Sale	1,000	17
31	- Inventories	40	
3,986	- Short Term Debtors	15,947	18
3,230	- Cash and Cash Equivalents	11,295	19
<b>70,304</b>	<b>Total Current Assets</b>	<b>93,893</b>	
	Current Liabilities		
(2,029)	- Short Term Borrowing	(1,968)	15
(16,222)	- Short Term Creditors	(36,178)	20
(1,503)	- Provisions	(1,816)	
(762)	- Capital Grants Receipts in Advance	(1,636)	22
<b>(20,516)</b>	<b>Total Current Liabilities</b>	<b>(41,598)</b>	
	Long Term Liabilities		
(259)	- Long Term Creditors	(312)	
(38,592)	- Long Term Borrowing	(36,921)	15
(39,602)	- Other Long Term Liabilities - Pensions	(42,283)	27
<b>(78,453)</b>	<b>Total Long Term Liabilities</b>	<b>(79,516)</b>	
<b>198,427</b>	<b>Total Net Assets</b>	<b>209,916</b>	
	<b>Financed by:</b>		
53,750	Usable Reserves	63,175	9
144,677	Unusable Reserves	146,741	10
<b>198,427</b>	<b>Total Reserves</b>	<b>209,916</b>	

R C Barrett  
Assistant Director Finance and IT  
30 July 2021

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.

## CASH FLOW STATEMENT

2019/20		2020/21	
£000		£000	£000
<b>(1,096)</b>	<b>Net surplus or (deficit) on the provision of services</b>		<b>(2,608)</b>
	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements:		
10,592	Depreciation, revaluation and impairment of non-current assets	10,285	
145	Movement in Investment Property Values	170	
89	Amortisation of Intangible Assets	44	
1,896	Increase/decrease in creditors	14,709	
1,320	Increase/decrease in debtors	(1,085)	
3,422	Movement in pension liability	565	
118	Contributions to/(from) provisions	313	
1,446	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	565	
36	Other items	(9)	25,557
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:		
(5,124)	Capital Grants credited to surplus or deficit on the provision of services	(892)	
(2,118)	Proceeds from the sale of property, plant and equipment	(972)	(1,864)
<b>10,726</b>	<b>Net cash flows from Operating Activities*</b>		<b>21,085</b>
	Investing Activities:		
(9,993)	Purchase of property, plant and equipment, investment property and intangible assets		(5,931)
(297,900)	Purchase of short term investments		(5,079,900)
2,126	Proceeds from the sale of property, plant and equipment		980
292,000	Proceeds from short term investments		5,077,200
3,341	Other receipts from investing activities		1,792
<b>(10,426)</b>	<b>Net cash flows from investing activities</b>		<b>(5,859)</b>
	Financing Activities:		
(1,764)	Repayments of short and long term borrowing		(1,720)
-	Other payments for financing activities		(15,941)
978	Other receipts from financing activities		10,500
<b>(786)</b>	<b>Net cash flows from financing activities</b>		<b>(7,161)</b>
<b>(486)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>8,065</b>
3,716	Cash and cash equivalents at the beginning of the reporting period		3,230
<b>3,230</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>11,295</b>

\*The cash flows for operating activities include Interest Received of £0.484 million (£0.630 million in 2019/20) and Interest paid of £1.387 million (1.435 million in 2019/20).



## NOTES TO CORE FINANCIAL STATEMENTS

### 1 Expenditure and Funding Analysis

Restated 2019/20*				2020/21			
Expenditure Chargeable to GF and HRA Balances	Adjustment between Funding and Accounting basis	Net Expenditure in the CIES		Expenditure Chargeable to GF and HRA Balances	Adjustment between Funding and Accounting basis	Net Expenditure in the CIES	Note Ref
£000	£000	£000		£000	£000	£000	
<b>EXPENDITURE ON SERVICES</b>							
2,869	-	2,869	Leader	2,221	-	2,221	
(5,288)	7,494	2,206	Corporate Finance and Governance	(12,458)	14,932	2,474	
7,150	-	7,150	Environment and Public Space	7,465	-	7,465	
3,717	(1,196)	2,521	Housing	4,066	(413)	3,653	
296	-	296	Partnerships	285	-	285	
931	-	931	Business and Economic Growth	520	-	520	
6,787	-	6,787	Leisure and Tourism	6,363	-	6,363	
935	-	935	Budgets Relating to Non Executive Functions	689	-	689	
<u>17,397</u>	<u>6,298</u>	<u>23,695</u>	<b>Net Cost of Services</b>	<u>9,151</u>	<u>14,519</u>	<u>23,670</u>	
(17,263)	(5,336)	(22,599)	Other Income and Expenditure	(17,909)	(3,153)	(21,062)	
<u>134</u>	<u>962</u>	<u>1,096</u>	<b>(Surplus) or Deficit on Provision of Services</b>	<u>(8,758)</u>	<u>11,366</u>	<u>2,608</u>	
(39,990)			Opening General Fund and HRA Balances	(39,856)			
134			(Surplus) or Deficit on General Fund and HRA Balances in Year	(8,758)			
<u>(39,856)</u>			<b>Closing General Fund and HRA Balances at 31 March 2017</b>	<u>(48,614)</u>			8

\*The 2019/20 figures have been restated to reflect the Council's Portfolio structure in place in 2020/21. The restatement is a change in categorisation and does not affect the net cost of services.

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

2019/20				2020/21				
Adjustments for Capital Purposes (see a below)	Pensions Adjustments (see b below)	Other Differences (see c below)	Total Adjustments £000		Adjustments for Capital Purposes (see a below)	Pensions Adjustments (see b below)	Other Differences (see c below)	Total Adjustments £000
				<b>EXPENDITURE ON SERVICES</b>				
1,696	-	5,798	7,494	Corporate Finance and Governance	106	-	14,826	14,932
(129)	240	(1,307)	(1,196)	Housing	711	207	(1,331)	(413)
1,567	240	4,491	6,298	<b>Net Cost of Services</b>	817	207	13,495	14,519
(3,433)	3,182	(5,085)	(5,336)	Other Income and Expenditure	1,841	358	(5,352)	(3,153)
(1,866)	3,422	(594)	962	<b>(Surplus) or Deficit on Provision of Services</b>	2,658	565	8,143	11,366

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

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

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

**c) Other Differences** – This includes the difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund. This is reflected under Taxation and Non-Specific Grant Income and Expenditure in the Comprehensive Income and Expenditure Statement.

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

## **2 Accounting Policies**

The Council is required to prepare a Statement of Accounts for each financial year by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices as set out in the Chartered Institute of Public Finance and Accountancy 2020/21 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

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

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

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

The changes introduced by the 2021/22 Code relate to the definition of a business and the reform of interest rate benchmarks. None of these are expected to have any impact for Tendring District Council as the Council does not operate any businesses and does not have financial instruments or assets measured relating to any benchmarks.

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

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

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

#### **a) COVID-19**

The COVID-19 pandemic has had a major impact on the Council's resources and cash flows during the year, which have been outlined elsewhere in this report, most notably in the narrative statement at pages xxiii to xxiv. While there are signs of recovery, there is also an assumption that the impact will continue to be seen in the finances of the council for the forthcoming year, although it is currently not clear exactly how these will materialise. One area affected is the level of arrears owing to the Council as recovery action has been suspended during the pandemic. The level of impairment of doubtful debts has been re-assessed, but it is not certain this will be sufficient as historic collection rates may not be achievable going forwards. The impact on asset valuations is now limited to any leisure and retail assets held by the Council where the valuation is measured based on leasehold yield. All the Council's leisure centres are valued at Depreciated Replacement Cost so there is no impact on them from this, and any impact on retail outlets leased out are also considered to be immaterial.

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

As set out in note 13 on Property Plant and Equipment, the Council uses the services of an external professional Valuer in valuing assets. In accordance with the Code council dwellings are valued on a beacon basis by grouping similar houses together and applying the social housing discount factor set by central government. Land and buildings are valued either at existing use value (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.

c) **Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged (via Essex County Council) to provide the Authority with expert advice about the assumptions to be applied.

*The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £3.665 million.*

However, the assumptions interact in complex ways. During 2020/21, the Authority's actuaries advised that the net pensions liability had increased by £2.681 million primarily as a result of updating the assumptions and increases in the value of the fund assets.

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

The Statement of Accounts was authorised for issue by the Assistant Director Finance and IT on 30 July 2021. Consideration for events arising after the Balance Sheet date is given up to the date the accounts are authorised for issue.

## 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.

2019/20					2020/21				
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
3,182	240	-	-	-	358	207	-	-	-
(594)	-	-	-	-	7,946	-	-	-	-
-	-	-	-	-	187	10	-	-	-
4,705	5,887	-	-	-	3,638	6,661	-	-	-
145	-	-	-	-	170	-	-	-	-
68	21	-	-	-	42	2	-	-	-
<b>7,506</b>	<b>6,148</b>	-	-	-	<b>12,341</b>	<b>6,880</b>	-	-	-

### Adjustments to the Revenue Resources

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

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

### Total Adjustments to Revenue Resources

2019/20					2020/21				
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>									
(734)	(1,384)	-	-	2,118					
504	942	-	-	-	(95)	(878)	-	-	973
-	18	-	-	(18)	33	532	-	-	-
(3,215)	(2,499)	-	3,605	-	-	14	-	-	(14)
315	-	-	-	(315)	(891)	(595)	-	106	-
-	(3,176)	3,176	-	-	308	-	-	-	(308)
(227)	(1,664)	-	-	-	-	(3,176)	3,176	-	-
6	-	-	-	(6)	(218)	(1,664)	-	-	-
1,547	-	-	-	-	7	-	-	-	(7)
(1,928)	(1,197)	-	-	-	796	-	-	-	-
(3,732)	(8,960)	3,176	3,605	1,779	(916)	(1,112)	-	-	-
					(976)	(6,879)	3,176	106	644
<b>Adjustments to Capital Resources</b>									
-	-	-	-	(396)	-	-	-	-	(735)
-	-	(3,652)	-	-	-	-	(2,063)	-	-
-	-	-	(1,881)	-	-	-	-	(469)	-
-	-	-	-	8	-	-	-	-	8
-	-	(3,652)	(1,881)	(388)	-	-	(2,063)	(469)	(727)
3,774	(2,812)	(476)	1,724	1,391	11,365	1	1,113	(363)	(83)
<b>Total Adjustments</b>					<b>Total Adjustments</b>				

## 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 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31 March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000
<b>General Fund:</b>							
Revenue Commitments Reserve	11,800	(11,579)	11,202	11,423	(11,202)	16,517	16,738
Capital Commitments Reserve	4,868	(4,655)	3,580	3,793	(3,792)	3,128	3,129
Forecast Risk Fund	3,497	(932)	523	3,088	(393)	1,058	3,753
Asset Refurbishment/Replacement Reserve	135	-	1,134	1,269	-	-	1,269
Beach Recharge Reserve	1,500	-	-	1,500	-	-	1,500
Benefit Reserve	1,000	-	-	1,000	-	-	1,000
Building for the Future Reserve	1,333	-	1,277	2,610	(1,371)	-	1,239
Business Rate Resilience Reserve	1,758	-	-	1,758	-	6,468	8,226
Careline System Replacement Reserve	37	(37)	-	-	-	-	-
Commuted Sums Reserve	299	(29)	119	389	(28)	66	427
Crematorium Reserve	154	-	-	154	-	-	154
Election Reserve	90	(120)	30	-	-	30	30
Haven Gateway Partnership Reserve	75	-	-	75	-	-	75
Leisure Capital Projects Reserve	100	(551)	575	124	(92)	50	82
Planning Inquiries and Enforcement Reserve	259	(160)	-	99	(20)	-	79
Residents Free Parking Reserve	221	-	-	221	(221)	-	-
Section 106 Agreements Reserve	-	-	1,389	1,389	(268)	482	1,603
Specific Revenue Grants Reserve - Homelessness	81	(81)	-	-	-	-	-
<b>Total General Fund Earmarked Reserves</b>	<b>27,207</b>	<b>(18,144)</b>	<b>19,829</b>	<b>28,892</b>	<b>(17,387)</b>	<b>27,799</b>	<b>39,304</b>
General Fund Balance	4,000	-	-	4,000	-	-	4,000
<b>Total General Fund</b>	<b>31,207</b>	<b>(18,144)</b>	<b>19,829</b>	<b>32,892</b>	<b>(17,387)</b>	<b>27,799</b>	<b>43,304</b>



	Balance at 1 April 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31 March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000
<b>Housing Revenue Account:</b>							
General Reserve	5,028	-	242	5,270	(823)	-	4,447
Housing Repairs Reserve	864	(4,781)	3,917	-	-	-	-
Housing Revenue Account Commitments Reserve	2,891	(1,197)	-	1,694	(1,694)	863	863
<b>Total Housing Revenue Account</b>	<b>8,783</b>	<b>(5,978)</b>	<b>4,159</b>	<b>6,964</b>	<b>(2,517)</b>	<b>863</b>	<b>5,310</b>

## 9 Usable Reserves

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

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

a) **General Fund Balance**

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

b) **Capital Receipts**

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

c) **Capital Grants Unapplied**

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

d) **Earmarked Reserves**

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

i) **Revenue Commitments Reserve**

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

ii) **Capital Commitments Reserve**

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

iii) **Forecast Risk Fund**

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

iv) **Asset Refurbishment/Replacement Reserve**

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

v) **Beach Recharge Reserve**

To fund future costs of replenishing the beaches with sand along the Clacton to Holland coastline.

vi) **Benefit Reserve**

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

vii) **Building for the Future Reserve**

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

- viii) **Business Rates Resilience Reserve**  
To support the Council in reacting to potential future changes in Business Rate appeals and income.
- ix) **Careline System Replacement Reserve**  
To finance future equipment/investment. The balance on this reserve was fully utilised in 2019/20.
- x) **Commuted Sums Reserve**  
Established from commuted sums paid to the Council to cover such items as maintenance costs of Open Spaces and CCTV.
- xi) **Crematorium Reserve**  
To finance future replacement and improvement works to the crematorium plant and equipment at Weeley.
- xii) **Election Reserve**  
To finance future costs associated with holding District Elections on a periodic basis.
- xiii) **Haven Gateway Partnership Reserve**  
To support the costs associated with the Haven Gateway Partnership.
- xiv) **Leisure Capital Projects Reserve**  
This reserve has been established to fund ongoing investment in Leisure Facilities.
- xv) **Planning Inquiries and Enforcement Reserve**  
To meet associated costs relating to planning services.
- xvi) **Residents Free Parking Reserve**  
To support the continuation of the residents' free parking initiative in the District. This reserve was fully utilised in 2020/21
- xvii) **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.
- xviii) **Specific Revenue Grants Reserve - Homelessness**  
This reserve holds the grants received from the Government for which a restriction on their use has been placed by the Government. The balance on this reserve was fully utilised in 2019/20.

e) **Housing Revenue Account**

i) **General Reserve**

Resources available to meet future running costs for council houses.

ii) **Housing Repairs Reserve**

Resources available to meet the cost of on-going repairs to council houses. This reserve was fully utilised in 2019/20.

iii) **Housing Revenue Account Commitments Reserve**

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

**10 Unusable Reserves**

2019/20		2020/21
£000		£000
47,484	Revaluation Reserve	62,104
134,922	Capital Adjustment Account	133,198
(39,602)	Pensions Reserve	(42,283)
267	Deferred Capital Receipts Reserve	259
1,740	Collection Fund Adjustment Account	(6,206)
(134)	Accumulated Absences Account	(331)
<hr/>		<hr/>
144,677		146,741
<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.

2019/20			2020/21	
£000	£000		£000	£000
	36,487	<b>Balance at 1 April</b>		47,484
13,853		Upward revaluation of assets	16,653	
(1,529)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(440)	
	12,324	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		16,213
(1,077)		Difference between fair value depreciation and historical cost depreciation	(1,464)	
(250)		Accumulated gains on assets sold or scrapped	(129)	
	(1,327)	Amount written off to the Capital Adjustment Account		(1,593)
	<u>47,484</u>	<b>Balance at 31 March</b>		<u>62,104</u>

b) **Capital Adjustment Account**

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

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

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



c) **Pensions Reserve**

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

2019/20			2020/21	
£000	£000		£000	£000
	(43,475)	<b>Balance at 1 April</b>		(39,602)
	7,295	Remeasurements of the net defined benefit liability (asset)		(2,116)
(5,619)		Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,339)	
2,197		Employer's pensions contributions and direct payments to pensioners payable in the year	4,774	
	(3,422)	Total adjustments to revenue resources		(565)
	<u>(39,602)</u>	<b>Balance at 31 March</b>		<u>(42,283)</u>

d) **Deferred Capital Receipts Reserve**

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

2019/20			2020/21	
£000			£000	
275		<b>Balance at 1 April</b>	267	
(8)		Transfer to the Capital Receipts Reserve upon receipt of cash	(8)	
<u>267</u>		<b>Balance at 31 March</b>	<u>259</u>	

e) **Collection Fund Adjustment Account**

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

	Council Tax £000	Business Rates £000	Total £000
<b>Balance at 1 April 2019</b>	296	850	1,146
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	100	494	594
<b>Balance at 31 March 2020</b>	396	1,344	1,740
<b>Balance at 1 April 2020</b>	396	1,344	1,740
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(165)	(7,781)	(7,946)
<b>Balance at 31 March 2021</b>	231	(6,437)	(6,206)

f) **Accumulated Absences Account**

2019/20 £000		2020/21 £000	£000
(134)	<b>Balance at 1 April</b>		(134)
134	Settlement or cancellation of accrual made at the end of the preceding year	134	
(134)	Amounts accrued at the end of the current year	(331)	
-	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(197)
(134)	<b>Balance at 31 March</b>		(331)

11 **Financing and Investment Income and Expenditure**

2019/20 £000		2020/21 £000
1,447	Interest payable and similar charges	1,512
1,018	Net interest on the defined benefit liability (asset)	874
(629)	Interest receivable and similar income	(372)
145	Movement in Investment Property Values	170
(211)	Rental Income from Investment Property	(179)
1,770	<b>Total</b>	2,005



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

2019/20		2020/21
£000		£000
10,194	Council tax income	10,635
11,452	Retained Business Rates Income	4,446
(6,164)	Business Rates Tariff and Levy	(6,009)
6,220	Non-Ringfenced Government Grants	15,254
4,195	Capital Grants, Contributions and Donated Assets	701
<u>25,897</u>	Total	<u>25,027</u>

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

### 13 Property, Plant and Equipment

#### a) Movement on Balances

Movements in 2020/21	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equipment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>								
At 1 April 2020	129,995	53,388	6,316	50,901	534	40	6,869	248,043
Additions	3,924	176	239	592	6	-	189	5,126
Accumulated depreciation and impairment written off to Gross Carrying Amount	(3,758)	(1,511)	-	-	-	-	-	(5,269)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	14,521	1,748	-	-	-	5	-	16,274
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,130)	382	-	-	-	-	-	(2,748)
Derecognition - Disposals	(536)	-	(160)	-	-	-	-	(696)
Assets reclassified (to)/from Assets Held for Sale	-	(1,008)	-	-	-	-	-	(1,008)
Assets reclassified (to)/from Assets Under Construction	1,008	948	-	4,766	-	-	(6,722)	-
At 31 March 2021	142,024	54,123	6,395	56,259	540	45	336	259,722

## Movements in 2020/21

	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equipment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construc-tion	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Depreciation and impairments</b>								
At 1 April 2020	(1,708)	(705)	(3,831)	(17,380)	(34)	-	-	(23,658)
Depreciation Charge for 2020/21	(2,639)	(1,465)	(517)	(1,981)	(1)	-	-	(6,603)
Accumulated depreciation written off to Gross Carrying Amount	3,688	1,511	-	-	-	-	-	5,199
Accumulated impairment written off to Gross Carrying Amount	70	-	-	-	-	-	-	70
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	(61)	-	-	-	-	-	(61)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	(174)	-	-	-	-	-	(174)
Derecognition - Disposals	4	-	160	-	-	-	-	164
At 31 March 2021	(585)	(894)	(4,188)	(19,361)	(35)	-	-	(25,063)
<b>Net Book Value</b>								
at 31 March 2021	141,439	53,229	2,207	36,898	505	45	336	234,659
at 1 April 2020	128,287	52,683	2,485	33,521	500	40	6,869	224,385

### Movements in 2019/20

	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 2019	122,860	54,887	5,956	50,806	514	35	3,573	238,631
Additions	4,327	559	1,257	95	20	-	3,358	9,616
Accumulated depreciation and impairment written off to Gross Carrying Amount	(2,439)	(3,945)	-	-	-	-	-	(6,384)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	9,377	2,958	-	-	-	5	-	12,340
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,289)	(1,020)	-	-	-	-	-	(4,309)
Derecognition - Disposals	(841)	(113)	(897)	-	-	-	-	(1,851)
Assets reclassified (to)/from Assets Under Construction	-	62	-	-	-	-	(62)	-
At 31 March 2020	129,995	53,388	6,316	50,901	534	40	6,869	248,043

## Movements in 2019/20

	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 2019	(1,593)	(3,296)	(4,329)	(15,403)	(33)	-	-	(24,654)
Depreciation Charge for 2019/20	(2,494)	(1,356)	(399)	(1,977)	(1)	-	-	(6,227)
Accumulated depreciation written off to Gross Carrying Amount	2,416	3,945	-	-	-	-	-	6,361
Accumulated impairment written off to Gross Carrying Amount	23	-	-	-	-	-	-	23
Impairment losses/(reversals) recognised in the Revaluation Reserve	(17)	-	-	-	-	-	-	(17)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(53)	-	-	-	-	-	-	(53)
Derecognition - Disposals	10	2	897	-	-	-	-	909
At 31 March 2020	(1,708)	(705)	(3,831)	(17,380)	(34)	-	-	(23,658)
<b>Net Book Value</b>								
at 31 March 2020	128,287	52,683	2,485	33,521	500	40	6,869	224,385
at 1 April 2019	121,267	51,591	1,627	35,403	481	35	3,573	213,977

## 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 2020/21 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
10-67 years	Public conveniences
55 years	Princes Theatre, Crematorium buildings
40-50 years	Council offices, Chapels, cemetery buildings, historic buildings, public halls, Frinton and Walton pool
30-40 years	Clacton leisure centre, squash courts, Dovercourt pool, Cliff Park building Harwich
16-30 years	Jaywick starter units, Beach office, Car park buildings, former cash office in Dovercourt, print unit, first aid station, kiosks and shops, miscellaneous buildings, sea cadet station, museums, sports pavilions, depots, beach changing facilities
10-20 years	Beach huts, deck chair kiosks, garages
5-15 years	Seafront Shelters
2 years	Dovercourt all-weather pitch

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

## c) Capital Commitments

At 31 March 2021, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment with 2021/22 and future years budgeted to cost £0.228 million. Similar commitments as 31 March 2020 were £0.916 million.

d) **Revaluations**

A full revaluation of General Fund and Housing Revenue Account (HRA) Properties was undertaken in 2016/17. In respect of 2020/21, a desk top revaluation of the Council's Housing Stock and General Fund properties was undertaken as at 30 September 2020 by Ian Pitt, MRICS and Martin Wilson, MRICS of Bruton Knowles in accordance with the RICS Valuation – Global Standards 2020 as published by the Royal Institution of Chartered Surveyors. Where there had been significant changes since 2019/20, instead of just a desktop revaluation, the relevant properties were subject to a full revaluation as at 30 September 2020.

An estimate was also obtained from Martin Wilson of Bruton Knowles as to the change in value from 30 September 2020 to 31 March 2021 of all the Authority's non-current assets. For General Fund land and buildings, the movement was estimated at an increase of 2.3% in value for specialised assets and of less than 2% for non-specialised assets. The Council considers these movements are immaterial so they are not reflected in the Balance Sheet. For HRA Assets the indices provided by the Valuer were modelled through the portfolio and would have resulted in an increase of £3.135 million which the Council did consider material so they are reflected in the Balance Sheet. The Supplementary Financial Statement for the HRA sets out additional valuation details relating to the Council's housing stock.

**14 Investment Properties**

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

2019/20		2020/21
£000		£000
(211)	Rental Income from Investment Property	(179)
<u>(211)</u>	Net gain/loss	<u>(179)</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:

2019/20		2020/21
£000		£000
2,300	Balance at start of year	2,155
(145)	Net Gains/(losses) from fair value adjustments	(179)
<u>2,155</u>	Balance at end of the year	<u>1,985</u>

a) **Fair Value hierarchy**

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

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

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

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

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

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

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

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

## 15 Financial Instruments

a) **Categories of Financial Instruments**

Long Term 31 March 2020 £000	Current 31 March 2020 £000		Long Term 31 March 2021 £000	Current 31 March 2021 £000
<b>Financial assets at amortised cost</b>				
-	63,024	Investments	-	65,611
483	2,674	Trade and other receivables	467	2,710
-	3,230	Cash and Cash Equivalents	-	11,295
<b>483</b>	<b>68,928</b>	<b>Total Financial Assets at amortised cost</b>	<b>467</b>	<b>79,616</b>
<b>Financial liabilities at amortised cost</b>				
38,592	2,029	Borrowing from Public Works Loan Board (PWLB)	36,921	1,968
259	-	Section 106 agreements	312	-
-	3,511	Trade and other payables	-	3,974
<b>38,851</b>	<b>5,540</b>	<b>Total Financial Liabilities at amortised cost</b>	<b>37,233</b>	<b>5,942</b>

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



Cash and Cash equivalents at 31 March 2021 included £7.800 million in Money Market Funds (nil at 31 March 2020).

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

b) **Reclassifications**

There have been no reclassifications of financial assets or liabilities in 2020/21.

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

2019/20				2020/21		
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
1,423	-	1,423	Interest expense	1,375	-	1,375
-	1	1	Fee expense	-	-	-
<b>1,423</b>	<b>1</b>	<b>1,424</b>	<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>1,375</b>	<b>-</b>	<b>1,375</b>
-	(628)	(628)	Interest income	-	(371)	(371)
<b>-</b>	<b>(628)</b>	<b>(628)</b>	<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(371)</b>	<b>(371)</b>
<b>1,423</b>	<b>(627)</b>	<b>796</b>	<b>Net (gain)/loss for the year</b>	<b>1,375</b>	<b>(371)</b>	<b>1,004</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 2020			31 March 2021		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000	£000		£000	£000	
40,621	61,864	PWLB borrowing	38,889	54,384	
259	259	Long term Section 106 agreements	312	312	
3,511	3,511	Trade and other payables	3,974	3,974	

The fair value of PWLB loans of £54.384 million measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the reduced interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

31 March 2020			31 March 2021		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000	£000		£000	£000	
63,024	63,024	Investments	65,611	65,611	
483	483	Long term trade and other receivables	467	467	
2,674	2,674	Short term trade and other receivables	2,710	2,710	

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

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

### a) Credit Risk

Credit risk arises from deposits with banks and other financial institutions and from credit advanced to the Council's customers. The Balance Sheet figures for financial assets are not representative of the normal level of exposure at any particular time. Positive cash flows in the early part of each financial year can lead to a considerably higher level of total investments. Additionally, in 2020/21 the significant support provided for businesses by way of business rates grants led to a material increase in financial assets held, although this money was mainly held with the Bank of England's Debt Management Office. The maximum exposure during 2020/21 was £159.699 million.

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

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

The Authority allows credit for some customers where payment in advance of service provision is not practicable. £0.706 million of the £2.200 million sundry debtor balance is past its due date for payment. The past due, but not impaired, amount can be analysed by age as follows;

2019/20		2020/21
£000		£000
143	Less than three months	187
36	Three to six months	112
123	Six months to one year	76
322	More than one year	331
<u>624</u>		<u>706</u>

Impairments of Sundry Debtors at 31 March 2021 totalled £0.685 million (£0.552m at 31 March 2020).

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:

2019/20				2020/21		
Principal	Interest	Total		Principal	Interest	Total
£000	£000	£000		£000	£000	£000
1,720	1,375	3,095	Less than one year	1,671	1,926	3,597
1,671	1,333	3,004	Between one and two years	2,222	1,272	3,494
6,267	3,636	9,903	Between two and five years	6,467	3,420	9,887
8,113	4,671	12,784	Between five and ten years	6,782	4,436	11,218
4,299	3,845	8,144	Between ten and fifteen years	3,914	3,727	7,641
18,242	11,550	29,792	More than fifteen years	17,536	10,847	28,383
<u>40,312</u>	<u>26,410</u>	<u>66,722</u>		<u>38,592</u>	<u>25,628</u>	<u>64,220</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 2021 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 2021, 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	394
Increase in interest receivable on variable rate investments	(1,037)
	<u>(643)</u>
Impact on Surplus or Deficit on the Provision of Services	<u>(643)</u>
Share of overall impact relating to the HRA	<u>323</u>

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

#### ➤ **Price Risk**

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

#### ➤ **Foreign Exchange Risk**

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

## 17 Assets Held for Sale

During 2020/21 the Council completed the construction of 10 new homes at Lotus Point in Jaywick. Five are to be sold as affordable housing and are being actively marketed, so the spend on these five assets in previous years has been transferred to Assets Held for Sale out of Assets Under Construction and additional spend on the assets during 2020/21 has also been added. They have been revalued to the price at which they are being marketed, which has led to the revaluation loss shown on the assets.

2019/20		2020/21
£000		£000
533	Balance Brought Forward	33
-	Assets reclassified to held for sale in year	1,008
-	Additions in year	752
-	Revaluation losses	(760)
(500)	Assets sold in year	(33)
<u>33</u>	<b>Balance carried forward</b>	<u>1,000</u>

## 18 Debtors

2019/20			2020/21		
Gross Amount	Impairment Allowance	Net	Gross Amount	Impairment Allowance	Net
£000	£000	£000	£000	£000	£000
369	(160)	209	359	(175)	184
2,379	(577)	1,802	2,632	(699)	1,933
2,005	(1,342)	663	1,980	(1,387)	593
1,848	(1,105)	743	3,011	(1,429)	1,582
-	-	-	10,780	-	10,780
563	-	563	852	-	852
6	-	6	23	-	23
<u>7,170</u>	<u>(3,184)</u>	<u>3,986</u>	<u>19,637</u>	<u>(3,690)</u>	<u>15,947</u>
		<b>Balance at 31 March</b>			

## 19 Cash and Cash Equivalents

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

2019/20		2020/21
£000		£000
(378)	Current Assets:	(113)
3,598	Bank current accounts	11,398
10	Call accounts	10
	Petty cash	
<u>3,230</u>		<u>11,295</u>

## 20 Creditors

2019/20		2020/21
£000		£000
3,005	Trade creditors	3,518
507	Capital creditors	456
	Amounts due to government and preceptors for Business Rates and Council	
8,647	Tax	9,980
-	COVID-19 grant funding	14,267
3,584	Other amounts due to government and preceptors	7,360
476	Receipts in Advance for Council Tax and Business Rates	591
3	Other	6
<u>16,222</u>	<b>Balance at 31 March</b>	<u>36,178</u>

## 21 Expenditure and Income Analysed by Nature

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

2019/20		2020/21
£000		£000
	<b>Expenditure</b>	
19,662	Employee Expenses	19,990
77,850	Other Services Expenses	76,671
10,682	Depreciation, Amortisation, Impairment	10,329
145	Movement in Investment Property Values	170
1,447	Interest Payable and Similar Charges	1,512
1,018	Pension Interest and Return on Pension Assets	874
1,873	Precepts and Levies	2,046
315	Payments to Housing Capital Receipts Pool	308
961	Loss on the Disposal of Non-Current Assets	546
<u>113,953</u>	<b>Total Expenditure</b>	<u>112,446</u>
	<b>Income</b>	
(35,814)	Fees and Charges and Other Service Income	(26,936)
(1,621)	Gain on Disposal of Non-Current Assets	(940)
(840)	Interest and Investment Income	(551)
(10,194)	Income from Council Tax	(10,635)
(11,452)	Income from Business Rates	(4,446)
(52,936)	Government Grants and Contributions	(66,330)
<u>(112,857)</u>	<b>Total Income</b>	<u>(109,838)</u>
<u>1,096</u>	<b>(Surplus) or Deficit on the Provision of Services</b>	<u>2,608</u>

## 22 Grant Income

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

2019/20 £000		2020/21 £000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
<i>Non-Ringfenced Grants:</i>		
422	Revenue Support Grant	429
1,184	New Homes Bonus Grant	1,514
246	New Burdens Grant	340
2,409	NDR Section 31 Business Rate Grants	8,899
17	Business Rates Levy Account Surplus Grant	-
185	EU Exit/Transition Funding	150
1,389	Section 106 Agreements	482
89	COVID-19 Support Grants	3,413
150	Future High Street Fund	-
100	Private Rented Sector Innovation and Enforcement Grant	-
29	Other Government Grants	27
6,220		15,254
<i>Capital Grants, Contributions and Donated Assets</i>		
<i>Government Funding</i>		
1,670	- Environment Agency	79
119	Local Authority - Essex County Council	-
<i>Other Capital Contributions</i>		
1,798	- Section 106	-
7	- Walton Flood Wall	27
11	- Haven Gateway	-
590	Donated Assets	595
4,195		701
<b>Other Significant Grants Credited to Services</b>		
80	Apprenticeship Training Grant	62
47,155	Benefits	43,869
-	Big Lottery Funding	125
245	CCG Wellbeing Hub	323
193	Collection Investment/Hardship Administration Grant	193
-	COVID - 19 Grants	6,618
1,519	Disabled Facilities Grant	786
821	Essex County Council - Technical Agreement Contribution	289
-	Historic England Grants	111
454	Homelessness Grants	498
82	Individual Electrol Registration	85
50,549		52,959

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 yearend are as follows:

2019/20 £000		2020/21 £000
<b>Capital Grants Receipts in Advance</b>		
Government Funding:		
-	Business, Energy and Industrial Strategy	975
552	The Environment Agency	451
152	Home and Communities Agency	152
55	Local Authority Funding	55
3	Other capital contributions	3
762		1,636

## 23 Related Parties

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

Restated 2019/20 *			2020/21	
Receipts £000	Payments £000		Receipts £000	Payments £000
2,158	409	Essex County Council	2,903	175
287	904	Other local authorities	212	325
Transactions with organisations related by a declared interest of Council Members or Senior Officers:				
-	2	Association of Retained Council Housing	-	2
4	1	Other	2	3
2,449	1,316	Total Related Party Transactions	3,117	505

\* The 2019/20 figures have been restated to reflect a change of categorisation, overall the amounts remain the same.

## 24 Members' Allowances

The Authority paid £0.458 million to members of the Council during the year (£0.400 million in 2019/20). Full details are available on the Transparency page of the Council's website.



## 25 Officers' Remuneration

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

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

Post Title	note	Salary, Fees and Allowances £	2020/21	Employer's Contributions to Pension £	Total Remun- eration £
			Total remun- eration excluding Pension Contributions £		
Chief Executive		135,945	135,945	27,325	163,270
Corporate Director - Place and Economy	1	101,477	101,477	20,397	121,874
Corporate Director - Planning and Regeneration Services	2	10,790	10,790	1,963	12,753
Corporate Director - Operations and Delivery	3	53,409	53,409	10,735	64,144
Assistant Director - Governance	4	76,140	76,140	15,304	91,444
Assistant Director - Finance and IT	5	72,871	72,871	14,647	87,518

#### Notes

1. Previously Corporate Director – Operational Services, new post created by Senior Management Restructure.
2. Left on 10 May 2020.
3. Post created by Senior Management Restructure and appointed to on 1 August 2020 on an Acting Up basis, the post was made substantive on 1 October 2020.
4. Previously Head of Governance and Legal Services, new post created by Senior Management Restructure.
5. Previously Head of Finance, Revenues and Benefits, new post created by Senior Management Restructure.

Post Title		Salary, Fees and Allowances £	2019/20	Employer's Contributions to Pension £	Total Remun- eration £
			Total remun- eration excluding Pension Contributions £		
Chief Executive		132,433	132,433	21,984	154,417
Deputy Chief Executive	1	72,200	72,200	11,985	84,185
Corporate Director - Operational Services		88,789	88,789	14,739	103,528
Corporate Director - Planning and Regeneration Services		86,678	86,678	14,389	101,067
Head of Governance and Legal Services		66,167	66,167	10,984	77,151
Head of Finance, Revenues and Benefits		65,256	65,256	10,833	76,089

#### Notes

1. The Deputy Chief Executive retired on 31 December 2019.

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:

2019/20 Number of Total	Remuneration Band	2020/21 Number of Total
5	£50,000 - £54,999	6
7	£55,000 - £59,999	2
-	£60,000 - £64,999	4
-	£65,000 - £69,999	2
1	£150,000 - £155,000 **	-

\*\* This band includes the £76,026 exit package in note c) below.

Where the £5,000 bands included no officers in both 2019/20 and 2020/21, 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)	2020/21			
	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	-	2	2	13,430
<b>Total cost included in Comprehensive Income and Expenditure Statement</b>				<b>13,430</b>

Exit package cost band (including special payments)	2019/20			
	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	2	7	9	60,170
£20,001 - £40,000	1	1	2	43,202
£60,001-£80,000	-	1	1	76,026
<b>Total cost included in Comprehensive Income and Expenditure Statement</b>				<b>179,398</b>

The compulsory redundancies were due to a service restructure.

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

## 26 Termination Benefits

The contracts of 4 employees ceased in 2020/21, 2 of which were accrued in 2019/20 due to the decision being made in the 2019/20 financial year. The 2 contracts relating to 2020/21 incurred total liabilities of £13,430 (12 employees with incurred total liabilities of £179,398 in 2019/20). The whole sum was compensation for loss of office. Further details can be found in Note 25(c).

## 27 Defined Benefit Pension Schemes

### a) Participation in Pension Schemes

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

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

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

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

### b) Transactions Relating to Post-Employment Benefits

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

2019/20 Local Government Pension Scheme £000	<b>Comprehensive Income and Expenditure Statement</b>	2020/21 Local Government Pension Scheme £000
	<b>Cost of Services</b>	
	<i>Service cost comprising:</i>	
4,518	Current service cost	4,359
42	Past service costs	-
-	(gain)/loss from settlements	12
41	Administration Expenses	94
	<i>Financing and Investment Income and Expenditure</i>	
1,018	Net interest expense	874
<hr/> 5,619	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<hr/> 5,339
	<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	
	<i>Remeasurement of the net defined benefit liability comprising:</i>	
9,997	Return on plan assets (excluding the amount included in the net interest expense)	(33,803)
(899)	Actuarial gains and losses arising on changes in demographic assumptions	(1,917)
(17,055)	Actuarial gains and losses arising on changes in financial assumptions	39,989
1,810	Experience gains and losses on defined benefit obligation	(2,153)
(1,148)	Other Actuarial gains and losses on assets	-
<hr/> (1,676)	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<hr/> 7,455
	<b>Movement in Reserves Statement</b>	
(5,619)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(5,339)
	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	
<hr/> 2,197	Employer's contributions payable to scheme	<hr/> 4,774

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:

2019/20 Local Government Pension Scheme £000		2020/21 Local Government Pension Scheme £000
164,205	Present value of the defined benefit obligation	203,724
(124,603)	Fair Value of plan assets	(161,441)
<u>39,602</u>	<b>Net liability arising from defined benefits obligation</b>	<u>42,283</u>

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

2019/20 Local Government Pension Scheme £000		2020/21 Local Government Pension Scheme £000
133,576	Opening fair value of scheme assets	124,603
3,167	Interest income	2,931
	<i>Remeasurement gain/(loss):</i>	
(9,997)	The return of plan assets, excluding the amount included in the net interest expense	33,803
1,148	Other actuarial gains/(losses)	-
2,197	Contributions from employers	4,774
780	Contributions from employees into the scheme	820
(6,227)	Benefits paid	(5,461)
-	Other - Settlement prices received / (paid)	65
(41)	Other - Administration	(94)
<u>124,603</u>	<b>Closing fair value of scheme assets</b>	<u>161,441</u>

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

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

2019/20			2020/21	
Local Government Pension Scheme			Local Government Pension Scheme	
£000			£000	
177,051	Opening Balance at 1 April		164,205	
4,518	Current service cost		4,359	
4,185	Interest cost		3,805	
780	Contributions from scheme participants		820	
	<i>Remeasurement (gain)/loss:</i>			
(899)	Actuarial gains/losses arising from changes in demographic assumptions		(1,917)	
(17,055)	Actuarial gains/losses arising from changes in financial assumptions		39,989	
1,810	Experience gains and losses on defined benefit obligation		(2,153)	
42	Past service cost		-	
(6,227)	Benefits paid		(5,461)	
-	Liabilities extinguished on settlements		77	
<b>164,205</b>	<b>Closing Balance at 31 March</b>		<b>203,724</b>	

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

2019/20				2020/21		
Quoted Prices in Active Markets	Unquoted Prices (not in Active Markets)	Total		Quoted Prices in Active Markets	Unquoted Prices (not in Active Markets)	Total
£000	£000	£000		£000	£000	£000
<b>Fair Value of Scheme Assets</b>						
-	5,179	5,179	Cash and cash equivalents	-	4,067	4,067
5,236	-	5,236	Equities - UK	7,905	-	7,905
61,339	-	61,339	Equities - Overseas	86,636	-	86,636
5,371	-	5,371	Securities	4,113	-	4,113
7,550	-	7,550	Bonds - Corporate (UK)	7,853	-	7,853
3,113	8,093	11,206	Property	3,365	8,012	11,377
-	6,358	6,358	Private Equity	-	7,583	7,583
-	7,363	7,363	Infrastructure	-	11,231	11,231
-	4,493	4,493	Timber	-	4,557	4,557
-	2,496	2,496	Private Debt	-	2,767	2,767
-	8,012	8,012	Other Managed Funds	-	13,352	13,352
<b>82,609</b>	<b>41,994</b>	<b>124,603</b>		<b>109,872</b>	<b>51,569</b>	<b>161,441</b>

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

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

The Local Government Pension Scheme liabilities have been estimated by Barnett Waddingham, an independent firm of actuaries for the Essex County Council Fund, based on the latest full valuation of the scheme as at 31 March 2019 which has been rolled forward using financial assumptions that comply with IAS19.

An allowance has been made in previous reporting periods for the potential impact of the Court of Appeal Judgement in relation to the McCloud and Sargent cases which relate to age discrimination within the Judicial and Fire Pension Schemes and is therefore already included in the starting position for this reporting period. This allowance is therefore incorporated in the roll forward approach and is remeasured at the reporting date along with the normal LGPS liabilities.

The significant assumptions used by the actuary have been:

2019/20 Local Government Pension Scheme		2020/21 Local Government Pension Scheme
	<i>Mortality assumptions:</i>	
	Longevity at 65 for current pensioners:	
21.8	Men	21.6
23.7	Women	23.6
	Longevity at 65 for future pensioners:	
23.2	Men	22.9
25.2	Women	25.1
2.70%	Rate of inflation - RPI Increases	3.20%
1.90%	Rate of inflation - CPI Increases	2.80%
2.90%	Rate of increase in salaries	3.80%
1.90%	Rate of increase in pensions	2.80%
2.35%	Rate for discounting scheme liabilities	2.00%
50%	Take up of option to convert annual pension into retirement lump sum	50%

The demographic assumptions used are consistent with those used for the most recent fund valuation, which was carried out as at 31 March 2019, except for the CMI projection model. This has been updated to the latest version of the model, CMI\_2020 which was released in March 2021. The update has been made in light of the coronavirus pandemic and introduces a “2020 weight parameter” for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. It is the actuary’s view that placing too much weight on the 2020 mortality experience would not be appropriate given the abnormality of the 2020 data, however, the overall outlook for best-estimate future mortality improvements looks less positive as a result of the pandemic. Therefore they have updated to use the CMI\_2020 Model with a 2020 weight parameter of 25%. The impact of updating the demographic assumptions base table projections is reflected in the Change in Demographic Assumptions figure.

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

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

	Increase in Assumption £000	Decrease in Assumption £000
<b>Impact on the Defined Benefit Obligation in the Scheme</b>		
Longevity (increase or decrease in 1 year - mortality age rating)	214,849	193,223
Rate of inflation (increase or decrease by 0.1%)	207,056	200,452
Rate of increase in salaries (increase or decrease by 0.1%)	204,096	203,356
Rate of increase in pensions (increase or decrease by 0.1%)	207,056	200,452
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	200,059	207,461

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

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% using the actuarial valuation assumptions. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2022.

The authority expects to pay contributions totalling £2.612 million to the scheme in 2021/22.

The weighted average duration of the defined benefit obligation for scheme members is 19 years, 2020/21 (19 years 2019/20).



## 28 External Audit Costs

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

2019/20 £000		2020/21 £000
45	Fees payable with regard to external audit services carried out by the appointed auditor for the year	45
23	Fees payable in respect of other services provided by the external auditor during the year - certification of Housing Benefit Subsidy and Pooling of Housing Capital Receipts *	21
<b>68</b>	<b>Total Audit Fees Payable</b>	<b>66</b>

\* This includes the following under provisions from prior years, £4,000 in 2019/20 and £3,000 in 2020/21.

## 29 Capital Expenditure and Capital Financing

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

2019/20 £000		2020/21 £000
47,445	<b>Opening Capital Financing Requirement</b>	45,554
	Capital Investment:	
9,026	Property, Plant and Equipment	5,283
-	Intangible Assets	2
1,547	Revenue expenditure funded from capital under statute	796
	Sources of Finance:	
(396)	Capital receipts	(735)
(3,400)	Government grants and other contributions	(1,255)
(3,652)	Major Repairs Reserve	(2,063)
	Sums set aside from revenue:	
(3,125)	Direct revenue contributions	(2,028)
(227)	MRP/loans fund principal	(218)
(1,664)	Voluntary MRP - HRA	(1,664)
<b>45,554</b>	<b>Closing Capital Financing Requirement</b>	<b>43,672</b>
	<b>Explanation of movements in year</b>	
(1,891)	Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	(1,882)
<b>(1,891)</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(1,882)</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:

2019/20		2020/21
£000		£000
380	Not later than one year	426
1,254	Later than one year and not later than five years	1,364
3,467	Later than five years	3,756
<u>5,101</u>		<u>5,546</u>

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

Currently Tendring District Council leases its depot to the household waste and recycling contractor at no charge. This arrangement is due to continue for the remainder of the contract which has been extended to 2026.

### 31 Subsidiary Companies

The Council had an interest in North Essex Garden Communities Limited (NEGC Ltd), a joint strategic entity which was owned by the Council along with Braintree District Council, Essex County Council, and Colchester Borough Council. The company was limited by shares. A decision was taken by the four Local Authorities in 2020/21 to wind up NEGC Ltd after ceasing to trade at the end of August 2020. Up to and including 2020/21 the trading activities of the company were limited and therefore its accounts were not material and so have never been incorporated into the Group Accounts of any of the four owning authorities.

## HOUSING REVENUE ACCOUNT – INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

2019/20 £000		2020/21 £000	£000	Note Ref
	<b>EXPENDITURE</b>			
4,774	Repairs and Maintenance	4,416		
2,880	Supervision and Management	2,979		
209	Rents, Rates, Taxes and Other Charges	240		
5,887	Depreciation and Impairments of Non-Current Assets	6,646		5,6
66	Debt Management Costs	66		
74	Movement in the allowance for bad debts	27		
21	Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	2		
13,911	<b>Total Expenditure</b>		14,376	
	<b>INCOME</b>			
(12,725)	Dwelling rents	(12,636)		
(230)	Non dwelling rents	(230)		
(520)	Charges for Services and Facilities	(518)		
(90)	Contributions towards expenditure	(28)		
(13,565)	<b>Total Income</b>		(13,412)	
346	Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		964	
276	HRA Share of Corporate and Democratic Core		276	
622	<b>Net Expenditure / (Income) for HRA Services</b>		1,240	
	<b>HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:</b>			
(423)	(Gain) or loss on sale of HRA Non-current Assets		(332)	
1,401	Interest Payable and Similar Charges		1,362	
(2,499)	Capital Grants and Contributions Receivable		(595)	
(94)	Interest and Investment Income		(20)	
(993)	<b>(Surplus) / Deficit for the year on HRA Services</b>		1,655	

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

2019/20		2020/21	
£000		£000	£000
5,028	Balance on the HRA as at the end of the previous year		5,270
993	Surplus or (Deficit) on the HRA Income and Expenditure Statement	(1,655)	
	Adjustments between accounting basis and funding basis under regulations:		
3,321	Reversal of Revaluation Changes and Impairment	3,948	
21	Reversal of Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	2	
(423)	Reversal of (Gain) or Loss on sale of HRA Non-current assets	(332)	
(2,499)	Reversal of Capital Grants and Contributions Receivable	(595)	
-	Reversal of Short Term Accumulating Compensated Absences	10	
(1,197)	Capital Expenditure Funded by the HRA	(1,112)	
(1,664)	Debt Repayment & Credit arrangements	(1,664)	
240	HRA share of contributions to or from the Pension Reserve	208	
(1,208)	Net increase or (decrease) before transfer to or from Reserves	(1,190)	
	Transfer (to) or from Reserves:		
(611)	Transfer (to)/from Major Repairs Reserves	(464)	
2,061	Transfers (to)/from Earmarked Reserves	831	
242	Increase or (decrease) in year on the HRA		(823)
<u>5,270</u>	<b>Balance on the HRA as at the end of the current year</b>		<u>4,447</u>

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

### 1 Housing Revenue Account Balances

HOUSING REVENUE ACCOUNT RESERVES					2020/21			
2019/20	2019/20	2019/20	2019/20		2020/21	2020/21	2020/21	2020/21
Housing Revenue Account	Housing Repairs Reserve	Housing Commitments Reserve	Total		Housing Revenue Account	Housing Repairs Reserve	Housing Commitments Reserve	Total
£000	£000	£000	£000		£000	£000	£000	£000
5,028	864	2,891	8,783	Balances as at 1 April	5,270	-	1,694	6,964
242	(864)	(1,197)	(1,819)	Surplus/(deficit) for year	(823)	-	(831)	(1,654)
<u>5,270</u>	<u>-</u>	<u>1,694</u>	<u>6,964</u>	<b>Balances as at 31 March</b>	<u>4,447</u>	<u>-</u>	<u>863</u>	<u>5,310</u>

## 2 Housing Assets

As at 31 March 2021, the Council was responsible for managing the following council housing assets:

01/04/2019					31/03/2020					01/04/2020					31/03/2021					
Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	
										£000										
										<b>Dwellings</b>										
1,462	-	4	1,458	46,748	Flats	1,458	5	6	1,457	50,963	1,458	5	6	1,457	50,963	995	14	4	1,005	62,824
1,003	2	10	995	56,912	Houses	995	14	4	1,005	62,824	336	4	1	339	19,087	336	4	1	339	19,087
335	1	-	336	17,028	Bungalows	336	4	1	339	19,087	321	-	31	290	7,867	321	-	31	290	7,867
321	-	-	321	6,853	Sheltered Accommodation	321	-	31	290	7,867	12	-	3	9	698	12	-	3	9	698
15	-	3	12	745	Do-It-Yourself Shared Ownership (DIYSO)	12	-	3	9	698										
<hr/>										<hr/>										
3,136	3	17	3,122	128,286						3,122	23	45	3,100	141,439						
										<b>Other Land and Buildings</b>										
62	-	-	62	1,240	Shared Equity Plots of Land	62	-	-	62	1,395	62	-	-	62	1,395	360	-	-	360	1,583
418	-	58	360	1,407	Garages	360	-	-	360	1,583	417	-	-	417	84	417	-	-	417	84
415	2	-	417	83	Ground Rents re: sold council flats	417	-	-	417	84	1	-	-	1	193	1	-	-	1	193
1	-	-	1	440	Community Centre	1	-	-	1	193	4	1	-	5	375	4	1	-	5	375
4	-	-	4	398	Other non-domestic properties	4	1	-	5	375	12	-	-	12	1,248	12	-	-	12	1,248
12	-	-	12	1,203	Land	12	-	-	12	1,248										
<hr/>										<hr/>										
4,048	5	75	3,978	133,057	<b>Totals</b>	3,978	24	45	3,957	146,317										
<hr/>										<hr/>										

In addition to the above table, the Council also held equipment with a balance sheet value of £0.019 million as at 31 March 2021 (£0.050 million in 2019/20), the Council also held assets under construction with a balance sheet value of £0.056 million as at 31 March 2021 (2019/20 £1.998 million). There were also assets held for sale with a balance sheet value of £1.000 million as at 31 March 2021 (please see note 17 for further details).

2019/20		2020/21
£000		£000
340,060	Vacant Possession Value *	367,280
(129,222)	Less: Existing Use Values (Social Housing)	(140,649)
<u>210,838</u>	Economic Cost of Providing Social Housing	<u>226,631</u>

\* This is the market value of dwellings as at 28 February 2021.

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 2021.

### 3 Capital Expenditure and Financing

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

2019/20		2020/21
£000		£000
	Capital Investment:	
3,746	Operational Assets	2,063
1,624	Property Acquisition and New Build	2,098
<u>5,370</u>		<u>4,161</u>
	Sources of Finance:	
3,652	Major Repairs Reserve	2,063
1,197	Direct Revenue Financing	1,112
86	Section 106 Funding	261
67	External Funding	-
368	Capital Receipts	725
<u>5,370</u>		<u>4,161</u>

#### 4 Housing Capital Receipts Reserve

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

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

2019/20		2020/21
£000		£000
4,676	Balance as at 1 April	5,360
	Capital Receipts in the year:	
1,145	Council house sales (net of administration costs)	772
40	Repayment of Discount on Right to Buy Sales	-
181	DIYSO property sales	92
1	Mortgage principal repayments	1
<u>6,043</u>		<u>6,225</u>
	Less:	
(315)	Capital receipts pooling contribution payable to the Government	(308)
(368)	Capital receipts used for financing capital expenditure	(725)
<u>5,360</u>	Balance as at 31 March	<u>5,192</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.

2019/20		2020/21
£000		£000
2,479	Dwellings	2,628
15	Do-It-Yourself Shared Ownership (DIYSO)	14
25	Garages	29
9	Community Centre	7
7	Other Non-Domestic Properties	4
30	Equipment	30
<u>2,565</u>	<b>Depreciation Charged to the HRA I &amp; E Account for the Year</b>	<u>2,712</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.

2019/20		2020/21
£000		£000
4,241	Impairment charge for works to the Council's dwelling stock	4,944
(920)	Reversal of previous Impairment Losses due to increase in asset values	(1,010)
<u>3,321</u>	Impairment charge for the year	<u>3,934</u>

Tendring District Council has elected to recover all losses on non-dwellings from the period 2012-2017 to the HRA Reserve. In 2020/21 there were gains of £0.014 million returned to the HRA Reserve (in 2019/20 no gains were recovered). The balance currently left to recover is £1.303 million.

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

The rent arrears at 31 March 2021 were £0.359 million (2019/20 - £0.368 million), which equates to 2.70% (2.76% for 2019/20) 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 2021 is £0.175 million after the following movements on the account during 2020/21:

2019/20		2020/21
£000		£000
107	Balance as at 1 April	159
73	Provision for year	27
(21)	Arrears written off	(11)
<u>159</u>	Balance as at 31 March	<u>175</u>

## COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

Council Tax	2019/20 Business Rates	£000	£000	£000	Council Tax	2020/21 Business Rates	£000	£000	Total	Note Ref
<b>INCOME</b>										
(86,553)	-	(86,553)	Council Tax Payers		(90,867)	-	(90,867)			2
-	(28,765)	(28,765)	Income from Business Ratepayers		-	(12,240)	(12,240)			3
<b>(86,553)</b>	<b>(28,765)</b>	<b>(115,318)</b>	<b>Total Income</b>		<b>(90,867)</b>	<b>(12,240)</b>	<b>(103,107)</b>			
<b>EXPENDITURE</b>										
Precepts:										
60,289	-	60,289	Essex County Council		63,931	-	63,931			4
3,438	-	3,438	Essex Fire and Rescue		3,576	-	3,576			
9,157	-	9,157	Essex Police and Crime Commissioner		9,612	-	9,612			
9,829	-	9,829	Tendring District Council		10,400	-	10,400			
Shares of Business Rates Income:										
-	12,831	12,831	Central Government		-	13,628	13,628			3
-	2,310	2,310	Essex County Council		-	2,453	2,453			
-	257	257	Essex Fire and Rescue		-	272	272			
-	10,265	10,265	Tendring District Council		-	10,903	10,903			
2,208	1,114	3,322	Share of Collection Fund Balance		3,364	2,402	5,766			5
Other Business Rates Payments:										
-	289	289	Costs of Collection		-	287	287			
-	(239)	(239)	Transitional Protection		-	140	140			
-	248	248	Renewable Energy Schemes		-	364	364			
Bad Debt and Other Provisions:										
627	112	739	Provisions		1,337	582	1,919			6
142	49	191	Write Offs		52	6	58			
-	296	296	Provisions for Appeals		-	657	657			
<b>85,690</b>	<b>27,532</b>	<b>113,222</b>	<b>Total Expenditure</b>		<b>92,272</b>	<b>31,694</b>	<b>123,966</b>			
<b>(863)</b>	<b>(1,233)</b>	<b>(2,096)</b>	<b>(Surplus)/Deficit for the Year</b>		<b>1,405</b>	<b>19,454</b>	<b>20,859</b>			

Council Tax	2019/20 Business Rates			Council Tax	2020/21 Business Rates	Total	Note
£000	£000	£000		£000	£000	£000	Ref
			<b>Collection Fund Balance</b>				
(2,470)	(2,127)	(4,597)	Balance brought forward	(3,333)	(3,360)	(6,693)	
(863)	(1,233)	(2,096)	(Surplus)/Deficit for the year	1,405	19,454	20,859	
<b>(3,333)</b>	<b>(3,360)</b>	<b>(6,693)</b>	<b>Balance Carried Forward</b>	<b>(1,928)</b>	<b>16,094</b>	<b>14,166</b>	5
			<b>Allocated to:</b>				
-	(1,680)	(1,680)	Central Government	-	8,047	8,047	
(2,429)	(302)	(2,731)	Essex County Council	(1,402)	1,448	46	
(139)	(34)	(173)	Essex Fire and Rescue	(78)	161	83	
(369)	-	(369)	Essex Police and Crime Commissioner	(217)	-	(217)	
(396)	(1,344)	(1,740)	Tendring District Council	(231)	6,438	6,207	
<b>(3,333)</b>	<b>(3,360)</b>	<b>(6,693)</b>		<b>(1,928)</b>	<b>16,094</b>	<b>14,166</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 2020/21 was £1,808.54 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 2020/21

2019/20 Band	Valuation	Pro-portion	Full Charge	Paying 75%	Paying 50%	2nd Homes	Empty Properties	Exempt	Total Excluding LCTS	LCTS Scheme 100%	Total
8	*A Up to £40,000	5/9	7	5	-	-	-	-	12	(4)	8
9,973	A Up to £40,000	6/9	4,596	7,121	21	552	628	446	13,364	(3,186)	10,178
15,081	B £40,001 to £52,000	7/9	9,975	6,867	29	300	411	261	17,843	(2,580)	15,263
18,671	C £52,001 to £68,000	8/9	13,306	6,541	44	430	315	343	20,979	(2,039)	18,940
10,246	D £68,001 to £88,000	9/9	7,636	2,674	46	252	169	162	10,939	(496)	10,443
4,852	E £88,001 to £120,000	11/9	3,877	960	28	93	102	59	5,119	(108)	5,011
1,739	F £120,001 to £160,000	13/9	1,431	271	32	46	45	20	1,845	(31)	1,814
804	G £160,001 to £320,000	15/9	635	105	38	32	23	12	845	(6)	839
60	H Over £320,000	18/9	39	3	9	4	4	2	61	-	61
<u>61,434</u>			<u>41,501</u>	<u>24,547</u>	<u>247</u>	<u>1,709</u>	<u>1,697</u>	<u>1,306</u>	<u>71,007</u>	<u>(8,450)</u>	<u>62,557</u>
48,923	Number of equivalent full charge Band D dwellings (unscaled tax base)										49,889
(1,468)	Less Provision for changes in valuation list, discounts and doubtful debts										(1,497)
<u>47,455</u>	Tax base for tax setting purposes										<u>48,392</u>

\* Band A – entitled to Disabled Relief

## Analysis of the Council Tax

### Council Tax for a Band D Dwelling

2019/20 Average £		2020/21 Average £
	Tendring District Council:	
156.60	General Expenses	160.47
11.04	Special Expenses	12.17
39.49	Town and Parish Councils	42.27
1,270.44	Essex County Council	1,321.11
72.45	Essex Fire and Rescue	73.89
192.96	Essex Police and Crime Commissioner	198.63
<u>1,742.98</u>		<u>1,808.54</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:

2019/20		2020/21
£80,830m	Rateable Value on 31 March	£81,110m
	Non-Domestic Rate per £	
49.1p	Small Businesses	49.9p
50.4p	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	2019/20 Business Rates			Council Tax	2020/21 Business Rates	Total
£000	£000	£000		£000	£000	£000
-	557	557	<b>Allocated to:</b>	-	1,201	1,201
1,625	100	1,725	Central Government	2,452	216	2,668
94	11	105	Essex County Council	140	24	164
			Essex Fire and Rescue			
			Essex Police and Crime			
225	-	225	Commissioner	372	-	372
264	446	710	Tendring District Council	400	961	1,361
<b>2,208</b>	<b>1,114</b>	<b>3,322</b>		<b>3,364</b>	<b>2,402</b>	<b>5,766</b>

Therefore the year end surplus of £1.928 million (£3.333 million in 2019/20) on Council Tax and deficit of £16.094 million (£3.360 million surplus in 2019/20) on Business Rates together with balances paid over to precepting authorities in 2021/22, will form part of the assessment made in January 2022. The change on these balances between 2019/20 and 2020/21 is due to the effect of Covid-19. This is particularly significant with regard to business rates as the government scheme to support business through the pandemic reduced the rates receipts in the Collection Fund but the government funding for this was received in the General Fund.

## 6 Bad Debt and Other Provisions

### Provision for Bad and Doubtful Debt

2019/20			2020/21		
Council Tax £000	Business Rates £000	Total £000	Council Tax £000	Business Rates £000	Total £000
769	161	930			
(142)	(49)	(191)			
<u>627</u>	<u>112</u>	<u>739</u>			
Movements in Year:					
			1,389	588	1,977
			(52)	(6)	(58)
			<u>1,337</u>	<u>582</u>	<u>1,919</u>
Balances on provisions:					
2,374	346	2,720	3,001	458	3,459
627	112	739	1,337	582	1,919
<u>3,001</u>	<u>458</u>	<u>3,459</u>	<u>4,338</u>	<u>1,040</u>	<u>5,378</u>

### Provisions for Appeals (Business Rates only)

2019/20		2020/21	
£000		£000	
3,334	Balance Brought Forward	3,630	
296	Contributions to provisions in year	657	
<u>3,630</u>	<u>Balance Carried Forward</u>	<u>4,287</u>	

# ACCOUNTING POLICIES

## a) **General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. 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 2020/21 and the Service Reporting Code of Practice 2020/21, 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 Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

**Termination Benefits**

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

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

**Post-Employment Benefits**

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

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

**The Local Government Pension Scheme**

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

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

Service cost comprising:

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

Remeasurements comprising:

  - ❖ **The return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- ❖ **Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

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

### **Discretionary Benefits**

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

### **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 asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

## **Disposals and Non-current Assets Held for Sale**

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

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

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

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

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

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

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

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

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 Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

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

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, Corporate Services, Town Hall, Station Road, Clacton on Sea, Essex, CO15 1SE – Telephone Clacton (01255) 686521.

# **GLOSSARY OF TERMS USED IN THE STATEMENT OF ACCOUNTS**

## **Accounting Period**

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

## **Accumulated Absences Account**

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

## **Accruals**

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

## **Asset**

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

## **Bad or Doubtful Debts**

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

## **Balance Sheet**

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

## **Billing Authority**

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

## **Budget**

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

## **Business Rates**

A charge on commercial or non-domestic properties within the Council's area. The amount collected by the Council is paid over to Central Government, Essex Fire 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 2020-21**

**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 Head of Governance and Legal Services.

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

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

This Annual Governance Statement covers the period from 01 November 2020 up until its publication with the Council's Statement of Accounts on 20 July 2021.

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



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

<b>The Authority (Full Council)</b>	<b>The Executive (The Cabinet)</b>
<ul style="list-style-type: none"> <li>• Approve Constitution and Policy Framework</li> <li>• Approve Council’s overall budget</li> <li>• Approve matters reserved by law or by the Constitution to Full Council</li> </ul>	<ul style="list-style-type: none"> <li>• Undertake the Council’s Executive functions</li> <li>• Making decisions within the Budget and Policy Framework</li> </ul>
<b>Standards Committee</b>	<b>Overview and Scrutiny Committees</b>
<ul style="list-style-type: none"> <li>• Promote and maintain high standards of 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>
<b>Audit Committee</b>	<b>Management Team</b>
<ul style="list-style-type: none"> <li>• Approve the Council’s Statement of Accounts</li> <li>• Independent assurance of adequacy of risk management framework</li> <li>• Consider Internal / External Audit work and recommendations arising</li> </ul>	<ul style="list-style-type: none"> <li>• Develop and maintain the Council’s strategic direction</li> <li>• Ensure delivery of agreed targets within service areas</li> <li>• Review overall performance, both financial and non-financial, and change management</li> </ul>
<b>Statutory Officers</b>	<b>Internal Audit</b>
<ul style="list-style-type: none"> <li>• <b>Head of Paid Service</b> – discharge of council functions</li> <li>• <b>Monitoring Officer</b> – lawfulness and fairness of decision making, including scope of powers</li> </ul>	<ul style="list-style-type: none"> <li>• Provide an independent and objective assurance function</li> <li>• Improve effectiveness of risk management, control and governance processes</li> </ul>

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• <b>Chief Financial Officer (S151)</b> – lawfulness of Council’s financial affairs and financial prudence of decision making</li> </ul> |  |
|---|--|

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

#### Purpose of the Governance Framework

The governance framework comprises: -

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

It enables the authority to monitor: -

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to: -

- **identify and prioritise the risks to the achievement of the Council’s policies, aims and objectives**
- **evaluate the likelihood and potential impact of those risks being realised**
- **manage those risks efficiently, effectively and economically**

The Governance Framework has been in place within the Council for the year ended 31 March 2021 and reviewed up to the date of approval of the statement of accounts.

#### The Governance Framework

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

#### 1. The Council’s Constitution, Budget and Policy Framework

- The **Council’s Constitution**, which sets out the Council’s decision making framework, enabling decisions to be taken efficiently and effectively; provides a means of holding decision makers to public account; a structure to deliver cost effective quality services to the community; and defines roles and responsibilities
- A **Corporate Plan** which identifies the Council’s vision, its aims, opportunities and values
- **Budget and Policy Frameworks** covering key policies and plans that must be approved or adopted by full Council, including its Budget, Council Tax, Housing Investment Programme, Local Development Plans, Licensing Policies, Procurement Strategy and Information Governance.

#### 2. Other Strategies, Policies and Procedures

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

#### 3. Examples of Good Governance

- The identification of **Priorities and Projects** and their translation into clear goals enabling the targeting of work by departments
- **Performance Management and Budget Monitoring Frameworks** providing a review of key activities against targets set, delivery of projects, and financial performance

- The Publication of **Agendas, Reports, Minutes and Decisions** providing accurate and reliable information to the public
- A **Corporate Risk Management Framework** providing a structure for risk management within the Council, and a **Corporate Risk Register** identifying the key risk that the Council is exposed to that is subject to regular review
- **External Standards Compliance** including compliance with accounting and auditing codes and standards, and conformance of the Council's financial management arrangements with the governance requirements of the CIPFA Statement on "*The Role of the Chief Financial Officer in Local Government (2016)*"
- Robust governance arrangements for working, engaging and consulting with the Council's stakeholders, partners and the public

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

As part of the Annual Review of the Council's Governance Framework, a number of activities and actions have been identified and undertaken during **2020/21** 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.

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

- Annual Report on Declarations of Interests and mandatory training requirements for Members submitted to Standards Committee in February 2020, including Members' Code of Conduct and dedicated planning and licensing training for members of the respective committees.
- The Council's governance arrangements were reviewed in 2020 to reflect new legislation and Government guidance to ensure that Members were still able to participate in remote meetings and remain part of the decision making process. This remained the case until May 2021.
- Cabinet, in October 2020, adopted the Housing Acquisitions and Development Policy, providing a robust framework.
- The Monitoring Officer, in May 2021, delivered Officer Decision Making training to the Senior Managers' Forum and subsequent dedicated training to individual service teams.
- Cabinet, in April 2021, adopted the CCTV Code of Practice for the Council and the 12 Guiding Principles; along with the authorisation to deploy further cameras in accordance with the Code of Practice and Guiding Principles.
- Following the Government rescinding legislation allowing remote Council meetings, the transition was made for meetings to be held in a physical format, in a COVID secure manner, within the Princes Theatre.
- The Council, in January 2021, formally adopted Section 1 of the Local Plan, including the Inspector's main modifications, in accordance with Section 23(3) of Planning and Compulsory Purchase Act 2004.
- The annual review of the Constitution was undertaken with amendments being proposed to Cabinet in February 2021, subsequently adopted by Full Council in March 2021.
- Council, in April 2021, resolved that the Council's Constitution be reaffirmed.
- Detailed Health and Safety Risk Assessments have been undertaken for internal and external activities.
- July 2020 LGA consultation paper for Members' Code of Conduct. The Standard's Committee approved the Council's response to the consultation.

- Regular discussions are held with the Leader, Portfolio Holders and Statutory Officers regarding potentially contentious matters within the governance framework.
- Regular meetings and discussions between the three Statutory Officers, Human Resources and Internal Audit, on individual cases. This strengthens the working relationship and efficiency of the 'golden triangle'.
- The organisation was awarded Investor in People Gold once more. Additionally awarded Disability Leader Status in April 2021 for three years, resulting in other organisations approaching us for best practice advice.

## **B. Ensuring openness and comprehensive stakeholder engagement**

- All Member briefings have been regularly held and have included the following topics – the Council's response to COVID 19, recovery plans, Local Government reform, Planning reform, Corporate enforcement, future port health arrangements, Tendring Mental health Hub update, IT for Members, Census 2021, Essex Family Support Services, Freeport east update, North East Essex Integrated Community Services and the Health and Social Care White Paper.
- Meetings with the Group Leaders continued throughout the coronavirus pandemic in order to discuss a range of topics across political groups, adopting a 'One Council' approach.
- Cabinet, in May 2021, endorsed the community projects listed within the Portfolio Holder for Partnership's report, as those which will continue to be supported in 2021/2022 in alignment with the Council's Corporate Plan priorities.
- Cabinet, in June 2021, resolved that the Council enters into a Service Level Agreement with Citizens Advice Tendring for a further year from 01 April 2021.
- Cabinet, in April 2021, considered that the Communications Strategy 2021 be approved and adopted.
- Section 2 of the Local Plan is currently subject to public consultation on main modifications identified by the Planning Inspectorate.
- A Community Engagement Strategy has been adopted and implemented for the Tendring and Colchester Borders Project.
- Throughout the pandemic the continued to facilitate public speaking at Committee meetings by use of virtual platforms.
- A number of Memorandums of Understanding were signed with external partners, including the Health Alliance, Essex University and Anglia Ruskin University, to deliver joint aims and priorities with mutual support.
- A draft Tourism Strategy was approved for public consultation prior to being adopted. This sets out an aspiration to develop projects by a collaborative approach with transparent partnership working, as demonstrated with the tourism group in Harwich and Dovercourt.
- The organization continues to chair the police scrutiny group, Independent Advisory Group (IAG).
- The Economic Growth and Leisure Team have worked with partners to develop and chair the Tendring Water Safety Forum.

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

- Cabinet approved its key priority actions for 2021/22 to deliver the Corporate Plan for consultation with the Overview and Scrutiny Committees prior to adoption.
- Officers have continued to work on key decision making areas such as full project development and monitoring arrangements along with proportionate due diligence requirements.
- Cabinet, in May 2021, formally approved the Jaywick Sands Covered Market and Commercial Space to be delivered and to the project being included within the 2021/2022 Capital programme with a budget of £2.428.

- Cabinet, in March 2021, endorsed the decision to extend the Additional Restriction Business Grant Scheme to 31 March 2021 (from 15 February 2021) to ensure that it remained in line with the Government's Mandatory 'National Restrictions Scheme'.
- Cabinet, in May 2021, approved the Tourism Strategy 2021-2026 and the work programme for 2021/2022.
- Cabinet, in May 2021, continued its support for Career Track and its priorities for the next eighteen months, including an increased emphasis on supporting local firms as part of the Council's Back to Business Priority.
- Cabinet, in June 2020, agreed that the Spendells House site be retained and reconfigured for the provision of temporary housing accommodation.
- The Council was awarded £250,000 from the National Lottery Heritage Fund to help fund the commemorations of the 150<sup>th</sup> anniversary of the founding of Clacton on Sea.
- Cabinet, in November 2020, agrees and endorses that the Climate Change Action Plan 2020-2023, be adopted by Full Council. In view of the significance of this plan, the Constitution (Part 4.01(a)) be amended such that the list of local choice plans to form part of the policy framework of the Council, shall now include the Climate Change Action Plan.
- Cabinet, in March 2021, resolved that the Houses in Multiple Occupation (HMO) Policy be adopted.
- Regular review of the long term outcomes (such as TCB and local plan) for Place Shaping of the future of the district
- September 2021 Council approved the Housing Strategy until 2025 to meet the needs of local people.
- As part of the Council's Back to Business agenda, a three year Business Support Service is being facilitated by the Economic Growth and Leisure Team in agreement with an external operator for this service.
- In April 2021, a total of 21 well-being hubs have been opened within primary schools, 16 of those within Tendring following funding of £245,000. These will be evaluated by Essex University and Essex Well Being Mental Health Service.

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

- The Council continues to deliver a long term financial sustainability plan during the year with the underlying key aim of protecting services, as far as reasonably practical, during the on-going pandemic.
- The Council has internal governance arrangements to support delivery of major projects, which includes scheduling regular meetings attended by senior officers. This has been strengthened by the appointment of the Executive Projects Manager – Governance.
- The Council has agreed a budget of £200,000 to support the accelerated delivery of a number of key projects.
- The Council, in February 2021, approved the budget proposals for 2021/22. The Council's budget reflects a number of cash backed projects and initiatives to deliver against priorities set out in its Corporate Plan.
- Timely financial performance reports were presented to Members during the year to highlight key issues arising from the COVID-19 pandemic, which included the allocation of funding to support key areas of the budget.
- Rent arrangements were waived for community groups in order to support their continued services throughout the pandemic.
- Cabinet, in February 2021, approved the content of the Council's 'Back to Business' delivery plan.
- Arrangements / controls were put in place to support the roll out of the significant level of COVID-19 business grants which included anti-fraud and assurance work.
- The Council maintained delivery, operations, performance as detailed within Section 4.



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

- The Officer structure of the Council has continued to be subject to revision to facilitate service delivery within the resources available responding to evolving priorities and projects in line with the Council's Corporate Plan and priorities.
- Topical learning and development activities for staff continue to be delivered and available for individual topics and areas across the Council.
- The Human Resources and Council Tax Committee endorsed activities being undertaken in relation to Employee Engagement and Health & Well-being and this continues.
- The Council, in March 2021, approved and adopted the Pay Policy Statement 2021/2022.
- Home working arrangements remain in place and office workspaces have been maintained in a COVID secure manner for when they are required.
- A number of Senior Officers have been enrolled and are actively participating on the Leading greater Essex programme.
- Regular sessions that include training and raising awareness of topical subjects are conducted on the Senior Managers' Forum.
- Cabinet and Overview and Scrutiny Committees developed an Executive and Overview and Scrutiny Protocol establishing principles of how they will work together following the Statutory Guidance. The protocol was adopted by Council in March 2021.
- Following the adoption of the above protocol, a review of the arrangements has been undertaken by the Centre of Governance and Scrutiny with feedback to be produced later in the year as part of a development programme.
- Dedicated training has been delivered to the Overview and Scrutiny Committees on improving questioning through their work programme.
- A list of Members' training has been provided to the Standards Committee for assurance that Member development has continued. An extensive training programme was delivered to ensure that Members could continue with remote hearings by implementing new digital platforms.
- The appointment of the Executive Projects Manager – Governance as a dedicated resource to the Section 151 and Monitoring Officers.

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

- The continuation of a regular comprehensive financial performance report to Management Team and Members setting out a snapshot of key financial information in one place.
- Senior Officers have attended the Council's Audit Committee when required in order to support them in their assurance work and in responding to significant governance issues that emerged during the year.
- The Internal Audit Team continues to have an open dialogue with the Council's Senior Management Team on the organisation's risks and risk appetite.
- Key corporate risks were reviewed by the Audit Committee during the year in addition to independent / regular review by the Council's Senior Management Team; which included following up against key risks where appropriate.
- The financial forecast / budget was updated and regularly reported to Senior Managers and Members during the year and included separate and detailed reviews by the Corporate Finance and Governance Portfolio Holder in consultation with the Council's S151 Officer.
- Leisure Accountant included within the Project Team to develop an emerging Sports Facility Strategy.

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

- Internal audit continue to attend key project boards and working parties through the development of schemes and initiatives rather than just at the end of the process.
- Regular reporting to management team of key health and safety issues during the year.
- Council, in April 2021, resolved that the appointments of the Committees and Sub Committee, along with the Chairmen and Vice Chairmen, of the Council. The Chairmen and Vice Chairmen of the Resources and Services Overview Scrutiny Committee, are Members from political groups which do not form part of the Administration were appointed for the 2021/2022 municipal year.
- Throughout the year any urgent decisions taken by the Leader as a result of the pandemic, such as approval of grants schemes, have been reported to Cabinet. Group Leaders attend all cabinet meetings as a matter of right and can question the Leader and Cabinet on any matters contained within the agenda.
- The Audit Committee continued their approach of maintaining an overview of key governance issues identified during the year, which included Senior Officers being asked to attend their Committee meetings to provide timely updates as necessary.
- During the pandemic the standard programme of formal committee meetings continued to be held in a remote manner. Additionally the meetings have been live streamed which has been continued in spite of the legislation allowing for remote meetings expiring.
- A number of Local Government Ombudsman decisions were reported to Full Council.
- In February 2021 the Council's Planning Probity and Protocol was reviewed by the Standards Committee to ensure it was up to date.
- The Members' Code of Conduct complaint procedure was reviewed to ensure that it contained the legal jurisdiction criteria test as required by Essex Police.
- The key priority actions for 2021/22 include milestones against each quarter, performance against to be available to the public and Overview and Scrutiny Committees.

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

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

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

The Emergency Planning structure has remained in place since March 2020 and continues to be subject to continual review throughout the pandemic measures and during the recovery phase of a 'return to normal'.

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

ISSUE	RESPONSE
<b>IT network resilience</b>	Resilience is built into the Council's IT Investment Strategies including 'mirrored' data storage at two external sites. This supports increased resilience and much speedier 'disaster recovery' capability.
<b>Effective communication / management of information</b>	Laptops were upgraded to support home working arrangements along with the roll out the necessary applications to enable remote meetings at an officer and member level.
<b>Effective Cyber Security</b>	The IT team have remained alert to these attacks and continue to carry out work in this area including increasing staff awareness on these issues while working remotely.
<b>Comply with legislative requirements</b>	The Council has remained alert to new legislative requirements such as the changes associated with holding remote meetings etc. The necessary decision making processes and practical arrangements were put in place where necessary.
<b>Fraud and Corruption</b>	<p>The Council has remained alert to such issues and where controls have had to be changed or implemented to accommodate new working practices (such as remote working), these changes have been made in consultation with Internal Audit and will form part of their follow up work later in the year.</p> <p>A significant amount of assurance work has also been undertaken by the Revenues and Benefits Team in connection with the payment of various business grants to ensure money is paid out correctly to those eligible.</p>
<b>Key Staff and Capacity to Deliver Core Services</b>	<p>The Council remains alert to the pressures it currently faces, not only responding to COVID 19 issues which have been varied and challenging to resource, but also to other emerging activities both locally and nationally.</p> <p>Council staff have risen to the challenge in terms of being flexible, positive and willing to support different areas of the Council.</p> <p>However with continuing changes in the Local Government sector, such as those emerging from the Government, the level of capacity to not only deliver against these emerging issues but also the day to day operations of the Council may become more challenging over time.</p>

<p><b>Financial Strategy / Resilience</b></p>	<p>There has been a significant impact on business rates and council tax collection during the pandemic along with losses of income from areas such as leisure facilities. The Government have provided financial support to the Council to underwrite some risks and financial updates have been reported to Senior Managers and members throughout the year.</p> <p>It is very difficult to predict the longer term impact on the Council's financial strategy at the present time. However an underlying strength in the financial resilience of the Council is the flexibility that the long term approach provides, which will enable any adverse impact to be managed over a longer period of time.</p>
<p><b>Health and Safety, Effective Emergency Planning and Business Continuity Planning</b></p>	<p>At the beginning of the pandemic earlier in the year the Council invoked its emergency planning and business continuity processes. Usually this response would be over a very short period of time dealing with a one-off major event such as coastal flooding, so they have never been tested in a long term scenario such as COVID 19. However the plans that have been put in place have enabled the Council to maintain business as usual over a major part of its normal operations. Arrangements have also continued to evolve over the course of the year in delivering a successful response to the longer term nature of the COVID 19 crisis. There will inevitably be lessons learnt that need to be reflected in any necessary revisions to emergency planning and business continuity arrangements which will form part of future updates.</p>

Notwithstanding the above, given the on-going nature of the COVID 19 Pandemic, the planned review by Internal Audit will now be undertaken in 2021/22 and will be based on a lessons learnt approach to inform potential areas for improvement and will remain based on the following broad categories:

- **Impact on business as usual in the delivery of services**
- **New areas of activity as part of the national response to coronavirus and any governance issues arising**
- **The funding and logistical consequences of delivering the local government response.**
- **Assessment of the longer term disruption and consequences arising from the coronavirus pandemic**

### **Use of Council Resources**

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

The commentary will cover the following 3 headings:

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

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

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

The framework in place continues to provide a sound basis for delivering good governance within the Council.

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

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

In practice, review of effectiveness is an ongoing process throughout the year. Set against the backdrop of ongoing reductions in Government funding of the Council and associated savings targets, action has continued within the Council in **2020/21** to provide a sustainable and long term basis against which to deliver services. These changes present governance challenges and risks that have been recognised as part of the process of managing change.

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

- **Internal Audit**

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

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

The Council adopts a ‘Three Lines of Defence’ assurance model which is taken from the following sources;

### **1. Senior Management and Departmental Leadership**

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

### **2. Internal Governance**

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

### **3. Internal Audit**

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

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

### **Internal Audit Approach**

The Internal Audit function undertakes a programme of audits each year to provide the Council and its Audit Committee with assurance on the adequacy of its system of internal control, governance and risk management arrangements. The audit programme has been developed using a risk based approach and comprises of different audit techniques to make it leaner and more supportive of service delivery to meet the Council's needs.

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

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

- Planning adequate assurance to support the annual opinion
- Engagement between the leadership team, Audit Committee and HIA
- Making effective use of internal audit resources
- Early identification of a limitation of scope

Discussions were already taking place at Tendring District Council with the Audit Committee and Senior Management as early as March 2020 around the risks that the Internal Audit Team were facing as well as Council services in general and at this stage it had been identified that the Internal Audit Plan for 2020/21 had to be fluid as new risks emerged therefore additional Audit Committee meetings were held to ensure Members were kept well informed and also allowed for changes to the internal audit plan to be adopted more effectively and efficiently as new information arose.

Communication between Internal Audit, Leadership and the Audit Committee has been effective and more frequent than any other year due to the additional challenges that the pandemic has brought. All of the key areas identified by CIPFA above had been addressed at the beginning of the financial year and continue to be assessed to date.

Internal Audit has continued to work with services on a consultancy basis to support the implementation of new processes, identify and analyse root cause if necessary and ensure that all

relevant employees have the appropriate training to competently carry out their role. This includes advising service areas on their response to the COVID 19 pandemic and ensuring that the best possible service can be provided to the public when there has been a change to working practices or a shift in priorities due to the pandemic.

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 2020/21, only two audits from a total of 29 reviews undertaken received an overall audit opinion of "Improvement Required" where high severity issues were identified. The audits were Princes Theatre and Fleet Management. Improvement actions are in place for those audit areas which are followed up by the Internal Audit function to assess the progress of implementation. All significant were reported to the Audit Committee with required improvement actions throughout the year to provide a continuous update on the Council's control environment, governance arrangements, material issues identified and improvement actions.

### **Annual Opinion 2020/21**

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
- 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**

Although we were and still are in the middle of a pandemic there have not been any 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 leading to some audits relating to governance, data protection and business grants being included. The changes to the audit plan were in consultation with the Audit Committee and Management Team, furthermore the additional reviews only added to the overall assurance opinion provided by the Internal Audit Team.

It is also worth adding that the Internal Audit Plan could not be completed without the agreement and support of service managers and their staff as they were able to continue to provide a service to the public, address the changes and challenges from COVID 19 and allow time and resources for auditors to review the work they had been doing through 2020/21.

### **The Head of Internal Audit Opinion**

The overall direction of travel regarding the internal control environment since 2019/20 has improved as all but two audits received a satisfactory level of assurance throughout the 2020/21 financial year. A total of 38 moderate issues and 6 major issues were identified with actions agreed with operational management throughout the year. All major actions due have been reported to the Audit Committee and implemented by the relevant department. All moderate actions are managed through the follow-up process with the service area.

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

COVID 19 has had a significant impact on the public and public services; however, departments within the Council have managed to continue to provide services to the public whilst managing the pressures

and challenges from the pandemic. This has allowed for Internal Audit to complete the Internal Audit Plan and support services when required.

There has been procedural and policy changes throughout the year which Internal Audit have had view of and consulted on if needed.

Processing government business grants has taken up a lot of resource within the Corporate Services department throughout the year in order to undertake the necessary criteria checks prior to making payments. Internal Audit have taken assurance from post assurance work carried out by the Fraud and Risk Team requested by the Department for Business, Energy and Industrial Strategy which evidenced only two minor errors in the sample of transactions tested. The Fraud Officer has also carried out many investigations pre and post payment of business grant funds to prevent the Council being exposed to repayment of funds to central government through unnecessary error and fraud.

Internal Audit have also undertaken their own review of business rates which included a review of business grants and the checks undertaken by Revenue Officers prior to payment with no significant issues being identified.

The opinion of the Internal Audit Manager is drawn from all of the information reported above, external reviews carried out throughout the year from other assurance providers and through the ongoing work in supporting Senior Management and services in delivering the Council's objectives and vision.

The Internal Audit function updated the annual Quality Assurance and Improvement Programme (QAIP) which is a self-assessment questionnaire against the Public Sector Internal Audit Standards. The QAIP was completed and presented to and agreed by the Audit Committee in January 2021.

The Internal Audit Manager is satisfied that sufficient work was completed in 2020/21 to draw a reasonable conclusion on the adequacy and effectiveness of the Council's activities. The internal control environment continues to remain stable with no significant changes from 2019/20 other than those 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 Council's operational areas. Therefore, an overall unqualified opinion of 'Adequate Assurance' can be provided.

- **External Audit**

The Council is subject to an annual programme of external audit work associated with the Council's Statement of Accounts and value for money arrangements.

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

- **Other Review Agencies and Inspectorates**

The Council is subject to inspection and review by a number of other agencies and inspectorates. The Council aims to take action to address any issues that arise from such inspections and reviews, and to improve governance arrangements where it is appropriate to do so.

- **Senior Managers**

In addition to the review work undertaken above to review and strengthen the Council's Governance Framework, the Council's senior managers have participated in a review of the effectiveness of the system of internal control providing assurance regarding the governance / control environment for their areas of responsibility.

## **6. ISSUES RAISED IN THE PREVIOUS YEAR'S ANNUAL GOVERNANCE STATEMENT AND ON-GOING ACTIONS 2021/22**

In respect of the governance issues identified as part of last year's Annual Governance Statement, the most up to date position against the identified actions is set out below. Given the impact from COVID 19



on the delivery of these actions during 2020/21, they largely remain on-going and therefore form the basis of the proposed actions in 2021/2022, along with newly identified items as necessary.

Governance Issue	Required Action(s)	Update / Proposed Action(s) 2021/22
<p><b>Implementing good practices in transparency, reporting and audit to deliver effective accountability.</b> Ensuring compliance of the Council's governance arrangements through project board reviews. Utilising the Council's systems to implement best practice for drafting, reporting and decision making.</p>	<ul style="list-style-type: none"> <li>Review of project outcomes being undertaken by the Project Board to support future decision making and delivery.</li> <li>Commence the roll out of the functionality of Modern.gov over a phased approach in 2020/21.</li> </ul>	<p><b>ON-GOING in 2021/22</b> - The outcome from two key projects are due to be reported to the Project Board in the first six months of 2021/22.</p> <p><b>ON-GOING in 2021/22</b> - Modern.gov remains an on-going and live project with additional functionality planned to be rolled out during 2021/22. The delivery team have received updated training to support the future roll out of this system.</p>
<p><b>Developing the entity's capacity, including the capacity of its leadership and the individuals within it.</b> Ensuring the Council has the appropriate structures in place to support delivery of the Corporate Plan following the Senior Management restructure.</p>	<ul style="list-style-type: none"> <li>Finalise the operational capacity review and implement any recommended and approved staffing structures.</li> </ul>	<p><b>ON-GOING in 2021/22</b> - This action is included as a standing agenda item on the regular Assistant Director meetings with actions underway in collaboration with HR, to deliver a prioritised/phased approach to this key activity during 2021/22. A significant element of pre-consultation work, including the identification of potential funding options, has been undertaken; which will be taken forward in the second and third quarters of the year.</p>
<p>Determining the interventions necessary to optimise the achievement of the intended outcomes. Managing risks and performance through robust internal control</p>	<p>As part of the Back to Business and Recovery Plan:</p> <ul style="list-style-type: none"> <li>Undertake a corporate review of the Council's operational assets</li> </ul>	<p><b>ON-GOING in 2021/22</b> - The Back to Business action plan was agreed by Cabinet at its 19 February 2021 meeting and included within its priority actions for 2021/22 which forms the background</p>

<p>and strong public financial management.</p> <p>By strengthening the linkages between the Corporate Plan priorities and the Council’s investment plans along with review of the longer term impact of COVID-19.</p>	<p>to prioritise spending from an associated reserve over the next few years;</p> <ul style="list-style-type: none"> <li>• To develop an investment plan during 2020/21 which will be directly linked to the Council’s budget and evolving financial position and supported by the reprioritisation of budgets / existing funding and / or as part of the long term forecast;</li> <li>• Conduct an audit review in relation to the effectiveness of the Council’s response to COVID-19, including a <i>review of the lessons learnt from the Council’s response</i> and longer term consequences.</li> </ul>	<p>against which performance is being formally reported via the revised monitoring arrangements.</p> <p>A review into existing projects and initiatives remains in progress, which is linked to the implementation of additional capacity to support delivery, which is now underway.</p> <p>Some additional capacity is already in place such as the Executive Projects Manager – Governance, which also supports the various next steps of the accelerated delivery approach e.g. project review with Assistant Directors and securing the necessary additional resource. In respect of the latter point, work is underway in securing additional procurement capacity, which has been identified as an essential element of various projects over the coming months. An update on the Council’s general response to the COVID-19 pandemic is set out in the main body of the Annual Governance Statement. However, this remains subject to a formal review by Internal Audit where further opportunities to strengthen the Council’s arrangements will be considered e.g. business continuity.</p>
<p><b>Defining outcomes in terms of sustainable economic, social and environmental benefits.</b></p>	<ul style="list-style-type: none"> <li>• Prepare an Action Plan for approval by both the Cabinet and</li> </ul>	<p><b>COMPETED</b> - A Climate Change Action Plan was agreed by Full Council on 24 November 2020 and</p>

<p><b>Determining the interventions necessary to optimise the achievement of 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>	<p>Council to form part of the Council’s Policy Framework.</p>	<p>included within its priority actions for 2021/22, which forms the background against which performance is being formally reported via the revised monitoring arrangements.</p>
<p><b>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.</b></p> <p>Ensure the Local Code of Corporate Governance and key policies and procedures are up to date.</p> <p><b>Ensuring openness and comprehensive stakeholder engagement.</b></p> <p>Establishing a corporate framework to support community engagement.</p>	<ul style="list-style-type: none"> <li>• Review of the Council’s Equality and Diversity strategy, policies and procedures</li> <li>• Developing the Council’s approach and adopting principles for community engagement</li> </ul>	<p><b>ON-GOING in 2021/22</b> - Both of these actions will be considered as part of the respective Service’s key priorities and actions during 2021/22 and are included within the revised performance monitoring arrangements, with updates being reported to Management team during the year.</p>
<p><b>Implementing good practices in transparency, reporting and audit to deliver effective accountability.</b></p> <p>Delegated decision making</p>	<ul style="list-style-type: none"> <li>• Awareness and further strengthen good decision making incorporating the Council’s policies and framework.</li> </ul>	<p><b>ON-GOING in 2021/22</b> - Increase the understanding of key principles including consultation, business planning, budget, and procurement, legal. Concept paper and PIDs to completed comprehensively to ensure successful delivery within the governance framework.</p>

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

## 7. CONCLUSION

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

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

Ian Davidson  
Chief Executive

Councillor Neil Stock OBE  
Leader of the Council

Date: 30 July 2021

Date: 30 July 2021

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.