

# *Tendring* *District Council*



SUBJECT TO A

## **STATEMENT OF ACCOUNTS**

**2015/16**

# TENDRING DISTRICT COUNCIL

## STATEMENT OF ACCOUNTS

2015/16

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R C Barrett  
Head of Finance, Revenues and Benefits  
Town Hall  
Clacton on Sea  
Essex CO15 1SE  
30 June 2016

# NARRATIVE STATEMENT 2015/16

## INTRODUCTION

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

The Council continues to demonstrate strong community leadership. We are an integral part of local and regional partnership working; leading the way to find innovative solutions to local challenges, with some examples as follows:

- We have completed on time and under budget a £36 million coastal defence and regeneration project along a 5km stretch, the largest in the UK, to protect over 3,000 homes and businesses from the sea for the next 100 years. This scheme was only made possible through partnership working and joint innovative funding arrangements;
- We have made real progress in Jaywick. In the past year there has been commitment from the Council, working with a variety of agencies, to take action. Working with Essex County Council, roads have been improved. We have purchased 28 hectares of land for development and we are currently working to deliver new homes, businesses and infrastructure. This is all being done in close collaboration with the community;
- We are leading the Tendring Community Safety Hub. This model of partnership working has been widely praised in an LGA Peer Review in November 2015. It has resulted in us directing police and other partners' priorities to what we see as important;
- We are excited to be leading on the ground-breaking work on Garden Communities in North Essex which is a quite revolutionary concept that has been nationally recognised for its pioneering and ambitious vision.

All that the Council has achieved is despite saving £12.5 million from our revenue budget since 2011 with further investment activities the Council is leading on or involved in as follows:

- A further major capital scheme on Clacton to Holland Seafront, with £5 million worth of Cliff Stabilisation Works;
- Great opportunities to make the most of the new beaches for the benefit of the people of Tendring;
- A review of the Council by the Local Government Boundary Commission – with a view to reducing the number of Councillors when we next have District Elections – and also an opportunity to examine the governance arrangements for this Authority;
- Big decisions to be made as we create and adopt a new Local Plan, so that this Council has control over new housing developments;

- There are choices to be made to achieve major budget savings. Difficult choices. We still need to take £3.5 million off the annual budget by 2019.

We will continue to take every opportunity to become a leaner Council and be increasingly self-sufficient. This means delivering more for less and working with partners to provide high quality services.

We are acknowledged as a Council that demonstrates excellence and we can proudly celebrate obtaining the highly prestigious Investors in People Gold Standard. This award recognises that our Council has gone from being an insular local authority to one which is now recognised for outstanding leadership and one of only 5% to receive the Gold Standard.

The Council recognises that without a strong financial position, this Council would not be able to deliver against its key priorities, we would not be able to make investment where it matters and we would not be able to deliver for our residents.

Future budget 'gaps' need to be bridged through recurrent savings and efficiencies or increased income. The main financial challenge faced by the Council is the continuing reduction in Government Grant. The Government grant has reduced by £4.1 million since 2013/14 – that's a reduction of 60% from £6.7 million to the £2.6 million receivable in 2016/17. Further reductions in Government Grant are expected as follows:

£900,000 in 2017/18

£600,000 in 2018/19

£650,000 in 2019/20

That would leave the Council with just over £400,000 of Government funding by 2019/20 – quite a stark contrast to the £6.7 million receivable in 2013/14. This Council must remain a confident and 'can do' Council and we must not be afraid to challenge ourselves to ensure we continue to do the right things at the right times.

Along with the above, this narrative statement, which replaces the previous Explanatory Forward, provides information about Tendring District Council, including key issues affecting the Council and its financial position and includes the following:

- Key facts about Tendring and Corporate Plan/Priorities
- Council Performance 2015/16
- Risk Management
- The 2015/16 Revenue Budget Process
- The Budget Outturn for 2015/16
- Current year budgets (2016/17)
- Significant Financial Issues 2015/16

### **Key Facts About Tendring and Corporate Plan/Priorities**

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

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

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

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

The core driver behind the Corporate Plan is that Community Leadership is at the heart of everything we do. It is from this central role that we undertake services or work with partners with the aim of tackling the key challenges in the District such as:

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

The Corporate Plan aims to show where the Council is prioritising to address such challenges and identify the areas of work that will deliver or are delivering on this:

- *Health and Housing* (with a focus on working with partners to help those with mental health problems, building council houses, shaping the locale and environment, working with partners to support children, identifying opportunities for local regeneration)

- *Employment and Enjoyment* (with a focus on encouraging major business investment as well as supporting smaller businesses, making the most of our assets, working with partners to boost qualifications and skills, providing quality tourist attractions and leisure facilities.)
- *Council and Community* (with a focus on engaging with and supporting all tiers of the local community, working with partners, addressing crime and delivering a balanced budget).

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

The high level priorities articulated in the Corporate Plan are complemented by specific actions to be taken which are set out in Our Priorities and Projects 2016.

The Performance Report 2016/17 then sets out the detailed actions and targets for the delivery of our priorities, against which robust performance monitoring can take place throughout the year.

Some headline projects in the Performance Report are: -

- *Transforming the way we work*
- *Financial Self Sufficiency*
- *Improved Broadband*
- *Jaywick Community Development*
- *Cliff Stabilisation (Protecting our Coastline)*
- *Health and Wellbeing*
- *Local Plan*
- *Economic Development Delivery*
- *Maximising Tourism and Leisure Opportunities*
- *Enhancing Leisure Facilities*
- *Garden Community*

### **Council Performance 2015/16**

The Council has a number of indicators which summarise its overall performance, which is reported to members on a quarterly basis.

The following table sets out a summary of the end of year position against key indicators which were set out in more detail in the report that was presented to Cabinet at its 13 May 2016 meeting.

<b>Indicator</b>	<b>End of Year Position</b>
Council Tax Collection	Ahead of target
Non Domestic Rates Collection	Ahead of target
Rent Arrears	Ahead of target
Financial Self Sufficiency (Leisure Services)	Below target
Missed Bins Collection	Ahead of target
Recycling Rate	Below target
Fly-tipping	Ahead of target
New Home Completions	Below target
Handling of Planning Applications - Minor	Ahead of target
Handling of Planning Applications - Major	Ahead of target
Handling of Planning Applications - Other	Ahead of target
Handling of Complaints - Stage 1, 2 and 3	On target

## **Risk Management**

The Council has adopted the CIPFA / Solace guidance in respect of "Delivering Good Governance in Local Government" which includes the core principle of **"taking informed and transparent decisions which are subject to effective scrutiny and managing risk"**.

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, with departmental risk registers being regularly reviewed. Risk management guidance is readily available and is published on the Council's intranet.

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

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

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

The Corporate Risk register is reported to the Council's Audit Committee every six months (in June and December each year).

## **The 2015/16 Revenue Budget Process**

As part of the requirements set out in legislation, the Chief Finance Officer (S151 Officer) reports to Council as part of the budget process with the highlights of the 2015/16 report as follows:

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

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

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

The need to continue with a planned budget reduction programme is clearly recognised and remains the key focus for the Council to enable it to continue to provide quality services and associated investment at a time of reducing budgets.

It is recognised that there are risks inherent within the Council's financial framework and corresponding detailed estimates. However, action has been taken to mitigate these risks as far as possible. The budgets have been prepared against the background of a continuing and challenging economic climate resulting in on-going reviews of significant budgets within this context especially those that are more volatile in nature such as income forecasts. This significant area of risk will be closely monitored throughout the year.

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



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 at 31 March 2016 is £4.000 million including the minimum working balance of £1.600 million. All of the reserves are regarded as adequate and recognise significant risks such as from future welfare changes and potential business rates volatility.

## **The Budget Outturn for 2015/16**

### **General Fund**

The General Fund revenue outturn position for 2015/16 presented a net favourable variance of £1.024 million, which is after allowing for carry forwards into 2016/17.

The following table highlights a high level summary of the various elements of the outturn position:

	£m
Variations on Employee Budgets (including vacancy provision)	(0.229)
Significant Variations on Income Budgets including Business Rates	(1.021)
Significant Variations on Expenditure Budgets	(0.390)
Small Variations (Aggregated)	(0.207)
Variations on Indirect Budgets such as Internal Recharges	0.043
Additional Contribution to Earmarked Reserves	0.692
Reduced Contributions from Earmarked Reserves	0.088
	(1.024)
	(1.024)

The detailed outturn position for 2015/16 was reported to Cabinet on 10 June 2016, who made the following commitments against the favourable variance of £1.024 million:

- Garden Communities Project £0.250 million
- Public Convenience Cleaning Contract £0.024 million
- Broadband Project £0.500 million
- Central Agency Staff Budget £0.250 million

## **Housing Revenue Account 2015/16**

The Council's revised estimates for 2015/16 planned for an overall call on reserves of £1.280 million but the final figure was a £0.473 million call on reserves. This has reduced the HRA Balances which now total £5.680 million at the end of March 2016 and when added to the balance of £1.811 million in the Housing Repairs Reserve, which is held to support the maintenance of the Council's housing stock, the Housing Revenue Account Balances now total £7.491 million at 31 March 2016.

## **Capital Investment 2015/16**

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 improvements to the Council's housing stock, information technology projects and coastal defence works within the district.

The Council's General Fund capital expenditure in 2015/16 totalled £22.562 million, compared with a budget for the year of £31.136 million. This variance was primarily due to spending on schemes being rescheduled into the 2016/17 Capital Programme as projects can span financial years, with significant items being as follows:

- Cliff Stabilisation Scheme
- Disabled Facilities Grants which is demand led via applications from landlords and home owners which are now expected to be made in 2016/17.
- IT Strategic Investment which is an ongoing project to modernise and improve the Council's IT capacity/capabilities.

The capital expenditure was financed via a mix of government grants and other external contributions, proceeds from the sales of capital assets and revenue resources.

## **The Prudential Code for Capital Finance in Local Authorities**

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

The Council manages its debt portfolio with advice from external consultants. No new borrowing was undertaken during 2015/16 in respect of either the General Fund or Housing Revenue Account. The total external debt of the Council as at 31 March 2016 stood at £48.476 million compared to its capital financing requirement (which represents the overall borrowing requirement) as at 31 March 2016 of £53.478 million. The difference between external debt and the capital financing requirement is the amount met by internal resources.

## **Current Year Budgets (2016/17)**

### ***General Fund***

The Council's overall net General Fund revenue budget for 2016/17 (excluding amounts carried forward from 2015/16) is £13.998 million financed as follows:

	£m
Government Support and Business Rates	7.163
Local Taxpayers	6.855
Collection Fund Deficit	(0.020)
	<hr/>
	13.998
	<hr/> <hr/>

The revised General Fund capital budget for the year is £11.459 million. This will be financed by:

	£m
Government grants and other government funding	7.630
Capital receipts	1.692
Revenue	1.984
Other Sources including external contributions	0.153
	<hr/>
	11.459
	<hr/> <hr/>

The Council has General Fund balances of £25.946 million to bring forward into 2016/17. Of this sum, £21.946 million is earmarked in specific reserves.

Within the overall budget figures mentioned above, significant investments in the District which are planned or on-going into 2016/17 primarily reflect the items carried forward from 2015/16 mentioned earlier.

#### ***Housing Revenue Account***

The Housing Revenue Account direct income budget is £14.452 million (primarily from dwelling rents) and after taking into account various areas of expenditure there is no contribution to/from balances forecast for the year other than amounts carried forward from 2015/16.

The revised capital budget for the year is £7.024 million. This will be financed by the Major Repairs Reserve (£4.841 million) and Revenue Contributions (£2.183 million).

#### ***Impact of Current Economic Climate***

The Government continue to undertake measures to reduce the level of spending in the public sector which follows on from the worst local government funding settlement for many years with the Revenue Support Grant being phased out by 2019/20.

Via its Financial Strategy and budget setting processes, the Council continues to maintain a strong and robust approach to identifying savings and respond to new or additional burdens set against the expected further cuts in Government funding.

The current forecast budget 'gap' is £1.968 million in 2017/18 rising to £5.000 million on a cumulative basis by 2019/20.

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

- 2015/16 Outturn Reviews
- Efficiencies/Staff Reviews
- Transformational Activities including a review of Council Assets

### **ADDITIONAL INFORMATION**

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

**Housing Benefit Subsidy** – During the year benefit subsidy is receivable from the Department for Work and Pensions (DWP) to meet the cost of providing Rent Allowances and Rent Rebates along with an overall administration grant. The monthly payments received during the year are based on estimates until final figures become known at the end of April 2016 when a claim for subsidy is finalised and sent to DWP. For 2015/16 the final subsidy figure being claimed from DWP is £0.477 million more than the payments received from them during the year so this additional income appears as a debtor in the accounts. This is reflected in the line Central Government Bodies within the analysis of debtors that appear in the Balance Sheet (page 54 note 16). This sum was subsequently received in May 2016.

#### ➤ **Explanation of Pension Liability**

At the end of 2015/16 there is an overall pension deficit attributable to the Council of £52.025 million (£54.865 million for 2014/15) which has been included in the Balance Sheet as at 31 March 2016. This reflects the calculations carried out in accordance with IAS19 based on actuarial assumptions which were subject to a comprehensive triennial review as at 31 March 2013. The next triennial review is due in 2016. The deficit reported for 2015/16 highlights that to date the current benefit obligations of the fund are greater than the current value of the assets of the fund although it is important to note that the figures calculated under IAS19 differ from those calculated as part of the triennial actuarial review. Statutory arrangements for funding the deficit calculated via the triennial actuarial review mean that the deficit on the local government scheme will be made good by contributions over the remaining working life of employees, as assessed by the scheme actuary.

The scheme's actuary has applied a discount rate of 3.5% compared to a rate of 3.2% used last year in determining the liabilities for retirement benefits.

➤ **Other Significant Items**

1 **Jaywick Regeneration Project**

Similarly to last year, during 2015/16 the Council purchased significant areas of land in Jaywick as part the first phase of providing housing/regeneration improvements. To correct historic market failure within the Jaywick area the Council purchased land at a price in excess of what a private developer may wish to pay for it. The Council is in a position to take such an approach as it can view its investments over a longer term than the private sector. The value of the land has been included in the balance sheet at existing use value which is £0.700 million less than the price paid by the Council. This has been charged to the Housing Revenue Account as an impairment. Historically impairment charges have been able to be reversed out of the Housing Revenue Account but under the new self-financing rules that came into effect from 1 April 2012 this is no longer allowable. This issue has been recognised by the Government and the Council continues to make written representations to them seeking a resolution to this significant matter which would have an ongoing impact to a number of regeneration projects nationally as well as locally.

The impairment charge for 2015/16 has in effect been supported by the overall Housing Revenue Account balances in the short term, a position which will hopefully be corrected through the Government revising the current accounting rules or through increasing revaluations of the land via the next phase of the project.

2 **Clacton to Holland-on-Sea Coast Protection Project**

As mentioned earlier on, significant expenditure is planned in 2016/17 relating to a complementary Cliff Stabilisation scheme to the major coast protection works. £18.712 million was spent on the main Clacton to Holland scheme in 2015/16, jointly funded by the Environment Agency, Essex County Council and Tendring District Council. In respect of the grant from the Environment Agency £10.501 million was received in 2015/16 and therefore a significant income item that is set out elsewhere in the accounts.

## **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 2015/16 (The Code). The detailed financial statements that are required are explained below; these are split into 'core statements' and 'supplementary statements'.

## **ACCOUNTING AND RESPONSIBILITY STATEMENTS**

- **Accounting Concepts and Estimation Techniques** - This briefly sets out the three main concepts that are applicable along with estimation methods used in preparing the accounts.

- **Statement of Responsibilities for the Statement of Accounts** - This statement sets out the respective responsibilities required of the Council and the Head of Finance, Revenues and Benefits for the Authority's accounts and financial affairs.
- **Report of the Auditors** - The Auditor certifies that an audit of the Statement of Accounts has been concluded and gives an opinion on their presentation and content.

### **CORE FINANCIAL STATEMENTS**

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

- **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 other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rents setting purposes. The Net Increase/Decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.
- **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.
- **Balance Sheet** - The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

## **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**

- **Members' Allowances and Expenses** - This shows the allowances and expenses paid to Councillors in respect of their duties. Publication of these allowances and expenses is a statutory requirement.
- **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 87). These are consistent with the fundamental accounting concepts of:

- **Going concern** – that the Authority will continue in its operational existence for the foreseeable future;
- **Accruals** – the non-cash effects of transactions are reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid. Further details are provided in the separate section on Accounting Policies (see page 87);
- **Legislative requirements** – where specific legislative requirements and accounting principles conflict, legislative requirements are applied.

## Estimation Techniques

These are the methods adopted by the Council to arrive at estimated amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and charges to the Reserves. Where the basis of measurement for the amount to be recognised under accounting policies is uncertain, an estimation technique is applied. In the Council's accounts, estimation techniques continue to be applied for the calculation of depreciation, bad debt provision, pension assets/liabilities, some grant amounts claimed from Government and the valuation of Property, Plant and Equipment. Methods used are further explained in the separate section on accounting policies (see page 87).



# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## **The Authority's Responsibilities**

The Authority is required to:

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

## **The Head of Finance, Revenue and Benefits' Responsibilities**

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

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

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

The Head of Finance, Revenue and Benefits has also:

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

## **HEAD OF FINANCE, REVENUES AND BENEFITS' CERTIFICATE**

I certify that the accounts set out in this document give a true and fair view of the financial position of the Council at the 31 March 2016 and the income and expenditure for the year then ended.

R C Barrett  
Head of Finance, Revenues and Benefits  
Date: 30 June 2016

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

SUBJECT TO AUDIT

**INDEPENDENT AUDITOR'S REPORT TO  
THE MEMBERS OF  
TENDRING DISTRICT COUNCIL  
YEAR ENDED 31 MARCH 2016**

THIS PAGE HAS BEEN RESERVED FOR WHEN THE AUDITOR'S REPORT IS AVAILABLE

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SUBJECT TO AUDIT

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	Housing Repairs Reserve	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	£000	£000	
<b>Balance at 1 April 2014 brought forward</b>	4,000	20,849	6,372	1,375	3,666	165	2,504	38,931	76,201	115,132	
<b>Movement in reserves during the year</b>											
Surplus or (deficit) on provision of services	11,726	-	4,496	-	-	-	-	16,222	-	16,222	
Other comprehensive expenditure and income	-	-	-	-	-	-	-	-	(933)	(933)	
<b>Total Comprehensive Expenditure and Income</b>	11,726	-	4,496	-	-	-	-	16,222	(933)	15,289	
Adjustments between accounting basis and funding basis under regulations	(10,261)	-	(4,667)	-	(466)	1	221	(15,172)	15,172	-	5
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	1,465	-	(171)	-	(466)	1	221	1,050	14,239	15,289	
Transfers to/from Earmarked Reserves	(1,465)	1,465	(48)	48	-	-	-	-	-	-	6
<b>Increase/(Decrease) in Year</b>	-	1,465	(219)	48	(466)	1	221	1,050	14,239	15,289	
<b>Balance at 31 March 2015 carried forward</b>	4,000	22,314	6,153	1,423	3,200	166	2,725	39,981	90,440	130,421	7,8

	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	Housing Repairs Reserve	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	£000	£000	
<b>Balance at 1 April 2015 brought forward</b>	4,000	22,314	6,153	1,423	3,200	166	2,725	39,981	90,440	130,421	
<b>Movement in reserves during the year</b>											
Surplus or (deficit) on provision of services	14,016	-	4,378	-	-	-	-	18,394	-	18,394	
Other comprehensive expenditure and income	-	-	-	-	-	-	-	-	10,755	10,755	
<b>Total Comprehensive Expenditure and Income</b>	14,016	-	4,378	-	-	-	-	18,394	10,755	29,149	
Adjustments between accounting basis and funding basis under regulations	(14,384)	-	(4,463)	-	1,297	-	765	(16,785)	16,785	-	5
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	(368)	-	(85)	-	1,297	-	765	1,609	27,540	29,149	
Transfers to/from Earmarked Reserves	368	(368)	(388)	388	-	-	-	-	-	-	6
<b>Increase/(Decrease) in Year</b>	-	(368)	(473)	388	1,297	-	765	1,609	27,540	29,149	
<b>Balance at 31 March 2016 carried forward</b>	4,000	21,946	5,680	1,811	4,497	166	3,490	41,590	117,980	159,570	7,8



## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

Expenditure	2014/15			2015/16		Note	
	Income	Net		Expenditure	Income		Net
£000	£000	£000		£000	£000	Ref	
<b>EXPENDITURE ON SERVICES</b>							
2,331	(1,513)	818	Central Services to the Public	2,517	(1,967)	550	
8,643	(3,872)	4,771	Cultural and Related Services	10,070	(4,073)	5,997	
9,399	(3,190)	6,209	Environmental and Regulatory Services	10,471	(3,240)	7,231	
3,813	(1,527)	2,286	Planning Services	3,415	(1,620)	1,795	
1,155	(720)	435	Highways and Transport Services	1,027	(784)	243	
9,447	(14,394)	(4,947)	Local Authority Housing - Housing Revenue Account	8,780	(14,574)	(5,794)	
66,613	(65,562)	1,051	Other Housing Services	65,618	(65,104)	514	
509	(649)	(140)	Adult Social Care	697	(707)	(10)	
2,804	(3)	2,801	Corporate and Democratic Core Expenses	2,390	(4)	2,386	
165	-	165	Non Distributed Costs	149	-	149	
<b>104,879</b>	<b>(91,430)</b>	<b>13,449</b>	<b>Net Cost of Services</b>	<b>105,134</b>	<b>(92,073)</b>	<b>13,061</b>	
2,265	(790)	1,475	Other Operating Expenditure	2,465	(1,262)	1,203	9
3,693	(258)	3,435	Financing and Investment Income and Expenditure	3,388	(281)	3,107	10
5,655	(40,236)	(34,581)	Taxation and Non-Specific Grant Income and Expenditure	5,730	(41,495)	(35,765)	11
		<b>(16,222)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(18,394)</b>	
		(6,761)	(Surplus) or deficit on revaluation of non-current assets			(6,529)	8(a)
		(4)	(Surplus) or deficit on revaluation of available for sale financial assets			-	
		7,698	Remeasurements of the net defined benefit liability (asset)			(4,226)	8(c)
		<b>933</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(10,755)</b>	
		<b>(15,289)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(29,149)</b>	

# BALANCE SHEET

## AS AT 31 MARCH 2016

31/03/2015 £000		31/03/2016 £000	Note Ref
	Long Term Assets		
198,979	- Property Plant and Equipment	221,023	12
21	- Heritage Assets	17	
539	- Intangible Assets	554	13
5	- Long Term Investments	-	
481	- Long Term Debtors	452	16
<b>200,025</b>	<b>Total Long Term Assets</b>	<b>222,046</b>	
	Current Assets		
37,752	- Short Term Investments	41,646	14
295	- Assets Held for Sale	210	
23	- Inventories	31	
5,653	- Short Term Debtors	4,386	16
5,351	- Cash and Cash Equivalents	5,525	17
<b>49,074</b>	<b>Total Current Assets</b>	<b>51,798</b>	
	Current Liabilities		
(2,595)	- Short Term Borrowing	(2,607)	14
(10,550)	- Short Term Creditors	(9,314)	18
(930)	- Provisions	(1,328)	19
(802)	- Capital Grants Receipts in Advance	(2,260)	24
<b>(14,877)</b>	<b>Total Current Liabilities</b>	<b>(15,509)</b>	
	Long Term Liabilities		
(818)	- Long Term Creditors	(871)	18
(48,118)	- Long Term Borrowing	(45,869)	14
(54,865)	- Other Long Term Liabilities - Pensions	(52,025)	30
<b>(103,801)</b>	<b>Total Long Term Liabilities</b>	<b>(98,765)</b>	
<b>130,421</b>	<b>Total Net Assets</b>	<b>159,570</b>	
	<b>Financed by:</b>		
39,981	Usable Reserves	41,590	7
90,440	Unusable Reserves	117,980	8
<b>130,421</b>	<b>Total Reserves</b>	<b>159,570</b>	

R C Barrett  
Head of Finance, Revenues and Benefits  
30 June 2016

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

## CASH FLOW STATEMENT

2014/15		2015/16	Note
£000		£000	Ref
16,222	Net surplus or (deficit) on the provision of services	18,394	
	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements:		
6,831	Depreciation, revaluation and impairment of non-current assets	7,763	
144	Amortisation of Intangible Assets	168	
155	Increase/decrease in creditors	357	
119	Increase/decrease in debtors	316	
1,128	Movement in pension liability	1,386	
270	Contributions to/(from) provisions	398	
727	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	867	
19	Other items	(8)	11,247
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:		
(15,341)	Capital Grants credited to surplus or deficit on the provision of services	(17,052)	
(869)	Proceeds from the sale of property, plant and equipment	(1,361)	(18,413)
9,405	Net cash flows from Operating Activities	11,228	20
(8,643)	Investing Activities	(8,341)	21
(2,089)	Financing Activities	(2,713)	22
(1,327)	Net increase or (decrease) in cash and cash equivalents	174	
6,678	Cash and cash equivalents at the beginning of the reporting period	5,351	
5,351	Cash and cash equivalents at the end of the reporting period	5,525	

# NOTES TO CORE FINANCIAL STATEMENTS

## 1 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 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Detailed information on the Council's Accounting Policies can be found on pages 87 - 102.

## 2 Accounting Standards that have been issued but have not yet been adopted

The 2016/17 Code introduces several changes in accounting policies that will apply from 1 April 2016, the changes listed below are not considered to have a significant impact on the Statement of Accounts:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions) – this simplifies the requirements for contributions from employees when the contributions are applied to a simple contributory plan that is linked to service.
- Annual Improvements to IFRSs 2010-2012 Cycle – these issues have been addressed in previous years.
- Amendments to IFRS11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations).
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of acceptable methods of depreciation and amortisation, removing revenue based depreciation method.
- Annual Improvements to IFRSs 2012-2014 Cycle – minor disclosure issues.
- Amendment to IAS1 Presentation of Financial Statements (Disclosure Initiative) which provides clarification over the following areas:
  - ❖ Materiality considerations should apply to all disclosures.
  - ❖ The list of line items required can be disaggregated or aggregated as relevant.
  - ❖ Understandability and comparability should be considered when determining the order of notes.
  - ❖ Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.

## 3 Assumptions made about the future and other major sources of estimation

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

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

Item	Uncertainties	Effect if Actual results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that the annual depreciation charge for buildings would increase by £0.252 million for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged (via Essex County Council) to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £2.397 million.  However, the assumptions interact in complex ways. During 2015/16, the Authority's actuaries advised that the net pensions liability had decreased by £2.840 million primarily due to estimates being corrected as a result of updating the assumptions.
Business Rate Appeals	Estimation of the settlement of existing and future backdated Business Rate appeals under the 2010 Rate Revaluation. Uncertainty over the level of settlement of existing outstanding appeals and the extent to which they will be backdated to 1 April 2010	The total provision for Business Rate appeals is £3.097 million, the Council's share is £1.239 million (40%). This has been estimated on the basis that following appeal the average reduction in rateable value is 4.03%. If this increased by 0.5% the increase in the provision would be £0.384 million, the Council's share being £0.154 million.

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

#### 4 Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Head of Finance, Revenues and Benefits on 30 June 2016. Events taking place after the Reporting Period have been considered up to this date. Events taking place after the Statement of Accounts were authorised for issue are not reflected in the financial statements or notes.

## 5 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.

2014/15					2015/16				
General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
1,221	(93)	-	-	-	1,383	3	-	-	-
306	-	-	-	-	196	-	-	-	-
3,479	2,450	-	-	-	4,955	2,108	-	-	-
142	2	-	-	-	166	2	-	-	-
<b>5,148</b>	<b>2,359</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,700</b>	<b>2,113</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Adjustments to the Revenue Resources

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

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

### Total Adjustments to Revenue Resources

2014/15					2015/16					
General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Adjustments between Revenue and Capital Resources</b>										
(128)	(742)	870	-	-	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(216)	(1,145)	1,361	-	-
79	648	-	-	-	Amounts of non-current assets written off to the Capital Adjustment Account on disposal	100	767	-	-	-
-	16	(16)	-	-	Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	17	(17)	-	-
(14,035)	(1,306)	-	-	14,304	Transfer of capital grants credited to the Comprehensive Income and Expenditure Statement	(17,048)	(4)	-	-	16,037
274	-	(274)	-	-	Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	321	-	(321)	-	-
-	(3,260)	-	3,260	-	Posting of HRA resources from revenue to the Major Repairs Reserve	-	(3,256)	-	3,256	-
(278)	(1,964)	-	-	-	Provision for the repayment of debt (transfer from the Capital Adjustment Account)	(267)	(1,965)	-	-	-
3	-	(3)	-	-	Mitigation of Finance Lease costs in accordance with regulation	4	-	(4)	-	-
1,122	20	-	-	-	Revenue expenditure financed from capital under statute (transfer from the Capital Adjustment Account)	1,276	-	-	-	-
(2,446)	(438)	-	-	-	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(5,254)	(990)	-	-	-
<b>(15,409)</b>	<b>(7,026)</b>	<b>577</b>	<b>3,260</b>	<b>14,304</b>	<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(21,084)</b>	<b>(6,576)</b>	<b>1,019</b>	<b>3,256</b>	<b>16,037</b>
<b>Adjustments to Capital Resources</b>										
-	-	(370)	-	-	Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(260)	-	-
-	-	-	(3,726)	-	Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	(1,959)	-
-	-	-	-	(14,303)	Application of capital grants to finance capital expenditure	-	-	-	-	(16,037)
-	-	14	-	-	Cash payments in relation to deferred capital receipts	-	-	6	-	-
<b>-</b>	<b>-</b>	<b>(356)</b>	<b>(3,726)</b>	<b>(14,303)</b>	<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>(254)</b>	<b>(1,959)</b>	<b>(16,037)</b>
<b>(10,261)</b>	<b>(4,667)</b>	<b>221</b>	<b>(466)</b>	<b>1</b>	<b>Total Adjustments</b>	<b>(14,384)</b>	<b>(4,463)</b>	<b>765</b>	<b>1,297</b>	<b>-</b>

## 6 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2015/16.

	Balance at 1 April 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000
<b>General Fund:</b>							
Revenue Commitments Reserve	12,417	(12,417)	9,178	9,178	(9,178)	11,512	11,512
Capital Commitments Reserve	2,151	(2,151)	6,207	6,207	(6,207)	1,584	1,584
Asset Refurbishment/Replacement Reserve	752	(600)	-	152	(17)	-	135
Austerity Reserve (Building for the Future Reserve from 1 April 2016)	767	-	2,276	3,043	(246)	1,320	4,117
Benefit Reserve	679	-	-	679	-	421	1,100
Business Rate Resilience Reserve	608	-	521	1,129	-	893	2,022
Car Parks Reserve (Decriminalisation)	521	-	-	521	(300)	-	221
Careline System Replacement Reserve	37	-	-	37	-	-	37
Commuted Sums Reserve	255	(40)	-	215	(40)	-	175
Cremator Replacement Reserve	1,191	(1,270)	233	154	-	-	154
Election Reserve	60	-	30	90	(120)	30	-
Haven Gateway Partnership Reserve	75	-	-	75	-	-	75
Jaywick Project Manager and Externally Funded Posts Reserve	36	(36)	-	-	-	-	-
Planning Inquiries and Enforcement Reserve	505	(166)	-	339	(20)	-	319
Project Investment Reserve	19	-	-	19	-	-	19
Public Convenience Reserve	140	-	-	140	-	-	140
Residents Free Parking Reserve	300	(300)	-	-	-	-	-
Specific Revenue Grants Reserve - Homelessness	336	-	-	336	-	-	336
<b>Total General Fund</b>	<b>20,849</b>	<b>(16,980)</b>	<b>18,445</b>	<b>22,314</b>	<b>(16,128)</b>	<b>15,760</b>	<b>21,946</b>
<b>Housing Revenue Account:</b>							
Major Repairs Reserve	3,666	(3,726)	3,260	3,200	(1,959)	3,256	4,497
Housing Repairs Reserve	1,375	-	48	1,423	-	388	1,811
General Reserve	6,372	(219)	-	6,153	(473)	-	5,680
<b>Total Housing Revenue Account</b>	<b>11,413</b>	<b>(3,945)</b>	<b>3,308</b>	<b>10,776</b>	<b>(2,432)</b>	<b>3,644</b>	<b>11,988</b>



## 7 Usable Reserves

Movements in the Authority's usable reserves are shown in the Movement in Reserves Statement with additional detail provided in notes 5 and 6.

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

a) **General Fund Balance**

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

b) **Capital Receipts**

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

c) **Capital Grants Unapplied**

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

d) **Earmarked Reserves**

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

i) **Revenue Commitments Reserve**

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

ii) **Capital Commitments Reserve**

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

iii) **Asset Refurbishment/Replacement Reserve**

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

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

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

v) **Benefit Reserve**

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

vi) **Business Rates Resilience Reserve**

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

- vii) **Car Parks Reserve (Decriminalisation)**  
This has been established to finance any residual costs from the previous arrangements where the operation of decriminalised Car Parking was undertaken on behalf of Essex County Council.
- viii) **Careline System Replacement Reserve**  
This has been established to finance future equipment/investment.
- ix) **Commuted Sums Reserve**  
This reserve has been established from commuted sums paid to the Council to cover such items as maintenance costs of Open Spaces and CCTV.
- x) **Cremator Replacement Reserve**  
This was established to finance future replacement and improvement works to the crematorium plant and equipment at Weeley.
- xi) **Election Reserve**  
This was established to finance future costs associated with holding District Elections on a periodic basis.
- xii) **Haven Gateway Partnership Reserve**  
This has been set up to support the costs associated with the Haven Gateway Partnership.
- xiii) **Jaywick Project Manager and Externally Funded Posts Reserve**  
This was established to finance the costs of the associated project and other costs associated with externally funded posts. The balance on this reserve was fully utilised in 2014/15.
- xiv) **Planning Inquiries and Enforcement Reserve**  
This reserve has been established to meet associated costs relating to planning services.
- xv) **Project Investment Reserve**  
This was established to provide for investment in major new projects.
- xvi) **Public Convenience Reserve**  
To provide resources to manage the condition and provision of public conveniences operated by the Council.
- xvii) **Residents Free Parking Reserve**  
This was established to support the continuation of the residents' free parking initiative in the District. The balance on this reserve was fully utilised in 2014/15.
- xix) **Specific Revenue Grants Reserve - Homelessness**  
This reserve holds the grants received from the Government for which a restriction on their use has been placed by the Government.

e) **Housing Revenue Account**

i) **General Reserve**

Resources available to meet future running costs for council houses.

ii) **Major Repairs Reserve**

Resources available to meet capital investment in council housing.

iii) **Housing Repairs Reserve**

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

**8 Unusable Reserves**

2014/15		2015/16
£000		£000
22,813	Revaluation Reserve	28,494
122,214	Capital Adjustment Account	141,435
(54,865)	Pensions Reserve	(52,025)
298	Deferred Capital Receipts Reserve	292
114	Collection Fund Adjustment Account	(82)
(134)	Accumulated Absences Account	(134)
<hr/>		<hr/>
90,440		117,980
<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.

2014/15		2015/16	
£000		£000	£000
16,739	<b>Balance at 1 April</b>		22,813
7,458	Upward revaluation of assets	9,206	
(697)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,677)	
6,761	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		6,529
(541)	Difference between fair value depreciation and historical cost depreciation	(656)	
(146)	Accumulated gains on assets sold or scrapped	(192)	
(687)	Amount written off to the Capital Adjustment Account		(848)
<b>22,813</b>	<b>Balance at 31 March</b>		<b>28,494</b>

b) **Capital Adjustment Account**

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

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

Page 28 note 5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2014/15		2015/16	
£000		£000	£000
104,907	<b>Balance at 1 April</b>		122,214
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
	Charges for depreciation, revaluation and impairment of non-current assets	(7,063)	
(5,929)			
(144)	Amortisation of Intangible Assets	(168)	
(1,142)	Revenue expenditure funded from capital under statute	(1,276)	
	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(867)	
(727)			
(7,942)		(9,374)	
687	Adjusting amounts written out of the Revaluation Reserve	848	
(7,255)	Net written out amount of the cost of non-current assets consumed in the year		(8,526)
	Capital financing applied in the year:		
	Use of the Capital Receipts Reserve to finance new capital expenditure	260	
370			
	Use of the Major Repairs Reserve to finance new capital expenditure	1,959	
3,726			
15,340	Application of grants to capital financing	17,052	
	Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances	2,232	
2,242			
	Capital expenditure charged against General Fund or HRA	6,244	
2,884			
24,562	Total amount of capital financing applied in the year		27,747
122,214	<b>Balance at 31 March</b>		141,435

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.

2014/15		2015/16	
£000		£000	£000
(46,039)	<b>Balance at 1 April</b>		(54,865)
(7,698)	Remeasurements of the net defined benefit liability (asset)		4,226
	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,528)	
(4,359)			
3,231	Employer's pensions contributions and direct payments to pensioners payable in the year	3,142	
	Total adjustments to revenue resources (See Note 5)		(1,386)
<u>(54,865)</u>	<b>Balance at 31 March</b>		<u>(52,025)</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.

2014/15		2015/16	
£000		£000	
312	<b>Balance at 1 April</b>		298
(14)	Transfer to the Capital Receipts Reserve upon receipt of cash		(6)
<u>298</u>	<b>Balance at 31 March</b>		<u>292</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 2014</b>	430	(10)	420
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	85	(391)	(306)
<b>Balance at 31 March 2015</b>	515	(401)	114
<b>Balance at 1 April 2015</b>	515	(401)	114
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(44)	(152)	(196)
<b>Balance at 31 March 2016</b>	471	(553)	(82)

f) **Accumulated Absences Account**

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

**9 Other Operating Expenditure**

2014/15 £000		2015/16 £000
1,327	Parish Council Precepts	1,360
274	Payments to the Government Housing Capital Receipts Pool	321
(126)	(Gains)/losses on the disposal of non-current assets	(478)
1,475	<b>Total</b>	1,203

**10 Financing and Investment Income and Expenditure**

2014/15 £000		2015/16 £000
1,731	Interest payable and similar charges	1,679
1,962	Net interest on the defined benefit liability (asset)	1,709
(258)	Interest receivable and similar income	(281)
3,435	<b>Total</b>	3,107

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

2014/15		2015/16
£000		£000
8,085	Council tax income	8,213
9,654	Retained Non-Domestic Rates Income	10,116
(5,655)	Non-Domestic Rates Tariff and Levy	(5,730)
8,193	Non-Ringfenced Government Grants	7,130
14,304	Capital Grants and Contributions	16,036
<u>34,581</u>	Total	<u>35,765</u>

Further details for the Non-Ringfenced and Capital Grants disclosed above are provided on page 60 note 24.

SUBJECT TO AUDIT



## 12 Property, Plant and Equipment

### a) Movement on Balances

Movements in 2015/16	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equipment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construc-tion	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>								
At 1 April 2015	132,297	46,010	5,415	17,214	466	-	14,593	215,995
Additions	2,854	1,091	194	127	32	-	19,758	24,056
Accumulated depreciation and impairment written off to Gross Carrying Amount	(3,145)	(1,314)	-	-	-	-	-	(4,459)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	245	6,283	-	-	-	-	-	6,528
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	341	(2,623)	-	-	-	-	-	(2,282)
Derecognition - Disposals	(775)	(15)	(51)	-	-	-	-	(841)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Assets Under Construction	74	581	-	32,915	-	-	(33,570)	-
At 31 March 2016	131,891	50,013	5,558	50,256	498	-	781	238,997

## Movements in 2015/16

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

## Comparative Movements in 2014/15

	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 2014	125,373	47,001	6,356	17,204	463	-	901	197,298
Additions	5,380	1,082	468	10	11	-	14,012	20,963
Accumulated depreciation and impairment written off to Gross Carrying Amount	(2,643)	(1,519)	-	-	-	-	-	(4,162)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,269	1,492	-	-	-	-	-	6,761
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(601)	(1,812)	-	-	(11)	-	-	(2,424)
Derecognition - Disposals	(655)	(6)	(1,409)	-	-	-	-	(2,070)
Assets reclassified (to)/from Held for Sale	-	(371)	-	-	-	-	-	(371)
Assets reclassified (to)/from Assets Under Construction	174	143	-	-	3	-	(320)	-
At 31 March 2015	132,297	46,010	5,415	17,214	466	-	14,593	215,995

## Comparative Movements in 2014/15

	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 2014	(2,852)	(1,869)	(4,844)	(8,597)	(31)	-	-	(18,193)
Depreciation Charge for 2014/15	(2,750)	(908)	(296)	(450)	-	-	-	(4,404)
Accumulated depreciation written off to Gross Carrying Amount	2,616	1,491	-	-	-	-	-	4,107
Accumulated impairment written off to Gross Carrying Amount	27	28	-	-	-	-	-	55
Derecognition - Disposals	7	3	1,409	-	-	-	-	1,419
At 31 March 2015	(2,952)	(1,255)	(3,731)	(9,047)	(31)	-	-	(17,016)
<b>Net Book Value</b>								
at 31 March 2015	129,345	44,755	1,684	8,167	435	-	14,593	198,979
at 1 April 2014	122,521	45,132	1,512	8,607	432	-	901	179,105

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 2015/16 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 60 years, depending on the asset, its location and type of construction, as set out in table below:

<b>Life</b>	<b>Asset Categories</b>
60 years	Council office buildings, Clacton Information Bureau, Princes Theatre
50 years	Chapels, cemetery buildings, crematorium buildings, historic buildings, public buildings, public conveniences, public halls
40 years	Jaywick starter units, leisure centres, squash courts, swimming pools, Cliff Park building Harwich
30 years	Beach office, sports pavilions, Milton Road car park building, former cash offices, depots, first aid station, Walton information bureau, kiosks, miscellaneous buildings, sea cadet station, shops and kiosks
20 years	Beach huts, beach changing facilities, High Street car park building, deck chair kiosks, lifeboat stores, lifeguard station, garages, seafront shelters
10 years	Alexandra Road garage
5 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 2016, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to cost £0.916 million. Similar commitments as 31 March 2015 were £23.990 million. The major commitments over £25,000 as at 31 March 2016 or entered into before the publication of the accounts are:

➤ **General Fund**

	£000
Town Hall - Replacement of Fire Alarm system	53
Frinton and Walton Swimming Pool Redevelopment	104
IT Strategic Investment	37
	<hr/>
	194
	<hr/> <hr/>

➤ **Housing Revenue Account**

	£000
Various improvements and enhancements	620
Disabled adaptations	80
	<hr/>
	700
	<hr/> <hr/>

d) **Revaluations**

The Authority operates a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. A full revaluation of its Housing Stock was undertaken on 1 April 2015 by D O'Shea, MRICS of NPS Property. In respect of General Fund properties, the assets subject to a full revaluation in 2015/16 were selected to accommodate the Authority's commitment to efficient asset management. All valuations were carried out by D O'Shea, MRICS and A Ngwuocha, MRICS of NPS Property in accordance with the RICS Valuation Standards – Professional Standards 2012 as issued by the Royal Institution of Chartered Surveyors.

An estimate was also obtained from NPS Property Consultants Ltd as to the change in value from 1 April 2015 to 31 March 2016 of all the Authority's non-current assets, the results of which are reflected in the value of the assets on the Balance Sheet. The Supplementary Financial Statement for the Housing Revenue Account sets out additional valuation details relating to the Council's housing stock.

**13 Intangible Assets**

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

2014/15 £000		2015/16 £000
	Balance at start of year:	
2,111	Gross carrying amounts	1,740
(1,643)	Accumulated amortisation	(1,201)
<b>468</b>	<b>Net carrying amount at start of year:</b>	<b>539</b>
	Additions:	
216	Purchases	182
(145)	Amortisation for the period	(167)
	Write out for software no longer used:	
(587)	Gross carrying amounts	-
587	Accumulated amortisation	-
<b>539</b>	<b>Net carrying amount at end of year</b>	<b>554</b>
	Comprising:	
1,740	Gross carrying amounts	1,922
(1,201)	Accumulated amortisation	(1,368)
<b>539</b>	<b>Net carrying amount at end of year</b>	<b>554</b>

## 14 Financial Instruments

### a) Categories of Financial Instruments

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

Long Term 31 March 2015 £000	Current 31 March 2015 £000		Long Term 31 March 2016 £000	Current 31 March 2016 £000
		<b>Investments</b>		
-	37,752	Loans and receivables	-	41,646
5	-	Available-for-sale financial assets	-	-
<u>5</u>	<u>37,752</u>	<b>Total Investments</b>	<u>-</u>	<u>41,646</u>
		<b>Debtors</b>		
331	-	Loans and receivables	314	-
150	2,394	Financial assets carried at contract amounts	138	3,565
<u>481</u>	<u>2,394</u>	<b>Total Debtors</b>	<u>452</u>	<u>3,565</u>
		<b>Borrowings</b>		
48,118	2,595	Financial liabilities at amortised cost	45,869	2,607
<u>48,118</u>	<u>2,595</u>	<b>Total Borrowings</b>	<u>45,869</u>	<u>2,607</u>
		<b>Creditors</b>		
818	4,772	Financial liabilities at amortised cost	871	3,767
<u>818</u>	<u>4,772</u>	<b>Total Creditors</b>	<u>871</u>	<u>3,767</u>

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

The Available-for-sale financial assets consisted of long-term Government Stock which was all redeemed during 2015/16.

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

### b) Reclassifications

No Assets have been reclassified.



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

2014/15					2015/16					
Financial Liabilities measured at amortised cost	Financial Assets - Loans and Receivables	Financial Assets - Available for Sale	Assets and Liabilities at Fair Value through Profit and Loss	Total		Financial Liabilities measured at amortised cost	Financial Assets - Loans and Receivables	Financial Assets - Available for Sale	Assets and Liabilities at Fair Value through Profit and Loss	Total
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
1,728	-	-	-	1,728	Interest expense	1,669	-	-	-	1,669
-	-	-	-	-	Losses on derecognition	-	-	1	-	1
-	2	2	-	4	Fee expense	-	-	5	-	5
<b>1,728</b>	<b>2</b>	<b>2</b>	<b>-</b>	<b>1,732</b>	<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>1,669</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>1,675</b>
-	(226)	(32)	-	(258)	Interest income	-	(195)	(86)	-	(281)
<b>-</b>	<b>(226)</b>	<b>(32)</b>	<b>-</b>	<b>(258)</b>	<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(195)</b>	<b>(86)</b>	<b>-</b>	<b>(281)</b>
-	-	2	-	2	Gains on Revaluation	-	-	-	-	-
<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>1,728</b>	<b>(224)</b>	<b>(28)</b>	<b>-</b>	<b>1,476</b>	<b>Net (gain)/loss for the year</b>	<b>1,669</b>	<b>(195)</b>	<b>(80)</b>	<b>-</b>	<b>1,394</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 (Level 2 under accounting policy (u) in both 2014/15 and 2015/16), 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.

The fair values calculated are as follows:

31 March 2015			31 March 2016		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000	£000		£000	£000	
50,713	62,897	Financial Liabilities	48,476	60,363	
818	818	Long term Creditors	871	871	

The fair value of PWLB loans of £60,363 million measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

31 March 2015			31 March 2016		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000	£000		£000	£000	
37,752	37,752	Loans and receivables	41,646	41,646	
331	331	Long term Debtors	314	314	

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

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

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

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

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

### ➤ Overall Procedures for Managing Risk

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

The Council meets these obligations by:

- i) Formally adopting and complying with the revised CIPFA Code of Practice.
- ii) Approving in advance the Prudential Indicators for the next financial year and for the following two years. The indicators set, amongst others, are:
  - ❖ The Council's overall borrowing limit.
  - ❖ The maximum and minimum exposures to the maturity structure of the Council's debt.
  - ❖ The maximum sum that will be invested for periods in excess of 364 days.
  - ❖ The minimum and maximum exposure to fixed and variable rates of interest.
- iii) Approving an Annual Treasury Strategy which incorporates an investment strategy and a borrowing strategy.

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

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

The Council employs specialist Treasury Advisors to assist officers.

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

a) **Credit Risk**

Credit risk arises from deposits with banks and other financial institutions and from credit advanced to the Council's customers. The Balance Sheet figures for financial assets are not representative of the normal level of exposure at any particular time. Positive cash flows in the early part of each financial year can lead to a considerably higher level of total investments. The maximum exposure during 2015/16 was £64.184 million.

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

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

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

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

	Amount at 31 March 2016	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2016	Estimated maximum exposure to default and uncollect- ability at 31 March 2016	Estimated maximum exposure at 31 March 2015
	£000	%	%	£000	£000
Banks	5,689	3.09	3.09	176	167
Building Societies	7,001			-	-
Local Authorities	32,041			-	-
UK Government	600			-	-
	<u>45,331</u>			<u>176</u>	<u>167</u>

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

The Authority allows credit for some customers where payment in advance of service provision is not practicable. £281,458 of the £751,853 sundry debtor balance is past its due date for payment. The past due, but not impaired, amount can be analysed by age as follows:

2014/15		2015/16
£000		£000
63	Less than three months	50
18	Three to six months	8
81	Six months to one year	78
158	More than one year	145
<u>320</u>		<u>281</u>

b) **Liquidity Risk**

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

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

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

The maturity analysis of financial liabilities in respect of the principal amount of PWLB debt, and temporary borrowing at 31 March 2016 was as follows:

2014/15		2015/16
£000		£000
2,595	Less than one year (includes interest)	2,607
2,248	Between one and two years	1,971
5,557	Between two and five years	5,306
9,659	Between five and ten years	10,360
8,113	Between ten and fifteen years	6,782
22,541	More than fifteen years	21,450
<u>50,713</u>		<u>48,476</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 2016 the Council's borrowing for more than one year was all at fixed rates of interest. The Authority is exposed to risk in terms of its exposure to interest rate movements on its future borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

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

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

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

At 31 March 2016, 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	493
Increase in interest receivable on variable rate investments	(536)
Increase in government grant receivable for financing costs	-
	<hr/>
Impact on Surplus or Deficit on the Provision of Services	(43)
	<hr/>
Share of overall impact relating to the HRA	363
	<hr/>
Decrease in fair value of fixed rate investment assets	-
	<hr/>
Impact on Other Comprehensive Income and Expenditure	-
	<hr/>

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

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

➤ **Price Risk**

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

➤ **Foreign Exchange Risk**

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

**16 Debtors**

a) **Debtors due to be paid within one year**

2014/15		2015/16
£000		£000
1,847	Central government bodies	1,243
1,344	Other local authorities	740
-	NHS Bodies	27
4,990	Other entities and individuals	4,901
<u>8,181</u>	Total gross debtors	<u>6,911</u>
(2,528)	Less provision for doubtful debts	(2,525)
<u><u>5,653</u></u>	Total net debtors	<u><u>4,386</u></u>

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

2014/15		2015/16
£000		£000
13	Sale of council houses (mortgages)	11
30	Car loans	18
150	Debts subject to charging orders	110
34	Rents to Mortgage Scheme	34
254	Finance Leases	251
-	Other outstanding loans	28
<u>481</u>	Total long term debtors	<u>452</u>

**17 Cash and Cash Equivalents**

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

2014/15		2015/16
£000		£000
	Current Assets:	
5,412	Cash held by the Authority	3,695
(61)	Bank current accounts	1,830
<u>5,351</u>		<u>5,525</u>

In accordance with the Code the bank overdraft is now shown on the Balance Sheet within Current Assets- Cash and Cash Equivalents (previously this was shown under current liabilities).



## 18 Creditors

2014/15		2015/16
£000		£000
	<b>Creditors due within one year:</b>	
1,913	Central government bodies	1,792
3,881	Other local authorities	3,754
4,756	Other entities and individuals	3,768
<u>10,550</u>	<b>Total Creditors</b>	<u>9,314</u>
2014/15		2015/16
£000		£000
	<b>Creditors due after more than one year:</b>	
818	Section 106 contributions	871

## 19 Provisions

2014/15		Business Rates	2015/16 Other Provisions	Total
£000		£000	£000	£000
660	<b>Balance at 1 April</b>	930	-	930
299	Net movement for business rate appeals in year	309	-	309
(29)	Net movement on Insurance and other provisions	-	89	89
<u>930</u>	<b>Balance at 31 March</b>	<u>1,239</u>	<u>89</u>	<u>1,328</u>

## 20 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2014/15		2015/16
£000		£000
240	Interest received	287
(1,743)	Interest paid	(1,684)

## 21 Cash Flow Statement – Investing Activities

2014/15		2015/16
£000		£000
(20,054)	Purchase of property, plant and equipment, investment property and intangible assets	(25,302)
(339,700)	Purchase of short term and long term investments	(396,050)
-	Other payments for investing activities	(28)
883	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,367
336,266	Proceeds from short term and long term investments	392,155
13,962	Other receipts from investing activities	19,517
<u>(8,643)</u>	<b>Net cash flows from investing activities</b>	<u>(8,341)</u>

## 22 Cash Flow Statement – Financing Activities

2014/15		2015/16
£000		£000
(2,206)	Repayments of short and long term borrowing	(2,227)
117	Council Tax and NNDR adjustments	(486)
<b>(2,089)</b>	<b>Net cash flows from financing activities</b>	<b>(2,713)</b>

## 23 Amounts reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Portfolios.

The income and expenditure of the Authority's Portfolios recorded in the outturn report for the year is as follows:

Portfolio Income and Expenditure 2015/16	Expenditure	Income	Net
	£000	£000	Expenditure £000
Assets	315	(273)	42
Revenues and Benefits	67,704	(67,245)	459
Coastal Protection	2,468	(1,204)	1,264
Environment	19,876	(8,753)	11,123
Finance and Transformation	3,007	(22,533)	(19,526)
Housing	21,629	(20,468)	1,161
Leisure	3,901	(3,461)	440
Planning and Corporate Services	10,761	(8,461)	2,300
Regeneration	1,097	(538)	559
Wellbeing and Partnership	468	(46)	422
Budgets Relating to Non Executive Functions	1,067	(473)	594
<b>Total net expenditure for Portfolios and Committees</b>	<b>132,293</b>	<b>(133,455)</b>	<b>(1,162)</b>
Revenue Support for Capital Investment	5,253	-	5,253
Financing Items	11,492	(219)	11,273
<b>Net expenditure before use of Reserves</b>	<b>149,038</b>	<b>(133,674)</b>	<b>15,364</b>
Transfers to/(from) Reserves	(1,392)	-	(1,392)
<b>Net Cost of Services</b>	<b>147,646</b>	<b>(133,674)</b>	<b>13,972</b>
Business Rates	5,730	(10,359)	(4,629)
Revenue Support Grant	-	(3,561)	(3,561)
Collection Fund Surplus	(196)	(71)	(267)
Parish Precepts	1,360	-	1,360
Income from Council Tax Payers including Parish Precepts	-	(7,899)	(7,899)
<b>Net Total</b>	<b>154,540</b>	<b>(155,564)</b>	<b>(1,024)</b>

<b>Portfolio and Committee Income and Expenditure 2014/15</b>	<b>Expenditure</b>	<b>Income</b>	<b>Net Expenditure</b>
	£000	£000	£000
Environment and Coast Protection	16,636	(9,708)	6,928
Finance and Transformation	3,364	(18,271)	(14,907)
Housing, Benefits and Revenues	91,786	(89,882)	1,904
Planning and Corporate Services	10,955	(8,406)	2,549
Regeneration, Inward Investment and Asset Management	1,788	(945)	843
Tourism, Events and Leisure Services	6,884	(3,216)	3,668
Wellbeing and Partnerships	488	(36)	452
Development Control Committee	16	-	16
Human Resources Committee	205	(205)	-
Licensing Committee	359	(254)	105
Regulatory Committee	362	(54)	308
<b>Total net expenditure for Portfolios and Committees</b>	<b>132,843</b>	<b>(130,977)</b>	<b>1,866</b>
Revenue Support for Capital Investment	2,446	-	2,446
Financing Items	10,602	(212)	10,390
<b>Net expenditure before use of Reserves</b>	<b>145,891</b>	<b>(131,189)</b>	<b>14,702</b>
Transfers to/(from) Reserves	1,154	-	1,154
<b>Net Cost of Services</b>	<b>147,045</b>	<b>(131,189)</b>	<b>15,856</b>
Business Rates	5,680	(9,972)	(4,292)
Revenue Support Grant	-	(5,105)	(5,105)
Collection Fund Surplus	(256)	(71)	(327)
Parish Precepts	1,328	-	1,328
Income from Council Tax Payers including Parish Precepts	-	(7,746)	(7,746)
<b>Net Total</b>	<b>153,797</b>	<b>(154,083)</b>	<b>(286)</b>

### **Reconciliation of Portfolio and Committee Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement.**

This reconciliation shows how the figures in the analysis of Portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2014/15		2015/16
£000		£000
(286)	Net expenditure in the Portfolio and Committee Analysis	(1,024)
	Amounts in the Net Cost of Services in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	-
3	Amounts included in the analysis not included in the Net Cost of Services in the Comprehensive Income and Expenditure Statement	
13,732		14,085
<b>13,449</b>	<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>13,061</b>

## Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement

2015/16	Portfolio/ Committee Analysis	Amounts Not Reported to Management	Not included in Cost of Services	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges and other Service Income	(44,116)	-	16,036	(28,080)	(16,036)	(44,116)
Recharged Income	(20,890)	-	-	(20,890)	-	(20,890)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-
Interest and Investment Income	(281)	-	281	-	(281)	(281)
Income from Council Tax	(8,213)	-	8,213	-	(8,213)	(8,213)
Income from Business Rates	(10,116)	-	10,116	-	(10,116)	(10,116)
Government Grants and Contributions	(71,948)	-	7,130	(64,818)	(7,129)	(71,947)
<b>Total Income</b>	<b>(155,564)</b>	<b>-</b>	<b>41,776</b>	<b>(113,788)</b>	<b>(41,775)</b>	<b>(155,563)</b>
Employee Expenses	15,319	-	-	15,319	-	15,319
Other Service Expenses	88,735	-	(5,730)	83,005	5,729	88,734
Support Service Recharges	20,595	-	-	20,595	-	20,595
Depreciation, amortisation and impairment	7,930	-	-	7,930	-	7,930
Interest Payments	1,679	-	(1,679)	-	1,679	1,679
Precepts and Levies	1,360	-	(1,360)	-	1,360	1,360
Payments to Housing Capital Receipts Pool	321	-	(321)	-	321	321
Gain or Loss on Disposal of Fixed Assets	(478)	-	478	-	(478)	(478)
Pension Interest and Return on Pension Assets	1,709	-	(1,709)	-	1,709	1,709
Adjustments between accounting basis and funding basis under regulations	17,370	-	(17,370)	-	-	-
<b>Total Expenditure</b>	<b>154,540</b>	<b>-</b>	<b>(27,691)</b>	<b>126,849</b>	<b>10,320</b>	<b>137,169</b>
<b>Surplus or deficit on the provision of services</b>	<b>(1,024)</b>	<b>-</b>	<b>14,085</b>	<b>13,061</b>	<b>(31,455)</b>	<b>(18,394)</b>

2014/15 comparative figures	Portfolio/ Committee Analysis	Amounts Not Reported to Management	Not included in Cost of Services	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges and other Service Income	(41,579)	-	14,303	(27,276)	(14,304)	(41,580)
Recharged Income	(21,106)	-	-	(21,106)	-	(21,106)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-
Interest and Investment Income	(258)	-	258	-	(258)	(258)
Income from Council Tax	(8,085)	-	8,085	-	(8,085)	(8,085)
Income from Business Rates	(9,703)	49	9,654	-	(9,654)	(9,654)
Government Grants and Contributions	(73,351)	-	8,195	(65,156)	(8,193)	(73,349)
<b>Total Income</b>	<b>(154,082)</b>	<b>49</b>	<b>40,495</b>	<b>(113,538)</b>	<b>(40,494)</b>	<b>(154,032)</b>
Employee Expenses	15,122	-	-	15,122	-	15,122
Other Service Expenses	89,717	(22)	(5,656)	84,039	5,655	89,694
Support Service Recharges	20,850	-	-	20,850	-	20,850
Depreciation, amortisation and impairment	6,976	-	-	6,976	-	6,976
Interest Payments	1,731	-	(1,731)	-	1,731	1,731
Precepts and Levies	1,327	-	(1,327)	-	1,327	1,327
Payments to Housing Capital Receipts Pool	274	-	(274)	-	274	274
Gain or Loss on Disposal of Fixed Assets	(79)	-	79	-	(126)	(126)
Pension Interest and Return on Pension Assets	1,962	-	(1,962)	-	1,962	1,962
Adjustments between accounting basis and funding basis under regulations	15,916	(24)	(15,892)	-	-	-
<b>Total Expenditure</b>	<b>153,796</b>	<b>(46)</b>	<b>(26,763)</b>	<b>126,987</b>	<b>10,823</b>	<b>137,810</b>
<b>Surplus or deficit on the provision of services</b>	<b>(286)</b>	<b>3</b>	<b>13,732</b>	<b>13,449</b>	<b>(29,671)</b>	<b>(16,222)</b>

## 24 Grant Income

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

2014/15 £000		2015/16 £000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
<i>Non-Ringfenced Grants:</i>		
5,105	Revenue Support Grant	3,561
77	Council Tax Freeze Grant	77
1,410	New Homes Bonus Grant	1,794
208	Weekly Collection Support Scheme	-
197	New Burdens Grant	287
1,148	Section 31 Business Rate Relief Grants	1,302
-	Efficiency Support Grant	54
48	Other Grants	55
8,193		7,130
<i>Capital Grants and Contributions</i>		
<i>Government Funding</i>		
11,684	- Environment Agency	10,945
1,051	- Empty Homes Grant	-
18	- Individual electoral registration grant	-
-	- Growth point funding	1
-	- Homes and Communities Agency	4
1,150	Local Authority - Essex County Council	2,002
<i>Other Capital Contributions</i>		
-	- Anglian Water	3,000
246	- Section 106	55
152	- Active Energy Funding Limited	-
3	- Other	29
14,304		16,036

2014/15 £000		2015/16 £000
<b>Other Significant Grants Credited to Services</b>		
-	Advertising Campaign Contributions	34
64,648	Benefits	64,020
62	Collection Investment/Hardship Administration Grant	177
23	Crime Reduction Grants	36
1,031	Disabled Facilities Grant	972
75	Essex County Council - Fast Food Initiative	75
85	Essex County Council - Jaywick Bellmouth Scheme	-
673	Essex County Council - Technical Agreement Contribution	1,053
-	Essex Wildlife Trust Contribution	35
-	Flood Support Scheme Grant	25
6	Dovercourt Street Lighting/Public Realm	-
13	Essex County Council - Community Builder Project	-
-	Fraud and Error Reduction Incentive Scheme	55
77	Help for Single Homeless	128
40	Nature Conservation Grants	32
70	Supporting People	60
-	Recreation and Open Space Contributions	43
-	Recycling Rewards Scheme	64
-	Welfare Reform Grants	54
<u>66,803</u>		<u>66,863</u>

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

2014/15 £000		2015/16 £000
<b>Capital Grants Receipts in Advance</b>		
Government Funding:		
572	The Environment Agency	2,063
200	Home and Communities Agency	172
15	Local Authority Funding	12
15	Other capital contributions	13
<u>802</u>		<u>2,260</u>

## 25 Agency Services

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

## 26 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:

2014/15			2015/16	
Receipts	Payments		Receipts	Payments
£000	£000		£000	£000
2,076	171	Essex County Council	2,454	135
197	85	Other Essex local authorities	154	196
Transactions with organisations related by a declared interest of Council Members or Senior Officers:				
7	51	Colne Community School	-	-
2	18	Suffolk County Council	-	-
-	-	Manningtree High School	5	10
-	30	VineHR	1	24
8	15	Other	9	17
<b>2,290</b>	<b>370</b>	<b>Total Related Party Transactions</b>	<b>2,623</b>	<b>382</b>

## 27 Members' Allowances

The Authority paid £0.469 million to members of the Council during the year (£0.452 million in 2014/15). Further details of payments to individual members are provided on pages 103 – 105.

## 28 Officers' Remuneration

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

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

Post Title	note	2014/15		Total remuneration excluding Pension Contributions	Employer's Contributions to Pension	Compensation for loss of office	Total Remuneration
		Salary, Fees and Allowances	Expense Allowances				
		£	£	£	£	£	£
Chief Executive		121,670	-	121,670	17,881	-	139,551
Corporate Director - Corporate Services		77,729	-	77,729	11,417	-	89,146
Corporate Director - Public Experience		75,203	-	75,203	11,055	-	86,258
Corporate Director - Life Opportunities		75,079	-	75,079	11,032	-	86,111
Head of Planning		66,553	1,432	67,985	9,783	-	77,768
Business Manager	1	29,092	-	29,092	4,285	-	33,377
Legal Services Manager		53,615	-	53,615	7,868	-	61,483
Finance and Procurement Manager		53,522	-	53,522	7,840	-	61,362



## Notes

1. This amount relates to the total salary paid for the year. Only part of the year was due for this post which was deleted following restructure and became vacant on 19 September 2014.

Post Title	2015/16		Total remuneration excluding Pension Contributions	Employer's Contributions to Pension	Compensation for loss of office	Total Remuneration
	Salary, Fees and Allowances	Expense Allowances				
	£	£	£	£	£	£
Chief Executive	124,756	-	124,756	18,339	-	143,095
Corporate Director - Corporate Services	82,592	-	82,592	12,141	-	94,733
Corporate Director - Public Experience	76,183	-	76,183	11,199	-	87,382
Corporate Director - Life Opportunities	79,905	-	79,905	11,746	-	91,651
Head of Planning	71,144	-	71,144	10,458	-	81,602
Legal Services Manager	54,158	-	54,158	7,961	-	62,119
Finance and Procurement Manager	53,999	-	53,999	7,937	-	61,936

### 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:

2014/15 Number of Total	Remuneration Band	2015/16 Number of Total
-	£50,000 - £54,999	-
-	£55,000 - £59,999	1
-	£60,000 - £64,999	-
-	£65,000 - £69,999	-
-	£75,000 - £79,999	-
-	£80,000 - £84,999	-
-	£85,000 - £89,999	1
-	£95,000 - £99,999	-

c) **Exit Packages**

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

Exit package cost band (including special payments)	2014/15		Total Number of exit packages by cost band	Total cost of exit packages in each band £
	Number of compulsory redundancies	Number of other departures agreed		
£0 - £20,000	-	2	2	30,876
£20,001 - £40,000	-	4	4	127,335
£40,001 - £60,000	-	1	1	58,682
£60,001 - £80,000	-	1	1	62,280
<b>Total cost included in Comprehensive Income and Expenditure Statement</b>				<b>279,173</b>

Exit package cost band (including special payments)	2015/16		Total Number of exit packages by cost band	Total cost of exit packages in each band £
	Number of compulsory redundancies	Number of other departures agreed		
£0 - £20,000	1	2	3	22,141
£20,001 - £40,000	-	-	-	-
£40,001 - £60,000	-	2	2	90,412
£60,001 - £80,000	-	-	-	-
<b>Total cost included in Comprehensive Income and Expenditure Statement</b>				<b>112,553</b>

The compulsory redundancy related to a post being deleted following a restructure.

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

## 29 Termination Benefits

The contracts of 8 employees ceased in 2015/16 (including three accrued for in 2014/15 and one accrued for in 2013/14) and there was a further 1 that was agreed in 2015/16 but will cease in 2016/17. This incurred total liabilities of £112,553. (£279,173 in 2014/15). Of this total, £67,537 was in the form of compensation for loss of office. Further details can be found in Note 28c.

## 30 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 – under the new LGPS this is a Career Average Revalued Earnings Scheme (CARE). The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the separate section on accounting policies (see page 87).

### 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:

2014/15 Local Government Pension Scheme £000	<b>Comprehensive Income and Expenditure Statement</b>	2015/16 Local Government Pension Scheme £000
	<b>Cost of Services</b>	
	<i>Service cost comprising:</i>	
2,232	Current service cost	2,674
125	Past service costs including curtailments	97
40	Administration Expenses	48
	<i>Financing and Investment Income and Expenditure</i>	
1,962	Net interest expense	1,709
<hr/> 4,359	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<hr/> 4,528
	<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	
	<i>Remeasurement of the net defined benefit liability comprising:</i>	
(8,231)	Return on plan assets (excluding the amount included in the net interest expense)	777
16,057	Actuarial gains and losses arising on changes in financial assumptions	(4,913)
(128)	Other (if applicable)	(90)
<hr/> 12,057	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<hr/> 302
	<b>Movement in Reserves Statement</b>	
(4,319)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(4,528)
	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	
<hr/> 3,232	Employer's contributions payable to scheme	<hr/> 3,142

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:

2014/15 Local Government Pension Scheme £000		2015/16 Local Government Pension Scheme £000
153,556	Present value of the defined benefit obligation	150,961
(98,691)	Fair Value of plan assets	(98,936)
<u>54,865</u>	<b>Net liability arising from defined benefits obligation</b>	<u>52,025</u>

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

2014/15 Local Government Pension Scheme £000		2015/16 Local Government Pension Scheme £000
87,892	Opening fair value of scheme assets	98,691
3,838	Interest income	3,125
	<i>Remeasurement gain/(loss):</i>	
	The return of plan assets, excluding the amount included in the net	
8,231	interest expense	(777)
3,232	Contributions from employers	3,142
645	Contributions from employees into the scheme	640
(5,107)	Benefits paid	(5,837)
(40)	Other (if applicable)	(48)
<u>98,691</u>	<b>Closing fair value of scheme assets</b>	<u>98,936</u>

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

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

2014/15			2015/16	
Local Government Pension Scheme			Local Government Pension Scheme	
£000			£000	
133,932	Opening Balance at 1 April		153,556	
2,232	Current service cost		2,674	
5,800	Interest cost		4,834	
645	Contributions from scheme participants		640	
	<i>Remeasurement (gain)/loss:</i>			
16,057	Actuarial gains/losses arising from changes in financial assumptions		(4,913)	
(128)	Other (if applicable)		(90)	
125	Losses/(gains) on curtailment		97	
(5,107)	Benefits paid		(5,837)	
<b>153,556</b>	<b>Closing Balance at 31 March</b>		<b>150,961</b>	

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

2014/15				2015/16		
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>						
2,211	-	2,211	Cash and cash equivalents	-	3,214	3,214
15,086	99	15,185	Equities _ UK	8,678	-	8,678
46,440	4,733	51,173	Equities - Overseas	58,283	-	58,283
			Gilts UK index Linked Government Securities	2,917	-	2,917
4,334	-	4,334	Bonds - Corporate (UK)	4,749	-	4,749
9,441	-	9,441	Property	4,418	7,364	11,782
4,365	6,349	10,714	Private Equity	-	2,383	2,383
-	2,965	2,965	Infrastructure	-	1,558	1,558
-	-	-	Derivatives	(871)	-	(871)
-	198	198	Financing Fund	-	-	-
-	988	988	Timber	-	642	642
-	-	-	Illiquid Debt	-	687	687
-	1,482	1,482	Other Managed Funds	-	4,914	4,914
<b>81,877</b>	<b>16,814</b>	<b>98,691</b>		<b>78,174</b>	<b>20,762</b>	<b>98,936</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 2013.

The significant assumptions used by the actuary have been:

2014/15 Local Government Pension Scheme		2015/16 Local Government Pension Scheme
	<i>Mortality assumptions:</i>	
	Longevity at 65 for current pensioners:	
22.8	Men	22.9
25.2	Female	25.3
	Longevity at 65 for future pensioners:	
25.1	Men	25.2
27.6	Female	27.7
3.1%	Rate of inflation - RPI Increases	3.2%
2.2%	Rate of inflation - CPI Increases	2.3%
4.0%	Rate of increase in salaries	4.1%
2.2%	Rate of increase in pensions	2.3%
3.2%	Rate for discounting scheme liabilities	3.5%
60%	Take up of option to convert annual pension into retirement lump sum	60%

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.

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)	155,732	146,340
Rate of inflation (increase or decrease by 0.1%)	153,242	148,716
Rate of increase in salaries (increase or decrease by 0.1%)	151,144	150,778
Rate of increase in pensions (increase or decrease by 0.1%)	153,242	148,716
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	148,564	153,399

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

The objectives of the scheme are to keep employers' contributions at as constant rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% using the actuarial valuation assumptions. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The authority expects to pay contributions totalling £2.936 million to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 17 years, 2015/16 (17 years 2014/15).

**31 External Audit Costs**

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

2014/15 £000		2015/16 £000
78	Fees payable with regard to external audit services carried out by the appointed auditor for the year	60
21	Fees payable for the certification of grant claims and returns for the year	16
3	Fees payable for non audit services for the year	-
<b>102</b>	<b>Total Audit Fees Payable</b>	<b>76</b>
(7)	Audit Commission Rebate	-
<b>95</b>	<b>Total Audit Fees Payable less Audit Commission Rebate</b>	<b>76</b>

This note on External Audit costs has been restated for 2014/15 to disclose extra audit fees relating to 2014/15 and paid after publication of the financial statements. The extra audit work relates to certification work undertaken on the Housing Benefit subsidy claim.



### 32 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.

2014/15 £000		2015/16 £000
57,952	<b>Opening Capital Financing Requirement</b>	55,709
	Capital Investment:	
20,963	Property, Plant and Equipment	24,057
-	Investment Properties	-
215	Intangible Assets	182
1,142	Revenue expenditure funded from capital under statute	1,276
	Sources of Finance:	
(370)	Capital receipts	(261)
(15,340)	Government grants and other contributions	(17,052)
(3,726)	Major Repairs Reserve	(1,958)
	Sums set aside from revenue:	
(2,885)	Direct revenue contributions	(6,244)
(278)	MRP/loans fund principal	(267)
(1,964)	Voluntary MRP - HRA	(1,964)
<u>55,709</u>	<b>Closing Capital Financing Requirement</b>	<u>53,478</u>
	<b>Explanation of movements in year</b>	
(2,243)	Increase in underlying need to borrow (unsupported by Government financial assistance)	(2,231)
<u>(2,243)</u>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<u>(2,231)</u>

### 33 Leases

#### a) Authority as Lessee

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

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

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

2014/15 £000		2015/16 £000
157	Not later than one year	234
246	Later than one year and not later than five years	431
<u>403</u>		<u>665</u>

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

During 2006/07 17 properties leased from Colne Housing Society previously held under non-current assets were reclassified as operating leases. No payments are due on these properties which are operated by Tendring District Council until vacated by the current tenant. No properties became vacant during 2015/16 and none were returned to Colne Housing Society.

2014/15 No of Properties		2015/16 No of Properties
3	Balance brought forward 1 April	3
-	Returned to Lessor	-
<u>3</u>	Balance carried forward 31 March	<u>3</u>

b) **Authority as Lessor**

➤ **Finance Leases**

The Authority has leased out 2 properties under finance leases:

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

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

2014/15 £000		2015/16 £000
66	Finance lease debtor (net present value of minimum lease payments)	63
188	Unguaranteed residual value of property	188
<u>254</u>		<u>251</u>
279	Unearned finance income	251
<u>533</u>	Gross investment in the lease	<u>502</u>

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

2014/15			2015/16	
Gross Investment in the Lease	Minimum Lease Payments		Gross Investment in the Lease	Minimum Lease Payments
£000	£000		£000	£000
31	3	Not later than one year	31	3
157	25	Later than one year and not later than five years	157	29
345	38	Later than five years	314	31
<u>533</u>	<u>66</u>		<u>502</u>	<u>63</u>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16 £6,213 contingent rents were receivable by the Authority (2014/15 - £6,213).

#### ➤ **Operating Leases**

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

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

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

2014/15			2015/16	
£000			£000	
228	Not later than one year		260	
767	Later than one year and not later than five years		875	
3,039	Later than five years		3,174	
<u>4,034</u>			<u>4,309</u>	

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

### 34 Contingent Liabilities

At 31 March 2016, the Authority had one material contingent liability:- Municipal Mutual Insurance (MMI), the Council's Insurer until 1992, is the subject of a scheme of arrangement and the Company's assets are being utilised via a managed run-off to finance any insurance claims arising in respect of incidents prior to 1992. During 2012/13 the Board of Directors of MMI decided to trigger the scheme of arrangement as they concluded that there was no alternative to an insolvent liquidation. On 1 April 2016 the levy payment due under the scheme of arrangement was increased from 15% to 25%, with the increased amount of £0.025 million in respect of claims made up to 31 March 2016 being accrued in 2015/16. A further claim has been made in 2016/17 with the levy payment estimated at £0.038 million, which has been set aside in a provision at the end of 2015/16. The final impact on the Council as a scheme creditor is not certain but the maximum potential liability set out in the most recent notification by MMI is approximately £0.298 million in addition to the further estimated amount of £0.150 million that relates to the most recent claim made in 2016/17.

### 35 Material Items of Income and Expenditure

During 2014/15 the Council began a major coastal protection scheme which was completed in 2015/16. Preliminary work with a total value of £0.540 million was completed in 2013/14. The estimated total cost of the scheme across both years was £35.977 million. Funding for the scheme is as follows:

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

Spending on the scheme during 2015/16 was £18.712 million (£13.664 million in 2014/15), which is included within capital expenditure for the year. This has been financed as follows:

2014/15		2015/16
£m		£m
11.675	Environment Agency	10.945
1.000	Essex County Council	2.000
-	Anglian Water	3.000
0.989	Tendring District Council	2.767
		<hr/>
<hr/>		18.712
13.664		<hr/> <hr/>

The Environment Agency paid total grant of £10.501 million for this scheme during 2015/16 (£12.458 million in 2014/15). £10.945 million has been recognised as income during 2015/16 (£12.015 million in 2014/15) with a nil balance included within Capital Grants Received in Advance on the balance sheet at 31 March 2016 (£0.443 million at 31 March 2015).

The Environment Agency paid a further £1.934 million in grant during 2015/16 for the new Cliff Stabilisation project for which contracts had still to be let at 31 March 2016. This is included within Capital Grants receipts in advance on the balance sheet.

## HOUSING REVENUE ACCOUNT – INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

2014/15 £000		2015/16 £000	2015/16 £000	Note Ref
<b>EXPENDITURE</b>				
3,374	Repairs and Maintenance	3,228		
2,518	Supervision and Management	2,561		
93	Rents, Rates, Taxes and Other Charges	88		
3,351	Depreciation and Impairments of Non-Current Assets	2,806		6,7
66	Debt Management Costs	66		
23	Movement in the allowance for bad debts	29		
22	Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	2		
<b>9,447</b>	<b>Total Expenditure</b>		<b>8,780</b>	
<b>INCOME</b>				
(13,241)	Dwelling rents	(13,513)		
(205)	Non dwelling rents	(240)		
(742)	Charges for Services and Facilities	(630)		
(206)	Contributions towards expenditure	(191)		
<b>(14,394)</b>	<b>Total Income</b>		<b>(14,574)</b>	
<b>(4,947)</b>	Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		<b>(5,794)</b>	
276	HRA Share of Corporate and Democratic Core		276	
<b>(4,671)</b>	<b>Net Expenditure / (Income) for HRA Services</b>		<b>(5,518)</b>	
<b>HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:</b>				
(77)	(Gain) or loss on sale of HRA Non-current Assets		(361)	
1,604	Interest Payable and Similar Charges		1,566	
(1,306)	Taxation and Non Specific Grant Income (Capital Grant)		(4)	
(46)	Interest and Investment Income		(61)	
<b>(4,496)</b>	<b>(Surplus) / Deficit for the year on HRA Services</b>		<b>(4,378)</b>	

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

2014/15		2015/16	
£000		£000	£000
6,372	Balance on the HRA as at the end of the previous year		6,153
4,496	Surplus or (Deficit) on the HRA Income and Expenditure Statement	4,378	
	Adjustments between accounting basis and funding basis under regulations:		
(301)	Reversal of Revaluation Changes and Impairment	(1,041)	
22	Reversal of Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	2	
(77)	Reversal of (Gain) or Loss on sale of HRA Non-current assets	(361)	
(1,306)	Reversal of Capital Grant	(4)	
-	Reversal of Short Term Accumulating Compensated Absences	-	
(438)	Capital Expenditure Funded by the HRA	(990)	
(1,964)	Debt Repayment & Credit arrangements	(1,964)	
(93)	HRA share of contributions to or from the Pension Reserve	3	
339	Net increase or (decrease) before transfer to or from Reserves	23	
	Transfer (to) or from Reserves:		
(510)	Transfer (to)/from Major Repairs Reserves	(108)	
(48)	Transfers (to)/from Housing Repairs Reserve	(388)	
(219)	Increase or (decrease) in year on the HRA		(473)
<u>6,153</u>	<b>Balance on the HRA as at the end of the current year</b>		<u>5,680</u>

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

## 1 Housing Revenue Account Balances

<b>HOUSING REVENUE ACCOUNT RESERVES</b>						
Housing Revenue Account	2014/15 Housing Repairs Reserve	Total		Housing Revenue Account	2015/16 Housing Repairs Reserve	Total
£000	£000	£000		£000	£000	£000
6,372	1,375	7,747	Balances as at 1 April	6,153	1,423	7,576
(219)	48	(171)	Surplus/(deficit) for year	(473)	388	(85)
6,153	1,423	7,576	<b>Balances as at 31 March</b>	5,680	1,811	7,491

SUBJECT TO AUDIT

## 2 Housing Assets

As at 31 March 2016, the Council was responsible for managing the following council housing assets:

01/04/2014					31/03/2015					01/04/2015					31/03/2016					
Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	
					£000										£000					
<b>Dwellings</b>																				
1,499	-	6	1,493	46,204	Flats	1,493	-	4	1,489	45,764										
1,046	2	6	1,042	58,080	Houses	1,042	3	11	1,034	57,112										
338	-	-	338	14,524	Bungalows	338	-	-	338	15,092										
319	-	-	319	6,315	Sheltered Accommodation	319	2	-	321	6,478										
22	-	1	21	1,024	Do-It-Yourself Shared Ownership (DIYSO)	21	-	2	19	976										
<b>3,224</b>	<b>2</b>	<b>13</b>	<b>3,213</b>	<b>126,147</b>		<b>3,213</b>	<b>5</b>	<b>17</b>	<b>3,201</b>	<b>125,422</b>										
<b>Other Land and Buildings</b>																				
64	-	-	64	894	Shared Equity Plots of Land	64	-	-	64	1,096										
438	-	2	436	1,175	Garages	436	-	11	425	1,041										
382	-	-	382	83	Ground Rents re: sold council flats	382	6	-	388	78										
1	-	-	1	360	Community Centre	1	-	-	1	564										
4	-	1	3	150	Other non-domestic properties	3	-	-	3	122										
5	4	-	9	536	Land	9	2	1	10	622										
<b>4,118</b>	<b>6</b>	<b>16</b>	<b>4,108</b>	<b>129,345</b>	<b>Totals</b>	<b>4,108</b>	<b>13</b>	<b>29</b>	<b>4,092</b>	<b>128,945</b>										



The Balance Sheet value for dwellings uses the valuation basis of 'Existing Use Value for Social Housing (EUV-SH)', which is based on the vacant possession value adjusted to reflect the continuing occupation by a secure tenant. The other housing assets have been valued on an 'Existing Use Value' basis, which assumes that vacant possession is provided on all parts of the property occupied by the business. The difference between vacant possession and existing use value represents the economic cost of providing council housing at less than open market rents.

2014/15		2015/16
£m		£m
334	Vacant Possession Value	333
(132)	Less: Existing Use Values (Social Housing)	(132)
<u>202</u>	<u>Economic Cost of Providing Social Housing</u>	<u>201</u>

A full revaluation of all HRA assets was undertaken by the external valuer during the year with resulting changes and other adjustments being reflected in the Balance Sheet value as at 31 March 2016.

### 3 Major Repairs Reserve

A Major Repairs Reserve is maintained by the Council to provide the resources needed to maintain the value of the housing stock over time. The transfer from the HRA is achieved by firstly crediting the Reserve with an amount equivalent to the full depreciation charge for the year. This amount is then 'topped' up via an additional contribution from the HRA in line with the forecast cost of maintaining the housing stock in the long term. This transfer appears in the Movement on the HRA Statement.

These movements on the Reserve during the year are summarised below:

2014/15		2015/16	
£000		£000	£000
3,666	Balance as at 1 April		3,200
	HRA depreciation provision		
2,690	Dwellings (excluding DIYSO)	3,089	
60	All other HRA assets	59	
		<u>          </u>	3,148
510	Transfer (to)/from the HRA		108
(3,726)	Applied to finance capital expenditure on the housing stock		(1,959)
<u>3,200</u>	<u>Balance as at 31 March</u>	<u>          </u>	<u>4,497</u>

#### 4 Capital Expenditure and Financing

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

2014/15 £000		2015/16 £000
	Capital Investment:	
3,858	Operational Assets	2,023
20	Revenue Expenditure Funded from Capital Under Statute	-
1,592	Property Acquisition and New Build	930
<u>5,470</u>		<u>2,953</u>
	Sources of Finance:	
3,726	Major Repairs Reserve	1,959
438	Direct Revenue Financing	990
102	Funding of S106	-
1,204	External Funding	4
<u>5,470</u>		<u>2,953</u>

#### 5 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:

2014/15 £000		2015/16 £000
1,006	Balance as at 1 April	1,376
	Capital Receipts in the year:	
577	Council house sales (net of administration costs)	614
-	Repayment of Discount on Right to Buy Sales	10
38	DIYSO property sales	46
1	Mortgage principal repayments	1
110	Other receipts (Net of Disposal Costs)	459
<u>1,732</u>		<u>2,506</u>
	Less:	
(274)	Capital receipts pooling contribution payable to the Government	(321)
(82)	Capital receipts used for financing capital expenditure	(259)
<u>1,376</u>	Balance as at 31 March	<u>1,926</u>

## 6 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.

2014/15		2015/16
£000		£000
2,690	Dwellings	3,089
25	Do-It-Yourself Shared Ownership (DIYSO)	24
24	Garages	21
7	Community Centre	12
4	Other Non-Domestic Properties	2
<u>2,750</u>	<b>Depreciation Charged to the HRA I &amp; E Account for the Year</b>	<u>3,148</u>

## 7 Impairment Charges

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

2014/15		2015/16
£000		£000
3,858	Impairment charge for works to the Council's dwelling stock	3,431
(3,257)	Reversal of previous Impairment Losses due to increase in asset values	(3,772)
<u>601</u>	<b>Impairment charge for the year</b>	<u>(341)</u>

The impairment charge of £3.431 million includes a £0.804 million charge for Jaywick Land which is charged direct to the HRA Comprehensive Income and Expenditure Statement. The reversal of previous impairment losses includes £0.104m revaluation gains applied directly to the HRA CIES due to one Jaywick land site increasing in value. (In 2014/15 there were impairment reversals of £4.159 million less a £0.902 million impairment charge for the Jaywick Project.)

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

The rent arrears at 31 March 2016 were £413,211 (2014/15 - £370,651), which equates to 2.87% (2.61% for 2014/15) of the gross rent due for the year after excluding rents foregone on empty properties and housing benefit overpayments but inclusive of service charges.

The HRA Provision for Bad and Doubtful Debts at 31 March 2016 is £0.144 million after the following movements on the account during 2015/16:

2014/15		2015/16
£000		£000
146	Balance as at 1 April	128
23	Provision for year	29
(41)	Arrears written off	(13)
<hr/>		<hr/>
128	Balance as at 31 March	144
<hr/>		<hr/>

SUBJECT TO AUDIT

# COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

2014/15

2014/15		2015/16			
£000		Council Tax £000	Business Rates £000	Total £000	Note Ref
<b>INCOME</b>					
(67,220)	Council Tax Payers	(68,694)	-	(68,694)	2
(25,273)	Income from Business Ratepayers	-	(26,281)	(26,281)	3, 6
<b>(92,493)</b>	<b>Total Income</b>	<b>(68,694)</b>	<b>(26,281)</b>	<b>(94,975)</b>	
<b>EXPENDITURE</b>					
Precepts:					
47,246	Essex County Council	48,132	-	48,132	4
2,888	Essex Fire Authority	2,942	-	2,942	
6,272	Essex Police and Crime Commissioner	6,517	-	6,517	
7,746	Tendring District Council	7,899	-	7,899	
Shares of Business Rates Income:					
12,320	Central Government	-	12,673	12,673	3
2,218	Essex County Council	-	2,281	2,281	
246	Essex Fire Authority	-	253	253	
9,856	Tendring District Council	-	10,139	10,139	
2,147	Share of Collection Fund Balance	2,966	(226)	2,740	5
Other Business Rates Payments:					
293	Costs of Collection	-	295	295	
191	Transitional Protection Payments	-	63	63	
116	Renewable Energy Schemes	-	220	220	
Bad Debt and Other Provisions:					
(144)	Provisions	239	42	281	6
480	Write Offs	358	150	508	
747	Provisions for Appeals	-	772	772	
<b>92,622</b>	<b>Total Expenditure</b>	<b>69,053</b>	<b>26,662</b>	<b>95,715</b>	
<b>129</b>	<b>(Surplus)/Deficit for the Year</b>	<b>359</b>	<b>381</b>	<b>740</b>	
<b>Collection Fund Balance</b>					
(3,392)	Balance brought forward	(4,264)	1,001	(3,263)	
129	(Surplus)/Deficit for the year	359	381	740	
<b>(3,263)</b>	<b>Balance Carried Forward</b>	<b>(3,905)</b>	<b>1,382</b>	<b>(2,523)</b>	
<b>Allocated to:</b>					
500	Central Government	-	691	691	
(3,048)	Essex County Council	(2,871)	124	(2,747)	
(182)	Essex Fire Authority	(175)	14	(161)	
(419)	Essex Police and Crime Commissioner	(388)	-	(388)	
(114)	Tendring District Council	(471)	553	82	
<b>(3,263)</b>		<b>(3,905)</b>	<b>1,382</b>	<b>(2,523)</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 2015/16 was £1,478.66 for a Band D dwelling. This rate of tax, which covers estimated net expenditure of the Council, Essex County Council, Essex Fire Authority, Essex Police and Crime Commissioner and the Parish and Town Councils, was assessed on the tax base set out below:

### Calculation of the Tax Base for 2015/16

2014/15 Band	Valuation	Pro-portion	Full Charge	Paying 75%	Paying 50%	2nd Homes	Empty Properties	Exempt	Total Excluding LCTS	LCTS Scheme 100%	Total
10	*A Up to £40,000	5/9	8	8	1	-	-	-	17	(10)	7
8,996	A Up to £40,000	6/9	4,116	7,167	29	645	593	325	12,875	(4,271)	8,604
13,866	B £40,001 to £52,000	7/9	9,602	6,889	21	332	401	207	17,452	(3,380)	14,072
17,730	C £52,001 to £68,000	8/9	12,904	6,632	36	450	329	274	20,625	(2,411)	18,214
9,556	D £68,001 to £88,000	9/9	7,215	2,647	46	209	129	120	10,366	(555)	9,811
4,516	E £88,001 to £120,000	11/9	3,585	891	33	90	69	42	4,710	(107)	4,603
1,588	F £120,001 to £160,000	13/9	1,252	271	38	44	23	13	1,641	(27)	1,614
767	G £160,001 to £320,000	15/9	590	105	41	34	7	3	780	(7)	773
52	H Over £320,000	18/9	42	2	7	3	-	-	54	-	54
<b>57,081</b>			<b>39,314</b>	<b>24,612</b>	<b>252</b>	<b>1,807</b>	<b>1,551</b>	<b>984</b>	<b>68,520</b>	<b>(10,768)</b>	<b>57,752</b>
45,145	Number of equivalent full charge Band D dwellings (unscaled tax base)										45,992
(1,670)	Less Provision for changes in valuation list, discounts and doubtful debts										(1,702)
<b>43,475</b>	Tax base for tax setting purposes										<b>44,290</b>

\* Band A – entitled to Disabled Relief

## Analysis of the Council Tax

### Council Tax for a Band D Dwelling

2014/15 Average £		2015/16 Average £
	Tendring District Council:	
136.37	General Expenses	136.44
11.27	Special Expenses	11.20
30.54	Town and Parish Councils	30.70
1,086.75	Essex County Council	1,086.75
66.42	Essex Fire Authority	66.42
144.27	Essex Police and Crime Commissioner	147.15
<u>1,475.62</u>		<u>1,478.66</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:

2014/15		2015/16
£71.101m	Rateable Value on 31 March	£71,423m
	Non-Domestic Rate per £	
47.1p	Small Businesses	48.0p
48.2p	Standard	49.3p

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

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

### 4 Precepts

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

## 5 Share of Collection Fund Balance

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

2014/15		2015/16		
		Council Tax	Business Rates	Total
£000		£000	£000	£000
<b>Allocated to:</b>				
23	Central Government	-	(113)	(113)
1,554	Essex County Council	2,184	(20)	2,164
95	Essex Fire Authority	134	(2)	132
202	Essex Police and Crime Commissioner	290	-	290
273	Tending District Council	358	(91)	267
<b>2,147</b>		<b>2,966</b>	<b>(226)</b>	<b>2,740</b>

Therefore the year end surplus of £3.905 million on Council Tax and deficit of £1.382 million on Business Rates together with balances paid over to precepting authorities in 2016/17, will form part of the assessment made in January 2017.

## 6 Bad Debt and Other Provisions

### Provision for Bad and Doubtful Debt

2014/15			2015/16		
Council Tax	Business Rates	Total	Council Tax	Business Rates	Total
£000	£000	£000	£000	£000	£000
Movements in Year:					
257	79	336	597	192	789
(372)	(108)	(480)	(358)	(150)	(508)
(115)	(29)	(144)	239	42	281
Balances on provisions:					
1,565	119	1,684	1,450	90	1,540
(115)	(29)	(144)	239	42	281
1,450	90	1,540	1,689	132	1,821

### Provisions for Appeals (Business Rates only)

	2014/15	2015/16
	£000	£000
Balance Brought Forward	1,578	2,325
Contributions to provisions in year	747	772
Balance Carried Forward	2,325	3,097



# ACCOUNTING POLICIES

## a) **General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. 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 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

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

## b) **Accruals of Income and Expenditure**

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

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

c) **Cash and Cash Equivalents**

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

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

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

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

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

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

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

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

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

## f) **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 line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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

### **Post Employment Benefits**

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

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

### **The Local Government Pension Scheme**

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

- The liabilities of the Essex County Council pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 3.5%, the yield on Merrill Lynch AA rated corporate bond curve (17 year).
- The assets of Essex County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - ❖ Quoted securities – current bid price;
  - ❖ Unquoted securities – professional estimate.
  - ❖ Unitised securities – current bid price;
  - ❖ Property – market value.
- The change in the net pensions liability is analysed into the following components:
 

Service cost comprising:

  - ❖ **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - ❖ **Past service cost/gain** – the increase/decrease in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited/credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - ❖ **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.

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

### **Financial Assets**

Financial Assets are classified into two types:

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

### **Loans and Receivables**

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

### **Available-for-Sale Assets**

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the rate of interest for the instrument. The Council holds no available for sale assets at 31 March 2016.

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

### **Instruments entered into before 1 April 2006**

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

#### **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) **Heritage Assets**

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

**Machinery**

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

**Heritage Buildings**

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

## **Heritage Assets – General**

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

### **k) Intangible Assets**

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

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

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

### **l) Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at cost.

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

### **m) Leases**

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



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

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

### **The Authority as Lessee**

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

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

### **The Authority as Lessor**

#### ➤ **Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

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

➤ **Operating Leases**

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

n) **Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – includes costs such as discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

o) **Property, Plant and Equipment**

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

**Recognition**

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

**Measurement**

Assets are initially measured at cost, comprising:

- The purchase price;

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

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

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

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

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

- Equipment, infrastructure, community assets and assets under construction – depreciated historical cost;
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market based evidence of fair 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.

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

**Provisions**

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

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

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

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

**Contingent Liabilities**

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

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

**Contingent Assets**

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

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

q) **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 in the Movement in Reserves Statement. 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.

r) **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.

s) **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.

t) **Council Tax and Business Rates**

The Council's share of Council Tax and Business Rates income is recognised in the Comprehensive Income and Expenditure Statement in the line Taxation and Non-Specific Grant Income on an accrued basis. In order to comply with the relevant statutory regulations the difference between the Council Tax and Business Rates 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 reported in the Movement in Reserves Statement.

u) **Fair Value Measurement**

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability 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 Council used external valuers to provide a valuation of its assets and values its liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities 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.



# TENDRING DISTRICT COUNCIL

## MEMBERS' ALLOWANCES AND EXPENSES

The Council has adopted a Scheme of Members' Allowances and in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003, the details required are published below, to show expenditure during 2015/16.

	Basic Allowance	Special Responsibility Allowance	Childcare Allowance	* Travelling and Subsistence	Total
	£	£	£	£	£
<b>Elected up to 6 May 2015</b>					
D Aldis	853.66	-	-	-	853.66
N Brown	853.66	-	-	99.90	953.56
G Caines	853.66	-	-	-	853.66
C Callender	853.66	-	-	-	853.66
D Casey	853.66	-	-	-	853.66
S Challinor	853.66	614.66	-	-	1,468.32
A Colbourne	853.66	-	-	-	853.66
P G De-Vaux Balbirnie	853.66	-	-	10.80	864.46
T Fawcett	853.66	-	-	-	853.66
A Goggin	853.66	1,805.34	-	-	2,659.00
J Hawkins	853.66	-	-	-	853.66
S Honeywood	853.66	-	-	-	853.66
I R Johnson	853.66	-	-	83.25	936.91
D Mayzes	853.66	-	-	77.85	931.51
S Mayzes	853.66	-	-	-	853.66
D McLeod	853.66	-	-	145.80	999.46
G Mitchell	853.66	338.16	-	-	1,191.82
D Oxley	853.66	-	-	-	853.66
P J Oxley	853.66	433.34	-	-	1,287.00
M Page	853.66	4,361.68	-	308.25	5,523.59
M Patten	853.66	-	-	-	853.66
J A Powell	853.66	129.63	-	-	983.29
A Pugh	853.66	-	-	50.40	904.06
S Richardson	853.66	-	-	-	853.66
P Sambridge	853.66	1,044.60	-	60.30	1,958.56
H Shearing	853.66	313.34	-	50.40	1,217.40
K Simons	853.66	-	-	-	853.66
D Skeels	853.66	-	-	-	853.66
I Tracey	853.66	-	-	-	853.66
A Wood	853.66	-	-	-	853.66
<b>Elected from 7 May 2015</b>					
A Baker	4,268.30	-	-	-	4,268.30
L Bennison	4,268.30	120.97	-	-	4,389.27
J Bray	4,268.30	-	-	-	4,268.30
B Brown	4,268.30	-	-	-	4,268.30
J Brown	4,268.30	-	-	-	4,268.30
M Brown	4,268.30	-	-	-	4,268.30

		Basic Allowance	Special Responsibility Allowance	Childcare Allowance	* Travelling and Subsistence	Total
		£	£	£	£	£
P	Cawthron	4,268.30	-	-	-	4,268.30
J	Chittock	4,268.30	-	-	-	4,268.30
A	Davis	4,268.30	-	-	-	4,268.30
Z	Fairley	4,268.30	2,852.90	-	-	7,121.20
T	Ferguson	4,268.30	-	-	-	4,268.30
M	Fowler	4,268.30	166.68	-	-	4,434.98
L	Gray	4,268.30	-	-	-	4,268.30
J	Hones	4,268.30	166.68	-	257.40	4,692.38
M	Hughes	4,268.30	7,490.38	-	-	11,758.68
M	Khan	4,268.30	-	-	-	4,268.30
D	Land	4,268.30	-	-	-	4,268.30
A	Massey	4,268.30	-	-	-	4,268.30
J	Mooney	4,268.30	-	-	31.95	4,300.25
M	Newton	4,268.30	-	-	-	4,268.30
A	Pemberton	4,268.30	-	-	-	4,268.30
B	Poonian	4,268.30	166.68	-	239.40	4,674.38
A	Porter	4,268.30	-	-	-	4,268.30
R	Raby	4,268.30	166.68	-	109.80	4,544.78
L	Sibbald (Resigned)	483.74	-	-	-	483.74
M	Skeels	4,268.30	-	-	170.55	4,438.85
M	Stephenson	4,268.30	2,723.65	-	-	6,991.95
K	Watson	4,268.30	87.37	-	200.25	4,555.92
E	Whitmore	4,268.30	-	-	-	4,268.30
K	Yallop	4,268.30	-	-	-	4,268.30
<b>Full Years Allowance</b>						
C	Amos	5,121.96	-	-	-	5,121.96
J	Broderick	5,121.96	1,735.76	-	-	6,857.72
R J	Bucke	5,121.96	-	-	268.65	5,390.61
R	Callender	5,121.96	3,467.56	-	-	8,589.52
G	Calver	5,121.96	-	-	36.00	5,157.96
J	Chapman	5,121.96	-	-	-	5,121.96
A	Coley	5,121.96	3,416.55	-	283.50	8,822.01
M	Cossens	5,121.96	-	-	-	5,121.96
R	Everett (Elected in year)	3,208.11	166.68	-	170.10	3,544.89
C	Griffiths	5,121.96	3,788.04	-	-	8,910.00
C	Guglielmi	5,121.96	9,295.72	-	1,463.40	15,881.08
V	Guglielmi	5,121.96	1,548.99	-	767.25	7,438.20
R	Heaney	5,121.96	2,593.65	-	-	7,715.61
I	Henderson	5,121.96	2,042.48	-	312.75	7,477.19
J	Henderson	5,121.96	-	144.31	181.80	5,448.07
P	Honeywood	5,121.96	9,295.72	-	-	14,417.68
T	Howard	5,121.96	7,490.38	-	-	12,612.34
K T	King	5,121.96	-	-	-	5,121.96
L	McWilliams	5,121.96	9,295.72	-	-	14,417.68
M	Miles	5,121.96	3,634.20	-	-	8,756.16
F	Nicholls	5,121.96	-	-	1,790.85	6,912.81
M	Platt	5,121.96	5,934.56	-	-	11,056.52
G	Scott	5,121.96	-	-	-	5,121.96
M	Skeels	5,121.96	7,867.48	-	550.80	13,540.24

	Basic Allowance	Special Responsibility Allowance	Childcare Allowance	* Travelling and Subsistence	Total
	£	£	£	£	£
G Steady	5,121.96	3,634.20	-	-	8,756.16
N Stock	5,121.96	14,076.32	-	1,058.40	20,256.68
M J Talbot	5,121.96	8,021.57	-	505.80	13,649.33
N W Turner	5,121.96	9,295.72	-	1,376.60	15,794.28
G Watling	5,121.96	8,105.04	-	-	13,227.00
J White	5,121.96	4,785.22	-	414.45	10,321.63
C Winfield	5,121.96	-	-	-	5,121.96
<b>Grand Total of payments for year</b>	<b>306,741.15</b>	<b>142,474.30</b>	<b>144.31</b>	<b>11,076.65</b>	<b>460,436.41</b>

The following, which reflect part year allowances for Chairman and Vice Chairman of the Council were payable for the year:

Chairman – V Guglielmi (2014)	£1,482.29
Vice Chairman – F Nicholls (2014)	£ 522.55
Chairman – F Nicholls (2015)	£4,783.75
Vice Chairman – J Chapman (2015)	£1,686.41

\* Allowances for Travel paid during the year were £11,010.65 subsistence was £66.00.

Payment to non-elected persons and substitutes where they have attended a Council Committee.

	Total Mileage	Independent Person Allowance	Total
	£	£	£
J Wolton	-	600.00	600.00
W Lock	13.50	750.00	763.50
C Gosling	-	750.00	750.00
<b>Grand Total of payments for year</b>	<b>13.50</b>	<b>2,100.00</b>	<b>2,113.50</b>

## OTHER INFORMATION

All the Council's financial resources are expended on services that will enable the Council to discharge its responsibilities outlined in: Tendring District Council's Corporate and Community Strategies. The Statement of Accounts is one of a series of documents that the Council publishes in order to provide financial information about its activities.

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

These publications can be found on the Council's Web Site at [www.tendringdc.gov.uk](http://www.tendringdc.gov.uk).

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

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

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

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

## **Accounting Period**

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

## **Accumulated Absences Account**

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

## **Accruals**

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

## **Asset**

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

## **Bad or Doubtful Debts**

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

## **Balance Sheet**

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

## **Beacon Properties**

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

## **Billing Authority**

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

## **Budget**

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

## **Business Rates**

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

## **Capital Expenditure**

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

## **Capital Financing**

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

## **Capital Programme**

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

## **Capital Receipt**

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

## **Capital Receipt Pooling**

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

## **Cash Flow Statement**

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

## **Collection Fund**

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

## **Community Assets**

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

## **Council Tax**

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

## **Creditors**

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

## **Current Assets**

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

## **Current Liabilities**

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

## **Debtors**

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

## **Deferred Capital Receipts**

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

## **Defined Benefit Scheme**

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

## **Depreciation**

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

## **Earmarked Reserve**

A sum set aside to meet commitments in future years.

## **General Fund**

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

## **Government Grants**

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

## **Heritage Assets**

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

## **Housing Revenue Account (HRA)**

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

## **Impairment**

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

## **Intangible Assets**

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

## **Inventories**

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

## **Leasing**

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

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

## **Major Repairs Reserve (MRR)**

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

## **Minimum Revenue Provision (MRP)**

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

## **Non-Current Assets**

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



## **Precept**

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

## **Precepting Authority**

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

## **Provisions**

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

## **Prudential Code**

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

## **Public Works Loan Board (PWLB)**

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

## **Reserves**

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

## **Revenue Support Grant (RSG)**

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

## **Revenue Account**

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

## **Revenue Expenditure Funded from Capital under Statute**

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

## **Support Services Costs**

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

## TENDRING DISTRICT COUNCIL

### ANNUAL GOVERNANCE STATEMENT 2015-16

#### 1. SCOPE OF RESPONSIBILITY

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

The Council acknowledges its responsibility for ensuring there is a sound system of governance, incorporating the system of internal control.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the authority's code is available to be viewed or downloaded from the Council's website ([www.tendringdc.gov.uk](http://www.tendringdc.gov.uk)) or can be obtained by contacting the Council's Corporate Services Department. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an annual governance statement.

#### 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and 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, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place in the Council for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

#### 3. THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements as reflected in the Code of Corporate Governance were:

- A Corporate Plan which sets out the Council's vision, goals and objectives.
- A Financial Strategy, Capital Strategy, Asset Strategy, and Treasury Strategy links financial planning to enable the Council to balance the delivery of quality services along with its priorities and aspirations and maximise the effectiveness of its assets.

- A Performance Management and Budget Monitoring Framework which includes financial and non-financial information.
- A Corporate Risk Management Framework and Corporate Risk Register which sets out the risk management framework and identifies and manages risks faced by the Council.
- The Council's Constitution which covers roles and responsibilities, delegated powers, along with key areas such as financial and procurement procedure rules.
- An Audit Committee that provides scrutiny of the governance framework.
- Whistleblowing and complaints procedures that provide individuals with opportunities to report issues with the Council.
- Clear Codes of Conduct which set behavioural expectations for all individuals representing the Council.
- A Standards Committee that promotes and maintains high standards of conduct by Members and co-opted Members of the Council.
- A Human Resources Framework that covers a range of practices and policies.
- A committee framework with clear responsibilities and terms of reference supported by senior managers.
- Overview and Scrutiny Committees which carry out an annual programme of work to review and scrutinise Council functions and consider any matter affecting the District.
- Statutory Officers such as the Chief Executive, S151 Officer and Monitoring Officer.
- Robust governance arrangements for working, engaging with and consulting our stakeholders and partners.
- An Information Security Policy providing an IT governance framework.

The Council's key governance processes are subject to internal audit on a cyclical / risk based approach. This work forms part of the Audit and Governance Manager's annual opinion on the overall adequacy and effectiveness of the Council's internal control environment.

#### **4. REVIEW OF EFFECTIVENESS**

The Council has 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 managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Audit and Governance Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

In practice, the review of effectiveness is an on-going process throughout the year. However set against the backcloth of ongoing reductions in Government Funding and associated savings targets, action has continued within the Council in 2015/16 to provide a sustainable and long term basis against which to deliver services. Such changes in themselves present governance challenges and risks which have been recognised as part of the managing change and usual processes undertaken during the year.

Building on the approach in previous years but acknowledging the fundamental changes that remain on-going, the activities and mechanisms in place include:

- Review of overall performance, incorporating financial and non-financial information, and change management by Management Team and Members.

- The publication of accurate and reliable performance statements and other information.
- The translation of corporate objectives into clear goals to enable targeting of work by departments.
- Regular meetings of Management Team which include the Chief Executive, all Corporate Directors / Head of Department in attendance to discuss relevant matters, issues and strategic challenges facing the Council and to help to take the organisation forward.
- Four Overview and Scrutiny committees, Corporate Management, Service Development and Delivery, Community Leadership and Partnerships, and Education and Skills which met in total on 24 occasions during 2015/16.
- An Audit Committee which met on four occasions during 2015/16 to enable it to fulfil its statutory, regulatory and governance responsibilities including the monitoring of Internal and External Audit recommendations, the monitoring of the development and operation of risk management, the approval of the Statement of Accounts for publication.
- A Standards Committee that met on three occasions during 2015/16, to promote and maintain high standards of conduct, to develop a culture of openness, transparency, trust and confidence, and embed a culture of strong ethical and corporate governance.
- Staff updates by the Chief Executive during the year.
- Compliance with accounting and auditing codes and standards.
- Conformance of the authority's financial management arrangements with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government as set out in the Application Note to the Delivery of Good Governance in Local Government Framework.
- Periodic updates to the Code of Corporate Governance to reflect changes to the Council's Governance Framework.

A number of activities and actions were also undertaken during the year in reviewing and strengthening the Council's Governance Framework. These are set out below against the six core governance principles included in the Council's Code of Corporate Governance.

**Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area**

- A process of continual improvement is maintained in terms of both financial and non-financial monitoring.
- The Officer Structure of the Council continued to be subject to revision to facilitate service delivery within the resources available.
- The Council continued to be engaged in a number of partnership projects and initiatives to bring about sustained system change in local services, to recast collective activity around the needs of local communities and citizens, and to deliver the conditions for growth that supports businesses and residents.
- The ongoing role of a Local Plan Committee to oversee the remaining stages of preparing the Local Plan, address the fundamental issues raised by objectors and deal with other aspects of planning policy work.
- The reconstitution of the Rural Projects Panel as a Portfolio Holder Working Party with cross-party membership to consider issues such as broadband, mains sewerage, mains drinking water and flooding.
- An increase in the membership of the Rural Infrastructure Working Party by one Member, along with a change in its membership, to enhance its rural make up.

- The appointment and authorisation of representatives to the North Essex Garden Communities Project Joint Delivery Board. The authorisation of officers to represent the Council on a Joint Steering Group and relevant delivery and project teams.
- Development and review of the Council's emerging Corporate Plan.

**Members and officers working together to achieve a common purpose with clearly defined functions and roles**

- A focus on community leadership
- The continued operation of member / officer groups
- The facilitation of all member workshops to take forward ideas and activities to support the Council
- Members being encouraged to identify areas of potential income or efficiency saving to scrutinise, work up and report to Corporate Management Scrutiny Committee.
- The holding of an informal discussion and question and answer session for members of the Corporate Management Scrutiny Committee with the Council's Finance and Procurement Manager regarding the Cabinet's budget proposals.

**Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

- A Standards Committee undertaking hearings regarding failures to comply with the Members' Code of Conduct, and to receive updates on complaints.
- The approval of a new Corporate Anti-Social Behaviour policy
- The approval of a PREVENT policy requiring the Council to have due regard in the exercise of its functions of the need to prevent people being drawn into terrorism.
- Amendment of Officer Employment Procedure Rules to reflect legislative changes, including the forming of an Independent Advisory Panel to advise on dismissal of statutory officers.
- The adoption of a new Corporate Monitoring Policy applicable to all employees and authorised third parties, protecting employees, technology, information being processed and the privacy rights of people that the information relates to.
- The adoption of a revised Corporate Safeguarding Policy providing the Council with a combined Vulnerable Adults and Children's Safeguarding Policy.
- The approval of a new Officers' Code of Conduct.
- The provision of an introduction to the Standards Committee to enable the new membership of that Committee to familiarise themselves with the Council's Standards Framework.
- The provision of an awareness session on the Members' Code of Conduct at an all Member Briefing.
- Review of the Independent Person Protocol.
- Approval of a Members' Gift and Hospitality Policy, setting out a clear set of rules regarding whether it would be proper to accept any gift or hospitality and the procedure for declaring any received.

**Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

- The Council continues to embrace transparency and openness by publishing information on its website including payments to suppliers, salary information, Councillors' allowances and expenses, and the contract register.
- Continued development of the risk management approach within the Council.

- Overview and Scrutiny Committees continuing to make reports or recommendations to Cabinet or the Council with respect to the discharge of Council functions or on any matter affecting the authority's area or its inhabitants.
- The identification of a lead Corporate Management Committee member to work with relevant Portfolio Holders regarding specific projects.
- The consideration of reports from Portfolio Holder Working Parties.
- Amendment to Procurement Procedure Rules to reflect new advertising requirements for contacts over £25,000 resulting from the Public Contract Regulations 2015.
- Revision of Access to Information Procedure Rules to improve clarity and procedures.
- A decision to in future hold informal meetings of the Corporate Management Scrutiny Committee to keep abreast of ongoing changes in the Council's budgetary position, and focussing on scrutinising Portfolio Holders' progress towards the Council's goal of financial self-sufficiency.

### **Developing the capacity and capability of Members and officers to be effective**

- A re-focus of Portfolios has taken place with clear targets and activities identified which sets out a vision and expectation of individual Portfolio Holders.
- Ongoing personal target setting for officers, capturing personal development opportunities.
- The development of a dynamic and motivated workforce dealing with change and transformation with resilience and tenacity, resulting in the achievement of Investors in People Gold accreditation during the year.
- The Council continues to take a proactive approach to promoting governance, inclusivity, and facilitation of cross party working enabling participation of the Leader or Deputy Leader of opposition groups in discussion of agenda items at Cabinet meetings.
- The merger of the Community Leadership and Partnerships Committee and the Education and Skills Committee, enabling the scrutiny of the delivery of education and skills services to be considered alongside other important functions such as health, policing and the voluntary sector.
- Revisions to the Constitution to keep it up to date to enable the Council to operate efficiently in pursuit of its priorities.
- Ongoing progress in transforming working arrangements to provide Members and staff the best tools the council can to do their jobs in terms of environment, practices, equipment and skills.
- Mandatory training for members (and named substitutes) of specified committees and the maintenance of training records to evidence that appropriate training to allow members of such committees to undertake the business of their meetings had taken place.
- The holding of all Member briefings, on subjects such as the emerging Local Plan, and scrutiny, to develop members knowledge and have cross party debate on a range of key issues.
- Extension of the terms of reference of the Electoral Review Portfolio Holder Working Party to include consideration of future governance structure for the Council.
- A review of the senior management structure of the Council.
- Presentations to Senior Managers' forum on subjects such as recording Officers' Decisions and Scheme of Delegation requirements.

### **Engaging with local people and other stakeholders to ensure robust public accountability**

- Extensive ongoing formal and informal community engagement regarding the development of the Council's key project for Jaywick.
- The ongoing use of an interactive budget consultation tool "You Choose" to obtain the views of local residents on areas they consider to be spending priorities, and the invitation of comments from businesses in the district on the proposed budget with the information considered by Members during the setting of the 2016/17 budget.
- The ongoing development of the Council's website
- The receiving and consideration of petitions in accordance with the Petitioning Scheme, which includes the opportunity for petitioners to address the Cabinet or the Council.
- Updates to the list of appointments to external meetings and outside bodies to ensure that the Council is appropriately represented.
- The establishment of a Grants Panel, comprising representatives of the Council and external partners to make investment decisions on Small and Medium Sized Enterprises Growth Fund grant applications.
- The recording and publishing on the Council's website of the meetings of the Local Plan Committee and the Planning Committee.
- The consideration of issues raised through representations received on the Local Plan "Issues and Options" consultation.
- The extension of the Public Speaking Scheme to permit members of the public to speak at meetings of the Local Plan Committee.

### **In respect of specific actions identified as part of last years Annual Governance Statement, actions undertaken include:**

- **Financial Resilience** – A balanced budget for 2016/17 was agreed by Full Council on 9<sup>th</sup> February 2016, which applied savings from 2015/16 when considering the budget over a two year rolling period. In reflecting observations previously made by the Council's External Auditor the following formed part of the final budget proposals:
  - 1) No significant amounts were 'drawn down' from reserves / one-off funding to balance the budget.
  - 2) Members also took into account the impact on the budget for different levels of Council Tax, set against the move to self-sufficiency and financial sustainability.
- **Council's Constitution** – The Council's Monitoring Officer is providing guidance on the application of the rules and procedures and is continuing to do so on both general and specific issues as required / requested.
- **Other Major Issues – Local Council Tax Support** – The 2016/17 scheme was agreed by Full council on 24<sup>th</sup> November 2015, which remained the same as the 2015/16 scheme. The relevant activities to review the scheme for 2017/18 have been scheduled.
- **Other Major Issues – Clacton to Holland Haven Coast Defence Scheme** – A review of the scheme including detailed financial analysis was presented to Cabinet at its 11<sup>th</sup> December 2015 meeting. The scheme was delivered on time and within budget with unused funding being directed to a complimentary project that seeks to address cliff stabilisation risks along the same coastline.

- **Other Major Issues – Acquisition of Sites in Jaywick / Facilitation of Development** – The initial acquisition of 5 sites in Jaywick has been completed. The various options to deliver the next phase are being developed / considered, and therefore this is carried forward as a governance issue into 2016/17.
- **Other Major Issues – Code of Corporate Governance** – Revised Code of Corporate Governance guidance is applicable from 2016/17. The Code of Corporate Governance will be updated in 2016/17 to reflect the new guidance.

The Council also draws assurance on its governance arrangements from independent sources, in particular:

#### **Internal Audit**

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

A summary of the issues identified in the audits completed during the year were included in periodic reports to the Audit Committee. The Committee's attention was drawn to the significant issues identified in the Asset Management and Sundry Debtors audits where the level of assurance was classified as Improvement Required. In addition the Committee had been made aware of significant issues identified regarding procurement processes in an investigation that had been undertaken.

Robust mechanisms exist to ensure that corrective action is taken in such cases, with follow up audits scheduled as necessary.

Taking into account the issues identified during the year and reviews by other assurance providers, it was only possible to provide a qualified assurance that the systems of internal control were generally operating adequately and effectively.

#### **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 recommendations monitored by the Council's Audit Committee on a regular basis.

### **5. REVIEW OF EFFECTIVENESS AND SIGNIFICANT GOVERNANCE ISSUES**

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**.

To support the Council in addressing some of the key issues and improvements that have emerged from the annual review of effectiveness, including any items identified as part of the work of the External Auditor, the following actions have been identified taking account of the revised requirements relating to the External Audit value for money opinion: .



Governance Issue	Action
<b>Sustainable Resource Deployment</b>	
<p>Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions</p>	<p>Via the Financial Strategy process, continue to maintain a strong and robust approach to identifying savings and respond to new or additional burdens against the backcloth of the potential for further cuts in Government funding.</p> <p>The forecast budget 'gap' is £1.968m in 2017/18 rising to £5m on a cumulative basis by 2019/20. The budget 'gap' primarily reflects the continuing year on year reduction in Government funding.</p> <p>Financial Resilience remains at the forefront of the financial planning process with money identified where possible to invest in 'spend to save' projects that will in turn support the Council in delivering a balanced and sustainable budget in the long term, by aiming to find savings from within its underlying revenue budget rather than relying on potentially time limited income such as from the New Homes Bonus to balance the budget.</p> <p>Cabinet Members to lead on taking forward savings proposals which will include some difficult decisions such as ceasing service provision, decommissioning assets or reducing the level of services provided.</p>
<p>Managing and utilising assets effectively to support the delivery of strategic priorities</p>	<p>A key / overlapping element of work that will be progressed during the year will be how the Council manages and utilises its assets effectively to support the delivery of services and priorities.</p>
<b>Working with Partners and Other Third Parties</b>	
<p>Working with partners effectively to deliver strategic priorities</p>	<p>To ensure that adequate, effective and robust arrangements are in place for the acquisition of sites in the Jaywick area, and with a view to facilitating development or directly developing the sites for housing / regeneration stimulation.</p>

Governance Issue	Action
	To continue to play a key role in the development of the Garden Communities Project including key governance and financial arrangements set against open and transparent decision making.
Other Major Issues	To revise the Code of Corporate Governance taking account of the new CIPFA/ Solace framework applicable from 2016/17.
	To continue to embed the arrangements regarding the recording of Officer Decisions and the Scheme of Delegation within Departments.

We propose over the coming year to take steps to address the above matters 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 and operation as part of our next annual review.

Ian Davidson  
Chief Executive

Neil Stock  
Leader of the Council

Date

Date

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