AUDIT COMMITTEE

24 SEPTEMBER 2015

REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES)

A.3 EXTERNAL AUDIT – AUDIT RESULTS REPORT 2014/15 (Report prepared by Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT
To present: • The External Auditor's Audit Results Report 2014/15 and Letter of Representation for consideration and approval to enable a final opinion on the accounts and value for money arrangements to be formally issued by the External Auditor. • The Statement of Accounts 2014/15 for consideration and approval for publication by the end of September 2015 • A revised Annual Governance Statement 2014/15 for approval.

EXECUTIVE SUMMARY
• The External Auditor has substantially completed the audit of the 2014/15 accounts with their associated Audit Results Report attached, which includes as Appendix B a Letter of Representation for approval by the Committee. • The External Auditor plans on issuing an unqualified audit opinion on the Council's financial statements and value for money arrangements. • A number of required amendments have been identified via the audit process so far to date, primarily relating to reclassifications or providing additional disclosure information along with an increase in the provision for business rate appeals. It is important to highlight that no changes have had an impact on the overall financial position of the Council. • Overall the report is a welcomed outcome from the work of the Council's External Auditor given the complexity of the accounting and preparation processes involved in the production of the Statement of Accounts. • The Council's audited Statement of Accounts, which reflect the amendments identified to date are attached. Subject to the approval of the Audit Committee the Statement of Accounts are required to be published by the end of September 2015. • At the time of finalising this report for printing, a number of areas of audit work remained outstanding as set out on page 15 of the External Auditors Audit Results Report 2014/15 attached. Therefore it is possible that further amendments to the accounts and / or Letter of Representation may be required. If this is the case then any changes will either form part of an addendum report published in advance of the meeting or reported directly at the meeting of the Committee. It is also possible that

amendments may be required after the date of the meeting of the Committee if the External Auditor remains in the process of finalising their work. A recommendation is therefore included below that seeks a delegation to the Finance and Procurement Manager in consultation with the Chairman of the Committee to make any necessary amendments to the accounts and / or Letter of Representation before they are finalised.

- Following the review that forms part of the audit process, the Annual Governance Statement 2014/15 that was previously considered by the Committee at its 25 June 2015 meeting, has also been subject to amendment to clarify / reflect the most up to date position.

RECOMMENDATIONS

1. That in respect of the Audit Results Report , the Audit Committee:

(a) Considers and notes the contents of the External Auditor's Audit Results Report 2014/15 including the required adjustments to the Financial Statements as set out on pages 6 and 7 of that report.

(b) Subject to (a) above, approves the Letter of Representation set out as Appendix B to the External Auditors Audit Results Report 2014/15.

(c) Subject to (b) above, authorises the Finance and Procurement Manager and Audit Committee Chairman to sign the Letter of Representation for forwarding to the External Auditor.

(d) Subject to (b) and (c) above, approves for publication the audited Statement of Accounts for 2014/15, amended for the adjusted items identified.

(e) Approves a delegation to the Finance and Procurement Manager in consultation with the Chairman of the Audit Committee to make amendments to the Letter of Representation for forwarding onto the External Auditor and / or Statement of Accounts 2014/15 before publication, if further changes are recommended by the External Auditor following the completion of the outstanding areas of their work.

2. That in respect of the Council's Annual Governance Statement 2014/15, the Audit Committee:

(a) Approves the revised Annual Governance Statement set out in Appendix A.

(b) Authorises, subject to 2(a) above, the Chief Executive and Leader of the Council to sign the Annual Governance Statement set out in Appendix A.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Careful planning to ensure financial stability underpins the Council's capacity and ability to deliver against its objectives and priorities. Both the capital and revenue budgets of the authority are prepared and monitored with the aim of supporting these key objectives. The outturn position and associated Statement of Accounts reflects this process and supports the successful financial planning process which includes communicating and consulting with relevant stakeholders.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

There are no direct financial implications with the audit expected to be completed within existing budgets with the actual fee anticipated to be in-line with the planned fee as set out on page 16 of the External Auditor's Audit Results Report attached.

Risk

The preparation, reporting and publishing of the Statement of Accounts follows a relatively tight timescale with various milestones along the way. Therefore against this backcloth, the production of the accounts is required to be completed to the necessary standards and deadlines with the aim of preventing any significant issues arising from the audit process.

LEGAL

The Statement of Accounts 2014/15 complies with the requirements of the Local Audit and Accountability Act 2014 and associated regulations.

The closure of accounts process, the preparation of the Statement of Accounts and their subsequent audit along with the arrangements to secure value for money reflect the requirements and responsibilities of the Council.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

There are no direct implications from this report. However in respect of equality and diversity, the Council ensures that the Statement of Accounts and associated governance reports are accessible to all by advertising their availability and publishing them electronically on the Council's website.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The pre-audited Statement of Accounts for 2014/15 were approved for publication by the Council's S151 Officer (Finance and Procurement Manager) at the end of June 2015.

Each year the Council's External Auditors are required to prepare an annual report setting out the outcomes from their review of the Statement of Accounts and the Council's value for money and governance arrangements. The Audit Committee is required to consider the contents of this annual report and approve for publication the final audited Statement of Accounts.

A draft Letter of Representation which sets out certain management representations is included as **Appendix B** to the External Auditor's Audit Results Report 2014/15. The Audit Committee are also required to separately approve this letter and authorise the Finance and Procurement Manager and Audit Committee Chairman to sign it before it is forwarded onto the External Auditor.

Once the above tasks are completed the External Auditor can conclude the audit by finalising and formally issuing the audit opinion along with the certification of the accounts.

AUDIT RESULTS REPORT 2014/15

The auditors have issued their Audit Results Report for 2014/15, a copy of which is attached. Although the External Auditor's work is well progressed with a number of areas of work completed, outstanding actions at the time of printing this report are set out on page 15 of the Audit Results Report 2014/15. However the External Auditor currently plans on issuing an unqualified audit opinion in respect of the Financial Statements and value for money conclusion.

Following the external audit work completed to date, a number of adjustments have been required that primarily relate to reclassifications or providing additional disclosure information in addition to an increase in the provision for business rate appeals. A detailed list of the amendments made is set out on pages 6 and 7 of the attached External Auditor's Audit Results Report 2014/15.

It is important to highlight that no changes have had an impact on the overall financial position of the Council.

Some issues that are worth highlighting are as follows:

- **Increase in provision for business rate appeals –** At the end of 2014/15 the Council had provided for the impact of general appeals along with specific appeals relating to GP Surgeries following a decision by the Valuation Tribunal. Updated information has become available since the accounts were finalised at the end of June, which requires an increase of **£0.122m** in the provision for appeals relating to GP Surgeries.

  This change requires an associated charge to be made in 2014/15. Given the complex nature of the accounting treatment for business rates, the NDR Resilience Reserve has in fact been increased by **£0.025m** as there has been a knock on impact by way of a reduction in the business rate levy amount due to the Government.

- Amendments have also been made to the Officer's remuneration note and the statement of the fair value of the local government pension scheme assets attributable to TDC. Further details are set out at the top of page 7 of the Audit Results Report 2014/15 attached.

- Additional information has also been provided in the Explanatory Foreword to the Statement of Accounts as recommended by the External Auditor, which enhances the level of detail available to the reader of the accounts.

- The Audit Results report 2014/15 (page 7) also acknowledges the lack of response from the Government in respect of the impairment charge made to the HRA that is associated with the land purchases in Jaywick earlier in the year. The Council is still waiting for a response from the Government, which has been included in the Letter of Representation for completeness.

- As part of the Value for Money considerations set out in Section 4 of the Auditor's Audit Results Report 2014/15 (starting on page 9), a number of risks are highlighted such as the major Jaywick regeneration project, the financial resilience of the Council, Coast Protection Project along with the approach to the local council tax support scheme. In respect of the latter item, this is unlikely to continue to feature as a risk in the 2015/16 External Audit Plan.

  In respect of the Council's financial resilience, the findings set out on pages 10 to 12 of the Audit Results Report 2014/15 sets out a very informative and comprehensive review of the financial position of the Council to date which culminates in highlighting the following points:

  1) *The Austerity Reserve is a non-recurrent means for identifying savings and therefore does not provide a long term solution. Savings gaps need to be bridged through recurrent savings and efficiencies or increased income.*

  2) *In recent years, Tendring has frozen or reduced its council tax and received an annual council tax freeze grant as a result. Decisions relating to council tax increases, or decreases, have an ongoing impact on the Council's ability to raise revenue in future years due to the annual restrictions on the level of annual increases.*

  3) *In light of the future financial pressures the Council is facing, Members need to consider carefully the impact of any decisions to freeze or reduce council tax or use of reserves to support the Council's finances, on the ongoing sustainability of the Council's financial position and its ability to maintain service levels in future years.*

  It is also important to highlight that the increase in the Council's budget gap for 2016/17 in relation to the External Auditor's materiality level has resulted in the associated risk being reclassified as a 'significant risk', with further work undertaken by the External Auditor to review the 'gap' in relation to the Council's reserves. It is acknowledged that the level of reserves is sufficient to cover the projected budget 'gap' in 2016/17 and 2017/18 which is in effect a worse case assumption, as the current Financial Strategy seeks to meet the budget 'gap' through the identification of on-going savings rather than placing any reliance on the use of reserves to deliver a balanced budget.

  All of the risks associated with the significant areas highlighted above are being actively monitored / managed via separate processes, such as the Financial Strategy, along with being recognised within the Annual Governance Statement set out in **Appendix A**. Updates against the actions set out in the Annual Governance Statement will be presented to the Audit Committee as part the its regular Table of

Outstanding Issues reports with the first such update set out elsewhere on the agenda.

A number of challenges for the coming year have also been set out by the External Auditor on page 14 of the Audit Results Report 2014/15. These form part of the on-going monitoring and management of the respective activities.

To conclude the Statement of Accounts process for 2014/15, the Audit Committee is required to consider the Audit Results Report 2014/15, approve the Letter of Representation and approve the final Statement of Accounts which include the amendments made. Therefore subject to the agreement of the recommendations above, the final Statement of Accounts for 2014/15 will be published by the end of September 2015 deadline.

The External Auditor will be in attendance at the meeting to formally present their Audit Results Report to the Audit Committee.

As previously highlighted, the work of the External Auditor remains in progress, with work likely to continue up to the publication date of the 30 September 2015. Therefore further issues may emerge and subject to their timing, will be reported via an addendum report published before the meeting or directly at the meeting. Further changes may be required after the date of the Committee, with a delegation to the Finance and Procurement Manager in consultation with the Chairman of the Committee included in the recommendations above to enable these to be reflected in the final Letter of Representation and / or the Statement of Accounts before publishing.

As part of the External Auditor's preparation work and in accordance with auditing standards, the External Auditor write's to both the Chairman of the Audit Committee and Management to update their understanding of management processes and procedures and how the Audit Committee gains the necessary assurances from management. Both the request from the External Auditor and the response from Management and the Chairman of the Audit Committee at the time the requests were made, are set out as attachments for information and completeness.

ANNUAL GOVERNANCE STATEMENT 2014/15

The Audit Committee originally considered the Annual Governance Statement at its 25 June 2015 meeting. However as part of the audit and review process amendments to the Annual Governance Statement 2014/15 have been made as set out on page 8 of the External Auditor's Annual Results Report 2014/15. **Appendix A** sets out the revised Annual Governance Statement 2014/15 with the amendments highlighted in italic font and shaded.

As the Statement has been amended it is being presented to the Committee for further consideration and approval along with seeking the necessary agreement to the Chief Executive and the Leader to sign it, which has been reflected in the recommendations above.

BACKGROUND PAPERS FOR THE DECISION
None

APPENDICES	
Appendix A	Annual Governance Statement 2014/15
Attachment 1	Letter from External Auditor to those Charged With Governance (understanding how the Audit Committee gains assurance from management) along with response from the then Audit Committee Chairman
Attachment 2	Letter from External Auditor to Management (understanding management processes and arrangements) along with response from the Finance and Procurement Manager
Attachment 3	External Auditor's Audit Results Report 2014/15 (Including the Letter of Representation set out as **Appendix B** to that report)
Attachment 4	The Council's Statement of Accounts 2014/15 for Publication (subject to further changes that may be identified following the completion of the outstanding areas of work by the External Auditor)

APPENDIX A

TENDRING DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2014-15

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) 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 2011, regulation 4(3), 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 2015 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 and Asset Management Plan, 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 terms of reference, 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.
- A Standards Committee which is responsible for, together with the Monitoring Officer promoting and upholding high standards of conduct of Members' and approves associated Codes, Protocols and Procedures.
- Whistleblowing and complaints procedures that provide individuals with opportunities to report issues with the Council.
- Business Continuity Plans to ensure the Council can maintain an appropriate level of service.
- Clear Codes of Conduct which set behavioural expectations for all individuals representing 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, at least annually, a review of the effectiveness of its governance framework including the 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, restructuring and reorganisation has continued within the Council in 2014/15 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.
- The engagement of a Portfolio Holder Working Party to continue and complete a fundamental review of the Council's Constitution during 2014/15.
- 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 27 occasions during 2014/15.
- An Audit Committee which met on four occasions during 2014/15 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 six occasions during 2014/15, 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 (2010) as set out in the Application Note to the Delivery of Good Governance in Local Government 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 introduction of procedures for dealing with assets of community value.
- The introduction of a Community Asset Transfer Policy.
- 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.
- Development of the Council's community leadership role, including the ongoing activities of the Rural Projects Panel.

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

- The engagement of a Portfolio Holder Working Party to enable Members to participate in the review of the Council's Constitution.
- The continued operation of member / officer groups, including the Information Policy Unit which is chaired by the relevant Portfolio Holder.
- The approval of a revised protocol on Member / Officer relations.
- The facilitation of all member workshops to take forward ideas and activities to support the Council, such as the identification of budget reductions to meet the significant financial challenges forecast.
- Group leader meetings to discuss a range of issues such as key projects in the District.

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

- A six month review of the Standards Framework for Members' and the adoption of changes to the Complaints Procedure embedded in the framework in the light of experience.
- A Standards Committee undertaking hearings regarding failures to comply with the Members' Code of Conduct, and to receive updates on complaints.
- Introduction of an updated policy in relation to the Regulation of Investigatory Powers.

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

- Amendment to the processes relating to the calling in of decisions, including specification of the process to be followed at meetings when considering matters that have been called in.
- 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.
- Ongoing operation of a member group to oversee the implementation of IT investment.
- Revision to Procurement Procedure Rules within the Constitution to address potential conflicts of interest for external representatives on the Tender Evaluation Panel.

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

- Ongoing personal target setting for officers, capturing personal development opportunities.
- The Council continues to take a proactive approach to promoting governance, inclusivity, and facilitation of cross party working such as amendment to the Constitution to enable participation of the Leader or Deputy Leader of opposition groups in discussion of agenda items at Cabinet meetings.
- The identification of changes to the Committee structure of the Council, for implementation in 2015/16, to provide greater efficiency and better use of resources.
- Revisions to the Constitution to remove unnecessary duplication and provide greater clarity for the benefit of Members and officers.
- The provision of an enhanced framework in which delegation of executive functions to officers is performed.
- 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.

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

- 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 with the information considered by Members during the setting of the 2015/16 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.
- Enhancement of the Councillor Call for Action provisions within the Overview and Scrutiny Procedure Rules.
- Amendment to the Constitution to ensure compliance with the Openness of Local Government Bodies Regulations 2014 requiring the retention and publication of applicable officer decisions and background papers.
- Updates to the list of appointments to external meetings and outside bodies to ensure that the Council is appropriately represented.

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

- Financial Resilience – A balanced budget was agreed for the 2015/16 financial year. The development of the budget monitoring process to form a fundamental element of supporting the forecast for following years through the identification of savings that can be 'banked' as the year progresses, enabling the medium term forecast to be updated on an ongoing basis with the savings identified as being able to support the future years budget.

- Council's Constitution – The review of the Constitution was completed during 2014/15.

- Local Audit and Accountability Act 2014 – A major element of the Act relates to the appointment of external auditors which becomes relevant in the lead up to the expiry of the existing arrangements after 2017. This is being directly managed by the Audit Committee.

- Other Major Issues – Emerging financial and reputation risks of changes arising regarding Local Council Tax Support and localisation of Business Rates – A revised Local Council Tax Support Scheme was agreed by Full Council during 2014/15 following the necessary level of consultation, and no longer includes any residency criteria. Corporate Budget Monitoring processes are in place to enable the financial risk of this and the localisation of Business Rates to be kept under review.

- Other Major Issues – Key Projects – Clacton to Holland Haven Coast Defence Scheme – significant work remains in progress with a number of partners working together to successfully deliver the coast defence scheme. The Council continues to work with the External Auditor to support the delivery of value for money and demonstrate good governance.

  The Council also addressed a number of recommendations made by the External Auditor in respect of their overview of the contract management and procurement process associated with the Coast Defence Project. Actions undertaken by the Council included ensuring that the funding profile did not disadvantage the Council with grant income confirmed / reviewed before contractual commitments were made along with ensuring robust project management processes were in place via the appointment of an external project manager. This was in addition to changes to the Council's constitution to ensure that where an external representative is accepted onto a Tender Evaluation panel, they are asked to declare any potential interests.

- Other Major Issues – Acquisition of sites in Jaywick area – To date acquisition of a number of sites has been completed, but the project remains ongoing and therefore this is carried forward as a governance issue below into 2015/16.

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 following *three audits where the level of assurance was classified as Improvement Required:*

- *Public Experience – Procurement*
- *Life Opportunities – Theatres and Entertainment*
- *Life Opportunities – Leisure Centres*

Robust mechanisms exist to ensure that corrective action is taken in such cases, with follow up audits scheduled as necessary. There were no unscheduled assignments / investigations during the year.

Taking into account the issues identified during the year and reviews by other assurance providers, it was possible to provide reasonable 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.

Governance Issue	Action
Financial Resilience	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. *The forecast budget 'gap' is £2.229m in*

	2016/17 with a further £2m and £1.5m savings required in 2017/18 and 2018/19 respectively. The budget 'gap' primarily reflects the continuing year on year reduction in Government funding. *Set against the context above the proposed actions to deliver the savings target of* ***£2.229m*** *for 2016/17 are summarised as follows:* • *2014/17 Outturn Reviews* • *Efficiencies / Staff Reviews* • *Transformational Activities* *As part of the activities set out in the bullet points above, the Council will be faced with some difficult and challenging decisions to secure the savings required in 2016/17 and beyond.*
Council's Constitution	Following completion of the comprehensive review of the Council's Constitution in 2014/15, to ensure that that the changes made are embedded in the working practices of the Council, and reflected in its future decision making.
Other Major Issues	To continue to manage the financial and reputational risks of the changes arising regarding Local Council Tax support.
	To ensure that adequate, effective and robust governance arrangements remain in place throughout the lifetime of the Clacton to Holland Haven coast defence scheme.
	To ensure that adequate, effective and robust arrangements are in place for the acquisition of sites in the Jaywick area, with a view to facilitating development or directly developing the sites for housing / regeneration stimulation.
	To review documents referred to in the refreshed Code of Corporate Governance and refresh / update as appropriate taking into account any revised guidance issued.

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

Letter from External Auditor to those Charged With Governance (understanding how the Audit Committee gains assurance from management) along with response from the then Audit Committee Chairman follows.

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Ernst & Young LLP
400 Capability Green
Luton
Bedfordshire LU1 3LU

Tel: 01582 643000
Fax: 01582 643001
www.ey.com/uk

INVESTOR IN PEOPLE

Councillor C W Griffiths
Chairman of Audit Committee
Tendring District Council
Town Hall
Station Road
Clacton-On-Sea
Essex CO15 1SE

31 March 2015

Ref: NH/TDC/2014-15/TCWG

Direct line: 01223 394459

Email: NHarris2@uk.ey.com

Dear Councillor Griffiths

Understanding how the Financial Scrutiny and Audit Committee gains assurance from management

Auditing standards require us to formally update our understanding of your management processes and arrangements annually. Therefore, I am writing to ask that you please provide a response to the following questions.

1. How does the Audit Committee, as 'those charged with governance' at the Authority, exercise oversight of management's processes in relation to:

   - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);
   - identifying and responding to risks of fraud in the Authority, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
   - communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Authority code of conduct);
   - encouraging employees to report their concerns about fraud; and
   - communicating to you the processes for identifying and responding to fraud or error?

2. How does the Audit Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?

3. Is the Committee aware of any:

   - breaches of, or deficiencies in, internal control; and
   - actual, suspected or alleged frauds during 2014/15?

4. Is the Committee aware any organisational or management pressure to meet financial or operating targets?

5. How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2014/15?

6. Is the Audit Committee aware of any actual or potential litigation or claims that would affect the financial statements?

7. How does the Audit Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

Please would you provide a response by email or letter either on behalf of the Audit Committee or from yourself in your capacity as Audit Committee Chairman. If possible, please could we have your response by 30 April 2015.

Yours sincerely

Neil Harris
Director
Ernst & Young LLP
United Kingdom

Tendring District Council

PRO BONO OMNIUM
FOR THE GOOD OF ALL

Corporate Services
Town Hall
Station Road
Clacton on Sea
Essex CO15 1SE

Tel: (01255) 686521
Fax: (01255) 686409
Email: rbarrett@tendingdc.gov.uk

Mr N Harris
Audit Director
Ernst and Young LLP
400 Capability Green
Luton
Bedfordshire
LU1 3LU

Our Ref: CG/ISA240/2015
Your Ref: NH/TDC/2014-15/TCWG
Please ask for: Richard Barrett

23 April 2015

Dear Neil

Understanding of How the Audit Committee Gains Assurance from Management

Thank you for your request regarding how those charged with governance within the Council exercise oversight over various management processes in connection with identifying and responding to risks of fraud and the controls that management has established to address such risks.

As Chair of the Council's Audit Committee I can confirm that the Committee maintains comprehensive terms of reference along with an associated work programme which encompasses regulatory, statutory and other governance responsibilities.

In providing a general response to questions 1) and 2) that you have raised, the Audit Committee's activities include:

- Reviewing the regular reports of both Internal Audit and External Audit including the annual report from the Head of Internal Audit. The Committee aims to ensure that issues that may have an impact on the risk of fraud are adequately challenged and followed up and have included:
    1. Segregation of duties
    2. Banking / Cash handling
    3. IT systems
    4. Procurement
    5. Certification and payment of invoices
    6. Inventory Control
- Monitoring action plans and recommendations flowing from the above reports.
- Reviewing and approving the External Auditors Annual Governance Report and the Statement of Accounts.
- Reviewing and approving the Annual Governance Statement. This also involves a review of the Council's Code of Corporate Governance during the year.

- Reviewing the Risk Management Procedures and Corporate Risk Register on a regular basis along with receiving regular updates on progress against any agreed actions.
- The Committee requests information / assurances from Heads of Departments on matters arising from any activity carried out within the Committees' area of responsibility as and when appropriate.
- Requesting the attendance of relevant officers at the meeting of the Committee to ask questions and seek assurances where appropriate. A number of updates were requested and subsequently provided to the Committee during the year.
- The Committee maintains an on-going list of outstanding issues to ensure items are followed through and effectively dealt with.
- Responding proactively to issues arising such as informing departments of potential areas of weakness where appropriate.
- Receiving and reviewing the Council's whistleblowing policy.
- Receiving, reviewing and agreeing the Council's Fraud and Corruption Strategy, Housing Benefit Security Strategy and Prosecution Policy.
- Receiving and reviewing the regular fraud briefings from External Audit.
- Undertaking a self-assessment style approach to the effectiveness of the Committee to ensure members are aware of their responsibilities and areas where additional knowledge or training may be required such as those around fraud / risk of fraud.

I am also aware of management processes which support governance and control issues such as Corporate Directors and Heads of Department attending weekly Management Team meetings where there is the opportunity to discuss a range of issues such as decision making processes, adherence to the constitution and to ensure laws and regulations etc. are reflected. Both the Council's S151 and Monitoring Officers are invited to attend these weekly meetings.

The format of the Council's reports ensure that key financial, legal and other relevant legislation / regulations are captured and form part of the decision making process. A section on risk is included within the implication section of reports.

In responding to the further 5 points you raise, I have set my comments out in the following table:

Point	**Response**
3)	The Audit Committee is not aware of any material breaches of or deficiencies in internal controls. As mentioned above, issues brought to the attention of the Committee during the year are managed to a successful / adequate conclusion. I am not aware of any actual, suspected or alleged frauds during 2014/15.
4)	I am not aware of any organisational or management pressure to meet financial operating targets.
5)	I am not aware of any non-compliance issues in respect of laws and regulations during 2014/15.

	I am aware that key decisions within the Council are taken within a framework of reporting to Management Team and Members. Reports for significant / key issues are freely available to all members with the format of reports requiring the inclusion of important financial and legal issues along with risk. The Council's S151 officer attends all Audit Committee meetings where such issues may be raised and responses required where appropriate.
6)	I am not aware of any actual or potential litigation or claims that would affect the financial statements.
7)	The Audit Committee is not directly involved in the Council's Financial and Budgetary Framework however all members are involved in the development of the associated processes and plans during the year as well as the budget monitoring reporting processes. I am not aware of any issues identified as part of the above or that has been directly reported to the Audit Committee as part of a specific activity or function within its terms of reference that would adversely affect the adoption of the going concern basis in preparing the Financial Statements.

I hope that this satisfactorily answers the questions you have raised but please let me know if you need any additional information or if I can be of any further assistance.

Yours Sincerely

Cllr C Griffiths
Audit Committee Chairman

Letter from External Auditor to Management (understanding management processes and arrangements) along with response from the Finance and Procurement Manager follows.

Ernst & Young LLP
400 Capability Green
Luton
Bedfordshire LU1 3LU

Tel: 01582 643000
Fax: 01582 643001
www.ey.com/uk

INVESTOR IN PEOPLE

Richard Barrett
Finance and Procurement Manager (s151 Officer)
Tendring District Council
Town Hall
Station Road
Clacton-On-Sea
Essex CO15 1SE

31 March 2015

Ref: NH/TDC/2014-15/Management

Direct line: 01223 394459

Email: NHarris2@uk.ey.com

Dear Richard

Understanding your management processes and arrangements

Auditing standards (ISA 240) require us to formally update our understanding of your management processes and arrangements annually. Therefore, we are writing to ask that you please provide a response to the following questions.

1. What are the management processes in relation to:

   - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);
   - identifying and responding to risks of fraud in the Authority, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
   - communicating to employees its views on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Authority's code of conduct);
   - encouraging employees to report their concerns about fraud; and
   - communicating to the Financial Scrutiny and Audit Committee (i.e. those charged with governance) the processes for identifying and responding to fraud or error?

2. What are Management's views about whether there are areas within the organisation that are at risk of fraud?

3. Does Management have knowledge of any actual or suspected or alleged instances of fraud?

4. Is Management satisfied that internal controls to prevent and detect fraud, including segregation of duties, exist and work effectively?

5. Are there any deficiencies in internal control?

6. Are you aware of any instances where controls have been overridden?

7. Is there is any organisational or management pressure to meet financial or operating targets?

8. Are there any particular areas of the accounts that are more susceptible to false entries or omissions or other forms of manipulation? Are management aware of any such manipulation having occurred?

9. How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2014/15?

10. Are there any actual or potential litigation or claims that would affect the financial statements?

11. How does Management satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

Please would you provide a response by email or letter either on behalf of management or from yourself in your capacity as s151 Officer. If possible, please could we have your response by 2
26 June 2015.

Please contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Neil Harris
Director
Ernst & Young LLP
United Kingdom

Tendring District Council

Corporate Services
Town Hall
Station Road
Clacton on Sea
Essex CO15 1SE

Tel: (01255) 686521
Fax: (01255) 686409
Email: rbarrett@tendingdc.gov.uk

Mr N Harris
Audit Director
Ernst and Young LLP
400 Capability Green
Luton
Bedfordshire
LU1 3LU

Our Ref: RB/ISA240/2015
Your Ref: NH/TDC/2014-15/Management
Please ask for: Richard Barrett

27 July 2015

Dear Neil

The Council's Management Processes and Arrangements

Thank you for your recent letter regarding updating your understanding of the Council's management processes and arrangements.

A summary of the key activities or management processes operated within the organisation in response to point 1) in your letter are summarised below:

- A robust and adequately structured Internal Audit function is in place which regularly reports to the Audit Committee on the outcomes from the audit activity undertaken and whose work includes anti-fraud and corruption activities within its annual work programme. Reports to Audit Committee provide a monitoring framework for the high level issues that may emerge from the outcome from the work of Internal Audit, with services invited to attend the Committee where necessary.
- Timely and proportionate actions are taken in response to External Audit recommendations where appropriate, with action plans in place which are reported to the Audit Committee on a regular basis.
- Corporate Risk Management Procedures along with a comprehensive Corporate Risk Register are in place which are reviewed by Management Team on a regular basis and reported to the Audit Committee based on a six monthly cycle.
- All Heads of Department attend weekly Management Team meetings where there is the opportunity to discuss a range of issues such as decision making processes, adherence to the constitution and to ensure laws and regulations etc. are reflected. The Council's S151 Officer and Monitoring Officer can attend the Council's Management Team meetings as required / requested and are free to attend at anytime.
- A table of Audit Committee outstanding actions is maintained to ensure adequate responses to questions and queries raised by the Audit Committee in fulfilling their governance / assurance responsibilities are undertaken and monitored.

- Codes of conduct are in place and communicated to members and officers as appropriate.
- A review of the Council's governance arrangements was undertaken during the year and an Annual Governance Statement produced and revised Code of Corporate Governance agreed.
- A whistleblowing policy is in place and is subject to regular review. This is in addition to a range of related HR policies and guidance that are freely available on the Council's Intranet. There is now an easily accessible area on the Council's new intranet that brings such policies together.
- The implementation of a Fraud and Corruption Strategy, Housing Benefit Security Strategy and Prosecution Policy which is presented to the Audit Committee for approval on a regular basis.
- The format of the Council's reports ensure that key financial, legal and other relevant legislation / regulations are captured and form part of the decision making process. A section on risk is included within the implications section of reports.
- Clear and timely information is provided to services in advance of the closure of accounts deadlines to ensure they are aware of the year end requirements and accountancy staff engage directly with services as part of this process. Analytical reviews are also undertaken by accountancy such as reviews of debtors and creditors to ensure financial transactions are correctly recorded.

It is also worth highlighting that the Council's Fraud Team were subject to a restructuring process during 2014/15, which has resulted in them moving from Finance and Procurement Services within Corporate Services to Revenues and Benefits within the Life Opportunities Department. This move balances the requirement for a more corporate approach to fraud along with Council Tax compliance work to protect public money. However this remains subject to further welfare reforms including the Single Fraud Initiative where a number of responsibilities will transfer to DWP from November 2015.

In responding to the specific issue against point 2) of your letter, inherently there are areas within the Authority that are subject to a greater risk of fraud such as cash handling, procurement / payments and payroll for example. Internal governance arrangements including an adequate control environment are implemented via the work of Internal and External Audit along with segregation of duties to mitigate as far as possible the ability for people to instigate fraudulent activity against the Authority.

In respect of the further points you raise, please find the answers attached at **Appendix A**.

I hope that this provides a satisfactorily response to the questions you have raised but please let me know if you need any additional information or if I can be of any further assistance.

Yours Sincerely

Richard Barrett
FINANCE AND PROCUREMENT MANAGER

Appendix A

Point Number	Response
3	I am not aware of any instances of actual, suspected or alleged fraud within the Authority. Although not directed at the Council, it has been brought to our attention that a number of fraudulent cheques were prepared by an unknown external person(s) in the name of Tendring District Council during 2014/15. These cheques have been presented to suppliers or other external organisations with associated money laundering activities including requests for refunds. Although this matter has been drawn to the attention of the Police, it does not have a direct financial impact on the Council.
4 & 5	There is no evidence to indicate that the internal controls to prevent and detect fraud are not working within the authority or any material deficiencies in internal controls. The control environment within the Council provides for or maximises as far as possible an appropriate level of segregation of duties which based on the outcome from audit activity are working effectively. Segregation of duties along with authorisation limits and management review processes aim to provide an adequate control environment to limit the potential for fraud to be committed.
6	I am not aware of any significant instances where controls have been overridden.
7	There is no organisational or management pressure to meet financial or operating targets. Work is now underway on the Financial Forecast for 2016/17 and Management Team are working with members to identify the necessary budget savings required next year, supported by the Council’s austerity reserve and one-off budgets.
8	Management are not aware of any manipulation through false entries or omissions or any other forms. An analytical review approach adopted supports the aim of preventing such occurrences. A variance analysis approach is also undertaken as part of the outturn process with any significant variances reviewed and reported to Management Team and Members as appropriate.

9	I am not aware of any on-going non-compliance issues in respect of laws and regulations during 2014/15. Following a legal ruling elsewhere in the Country during 2014/15, the Council's residency clause in its Local Council Tax Support Scheme was deemed to be unlawful. As soon as practical, the Council removed this clause from its LCTS Scheme. No significant financial or reputational impact has emerged to date. The 2015/16 LCTS Scheme was also designed and consulted upon taking this issue into account. Key decisions within the Council are taken within a framework of reporting to Management Team and Members. Management Team would review key reports along with the Council's Monitoring Officer and S151 Officer, with the expectation that such issues would be identified and appropriate responses provided.
10	There is no known potential litigation or claims that would affect the financial statements. Relevant issues have been highlighted in the Statement of Accounts as part of the contingent liabilities note. If any matters do arise within the timescales of publishing the Accounts, full disclosures will be made where appropriate and brought to attention of External Audit.
11	The Councils' financial position / standing is managed within a Financial Strategy framework that involves independent scrutiny by members, regular budget monitoring reports and outturn reviews. No issues have been raised during 2014/15 that would have an adverse impact on the adoption of the going concern basis.

External Auditor's Audit Results Report 2014/15 (Including the Letter of Representation set out as **Appendix B** to that report) follows.

Tendring District Council

Audit results report for the year ended 31 March 2015

September 2015

Ernst & Young LLP

Building a better working world

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Ernst & Young LLP
400 Capability Green
Luton
Bedfordshire LU1 3LU

Tel: 01582 643000
Fax: 01582 643001
www.ey.com/uk

Private and confidential
Members of the Audit Committee
Tendring District Council
Town Hall
Clacton-On-Sea
Essex
CO15 1SE

18 September 2015

Dear Sir

Audit results report

We are pleased to attach our audit results report for the Audit Committee scheduled for 24 September 2015. This report summarises our preliminary audit conclusion in relation to Tendring District Council's (the Council's) financial position and results of operations for the year ended 31 March 2015. We will issue our audit opinion and conclusion on the Value for Money arrangements on or before 30 September 2015.

This report represents our work as of 18 September 2015 and we will bring any update to the 24 September 2015 Audit Committee meeting. We would want to agree with you at the meeting the arrangements to delegate any remaining matters that arise between 24 and 30 September to the Chair of the Audit Committee.

The audit is designed to express an opinion on the 2014/2015 financial statements, to reach a conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources, and to address current statutory and regulatory requirements. This report contains our findings on the areas of audit emphasis, our views on the Council's accounting policies and judgments, and any significant deficiencies in internal control.

This report is intended solely for the information and use of the Audit Committee and the Council. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of the report with you at the Audit Committee meeting on 24 September 2015.

Yours faithfully
For and on behalf of Ernst & Young LLP

Neil A Harris
Audit Director
Ernst & Young LLP
United Kingdom
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Contents

Relevant parts of the Audit Commission Act 1998 are transitionally saved by the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 for 2014/15 audits.

The Audit Commission's 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission's website. This document serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive Summary

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In this statement the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and any planned changes in the coming period.

The Council is also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- Expressing an opinion on:
  - The 2014/15 financial statements;
  - The consistency of other information published with the financial statements,
- Reporting by exception where the Annual Governance Statement (AGS) does not comply with relevant guidance;
- Reviewing and reporting on the Council's Whole of Government Accounts (WGA) return;
- Forming a conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- Discharging the powers and duties set out in the Audit Commission Act 1998 and the Code of Audit Practice.

This report also contains our findings on the areas of audit emphasis and any significant deficiencies in internal control or views on the Council's accounting policies and judgements.

Summarised below are the conclusions from all elements of our work:

Financial statements

We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Council's financial statements. Our main findings in relation to the areas of risk/areas of audit emphasis included in our Audit Plan are set out below

Significant risks:

Significant risk1: Risk of Management Override: **Audit findings and conclusions**

- As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.
- For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.
- We have completed our testing as set out in our Audit Plan. We did not identify any instances of management override.

Other financial statement risks:

Other financial statement risks 1: Business rates appeals provision: Audit findings and conclusions

- The business rates appeals provision includes not only claims up to 31 March 2015 but claims that relate to earlier periods and is subject to estimation. As appeals are made to the Valuation Office, the Council may not be aware of the level of claims lodged. The Council may also find it difficult to obtain sufficient information to establish a reliable estimate.
- Our audit work confirmed that the accounting treatment adopted by the Council for business rates was appropriate and in compliance with the CIPFA Code of Practice on Local Authority Accounting and calculated on a reasonable basis.
- However, as a result of a decision by the Valuation Tribunal of England in January 2015 to allow an appeal on the assessment of the rateable value of purpose built GP Surgeries, management has amended the financial statements to disclose an extra provision of £0.122 million in the Collection Fund. The Council has also updated the Movements in Reserves Statement, Balance Sheet and Note 16 Provisions to account for Tendring's share of the revised provision.
- This amendment results in a deficit for Tendring's share of National Non-Domestic Rates but because of the technical nature of the accounting adjustment, the Council's useable reserves have increased by £25,000 for 2014/15.

Control themes and observations

Our audit identified the following control issues.

- **Current year observations**
- We have not identified any material weakness in the design or operation of an internal control that might result in a material error in your financial statements.
- **Update on previous recommendations**
- Our 2013/14 audit found that management had not updated the non-current asset register for sums to the value of £2.5m improvements to council dwellings. Management had, however, included the sums correctly within the financial statements.
- In 2014/15, management has reviewed the non-current asset register to ensure that it is up-to-date and has reconciled the non-current asset to the general ledger.
- We have no significant issues to report from our 2014/15audit work.
- Challenges for the coming year
- **Highways Network Asset (formerly Transport Infrastructure Assets):**
- The Invitation to Comment on the Code of Accounting Practice for 2016/17 (ITC) sets out the requirements to account for Highways Network Asset under Depreciated Replacement Cost from the existing Depreciated Historic Cost. This is to be effective from 1 April 2016.
- This requirement is not only applicable to highways authorities, but to any local government bodies that have such assets.
- This may be a material change of accounting policy for the Council. It could also require changes to existing asset management systems and valuation procedures.
- Nationally, latest estimates are that this will add £1,100 billion to the net worth of authorities.
- **Regeneration and Capital Works Programme**
- The Council has embarked on an ambitious programme of regeneration and capital works covering the coastal defence scheme from Clacton to Holland Haven, Weeley Crematorium, re-development ofJaywick and improvements to and Frinton and Walton Swimming Pool.
- The Council should continually review its management capacity to progress this programme of work to ensure that appropriate governance is in place and applied to progress the projects.

Scope update

- **Financial Resilience**
- Since we issued our Audit Plan in March 2015, we have re-classified financial resilience from an other risk to a significant risk for the Value for Money Conclusion.
- In discussions with the Financial Reporting Council and the National Audit Office, in line with other accountancy firms, we have reviewed the threshold at which the budget gap would result in a significant risk emerging.
- In July 2015, management revised its financial forecast of savings required up to 2017/18 from £3.3 million to a potential sum of £4.3 million
- The level of the budget gap in relation to our current materiality level means that we have re-classified as a significant risk.
- We have undertaken further work specifically in reviewing the budget gap in relation to reserves.
- The extent of our work does not warrant an extra fee.

Summary of audit differences

Our audit identified a number of misstatements in the accounts presented for audit, as summarised below.

Uncorrected misstatements:

- There are no uncorrected misstatements.

Corrected misstatements

- Management has amended the Councils financial statements for errors of disclosure. Aside from the amendment made for the business rates appeal provision, the adjustments made do not impact on the financial position of the Council. The more significant items are set out in Section 3 of this report.

Economy, efficiency and effectiveness

We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified value for money conclusion.

Whole of Government Accounts

We are completing the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. We anticipate that Tendring District Council will be below the threshold which does not require the detailed audit of the consolidation pack.

We will update the Audit Committee verbally on any progress on this area between the date of issue of this report and the meeting on 24 September 2015. At this stage, we have no issues to report to you

Audit certificate

The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion.

2. Scope update

Our 2014/15 audit work has been undertaken in accordance with the Audit Plan, issued on 9 March 2015 to the 19 March 2015 Audit Committee, the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the Audit Commission.

Our work comprises a number of elements. Our Audit Plan provided you with an overview of our audit scope and approach for:

- Expressing an opinion on:
  - The 2014/15 financial statements;
  - The consistency of other information published with the financial statements,
- Reporting by exception where the Annual Governance Statement (AGS) does not comply with relevant guidance;
- Reviewing and reporting on the Council's Whole of Government Accounts (WGA) return;
- Forming a conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and,
- Discharging the powers and duties set out in the Audit Commission Act 1998 and the Code of Audit Practice.

We carried out our work in accordance with our Audit Plan. However, since we issued our Audit Plan in March 2015, we have:

- Re-classified financial resilience from an other risk to a significant risk for the Value for Money Conclusion.

- **Financial Resilience**
-

- The extent of our work does not warrant an extra fee.

Description	Detail of changes to our scope

► Since we issued our Audit Plan in March 2015, we have re-classified financial resilience from an other risk to a significant risk for the Value for Money Conclusion.
► In discussions with the Financial Reporting Council and the National Audit Office, in line with other accountancy firms, we have reviewed the threshold at which the budget gap would result in a significant risk emerging.
	► In July 2015, management revised its financial forecast of savings required for 2016/17 and 2017/18 from £3.3 million to £4.3 million
	► The level of the budget gap in relation to our current materiality level means that we have re-classified as a significant risk.
	► We changed our assessment of the risk for financial resilience from an other risk to a significant risk because of the need to:
	  ► Understand the increase between the January 2015 and the July 2015 Medium Term Financial Plans from a budget gap of £3.3 million to £4.3; and
	  ► Consider the size of the budget gap of £4.3million by 2017/18 in the context of financial planning including the use of reserves.
	► The extent of our work does not warrant an extra fee.

3. Significant findings from the financial statement audit

In this section of our report we outline the main findings from our audit of your financial statements, including our conclusions on the areas of risk/ audit emphasis outlined in our Audit Plan.

Significant risk 1: Risk of management override of controls

Description and conclusion

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.

We identify and respond to this fraud risk on every audit engagement. We:

- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Reviewed accounting estimates for evidence of management bias;
- Evaluated the business rationale for significant unusual transactions; and
- Reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

We did not identify any instances of management override.

Other financial statement risk 1: Business rates appeals provision:

Description and conclusion

The business rates appeals provision includes not only claims up to 31 March 2015 but claims that relate to earlier periods and is subject to estimation. As appeals are made to the Valuation Office, the Council may not be aware of the level of claims lodged. The Council may also find it difficult to obtain sufficient information to establish a reliable estimate.

Management had disclosed a provision for the business rates appeals within Note 6 to the Collection Fund for £2.2 million with the charge in the year being £0.625 million and the Council's share at £0.250 million within Provisions (Note 16 to the financial statements) for those appeals known at 31 March 2015.

We reviewed the Council's provision for business rate appeals to ensure it was calculated on a reasonable basis in line with International Accounting Standard (IAS) 37 - Provisions, Contingent Liabilities and Contingent Assets. We ensured the provision was supported by appropriate evidence and that the level of estimation uncertainty was adequately disclosed in the accounts.

Our audit work confirmed that the accounting treatment adopted by the Council for business rates was appropriate and in compliance with the CIPFA Code of Practice on Local Authority Accounting and calculated on a reasonable basis.

However, in January 2015, the Valuation Tribunal of England allowed an appeal on the assessment of the rateable value of purpose built GP Surgeries. The indications are that the decision is estimated to lead to a downward rateable value amount for such properties in the region of 60%. Management were aware of the outcome of the appeal and included an appeals provision for this of £307,000 in the draft financial statements. Management has since re-calculated the provision based on the data now available at 31 July 2015. As a result management has amended the financial statements to disclose an extra provision of £0.122 million in the Collection Fund. The Council has also updated the Movements in Reserves Statement, Balance Sheet and Note 16 Provisions to account for Tendring's share of the revised provision.

This amendment results in a deficit for Tendring's share of National Non-Domestic Rates but because of the technical nature of the accounting adjustment, the Council's useable reserves have increased by £25,000 for 2014/15.

Management has amended the financial statements for other errors of disclosure.

We agreed with the Audit Committee that we would report to the Committee all corrected audit differences in excess of £1.6 million. None of the errors identified below had an impact on the financial position of the Council.

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to report on the following.

Policy/practice/finding	EY comments
Note 25 Officers' Remuneration	Management has updated the note to correct for various disclosure errors.
Note 32 (f) Defined Benefit Pension scheme: Local Government Pension Scheme Assets	Management has disaggregated the fair value of the plan assets into classes that distinguish the nature and risks of those assets, subdividing each class of plan asset into: • Those plan assets that have a quoted market price in an active market (as defined in IFRS 13 *Fair Value Measurement*), and • Those plan assets that do not have a quoted market price in an active market. The Note is now in line with the requirements of paragraph 6.4.3.42 of the CIPFA Code of Practice on local authority accounting.

Other matters

Explanatory Foreword

We have reviewed the Explanatory Foreword for consistency with the financial statements and our own cumulative audit knowledge of the Council.

Following audit, management has amended the Explanatory Foreword to provide explanations for the following variances:

- Net Cost of Services (£22m to £13.5m) (page 2);
- Contributions from Reserves £12m to £1m) (page 2);
- Other Movements on General Fund and Housing Revenue Account Balances (£19.4m to £15m) (page 2);
- The difference between the Council's capital expenditure of £16.850 million in 2014/15, compared with a budget of £21.458 million (page 3).

In addition, management has updated the section on the Current Economic Climate at page 4 to highlight the future budget gap and how the Council is managing financial resilience.

Redevelopment of Jaywick

As explained in the Explanatory Foreword to the financial statements, the Council has purchased land to encourage the redevelopment of Jaywick. The land has been included in the balance sheet at existing use value which is £0.902 million less than the price paid by the Council. This has been charged to the Housing Revenue Account (HRA) as an impairment.

Historically local councils have been able to reverse impairment charges out of the HRA. However, under new self-financing rules that came into effect from 1 April 2012 this is no longer allowable. The Council has written to the Department for Communities and Local Government (DCLG) requesting revision of the revised current accounting rules.

We have requested a specific representation within the letter of representation that the Council has not received a response from the DCLG and the Council should retain the impairment charge in the HRA.

Annual Governance Statement

We have reviewed the Annual Governance Statement to determine if:

- It complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and

- It is consistent with other information that we are aware of from our audit of the financial statements

The June 2015 Audit Committee considered the draft Annual Governance Statement.

Since the meeting, Management has made further amendments to the Statement by including specific reference to:

- Section 4: Review of Effectiveness to specify the three Internal Audit reports for 2014/15 three Internal Audit reports receiving an Improvement required rating, namely:
    - Public Experience: Procurement;
    - Theatres and Entertainment; and
    - Clacton Leisure Centre;
- Section 4: Review of Effectiveness to refer within the section on Other Major Projects to how the Council has addressed our recommendations from the review of contract management and procurement process; and
- Section 5: Review off Effectiveness and Significant Governance Issues to highlight the future budget gap and how the Council is managing financial resilience.

4. Economy, efficiency and effectiveness

The Code of Audit Practice 2010 sets out our responsibility to satisfy ourselves that Tendring District Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining corporate performance management and financial management arrangements we consider the following criteria specified by the Audit Commission:

- arrangements for securing financial resilience – whether Tendring District Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue operating for the foreseeable future; and
- arrangements for securing economy, efficiency and effectiveness – whether Tendring District Council is prioritising its resources within tighter budgets, for example by achieving cost reductions or improving efficiency and productivity.

The table below presents the findings of our work in response to the risk areas in our Audit Plan.

We changed our assessment of the risk for financial resilience from an other risk to a significant risk because of the need to:

- Understand the increase between the January 2015 and the July 2015 Medium Term Financial Plans from a budget gap of £3.3 million to £4.3 million and;
- Consider the size of the budget gap of £4.3million by 2017/18 in the context of financial planning including the use of reserves.

Significant risks:	Impacts arrangements for securing:	Key findings:
The Council's arrangements for the development of Jaywick		
The Council, in its community leadership and housing provider roles, is seeking to help start regeneration in Jaywick, by acquiring land from vendors. There are financial and value for money risks associated with this project.	Economy, efficiency and effectiveness Financial resilience	The September 2014 Cabinet resolved the principle of acquisition of various parcels of land of at Jaywick. The aim is for the Council in its community leadership and housing provider roles, to encourage regeneration in Jaywick by direct housing development to improve housing conditions for local residents and stimulate a change in market conditions. Cabinet delegated approval to the Corporate Directors (Corporate Services) and (Life Opportunities) in consultation with the Leader of the Council, the Council's Section 151 and Monitoring Officers to complete acquisition of the land. In addition, in January 2015, officers produced a report to record the consultation and reasons in support of officer actions to purchase land and buildings at various sites in Jaywick. Officers have kept Members informed of the project through reports to the December 2014 Audit Committee and the January and February 2015 Cabinet meetings. Our approach focused on: ► Reviewing the reports prepared by management to support the decision to acquire the land; and ► Considering whether the reports adequately address the risks associated with the project to form the basis for decision making. We reported our findings to the Finance and Procurement Manager in March 2015. Whilst noting that the report covered financial, legal and value for money aspects we considered that any future reporting would be enhanced by the following:

Significant risks:	Impacts arrangements for securing:	Key findings:
		► By statute a Council must secure best price when disposing of assets, but there are no similar rules in respect of land purchase. However, whilst the Council has assessed the purchase in terms of value for money, the Council must remain alert to the assessment of the powers available to the Council to purchase land at a price in excess the market value. We have reviewed the arrangements for the land purchases and are not minded to challenge the transactions; ► Within the finance section of the report, an analysis of the impact on Housing Revenue Account (HRA) balances of the impairment arising from the difference in the market value paid for the land and its inclusion in the balance sheet at existing use value. Future reports could usefully state the size and overall purpose of the HRA balance and an assessment as to the impact on planned spending. We note that as part of Phase 2 of the project, management intend review of the HRA Business Plan. ► A concise summary to support the overall conclusion that effective use of resources can be demonstrated through the project. The paragraphs discussing the risks end inconclusively. A bullet point summary demonstrating how VFM is being achieved from a review of the risks would have more impact; and ► A clear statement on how engagement with the private sector and central government has prevented investment in the area, providing a consideration of other options of funding and setting out why Tendring should continue to invest in the project at this particular time; and ► Phase 2 of the report should analyse any capacity gaps in the Council's expertise and where external support would benefit the Council.
Financial Resilience		
To date Tendring has responded well to the financial pressure resulting from the continuing economic downturn. However, with the Council forecasting a cumulative budget gap of £7.8m by 2019/20, there remains significant financial pressure on the Council's budget and Medium Term Financial Strategy during current and forthcoming financial years.	Economy, efficiency and effectiveness Financial resilience	We consider financial resilience to be a significant risk to the Value for Money Conclusion. To assess this risk we have reviewed: ► The budget setting process; ► 2014/15 financial performance; and ► The resilience of the Medium Term Financial Plan (MTFP). **Budget setting process** ► The process for setting and monitoring Tendring's budget is sound, although more use could be made of scenario planning to assist the budget setting process ► The precept setting process details the assumptions and robustness of estimates. The process for revising medium term financial projections highlights the risks impacting upon Tendring's finances. ► With a history of freezing Council Tax, budgets setting reports have not sought to show the impact on finances of different levels of Council Tax reductions and increases. Using scenario planning effectively can provide guidance to Those Charged with Governance in determining options for budget setting and the level of precept. **Review of 2014/15 Financial Performance** ► The June 2015 Outturn Report records General Fund net expenditure of £15.6 million against a net budget of £15.9 million. The underspend of £0.3 million is mainly due to increased income. The underspend reported is after the Council has carried forward underspends from the commitment revenue reserve to the value of £9.1 million. ► The General Fund capital budget is underspent. The approved budget totals £21.5 million, against which expenditure of £16.9 million has been incurred, providing an overall under-spend of £4.6 million carried forward to 2015/16. The increase in expenditure over the £8.5 million budget for 2013/14 is because of the £13.7m million spent in line with budget on the Coast Protection - Clacton and Holland Works

Significant risks:	Impacts arrangements for securing:	Key findings:
		► The most significant schemes contributing to this include planned re-phasing of projects covering: ► Cremator Replacement and Car Park of £1.2 million; ► Disabled facilities Grants of £1 million; ► IT Strategic investment of £0.4 million; ► Regeneration capital projects of £0.3 million; ► Frinton and Walton Swimming Pool re-development of £0.6 million; and ► Other projects to a net £1.1 million ► Tendring ensure that resources are prioritised through the monitoring of 16 key project areas as well as 12 performance indicators, detailing business critical areas of the Council's work. For 2014/15, Cabinet were notified that of the 28 indicators and projects reported, 24 are on or above their respective target, with four (Financial Self Sufficiency (Leisure Services), Recycling Rate, Waste tonnage Collected and New Home Completions) behind target. **Medium Term Financial Plan** ► Along with many other Authorities, Tending is facing significant financial challenges over the next four years. ► External funding sources are reducing and are subject to change and uncertainty in future years. Some of the main areas of uncertainty relate to: ► Future levels of business rates income; ► Future funding through the New Homes Bonus; and ► Level of Government funding through the Revenue Support Grant and Baseline Funding (business rates) ► Tendring has a good track record of delivering savings and meeting its budget, but is aware of the future challenges it faces and is considering ways in which services can be provided more efficiently and effectively. ► Tendring's financial forecasts that have been reported to Members make clear the scale of the challenge faced. ► For 2015/16, the £1.8 million savings gap has been closed without recourse to reserves set out in the February 2015 2015/16 Baseline Budget report to Council; ► A revised savings gap of £2.2 million for 2016/17; and ► An estimated cumulative budget gap of some £4.3 million by 2017/18. This has increased by £1m from the December 2014 forecast as a result of new and on-going impact of Government Spending Reviews and other cost pressures identified during the year. ► Plans have yet to be developed to meet the cumulative budget gap at 31 March 2018. ► We have assessed the level of savings required against the reserves held by the Council. As at 31 March 2015, The Council has a General Fund reserve of £4 million and an Earmarked Reserve of £22.2 million. Should savings not be made the Council has sufficient funds to cover the deficit in the medium term. ► Within earmarked reserves are sums for a Revenue Commitment Reserve of £9.2 million and a Capital Commitments Reserve of £6.2 million. The Council commits to funding projects to spend these reserves each but in the last two years has carried forward balances of unspent reserves of £13 million. ► The 2015/16 budget assumes that the commitment reserves will be fully spent by 31 March 2018, leaving the General Fund balance of £4 million and budgeted earmarked reserves of £6.8 million at 31 March 2016. The total of earmarked reserves would still be sufficient to cover the projected deficits to 2017/18 assuming the Council did not achieve its projected savings. ► To address the savings gap to avoid drawing on reserves, as set out in the July 2015 Financial Strategy 2016/17 Baseline Budget report to Cabinet, management intend to:

Significant risks:	Impacts arrangements for securing:	Key findings:
		► Review the end of year variances for 2014/15 to identify where budget reductions can be made; ► Challenge departments and services to review how they deliver services to identify any savings that can be secured on an on-going basis; and ► Progress transformational activities to deliver savings over the life of the projects. ► Take savings identified ahead of the 2015/16 financial year to the Austerity Reserve to support the budget. The Council has increased its Austerity Reserve by £2.3million in 2014/15 and it currently stands at £3 million. ► In seeking to cover the savings gaps, Members need to be aware that: ► The Austerity Fund is a non-recurrent means for identifying savings but does not provide a long term solution. Savings gaps need to be bridged through recurrent savings and efficiencies or increased income. ► In recent years, Tendring has frozen or reduced its council tax and received an annual council tax freeze grant as a result. Decisions relating to council tax increases, or decreases, have an ongoing impact on the Council's ability to raise revenue in future years due to the annual restrictions on the level of annual increases. ► In light of the future financial pressures the Council is facing, Members need to consider carefully the impact of any decisions to freeze or reduce council tax or use of reserves to support the Council's finances, on the ongoing sustainability of the Council's financial position and its ability to maintain service levels in future years.

Other risks:	Impacts arrangements for securing:	Key findings:
Coastal Protection Project		
Tendring has obtained funding for a major £36 million coastal protection project from Clacton Pier to Holland Haven. Value for money may not arise where robust governance arrangements to manage the project are not in place. The scale of the project presents a local risk to value for money and requires on-going monitoring during the lifetime of the project	Economy, efficiency and effectiveness Financial resilience	► Following our review of the Council's arrangements for the procurement, contract and risk management of the coastal protection scheme we recommended the Council monitors: ► Cash flow arrangements to ensure that funding flows match expenditure; ► Robust project management arrangements to manage the cost of the project and has an appropriate budget in order to maintain and repair the scheme where necessary after the work have been completed, ► Funding flows for 2014/15 have been made in line with contracts. Management note that payments from the Environment Agency and Essex County Council are being made in line with claims made to date and that drawing on internal borrowing won't be required. ► Internal Audit undertook an audit in Aril 2015 to assess various aspects of project management of the coastal protection scheme including controls over contract variations, penalty notices and claims by the contractor. Reporting in July 2015, Internal Audit provided a substantial assurance opinion representing a sound system of internal control has been found with no findings identified. ► Management has reported that the annual cost of maintaining the scheme on an ongoing basis is being included in future financial strategies. Feasibility studies to maximise commercial opportunities from the scheme are in progress with the aim of generating income to support the long term maintenance of the coastal defence scheme.

Other risks:	Impacts arrangements for securing:	Key findings:
Approach to local council tax support		

The Local Council Tax Support (LCTS) scheme took effect from April 2013. This required Tendring to set locally levels of council tax support.
The move to LCTS represented a significant change for the Council and has both financial and reputational risks.
In August 2014, the High Court ruled the residency criteria for LCTS operated by Sandwell Metropolitan Borough Council was unlawful. Tendring operated a similar scheme. The Council ceased its residency rule in 2014 and introduced a revised scheme for 2015/16. The changes may impact on collection rates for 2014/15 and 2015/16.
	Economy, efficiency and effectiveness
	Financial resilience
		Cabinet formally approved the Local Council Tax Support Scheme: Council Tax Exemptions and Discounts for 2015/16 in November 2014 confirming the cessation of the residency rule.
		To date, Tendring's collection performance for local council tax support is ahead of budget for both 2014/15 and 2015/16. There has been an impact from the Local Council Tax Support Scheme on collection rates for 2014/15, which the Council took into account in its medium term financial planning and forecasting. However, the costs of the Scheme continue to fall.
		► Tendring's Outturn Report, considered by Cabinet in June 2015, reported that £65.3 million council tax had been collected in 2014/15 compared to a budget of £64.2 million.
		► Tending's share of the council tax surplus for 2013/14 is £0.515 million, £0.157 million ahead of budget.
		► In accordance with the associated regulations, surpluses remain within the Collection Fund for local council tax collection that will be drawn down as part of the budget setting processes in following years.
		► The corporate budget monitoring report for June 2015 reported to Cabinet in September 2015, showed that for the first quarter of 2015/16 that collection at £20.4 million was more than budgeted by £0.4 million.
		► However, for 2014/15 total collection rates fell from 98% to 96.8% with accounts where local council tax support was awarded recording an 88.9% collection rate.
		► For the first quarter of 2015/16, total collection rates at 29.7% are slightly above the 29.58% collection rate for the same period as last year.
		► Accounts where local council tax support is awarded are showing a reduction in collection at 22.7% as against 26.4% as recorded at the similar point in 2014/15. However, the costs of the scheme continue to fall:
		  ► The outturn for 2014/15 was £12.3 million against £13 million budget; and
		  ► The forecast outturn for 2015.16 is £11.8 million against a budget of £12.4 million.
		► As such, while we will monitor collection rates during 2015/16, this is unlikely to feature as a risk area in our 2015/16 Audit Plan.

5. Control themes and observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

The matters reported below are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

5.1 Current year observations

Description	Impact
We have not identified any material weakness in the design or operation of an internal control that might result in a material error in your financial statements.	No action required.

5.2 Status of previous year's recommendations

Description	Impact
Non-current asset register Our 2013/14 audit found that management had not updated the non-current asset register for sums to the value of £2.5m improvements to council dwellings. Management had, however, included the sums correctly within the financial statements.	Management during 2014/15 has reviewed the non-current asset register to ensure that it is up-to-date and has reconciled the non-current asset register to the general ledger. We have no significant issues to report from our 2014/15 audit work.

5.3 Challenges for the coming year

Description	Impact
► **Highways Network Asset (formerly Transport Infrastructure Assets):** ► The Invitation to Comment on the Code of Accounting Practice for 2016/17 (ITC) sets out the requirements to account for Highways Network Asset under Depreciated Replacement Cost from the existing Depreciated Historic Cost. This is to be effective from 1 April 2016. ► This requirement is not only applicable to highways authorities, but to any local government bodies that have such assets. ► This may be a material change of accounting policy for the Council. It could also require changes to existing asset management systems and valuation procedures. ► Nationally, latest estimates are that this will add £1,100 billion to the net worth of authorities.	► The Council will need to demonstrate it has assessed the impact of these changes. Even though it is not a highways authority, the requirements may still impact if it is responsible for assets such as: ► HRA infrastructure ► Footways ► Unadopted roads on industrial or HRA estates ► Cycleways ► Street Furniture.
► The Council has embarked on an ambitious programme of regeneration and capital works covering the coastal defence scheme from Clacton to Holland Haven, Weeley Crematorium, re-development of Jaywick and improvements to and Frinton and Walton Swimming Pool.	► The Council should continually review management capacity to progress this programme of work to ensure that appropriate governance is in place and applied to progress the projects.

6. Status of our work

6.1 Financial statement audit

Our audit work for our opinion on the Council's financial statements is still in progress. The following items relating to the completion of our audit procedures are remaining at the date of this report. Works is well progressed, but yet to be completed.

Item	Actions to resolve	Responsibility
Financial statements	► Income ► Expenditure ► Accounts Receivable ► Accounts Payable ► Fixed Assets ► Payroll ► Journals ► Review of Housing Benefits expenditure ► Related Parties ► Other immaterial disclosure notes ► Manager and Audit Director final review of audit work and financial statements for the Tendring District Council.	Management and EY.
Production and approval of revised accounts	► Production of the final set accounts including audit adjustments and then review of these by EY ► Approval of accounts at Audit Committee by Members ► Accounts re-certified by Members and the responsible chief finance officers	Management, Members and EY.
Letter of representation	► Signed copy to be provided at the Audit Committee on 24 September 2015.	Management, Members and EY
Production and approval of revised annual governance statement	► Approval of the Annual Governance Statement by the Leader of the Council and Chief Executive.	Management, Members and EY
Whole of government accounts	► Whole of Government Accounts review to be completed by audit team	Management and EY.

On the basis of our audit work to date, we anticipate issuing an unqualified auditor's report on the Council's financial statements. However, until we have completed our outstanding procedures, it is possible that further matters requiring amendment may arise.

6.2 Economy, efficiency and effectiveness

Our work in respect of our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources is substantially complete.

We expect to present an unqualified value for money conclusion in regard to the Council's arrangements to ensure economy, efficiency and effectiveness in its use of resources.

6.3 Objections

We have received no objections to the 2014/15 financial statements from members of the public.

7. Fees update

A breakdown of our fee is shown below.

	Proposed final fee 2014/15 £'000	Planned fee 2014/15 £'000	Scale fee 2014/15 £'000	Explanation of variance
Total Audit Fee – Code work	78	78	78	Not Applicable
Certification of claims and returns	19*	19	19	Not Applicable
Non-audit work** Pooling of Local Authorities' Housing Receipts in England	**To be confirmed	0	0	See below

Our actual fee is in line with the agreed fee.

Fees for the auditor's consideration of correspondence from the public and formal objections are charged in addition to the scale fee.

Certification of claims and returns

Our fee for the certification of grants and claims is yet to be finalised for 2014/15. We will report the final fees for our certification of the Council's Housing Benefit Claim to those charged with governance in March 2016 within the Annual Certification Report for 2014/15.

** ***Pooling of Local Authorities' Housing Receipts in England***

In previous years we have undertaken the certification of the Pooling of Local Authorities' Housing Receipts in England return in accordance with certification instructions from the Audit Commission.

For 2014/15, the pooling return is no longer part of the Audit Commission/Public Sector Audit Appointments Ltd grant claim regime. Any work specified by Tendring District Council will need to be undertaken under agreed upon procedures through an ISAE 3000 reasonable assurance engagement letter.

EY along with other audit firms, have been in discussion with DCLG to agree instructions to auditors. Once an agreed approach we will discuss a standard engagement letter and terms and conditions for use and agreement along with a suggested fee range.

8. Summary of audit differences

In the normal course of any audit, we identify differences between amounts we believe should be recorded in the financial statements and amounts actually recorded. These differences are classified as either 'factual' or 'judgemental'. Factual differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances which are uncertain or open to interpretation.

We determined planning materiality to be £2.1 million (2014: £2 million), which is 2% of gross expenditure reported in the accounts of £106.6 million made up of the expenditure against net cost of services £104.9 million and interest payable at note 8 to the financial statements of £1.7 million. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.

We set our tolerable error for the audit at the upper end of the available range. Tolerable error is the application of planning materiality at the individual account or balance level. It is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality. The level of tolerable error drives the extent of detailed audit testing required to support our opinion. We set tolerable error at this level because the level of errors in past years has been low, mainly disclosure or typographical in nature and having an immaterial financial impact.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.6 million (2014: £1.5 million). We set out the errors management has corrected above these levels below.

8.1 Uncorrected misstatements

There are no uncorrected misstatements in the financial statements.

8.2 Corrected misstatements

Our audit identified a number of disclosure and consistency errors in the financial statements presented for audit as set out in Section 3 of this Report.

Management has amended the accounts for these errors.

Only one error has impacted on reserves. This is the amendment to record a revised provision following a re-assessment of the rateable value of purpose built GP Surgeries as described in Section 3 of this report. The amendment results in a deficit for Tendring's share of National Non-Domestic Rates. However, because of the technical nature of the accounting adjustment, the Council's useable reserves have increased by £25,000 for 2014/15.

9. Independence confirmation: update

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 9 March 2015 to the 19 March 2015 Audit Committee. We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Standing Guidance: in our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 24 September 2015.

Appendix A Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committee. These are detailed here:

Required communication	Reference
Terms of engagement	The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies.
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
Significant findings from the audit ► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Any significant difficulties encountered during the audit ► Any significant matters, arising from the audit that were discussed with management ► Written representations we are seeking ► Expected modifications to the audit report ► Any other matters significant to the oversight of the financial reporting process	Audit Results Report
Misstatements ► Uncorrected misstatements and their effect on our audit opinion ► The effect of uncorrected misstatements related to prior periods ► A request that any uncorrected misstatement be corrected ► In writing, corrected misstatements that are significant	Audit Results Report
Fraud ► Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ► Any fraud we have identified or information we have obtained t indicating that a fraud may exist ► A discussion of any other matters related to fraud	Audit Plan and Audit Results Report
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and regulations ► Difficulty in identifying the party that ultimately controls the entity	Audit Results Report
External confirmations ► Management's refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures	Audit Results Report

Required communication	Reference
Consideration of laws and regulations ► Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ► Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of	Audit Results Report
Independence Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ► The principal threats ► Safeguards adopted and their effectiveness ► An overall assessment of threats and safeguards ► Information about the general policies and process within the firm to maintain objectivity and independence	Audit Plan and update in section 8 of this report
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ► Whether the events or conditions constitute a material uncertainty ► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ► The adequacy of related disclosures in the financial statements	Audit Results Report
Significant deficiencies in internal controls identified during the audit	Audit Results Report
Group audits ► An overview of the type of work to be performed on the financial information of the components ► An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ► Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ► Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ► Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements	Not applicable
Fee reporting ► Final, planned and scale fee broken down into the headings of Code audit work; certification of claims and returns; and any non-audit work (or a statement to confirm that no non-audit work has been undertaken for the body).	Audit Results Report

Summary of certification work undertaken ► Annual report to those charged with governance summarising the certification work undertaken	Annual Certification Report – due to be issued in February 2016 and discussed at the March 2016 Audit Committee.

Appendix B Letter of representation

[On Tendring District Council Letterhead paper]

Date: 30 September 2015

To:
Neil A Harris
Audit Director
Ernst & Young LLP
400 Capability Green
Luton
Bedfordshire
LU1 3LU

Dear Neil

Tendring District Council
Letter of Representation
Audit of 2014/15 Financial Statements

This representation letter is provided in connection with your audit of the financial statements of Tendring District Council ("the Council") for the year ended 31 March 2015. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Tendring District Council as of 31 March 2015 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

- We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

- We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and are free of material misstatements, including omissions. We have approved the financial statements.

- The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

- We believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 that are free from material misstatement, whether due to fraud or error.

- There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected Tendring District Council (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.

- Additional information that you have requested from us for the purpose of the audit and

- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of the Council, Cabinet and Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 24 September 2015.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. There are no guarantees that we have given to third parties.

4. No claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

2. Accounting estimates recognised or disclosed in the financial statements:

    - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.

- The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.

- The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.

- No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Specific Representation

I Impairment charge of £0.902 million to the Housing Revenue Account

1. We have not received a response from the Department for Communities and Local Government for our request for a revision of the current accounting rules to allow a reversal of the 2014/15 £0.902 million impairment charge to the Housing Revenue Account.

2. Therefore we have charged the Housing Revenue Account with a £0.902 million impairment charge. This represents the difference between the land purchased at market value and the existing use value in the balance sheet.

Yours Sincerely,

Richard C Barrett
Finance and Procurement Manager

I confirm that this letter has been discussed and agreed at the Audit Committee on 24 September 2015

Councillor A D Coley
Chairman of Audit Committee

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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ATTACHMENT 4 of AGENDA ITEM A.3

The Council's Statement of Accounts 2014/15 for Publication (subject to further changes that may be identified following the completion of the outstanding areas of work by the External Auditor) follows.

Tendring
District Council

PRO BONO OMNIUM

FOR THE GOOD OF ALL

STATEMENT OF ACCOUNTS

2014/15

TENDRING DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2014/15

CONTENTS

R C Barrett
Finance and Procurement Manager
Town Hall
Clacton on Sea
Essex CO15 1SE

30 September 2015

SUMMARY FINANCIAL INFORMATION AND EXPLANATORY FOREWORD

INTRODUCTION

The financial statements are prepared on a ‘true and fair view’ basis, and continue to provide clear information about the Council’s finances, in particular they explain:

- What the cost of the Council’s services were for 2014/15;
- Where the Council’s funding came from;
- What the Council’s assets and liabilities were at the end of 2014/15.

The format and information provided follows the Code of Practice on Local Authority Accounting in the United Kingdom (The Code) 2014/15. This brings together accounting recommendations and best practice based on International Financial Reporting Standards.

SUMMARY OF THE 2014/15 FINANCIAL YEAR

Tendring District Council’s expenditure is divided between revenue and capital. Revenue expenditure is on items which are consumed within the year and is financed from the proceeds of council tax, business rates, government grants, rents, fees and charges. Capital expenditure is on items that have value to the Council for longer than one year and is financed from loans, proceeds from the sale of capital assets, capital grants, revenue contributions, external contributions or from the Council’s reserves.

Revenue Expenditure

Revenue expenditure is classified as either Housing Revenue Account (HRA) expenditure or General Fund expenditure.

The Housing Revenue Account is a separate account that records the income and expenditure in relation to the provision of council housing. This account is ring fenced and should not be subsidised from the General Fund or vice versa.

The General Fund records all the day-to-day spending on council services (apart from those that must be charged to the HRA).

The table that follows sets out the net revenue spending and financing compared with the estimate for the year.

	Estimate £000	Actual £000
Net Cost of Services	22,175	13,449
Other Operating Expenditure	1,592	1,475
Financing and Investment Income and Expenditure	3,468	3,435
Other Taxation and Non Specific Grants	(17,404)	(17,216)
	9,831	**1,143**
Contribution to/(from) Reserves	(12,035)	1,294
Other Movements on General Fund and HRA Balances	19,430	14,985
Movement on Balances	**7,395**	**16,279**
Increase/(Decrease) in General Fund Balance for the year	**-**	**-**
	17,226	**17,422**
Financed by:		
Income from Council Tax Payers	8,000	8,000
Government Grants - Revenue Support Grant	5,105	5,105
Non-Domestic Rates	4,121	4,317
	17,226	**17,422**

The income and expenditure relating to the Housing Revenue Account is also included in the 'Net Cost of Services' above. The net increase or decrease is then transferred out as part of the 'Movements on the General Fund and HRA Balances' to arrive at the net general fund expenditure for the year.

The movement in the net cost of services (£22.175 million budget compared with £13.449 million actual) is largely due to projects and schemes that span financial years with budgets carried forward into 2015/16 via reserves at the end of the year. Therefore there is a corresponding adjustment to the contribution to/(from) reserves line in the table above.

There has also been a significant change in the 'Other Movement on General Fund and HRA Balances' as set out in the table above. This line primarily reflects the credit/debit/reversal of amounts included within other rows of the table, such as depreciation and impairment of assets. These areas can be relatively volatile in terms of the actual position for the year compared to the initial estimate.

General Fund 2014/15

Due to the size, nature and lead-in times of some revenue and capital schemes (which are part funded by revenue contributions) expenditure can span financial years with some schemes and projects not completed by the 31 March in any one year. In such circumstances it is possible to carry forward the budget to enable projects to be completed. For 2014/15 these items total £13.571 million. There was no increase or decrease in the General Fund balance for the year.

General Fund balances at 31 March 2015 now stand at £26.289 million, of which £22.289 million has been set aside for specific policy purposes within earmarked reserves (an analysis of the earmarked reserves can be found on page 46 note 6 to the Core Financial Statements). The balance of £4.000 million is in the uncommitted reserve and of this sum £1.600 million is required to be maintained as the Council's Minimum Working Balance to support the Council's cash flow requirements during the year.

Housing Revenue Account 2014/15

The Council's revised estimates for 2014/15 planned for an overall call on reserves of £0.833 million but the final figure was a £0.219 million call on reserves. This has reduced the HRA Balances which now total £6.153 million at the end of March 2015 and when added to the balance of £1.423 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 £7.576 million at 31 March 2015.

Capital Investment 2014/15

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 capital expenditure in 2014/15 totalled £16.850 million, compared with a budget for the year of £21.458 million. This variance was primarily due to spending on schemes being rescheduled into the 2015/16 Capital Programme as projects can span financial years, with significant items being as follows:

- Refurbishment of Weeley Crematorium with work remaining on-going into 2015/16.
- Disabled Facilities Grants which is demand led via applications from landlords and home owners which are expected to be made in 2015/16.
- Refurbishment works to the Frinton and Walton Swimming Pool, which will commence in 2015/16 after the completion of the necessary procurement process.
- 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 2014/15 in respect of either the General Fund or Housing Revenue Account. The total external debt of the Council as at 31 March 2015 stood at £50.713 million compared to its capital financing requirement (which represents the overall borrowing requirement) as at 31 March 2015 of £55.709 million. The difference between external debt and the capital financing requirement is the amount met by internal resources.

Current Year (2015/16)

General Fund

The Council's overall net General Fund revenue budget for 2015/16 is £14.835 million to be met by government support and business rates of £7.919 million, £6.539 million from local taxpayers and £0.377 million from the Collection Fund.

The revised capital budget for the year is £29.658 million. This will be financed by government grants and other government funding (£18.344 million), capital receipts (£1.102 million), revenue (£6.687 million) and other sources including external contributions (£3.525 million).

The Council has General Fund balances of £26.289 million to bring forward into 2015/16. Of this sum, £22.289. 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 2015/16 include the following items:

- Coast Protection Works - £22.314 million – This amount represents the second year of a two year scheme that will deliver a significant coast protection project across the Clacton to Holland-on-Sea coastline. The total project costs are estimated at £36.000 million and is one of the largest projects undertaken by this Council.
- Cremator Replacement - £1.174 million
- Disabled Facilities Grants - £2.123 million
- Sports Facilities - £0.861 million

Housing Revenue Account

The Housing Revenue Account direct income budget is £14.658 million (primarily from dwelling rents) and after taking into account various areas of expenditure, there is no contribution to or from balances forecast for the year.

The revised capital budget for the year is £6.110 million. This will be financed by the Major Repairs Reserve (£3.682 million) and Revenue Contributions (£2.428 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. The provisional settlement for 2016/17 will not be known until later in 2015 and further significant reductions are expected in 2017/18 and beyond.

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 £2.229 million in 2016/17 with a further £2 million and £1.5 million of expected savings required in 2017/18 and 2018/19 respectively.

Set against the context above the proposed actions to deliver the savings target are summarised as follows:

- 2014/17 Outturn Reviews
- Efficiencies/Staff Reviews
- Transformational Activities

INTRODUCTORY INFORMATION TO THE STATEMENT OF 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 2014/15 (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 Finance and Procurement Manager 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 along with significant changes included in the accounts for 2014/15 are as follows:

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.

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 2015 when a claim for subsidy is finalised and sent to DWP. For 2014/15 the final subsidy figure being claimed from DWP is £0.891 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 60 note 13). This sum was subsequently received in May 2015.

❖ **Explanation of Pension Liability**

At the end of 2014/15 there is an overall pension deficit attributable to the Council of £54.865 million (£46,039 million for 2013/14) which has been included in the Balance Sheet as at 31 March 2015. 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 2014/15 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. Further changes to the Local Government Pension Scheme came into force from April 2014 which have had an impact on the future pension liability.

The scheme's actuary has applied a discount rate of 3.2% compared to a rate of 4.4% used last year in determining the liabilities for retirement benefits. This is a primary reason for the increase in the pension deficit at the end of 2014/15 as highlighted above.

❖ Other Significant Items

In 2014/15 there were two significant items which are set out below:

1 Jaywick Regeneration Project

During 2014/15 the Council embarked on the first phase of providing housing/regeneration improvements in Jaywick which involved the purchase of significant areas of land. 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 £0.902 million less than the price paid by the Council. This has been charged to the Housing Revenue Account as 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 has also made a written representation 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 2014/15 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 highlighted earlier on, significant expenditure is planned in 2015/16 to complete this two year project. £13.664 million was spent on the scheme in 2014/15, jointly funded by the Environment Agency, Essex County Council and Tendring District Council. In respect of the grant from the Environment Agency £12.458 million was received in 2014/15 and therefore a significant income item that is set out elsewhere in the accounts.

❖ Summary Financial Statements

Summary financial statements are also produced by the Council which will be available on the Council's web site from the beginning of August 2015.

It is important to highlight that the summary financial statements are not subject to external audit.

ACCOUNTING CONCEPTS AND ESTIMATION TECHNIQUES

Accounting Concepts

The accounting policies outlined in the next section 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 Statement of Accounting Policies (note 1 to the Core Financial Statements);
- **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 accounting policies (note 1 to the Core Financial Statements).

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

The Finance and Procurement Manager's Responsibilities

The Finance and Procurement Manager 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 Finance and Procurement Manager 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 Finance and Procurement Manager has also:

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

FINANCE AND PROCUREMENT MANAGER'S 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 2015 and the income and expenditure for the year then ended.

R C Barrett
Finance and Procurement Manager
Date: 30 September 2015

CHAIRMAN OF THE AUDIT COMMITTEE'S CERTIFICATE

I confirm that the Audit Committee at the meeting held on 24 September 2015 approved these accounts.

Councillor A Coley on behalf of Tendring District Council
Chair of meeting approving the accounts
Date: 30 September 2015

INDEPENDENT AUDITOR'S REPORT TO
THE MEMBERS OF
TENDRING DISTRICT COUNCIL
YEAR ENDED 31 MARCH 2015

Opinion on the Authority's financial statements

We have audited the financial statements of Tendring District Council for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes 1 to 35 (Core Financial Statements), notes 1 to 16 (Housing Revenue Accounts) and notes 1 to 6 (Collection Fund). The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Tendring District Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Finance and Procurement Manager and Auditor

As explained more fully in the Statement of Responsibilities set out on page 12, the Finance and Procurement Manager is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Finance and Procurement Manager; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2014/15 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Tendring District Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2014/15 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of the resources.

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Tendring District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the accounts of Tendring District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Neil A Harris
Audit Director
For and on behalf on Ernst and Young LLP, Appointed Auditor
Luton

30 September 2015

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance (Restated)	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 (Restated)	Total Authority Reserves	Note Ref
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Balance at 1 April 2013 brought forward	4,000	17,128	5,826	1,346	2,925	165	1,808	33,198	50,601	83,799	
Movement in reserves during the year											
Surplus or (deficit) on provision of services	2,507	-	4,600	-	-	-	-	7,107	-	7,107	
Other comprehensive expenditure and income	-	-	-	-	-	-	-	-	24,226	24,226	
Total Comprehensive Expenditure and Income	2,507	-	4,600	-	-	-	-	7,107	24,226	31,333	
Adjustments between accounting basis and funding basis under regulations	1,214	-	(4,025)	-	741	-	696	(1,374)	1,374	-	5
Net Increase/(Decrease) before Transfers to Earmarked Reserves	3,721	-	575	-	741	-	696	5,733	25,600	31,333	
Transfers to/from Earmarked Reserves	(3,721)	3,721	(29)	29	-	-	-	-	-	-	
Increase/(Decrease) in Year	-	3,721	546	29	741	-	696	5,733	25,600	31,333	
Balance at 31 March 2014 carried forward	4,000	20,849	6,372	1,375	3,666	165	2,504	38,931	76,201	115,132	17,18

	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	
Balance at 1 April 2014 brought forward	4,000	20,849	6,372	1,375	3,666	165	2,504	38,931	76,201	115,132	
Movement in reserves during the year											
Surplus or (deficit) on provision of services	11,726	-	4,496	-	-	-	-	16,222	-	16,222	
Other comprehensive expenditure and income	-	-	-	-	-	-	-	-	(933)	(933)	
Total Comprehensive Expenditure and Income	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
Net Increase/(Decrease) before Transfers to Earmarked Reserves	1,465	-	(171)	-	(466)	1	221	1,050	14,239	15,289	
Transfers to/from Earmarked Reserves	(1,465)	1,465	(48)	48				-	-	-	
Increase/(Decrease) in Year	-	1,465	(219)	48	(466)	1	221	1,050	14,239	15,289	
Balance at 31 March 2015 carried forward	4,000	22,314	6,153	1,423	3,200	166	2,725	39,981	90,440	130,421	17,18

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2015

2013/14 Expenditure £000	2013/14 Income £000	2013/14 Net £000		2014/15 Expenditure £000	2014/15 Income £000	2014/15 Net £000	Note Ref
			EXPENDITURE ON SERVICES				
2,086	(1,398)	688	Central Services to the Public	2,331	(1,513)	818	
6,479	(3,776)	2,703	Cultural and Related Services	8,643	(3,872)	4,771	
9,407	(2,828)	6,579	Environmental and Regulatory Services	9,399	(3,190)	6,209	
3,710	(1,469)	2,241	Planning Services	3,813	(1,527)	2,286	
680	(779)	(99)	Highways and Transport Services	1,155	(720)	435	
7,816	(13,749)	(5,933)	Local Authority Housing - Housing Revenue Account	9,447	(14,394)	(4,947)	
65,662	(64,415)	1,247	Other Housing Services	66,613	(65,562)	1,051	
450	(606)	(156)	Adult Social Care	509	(649)	(140)	
2,557	(3)	2,554	Corporate and Democratic Core Expenses	2,804	(3)	2,801	
106	-	106	Non Distributed Costs	165	-	165	
98,953	(89,023)	9,930	**Net Cost of Services**	104,879	(91,430)	13,449	
2,047	(1,010)	1,037	Other Operating Expenditure	2,265	(790)	1,475	7
4,390	(196)	4,194	Financing and Investment Income and Expenditure	3,693	(258)	3,435	8
5,549	(27,817)	(22,268)	Taxation and Non-Specific Grant Income and Expenditure	5,655	(40,236)	(34,581)	9
		(7,107)	**(Surplus) or Deficit on Provision of Services**			(16,222)	
		(7,256)	(Surplus) or deficit on revaluation of non-current assets			(6,761)	18(a)
		1	(Surplus) or deficit on revaluation of available for sale financial assets			(4)	18(b)
		(16,971)	Remeasurements of the net defined benefit liability (asset)			7,698	18(d)
		(24,226)	**Other Comprehensive Income and Expenditure**			933	
		(31,333)	**Total Comprehensive Income and Expenditure**			(15,289)	

BALANCE SHEET

AS AT 31 MARCH 2015

31/03/2014 £000		31/03/2015 £000	Note Ref
	Long Term Assets		
179,105	- Property Plant and Equipment	198,979	10
25	- Heritage Assets	21	
468	- Intangible Assets	539	11
9	- Long Term Investments	5	12
498	- Long Term Debtors	481	13
180,105	**Total Long Term Assets**	200,025	
	Current Assets		
34,294	- Short Term Investments	37,752	12
-	- Assets Held for Sale	295	
38	- Inventories	23	
5,126	- Short Term Debtors	5,653	13
6,678	- Cash and Cash Equivalents	5,351	14
46,136	**Total Current Assets**	49,074	
	Current Liabilities		
(2,587)	- Short Term Borrowing	(2,595)	12
(9,533)	- Short Term Creditors	(10,550)	15
(660)	- Provisions	(930)	16
(1,520)	- Capital Grants Receipts in Advance	(802)	27
(14,300)	**Total Current Liabilities**	(14,877)	
	Long Term Liabilities		
(426)	- Long Term Creditors	(818)	15
(50,344)	- Long Term Borrowing	(48,118)	12
(46,039)	- Other Long Term Liabilities - Pensions	(54,865)	32
(96,809)	**Total Long Term Liabilities**	(103,801)	
115,132	**Total Net Assets**	130,421	
	Financed by:		
38,931	Usable Reserves	39,981	17
76,201	Unusable Reserves	90,440	18
115,132	**Total Reserves**	130,421	

CASH FLOW STATEMENT

2013/14 £000			2014/15 £000	Note Ref
7,107	Net surplus or (deficit) on the provision of services		16,222	
	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements:			
3,252	Depreciation, revaluation and impairment of non-current assets	6,831		
57	Amortisation of Intangible Assets	144		
608	Increase/decrease in creditors	155		
(609)	Increase/decrease in debtors	119		
1,798	Movement in pension liability	1,128		
603	Contributions to/(from) provisions	270		
476	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	727		
(4)	Other items	19	9,393	
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:			
(1,941)	Capital Grants credited to surplus or deficit on the provision of services	(15,341)		
(1,010)	Proceeds from the sale of property, plant and equipment	(869)	(16,210)	
10,337	Net cash flows from Operating Activities		9,405	19
(8,032)	Investing Activities		(8,643)	20
(2,054)	Financing Activities		(2,089)	21
251	Net increase or (decrease) in cash and cash equivalents		(1,327)	
6,427	Cash and cash equivalents at the beginning of the reporting period		6,678	
6,678	Cash and cash equivalents at the end of the reporting period		5,351	

NOTES TO CORE FINANCIAL STATEMENTS

1 Accounting Policies

a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, 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 2014/15 and the Service Reporting Code of Practice 2014/15, 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 (e.g. 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 three months 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 3.2%, the yield on Merill 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. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that 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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. Where material the Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. Where the sums are immaterial they are not spread over future years, but instead charged fully to the Comprehensive Income and Expenditure Statement in the year. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

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 effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (for example dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments – discounted cash flow analysis;
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

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 creditors. 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 (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 2014/15 (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 (i.e. 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 (i.e. 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 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 – fair value, determined using the basis of existing use value for social housing (EUV-SH);
- All other assets – fair 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 fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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 (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie 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 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.

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

The 2015/16 Code introduces several changes in accounting policies that will apply from 1 April 2015, the changes listed below are not considered to have a significant impact on the Statement of Accounts:

- IFRS 13 Fair Value Measurement – This standard consolidates into one standard all the requirements relating to fair value measurement. There is a new definition and disclosure requirements for the fair value measurement of surplus assets, investment property and assets held for sale. The fair value of these assets is based on the highest and best value that could be obtained. The standard also introduces the concept of level 1, level 2 and level 3 inputs to valuations. Level 1 inputs are unadjusted quoted prices in active markets for items identical to the asset being measured, such as stock market prices for financial instruments. Level 2 inputs are inputs other than quoted prices in active markets included within level 1 that are directly or indirectly observable. Level 3 inputs are unobservable inputs. Additional disclosures are required for items of account valued using a significant proportion of level 3 inputs.

- Annual improvements to IFRSs 2011-2013 Cycle – This collection of amendments cover the following areas:
    - IFRS 1 – Meaning of effective IFRSs – This is only relevant to first time adoption of IFRS which Tendring District Council adopted in 2010/11.
    - IFRS 3 – Scope exceptions for joint ventures – Tendring District Council does not have any joint venture arrangements so this is not relevant.
    - IFRS 13 – Scope of paragraph 52 (portfolio exception) – This clarifies that the fair value of a group of either financial assets or financial liabilities can be measured on a net basis, but Tendring District Council does not have any financial assets or financial liabilities falling within this category.

- ❖ IFRS 40 – Clarifying the interrelationship of IFRS 3 Business combinations and IAS 40 Investment property when classifying property as investment property or owner occupied property - This clarifies that judgement is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group or assets or a business combination and this judgement is based on the guidance in IFRS 3. Tendring District Council does not have any investment property.

- ➢ IFRIC 21 Levies – This standard provides guidance on levies imposed by governments in the financial statement of entities paying the levy and clarifies that the liability for a levy is recognised when the activity that triggers payments, as identified by the relevant legislation, occurs. This standard is not expected to have a significant impact on Tendring District Council as this only confirms existing practice.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year and that have not been disclosed elsewhere 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 £0.198 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 £2.445 million. However, the assumptions interact in complex ways. During 2014/15, the Authority's actuaries advised that the net pensions liability had increased by £8.825 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 £2.325 million, the Council's share is £0.930 million (40%). This has been estimated on the basis that following appeal the average reduction in rateable value is 4.18%. If this increased by 0.5% the increase in the provision would be £0.215 million, the Council's share being £0.086 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 Finance and Procurement Manager on 30 June 2015. 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.

2013/14	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied Reserve	Capital Receipts Reserve	
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Depreciation, revaluation and impairment of non-current assets	1,165	2,087	-	-	-	(3,252)
Amortisation of intangible assets	52	5	-	-	-	(57)
Revenue expenditure funded from capital under statute	59	18	-	-	-	(77)
Amounts of non-current assets written off on disposal	-	476	-	-	-	(476)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(290)	-	-	-	-	290
Voluntary provision for the financing of capital investment	-	(1,964)	-	-	-	1,964
Capital expenditure charged to General Fund or HRA balances	(602)	(294)	-	-	-	896
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants credited to the Comprehensive Income and Expenditure Statement	(734)	(457)	-	1,191	-	-
Grants used to fund capital expenditure	-	-	-	(1,191)	-	1,191

2013/14	Usable Reserves					Unusable
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied Reserve	Capital Receipts Reserve	Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited on disposals to the Comprehensive Income and Expenditure Statement	(432)	(578)	-	-	1,010	-
Capital Receipts used to finance new capital expenditure	-	-	-	-	(59)	59
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	14	-	-	(14)	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	270	-	-	-	(270)	-
Mitigation of Finance Lease costs in accordance with regulation	3	-	-	-	(3)	-
Transfer from Deferred Capital Receipts upon receipt of cash	-	-	-	-	32	(32)
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	(3,265)	3,265	-	-	-
Major Repairs Reserve used to finance capital expenditure	-	-	(2,524)	-	-	2,524
Adjustments primarily involving the Pensions Reserve:						
Reversal retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4,711	256	-	-	-	(4,967)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,846)	(323)	-	-	-	3,169
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from the income calculated for the year in accordance with statute	(142)	-	-	-	-	142
Total Adjustments	1,214	(4,025)	741	-	696	1,374

2014/15	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied Reserve	Capital Receipts Reserve	
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Depreciation, revaluation and impairment of non-current assets	3,479	2,450	-	-	-	(5,929)
Amortisation of intangible assets	142	2	-	-	-	(144)
Revenue expenditure funded from capital under statute	85	20	-	-	-	(105)
Amounts of non-current assets written off on disposal	79	648	-	-	-	(727)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(278)	-	-	-	-	278
Voluntary provision for the financing of capital investment	-	(1,964)	-	-	-	1,964
Capital expenditure charged to General Fund or HRA balances	(2,446)	(438)	-	-	-	2,884
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants credited to the Comprehensive Income and Expenditure Statement	(12,998)	(1,306)	-	14,304	-	-
Grants used to fund capital expenditure	-	-	-	(14,303)	-	14,303

2014/15	Usable Reserves					Unusable
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied Reserve	Capital Receipts Reserve	Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited on disposals to the Comprehensive Income and Expenditure Statement	(128)	(742)	-	-	870	-
Capital Receipts used to finance new capital expenditure	-	-	-	-	(370)	370
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	16	-	-	(16)	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	274	-	-	-	(274)	-
Mitigation of Finance Lease costs in accordance with regulation	3	-	-	-	(3)	-
Transfer from Deferred Capital Receipts upon receipt of cash	-	-	-	-	14	(14)
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	(3,260)	3,260	-	-	-
Major Repairs Reserve used to finance capital expenditure	-	-	(3,726)	-	-	3,726
Adjustments primarily involving the Pensions Reserve:						
Reversal retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4,109	250	-	-	-	(4,359)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,888)	(343)	-	-	-	3,231
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from the income calculated for the year in accordance with statute	306	-	-	-	-	(306)
Total Adjustments	(10,261)	(4,667)	(466)	1	221	15,172

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 2014/15.

	Balance at 1 April 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000
General Fund:							
Revenue Commitments Reserve	11,118	(11,202)	12,501	12,417	(12,417)	9,178	9,178
Capital Commitments Reserve	1,028	(1,028)	2,151	2,151	(2,151)	6,207	6,207
Asset Refurbishment/Replacement Reserve	754	(402)	400	752	(600)	-	152
Austerity Reserve	500	-	267	767	-	2,276	3,043
Benefit Reserve	399	-	280	679	-	-	679
Car Parks Reserve (Decriminalisation)	521	-	-	521	-	-	521
Careline System Replacement Reserve	37	-	-	37	-	-	37
Commuted Sums Reserve	294	(39)	-	255	(40)	-	215
Cremator Replacement Reserve	996	(700)	895	1,191	(1,270)	233	154
Election Reserve	30	-	30	60	-	30	90
Haven Gateway Partnership Reserve	75	-	-	75	-	-	75
Jaywick Project Manager and Externally Funded Posts Reserve	76	(43)	3	36	(36)	-	-
Leisure Capital Projects Reserve	-	(160)	160	-	-	-	-
Business Rates Resilience Reserve	-	-	608	608	-	521	1,129
Planning Inquiries and Enforcement Reserve	505	-	-	505	(166)	-	339
Project Investment Reserve	19	-	-	19	-	-	19
Public Convenience Reserve	140	-	-	140	-	-	140
Residents Free Parking Reserve	300	-	-	300	(300)	-	-
Specific Revenue Grants Reserve	336	-	-	336	-	-	336
Total General Fund	17,128	(13,574)	17,295	20,849	(16,980)	18,445	22,314

	Balance at 1 April 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000
Housing Revenue Account:							
Major Repairs Reserve	2,925	(2,524)	3,265	3,666	(3,726)	3,260	3,200
Housing Repairs Reserve	1,346	-	29	1,375	-	48	1,423
General Reserve	5,826	-	546	6,372	(219)	-	6,153
Total Housing Revenue Account	10,097	(2,524)	3,840	11,413	(3,945)	3,308	10,776

7 Other Operating Expenditure

2013/14 £000		2014/15 £000
1,287	Parish Council Precepts	1,327
270	Payments to the Government Housing Capital Receipts Pool	274
(520)	(Gains)/losses on the disposal of non-current assets	(126)
1,037	Total	1,475

8 Financing and Investment Income and Expenditure

2013/14 £000		2014/15 £000
1,880	Interest payable and similar charges	1,731
2,510	Net interest on the defined benefit liability (asset)	1,962
(196)	Interest receivable and similar income	(258)
4,194	Total	3,435

9 Taxation and Non-Specific Grant Income and Expenditure

2013/14 £000		2014/15 £000
7,861	Council tax income	8,085
9,668	Retained Non-Domestic Rates Income	9,654
(5,549)	Non-Domestic Rates Tariff and Levy	(5,655)
9,097	Non-Ringfenced Government Grants	8,193
1,191	Capital Grants and Contributions	14,304
22,268	Total	34,581

Further details for the Non-Ringfenced and Capital Grants disclosed above are provided on page 76 note 27.

10 Property, Plant and Equipment

a) Movement on Balances

Movements in 2014/15	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equip-ment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construc-tion	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 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
Donations	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment written off to Gross Carrying Amount	(2,643)	(1,519)	(1,409)	-	-	-	-	(5,571)
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)	-	-	-	-	-	(661)
Derecognition - Other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	(371)	-	-	-	-	-	(371)
Assets reclassified (to)/from Assets Under Construction	174	143	-	-	3	-	(320)	-
Other Movements in cost or valuation	-	-	-	-	-	-	-	-
At 31 March 2015	132,297	46,010	5,415	17,214	466	-	14,593	215,995

Movements in 2014/15

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
Depreciation and impairments								
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)
Depreciation written out to Revaluation Reserve	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Accumulated depreciation written off to Gross Carrying Amount	2,616	1,491	1,409	-	-	-	-	5,516
Accumulated impairment written off to Gross Carrying Amount	27	28	-	-	-	-	-	55
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - Disposals	7	3	-	-	-	-	-	10
Assets reclassificated (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other Movements in depreciation and impairment	-	-	-	-	-	-	-	-
At 31 March 2015	(2,952)	(1,255)	(3,731)	(9,047)	(31)	-	-	(17,016)
Net Book Value								
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

Comparative Movements in 2013/14

	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equip-ment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construc-tion	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2013	121,368	43,431	6,190	14,880	478	-	2,298	188,645
Additions	3,077	28	123	26	26	-	901	4,181
Donations	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment written off to Gross Carrying Amount	(2,492)	(1,476)	-	-	-	-	-	(3,968)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,074	4,183	-	-	-	-	-	7,257
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	868	835	-	-	(41)	-	-	1,662
Derecognition - Disposals	(479)	-	-	-	-	-	-	(479)
Derecognition - Other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Assets Under Construction	-	-	-	2,298	-	-	(2,298)	-
Other Movements in cost or valuation	(43)	-	43	-	-	-	-	-
At 31 March 2014	125,373	47,001	6,356	17,204	463	-	901	197,298

Comparative Movements in 2013/14	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
Depreciation and impairments								
At 1 April 2013	(2,434)	(2,193)	(4,476)	(8,145)	(4)	-	-	(17,252)
Depreciation Charge for 2013/14	(2,579)	(1,151)	(327)	(452)	(1)	-	-	(4,510)
Depreciation written out to Revaluation Reserve	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Accumulated depreciation written off to Gross Carrying Amount	2,492	1,475	-	-	-	-	-	3,967
Accumulated impairment written off to Gross Carrying Amount	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(375)	-	-	-	(26)	-	-	(401)
Derecognition - Disposals	3	-	-	-	-	-	-	3
Assets reclassificated (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other Movements in depreciation and impairment	41	-	(41)	-	-	-	-	-
At 31 March 2014	(2,852)	(1,869)	(4,844)	(8,597)	(31)	-	-	(18,193)
Net Book Value								
at 31 March 2014	122,521	45,132	1,512	8,607	432	-	901	179,105
at 1 April 2013	118,934	41,238	1,714	6,734	474	-	2,298	171,392

b) **Depreciation**

An annual charge for depreciation is required to be made on all non-current assets with the exception of non- depreciable land, investment properties 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 2014/15 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:

Life	Asset Categories
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 2015, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to cost £23.990 million. Similar commitments as 31 March 2014 were £32.701 million. The major commitments over £25,000 as at 31 March 2015 or entered into before the publication of the accounts are:

- **General Fund**

	£000
Cremator replacement and crematorium car park	1,174
Clacton and Holland Coast Protection works	22,314
Laying out Cemetery	28
IT Strategic Investment	36
Frinton and Walton Swimming Pool Redevelopment	861
	24,413

- **Housing Revenue Account**

	£000
New Build and Acquisition	201
	201

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 2010 by G Hart, MRICS of NPS Property and, consequently, a desktop review was carried out by the same professional body on 1 April 2014. In respect of General Fund properties, the assets subject to a full revaluation in 2014/15 were selected to accommodate the Authority's commitment to efficient asset management. All valuations were carried out by D O'Shea, MRICS and G Hart, 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 2014 to 31 March 2015 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.

11 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.

2013/14 £000		2014/15 £000
	Balance at start of year:	
1,698	Gross carrying amounts	2,111
(1,586)	Accumulated amortisation	(1,643)
112	**Net carrying amount at start of year:**	**468**
	Additions:	
413	Purchases	216
(57)	Amortisation for the period	(145)
	Write out for software no longer used:	
-	Gross carrying amounts	(587)
-	Accumulated amortisation	587
468	**Net carrying amount at end of year**	**539**
	Comprising:	
2,111	Gross carrying amounts	1,740
(1,643)	Accumulated amortisation	(1,201)
468	**Net carrying amount at end of year**	**539**

12 Financial Instruments

a) Categories of Financial Instruments

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

Long Term 31 March 2014 £000	Current 31 March 2014 £000		Long Term 31 March 2015 £000	Current 31 March 2015 £000
		Investments		
-	34,294	Loans and receivables	-	37,752
9	-	Available-for-sale financial assets	5	-
-	-	Unquoted equity investment at cost	-	-
-	-	Financial assets at fair value through profit and loss	-	-
9	34,294	**Total Investments**	5	37,752
		Debtors		
348	-	Loans and receivables	331	-
150	2,376	Financial assets carried at contract amounts	150	2,394
498	2,376	**Total Debtors**	481	2,394
		Borrowings		
50,344	2,587	Financial liabilities at amortised cost	48,118	2,595
-	-	Financial liabilities at fair value through profit and loss	-	-
50,344	2,587	**Total Borrowings**	48,118	2,595
		Creditors		
426	3,834	Financial liabilities at amortised cost	818	4,772
-	-	Financial liabilities carried at contract amount	-	-
426	3,834	**Total Creditors**	818	4,772

The Council's balance of Investments - Loans and receivables consisted of deposits with UK banks and other Local Authorities.

The Available-for-sale financial assets consisted of long-term Government Stock.

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**

2013/14 Financial Liabilities measured at amortised cost	2013/14 Financial Assets - Loans and Receivables	2013/14 Financial Assets - Available for Sale	2013/14 Assets and Liabilities at Fair Value through Profit and Loss	2013/14 Total		2014/15 Financial Liabilities measured at amortised cost	2014/15 Financial Assets - Loans and Receivables	2014/15 Financial Assets - Available for Sale	2014/15 Assets and Liabilities at Fair Value through Profit and Loss	2014/15 Total
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
1,877	-	-	-	1,877	Interest expense	1,728	-	-	-	1,728
-	-	-	-	-	Losses on derecognition	-	-	-	-	-
-	-	-	-	-	Reductions in fair value	-	-	-	-	-
-	-	-	-	-	Impairment losses	-	-	-	-	-
-	2	-	-	2	Fee expense	-	2	2	-	4
1,877	2	-	-	1,879	**Total expense in Surplus or Deficit on the Provision of Services**	1,728	2	2	-	1,732
-	(193)	(3)	-	(196)	Interest income	-	(226)	(32)	-	(258)
-	-	-	-	-	Interest income accrued on impaired financial assets	-	-	-	-	-
-	-	-	-	-	Increases in fair value	-	-	-	-	-
-	-	-	-	-	Gains on derecognition	-	-	-	-	-
-	-	-	-	-	Fee income	-	-	-	-	-
-	(193)	(3)	-	(196)	**Total income in Surplus or Deficit on the Provision of Services**	-	(226)	(32)	-	(258)
				-						
-	-	1	-	1	Gains on Revaluation	-	-	2	-	2
-	-	-	-	-	Losses on revaluation	-	-	-	-	-
-	-	-	-	-	Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-
-	-	1	-	1	**Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure**	-	-	2	-	2
1,877	(191)	(2)	-	1,684	**Net (gain)/loss for the year**	1,728	(224)	(28)	-	1,476

d) **Fair Values of Assets and Liabilities**

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors 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 will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2015 of 2.10% to 3.40% for loans from the PWLB and 0.25% to 0.70% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- No early repayment or impairment is recognised
- 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 is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31 March 2014			31 March 2015	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
52,931	56,307	Financial Liabilities	50,713	62,897
426	426	Long term Creditors	818	818

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2015) arising from a commitment to pay interest to lenders above current market rates.

31 March 2014			31 March 2015	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
34,294	34,294	Loans and receivables	37,752	37,752
348	348	Long term Debtors	331	331

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

13 Debtors

a) Debtors due to be paid within one year

2013/14 £000		2014/15 £000
2,377	Central government bodies	1,847
556	Other local authorities	1,344
-	NHS Bodies	-
-	Public corporations and trading funds	-
4,638	Other entities and individuals	4,990
7,571	Total gross debtors	8,181
(2,445)	Less provision for doubtful debts	(2,528)
5,126	Total net debtors	5,653

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

2013/14 £000		2014/15 £000
14	Sale of council houses (mortgages)	13
10	Harwich and District Indoor Bowls Centre	-
33	Car loans	30
150	Debts subject to charging orders	150
34	Rents to Mortgage Scheme	34
257	Finance Leases	254
498	Total long term debtors	481

14 Cash and Cash Equivalents

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

2013/14 £000		2014/15 £000
	Current Assets:	
5,926	Cash held by the Authority	5,412
752	Bank current accounts	(61)
6,678		5,351

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).

15 Creditors

2013/14 £000		2014/15 £000
	Creditors due within one year:	
2,245	Central government bodies	1,913
3,496	Other local authorities	3,881
-	NHS bodies	-
-	Public corporations and trading funds	-
3,792	Other entities and individuals	4,756
9,533	**Total Creditors**	10,550

2013/14 £000		2014/15 £000
	Creditors due after more than one year:	
426	Section 106 contributions	818

Creditors due to be paid within one year at the end of 2014/15 compared to 2013/14 has increased by £1.042 million. This is mainly due to the creditor raised on the Clacton and Holland Coast Protection Capital Scheme of £1.113 million.

16 Provisions

2013/14		2014/15		
		Insurance Excesses	Business Rates	Total
£000		£000	£000	£000
57	**Balance at 1 April**	29	631	660
(28)	Net movement on Insurance provisions in year	(29)	-	(29)
631	Net movement for business rate appeals in year	-	299	299
660	**Balance at 31 March**	-	930	930

17 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**

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) **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.

vii) **Careline System Replacement Reserve**

This has been established to finance future equipment/investment.

viii) **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.

ix) **Cremator Replacement Reserve**

This was established to finance future replacement and improvement works to the crematorium plant and equipment at Weeley.

x) **Election Reserve**

This was established to finance future costs associated with holding District Elections on a periodic basis.

xi) **Haven Gateway Partnership Reserve**

This has been set up to support the costs associated with the Haven Gateway Partnership.

xii) **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.

xiii) **Leisure Capital Projects Reserve**

This reserve was established to fund investment in a variety of leisure capital projects. The balance on this reserve was fully utilised in 2013/14.

xiv) **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.

xv) **Planning Inquiries and Enforcement Reserve**

This reserve has been established to meet associated costs relating to planning services.

xvi) **Project Investment Reserve**

This was established to provide for investment in major new projects.

xvii) **Public Convenience Reserve**

To provide resources to manage the condition and provision of public conveniences operated by the Council.

xviii) **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**

This reserve holds the grants received from external organisations for which a restriction on their use has been placed by the grantor.

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.

18 Unusable Reserves

2013/14 £000		2014/15 £000
16,739	Revaluation Reserve	22,813
(4)	Available for Sale Financial Instruments Reserve	-
104,907	Capital Adjustment Account	122,214
(46,039)	Pensions Reserve	(54,865)
312	Deferred Capital Receipts Reserve	298
420	Collection Fund Adjustment Account	114
(134)	Accumulated Absences Account	(134)
76,201		90,440

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.

2012/13 £000		2013/14 £000	£000
10,130	**Balance at 1 April**		16,739
7,776	Upward revaluation of assets	7,458	
(520)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(697)	
7,256	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		6,761
(615)	Difference between fair value depreciation and historical cost depreciation	(541)	
(32)	Accumulated gains on assets sold or scrapped	(146)	
(647)	Amount written off to the Capital Adjustment Account		(687)
16,739	**Balance at 31 March**		22,813

b) **Available for Sale Financial Instruments Reserve**

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revaluated downwards or impaired and the gains are lost
- Disposed of and the gains are realised.

2013/14 £000		2014/15 £000
(3)	**Balance at 1 April**	(4)
(1)	Revaluation of investments not posted to the Surplus/Deficit on the Provision of Services	4
(4)	**Balance at 31 March**	-

c) **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 42 note 5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2013/14		2014/15	
£000		£000	£000
101,198	**Balance at 1 April**		104,907
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(3,252)	Charges for depreciation, revaluation and impairment of non-current assets	(5,929)	
(57)	Amortisation of Intangible Assets	(144)	
(77)	Revenue expenditure funded from capital under statute	(105)	
(476)	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	(727)	
(3,862)		(6,905)	
647	Adjusting amounts written out of the Revaluation Reserve	687	
(3,215)	Net written out amount of the cost of non-current assets consumed in the year		(6,218)
	Capital financing applied in the year:		
59	Use of the Capital Receipts Reserve to finance new capital expenditure	370	
2,524	Use of the Major Repairs Reserve to finance new capital expenditure	3,726	
1,191	Application of grants to capital financing	14,303	
2,254	Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances	2,242	
896	Capital expenditure charged against General Fund or HRA	2,884	
6,924	Total amount of capital financing applied in the year		23,525
104,907	**Balance at 31 March**		122,214

d) **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.

2013/14 £000		2014/15 £000
(61,212)	**Balance at 1 April**	(46,039)
16,971	Remeasurements of the net defined benefit liability (asset)	(7,698)
(4,967)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,359)
3,169	Employer's pensions contributions and direct payments to pensioners payable in the year	3,231
(46,039)	**Balance at 31 March**	(54,865)

e) **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.

2013/14 £000		2014/15 £000
344	**Balance at 1 April**	312
(32)	Transfer to the Capital Receipts Reserve upon receipt of cash	(14)
312	**Balance at 31 March**	298

f) **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	Non-Domestic Rates	Total
	£000	£000	£000
Balance at 1 April 2013	278	-	278
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	152	(10)	142
Balance at 31 March 2014	430	(10)	420
Balance at 1 April 2014	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)
Balance at 31 March 2015	515	(401)	114

g) **Accumulated Absences Account**

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

19 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2013/14		2014/15
£000		£000
187	Interest received	240
(1,899)	Interest paid	(1,743)

20 Cash Flow Statement – Investing Activities

2013/14		2014/15
£000		£000
(4,603)	Purchase of property, plant and equipment, investment property and intangible assets	(20,054)
(213,388)	Purchase of short term and long term investments	(339,700)
985	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	883
206,628	Proceeds from short term and long term investments	336,266
2,346	Other receipts from investing activities	13,962
(8,032)	**Net cash flows from investing activities**	(8,643)

21 Cash Flow Statement – Financing Activities

2013/14 £000		2014/15 £000
(3,187)	Repayments of short and long term borrowing	(2,206)
1,133	Council Tax and NNDR adjustments	117
(2,054)	**Net cash flows from financing activities**	(2,089)

22 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 and Committees.

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

Portfolio and Committee Income and Expenditure 2014/15	Expenditure	Income	Net Expenditure
	£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
			-
Total net expenditure for Portfolios and Committees	132,843	(130,977)	1,866
Revenue Support for Capital Investment	2,446	-	2,446
Financing Items	10,602	(212)	10,390
Net expenditure before use of Reserves	145,891	(131,189)	14,702
Transfers to/(from) Reserves	1,154	-	1,154
Net Cost of Services	147,045	(131,189)	15,856
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)
Net Total	153,797	(154,083)	(286)

Portfolio and Committee Income and Expenditure 2013/14 Comparative Figures	Expenditure	Income	Net Expenditure
	£000	£000	£000
Environment and Coast Protection	16,018	(9,395)	6,623
Finance and Asset Management	3,081	(4,999)	(1,918)
Housing, Benefits, Revenues and Sport Facilities	89,141	(87,449)	1,692
Planning and Corporate Services	10,591	(8,146)	2,445
Regeneration, Inward Investment and Asset Management	1,690	(866)	824
Tourism, Events and Leisure Services	4,591	(3,090)	1,501
Wellbeing and Partnerships	663	(79)	584
Development Control Committee	23	-	23
Human Resources Committee	152	(152)	-
Licensing Committee	368	(252)	116
Regulatory Committee	268	(31)	237
Total net expenditure for Portfolios and Committees	126,586	(114,459)	12,127
Revenue Support for Capital Investment	602	-	602
Financing Items	901	(156)	745
Net expenditure before use of Reserves	128,089	(114,615)	13,474
Transfers to/(from) Reserves	2,928	-	2,928
Net Cost of Services	131,017	(114,615)	16,402
National Non-Domestic Rates	5,675	(9,678)	(4,003)
Revenue Support Grant	-	(6,643)	(6,643)
Collection Fund Surplus	395	(546)	(151)
Parish Precepts	1,287	-	1,287
Income from Council Tax Payers including Parish Precepts	-	(7,559)	(7,559)
Net Total	138,374	(139,041)	(667)

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 and Committee income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2013/14		2014/15
£000		£000
(667)	Net expenditure in the Portfolio and Committee Analysis	(286)
174	Amounts in the Net Cost of Services in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	3
10,423	Amounts included in the analysis not included in the Net Cost of Services in the Comprehensive Income and Expenditure Statement	13,732
9,930	**Cost of Services in the Comprehensive Income and Expenditure Statement**	13,449

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Portfolio and Committee 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

2014/15	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)
Total Income	(154,082)	49	40,495	(113,538)	(40,494)	(154,032)
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)	-	-	-
Total Expenditure	153,796	(46)	(26,763)	126,987	10,823	137,810
Surplus or deficit on the provision of services	(286)	3	13,732	13,449	(29,671)	(16,222)

2013/14 comparative figures	Portfolio/ Committee Analysis	Amounts Not Reported to Management	Not included in Net Cost of Services	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges and other Service Income	(27,931)	-	1,191	(26,740)	(1,191)	(27,931)
Recharged Income	(19,563)	-	-	(19,563)	-	(19,563)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-
Interest and Investment Income	(196)	-	196	-	(196)	(196)
Income from Council Tax	(7,861)	-	7,861	-	(7,861)	(7,861)
Income from Business Rates	(9,921)	-	9,921	-	(9,668)	(9,668)
Government Grants and Contributions	(73,569)	-	9,097	(64,472)	(9,097)	(73,569)
Total Income	(139,041)	-	28,266	(110,775)	(28,013)	(138,788)
Employee Expenses	15,012	-	-	15,012	-	15,012
Other Service Expenses	88,573	-	(5,675)	82,898	5,549	88,447
Support Service Recharges	19,485	-	-	19,485	-	19,485
Depreciation, amortisation and impairment	3,136	174	-	3,310	-	3,310
Interest Payments	1,880	-	(1,880)	-	1,880	1,880
Precepts and Levies	1,287	-	(1,287)	-	1,287	1,287
Payments to Housing Capital Receipts Pool	270	-	(270)	-	270	270
Gain or Loss on Disposal of Fixed Assets	(520)	-	520	-	(520)	(520)
Pension Interest and Return on Pension Assets	2,510	-	(2,510)	-	2,510	2,510
Adjustments between accounting basis and funding basis under regulations	6,741	-	(6,741)	-	-	-
Total Expenditure	138,374	174	(17,843)	120,705	10,976	131,681
Surplus or deficit on the provision of services	(667)	174	10,423	9,930	(17,037)	(7,107)

23 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.

24 Members' Allowances

The Authority paid £451,711 to members of the Council during the year (£439,256 in 2013/14). Further details of payments to individual members are provided on pages 106 – 108.

25 Officers' Remuneration

a) Analysis of "senior employees" remuneration

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

			2013/14				
Post Title	**note**	**Salary, Fees and Allowances**	**Expense Allowances**	**Total remuneration excluding Pension Contributions**	**Employer's Contributions to Pension**	**Compensation for loss of office**	**Total Remuneration**
		£	£	£	£	£	£
Chief Executive		121,606	-	121,606	15,635	-	137,241
Corporate Director - Corporate Services		78,637	-	78,637	10,092	-	88,729
Corporate Director - Public Experience		74,855	-	74,855	9,616	-	84,471
Corporate Director - Life Opportunities		74,699	-	74,699	9,616	-	84,315
Head of Planning		66,189	-	66,189	8,538	-	74,727
Business Manager	2	60,562	1,467	62,029	7,949	-	69,978
Legal Services Manager	1	42,326	-	42,326	5,432	-	47,758
Finance and Procurement Manager		53,112	36	53,148	6,803	-	59,951

Notes

1. This amount relates to the total salary paid for the year which was subject to the appointment date of 10 June 2013.
2. Restated.

Post Title	note	Salary, Fees and Allowances	Expense Allowances	Total remuneration excluding Pension Contributions	Employer's Contributions to Pension	Compensation for loss of office	Total Remuneration
		2014/15					
		£	£	£	£	£	£
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.

b) **Analysis of 'non-senior employees'**

The Authority is required to disclose other employees receiving more than £50,000 remuneration for the year (excluding pension contributions). In 2014/15 and 2013/14 only 'senior employees' received more than £50,000, details of which can be found in note 26(a) above.

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)	2013/14 Number of compulsory redundancies	Number of other departures agreed	Total Number of exit packages by cost band	Total cost of exit packages in each band
				£
£0 - £20,000	1	2	3	30,873
£20,001 - £40,000	-	2	2	56,602
£40,001 - £60,000	-	1	1	40,828
£60,001 - £80,000	-	1	1	140,583
Total cost included in CIES				268,886

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

Exit package cost band (including special payments)	2014/15 Number of compulsory redundancies	Number of other departures agreed	Total Number of exit packages by cost band	Total cost of exit packages in each band
				£
£0 - £20,000	-	2	2	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
Total cost included in CIES				279,173

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.

26 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:

2013/14 Restated £000		2014/15 £000
94	Fees payable with regard to external audit services carried out by the appointed auditor for the year	78
24	Fees payable for the certification of grant claims and returns for the year	19
118	**Total Audit Fees Payable**	**97**
(9)	Audit Commission Rebate	(7)
109	**Total Audit Fees Payable less Audit Commission Rebate**	**90**

This note on External Audit costs for 2013/14 has been restated to disclose extra Code of Audit Practice audit fees relating to 2013/14 and paid after publication of the financial statements. The extra audit work covered the Council's coastal protection project, the Local Tax Reduction Scheme, correspondence from the public and extra work on National Non-Domestic Rates. Additional certification work was undertaken on the housing benefit and capital receipts pooling claims.

No non-audit fees have been charged for 2013/14 and 2014/15.

27 Grant Income

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

2013/14 £000		2014/15 £000
	Credited to Taxation and Non-Specific Grant Income	
	Non-Ringfenced Grants:	
6,643	Revenue Support Grant	5,105
76	Council Tax Freeze Grant	77
1,089	New Homes Bonus Grant	1,410
208	Weekly Collection Support Scheme	208
188	New Burdens Grant	197
812	Section 31 Business Rate Relief Grants	1,148
81	Other Grants	48
9,097		8,193
	Capital Grants and Contributions	
	Government Funding	
565	- Environment Agency	11,684
-	- Empty Homes Grant	1,051
-	- Individual electoral registration grant	18
143	Local Authority - Essex County Council	1,150
	Other Capital Contributions	
478	- Section 106	246
-	- Active Energy Funding Limited	152
5	- Other	3
1,191		14,304
	Other Significant Grants Credited to Services	
64,025	Benefits	64,648
62	Collection Investment/hardship Administration Grant	62
26	Crime Reduction Grants	23
720	Disabled Facilities Grant	1,031
30	Dovercourt Street Lighting/ Public Realm	6
53	Essex County Council - Community Builder Project	13
-	Essex County Council - Fast Food Initiative	75
-	Essex County Council - Jaywick Bellmouth Scheme	85
445	Essex County Council - Technical Agreement Contribution	673
-	Help for Single Homeless	77
30	Nature Conservation Grants	40
83	Supporting People	70
65,474		66,803

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:

2013/14 £000		2014/15 £000
	Capital Grants Receipts in Advance	
	Government Funding:	
138	The Environment Agency	572
1,294	Home and Communities Agency	200
70	Local Authority Funding:	15
18	Other capital contributions	15
1,520		802

28 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:

2013/14 Receipts £000	2013/14 Payments £000		2014/15 Receipts £000	2014/15 Payments £000
1,950	227	Essex County Council	2,111	171
101	100	Other Essex local authorities	85	85
		Transactions with organisations related by a declared interest of Council Members or Senior Officers:		
-	-	Colne Community School	7	51
-	-	Suffolk County Council	2	18
-	14	VineHR	-	30
9	-	Other	8	15
2,060	341	Total Related Party Transactions	2,213	370

29 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), 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.

2013/14 £000		2014/15 £000
60,206	**Opening Capital Financing Requirement**	57,952
	Capital Investment:	
4,181	Property, Plant and Equipment	20,963
-	Investment Properties	-
413	Intangible Assets	215
826	Revenue expenditure funded from capital under statute	1,142
	Sources of Finance:	
(59)	Capital receipts	(370)
(1,941)	Government grants and other contributions	(15,340)
(2,524)	Major Repairs Reserve	(3,726)
	Sums set aside from revenue:	
(896)	Direct revenue contributions	(2,885)
(290)	MRP/loans fund principal	(278)
(1,964)	Voluntary MRP - HRA	(1,964)
57,952	**Closing Capital Financing Requirement**	55,709
	Explanation of movements in year	
-	Increase in underlying need to borrow (supported by Government financial assistance)	-
(2,254)	Increase in underlying need to borrow (unsupported by Government financial assistance)	(2,243)
-	Assets acquired under finance leases	-
-	Assets acquired under PFI/PPP Contracts	-
(2,254)	**Increase/(Decrease) in Capital Financing Requirement**	(2,243)

30 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:

2013/14 £000		2014/15 £000
172	Not later than one year	157
257	Later than one year and not later than five years	246
429		403

➢ **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 2014/15 and none were returned to Colne Housing Society.

2013/14 No of Properties		2014/15 No of Properties
3	Balance brought forward 1 April	3
-	Returned to Lessor	-
3	Balance carried forward 31 March	3

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:

2013/14 £000		2014/15 £000
69	Finance lease debtor (net present value of minimum lease payments)	66
188	Unguaranteed residual value of property	188
257		254
307	Unearned finance income	279
564	Gross investment in the lease	533

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

2013/14			2014/15	
Gross Investment in the Lease £000	Minimum Lease Payments £000		Gross Investment in the Lease £000	Minimum Lease Payments £000
31	3	Not later than one year	31	3
156	22	Later than one year and not later than five years	157	25
377	44	Later than five years	345	38
564	69		533	66

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 2014/15 £6,213 contingent rents were receivable by the Authority (2013/14 - £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:

2013/14		2014/15
£000		£000
215	Not later than one year	228
468	Later than one year and not later than five years	767
2,347	Later than five years	3,039
3,030		4,034

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

31 Termination Benefits

The contracts of 8 employees ceased in 2014/15 (including one accrued for in 2013/14) and there was a further one that was agreed in 2014/15 but will cease in 2015/16 and a further one that was accrued in 2013/14 and will cease in 2015/16. This incurred total liabilities of £274,887. (£268,886 in 2013/14). Of this total, £187,126. was in the form of compensation for loss of office. Further details can be found in Note 25.

32 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 administered by Essex County Council – this is a funded defined benefit final salary scheme, meaning that 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 accounting policies note.

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:

2013/14 Local Government Pension Scheme £000	Comprehensive Income and Expenditure Statement	2014/15 Local Government Pension Scheme £000
	Cost of Services	
	Service cost comprising:	
2,359	Current service cost	2,232
85	Past service costs including curtailments	125
-	(gain)/loss from settlements	-
13	Administration Expenses	40
	Financing and Investment Income and Expenditure	
2,510	Net interest expense	1,962
4,967	***Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services***	4,359
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
(3,774)	Return on plan assets (excluding the amount included in the net interest expense)	(8,231)
(7,499)	Actuarial gains and losses arising on changes in demographic assumptions	-
(584)	Actuarial gains and losses arising on changes in financial assumptions	16,057
(5,115)	Other (if applicable)	(128)
(12,005)	***Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement***	12,057
	Movement in Reserves Statement	
(4,967)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(4,319)
	Actual amount charged against the General Fund Balance for pensions in the year:	
3,169	Employer's contributions payable to scheme	3,232

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:

2013/14 Local Government Pension Scheme £000		2014/15 Local Government Pension Scheme £000
133,932	Present value of the defined benefit obligation	153,556
(87,892)	Fair Value of plan assets	(98,691)
46,040	**Net liability arising from defined benefits obligation**	54,865

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

2013/14 Local Government Pension Scheme £000		2014/15 Local Government Pension Scheme £000
82,617	Opening fair value of scheme assets	87,892
3,438	Interest income	3,838
	Remeasurement gain/(loss):	
3,774	The return of plan assets, excluding the amount included in the net interest expense	8,231
(494)	Other (if applicable)	-
3,169	Contributions from employers	3,232
606	Contributions from employees into the scheme	645
(5,205)	Benefits paid	(5,107)
(13)	Other (if applicable)	(40)
87,892	**Closing fair value of scheme assets**	98,691

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)**

2013/14 Local Government Pension Scheme £000		2014/15 Local Government Pension Scheme £000
143,829	Opening Balance at 1 April	133,932
2,359	Current service cost	2,232
5,948	Interest cost	5,800
606	Contributions from scheme participants	645
	Remeasurement (gain)/loss:	
(7,499)	Actuarial gains/losses arising from changes in demographic assumptions	-
(584)	Actuarial gains/losses arising from changes in financial assumptions	16,057
(5,608)	Other (if applicable)	(128)
-	Past service cost	-
85	Losses/(gains) on curtailment	125
(5,204)	Benefits paid	(5,107)
133,932	**Closing Balance at 31 March**	153,556

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

2013/14 (Restated)				2014/15		
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
			Fair Value of Scheme Assets			
1,812	-	1,812	Cash and cash equivalents	2,211	-	2,211
11,980	902	12,882	Equities _ UK	15,086	99	15,185
42,476	3,197	45,673	Equities - Overseas	46,440	4,733	51,173
6,992	-	6,992	Gilts UK index Linked Government Securities	4,334	-	4,334
6,992	-	6,992	Bonds - Corporate (UK)	9,441	-	9,441
4,922	5,123	10,045	Property	4,365	6,349	10,714
-	2,482	2,482	Infrastructure	-	2,965	2,965
-	280	280	Financing Fund	-	198	198
-	664	664	Timber	-	988	988
-	70	70	Currency	-	1,482	1,482
75,174	12,718	87,892		81,877	16,814	98,691

The figures for 2013/14 have been restated to reflect a more detailed analysis of the assets held as required by Section 6.4.3.42 of the Code.

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:

2013/14 Local Government Pension Scheme		2014/15 Local Government Pension Scheme
	Long term expected rate of return on assets in the scheme:	
6.7%	Equity investments	5.4%
3.6%	Gilts	2.3%
4.2%	Bonds	3.0%
5.7%	Property	4.4%
3.4%	Cash	2.0%
4.2%	Alternative Assets	3.0%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.7	Men	22.8
25.1	Female	25.2
	Longevity at 65 for future pensioners:	
24.9	Men	25.1
27.4	Female	27.6
3.5%	Rate of inflation - RPI Increases	3.1%
2.7%	Rate of inflation - CPI Increases	2.2%
4.5%	Rate of increase in salaries	4.0%
2.7%	Rate of increase in pensions	2.2%
4.4%	Rate for discounting scheme liabilities	3.2%
60%	Take up of option to convert annual pension into retirement lump sum	60%

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

	Increase in Assumption £000	Decrease in Assumption £000
Impact on the Defined Benefit Obligation in the Scheme		
Longevity (increase or decrease in 1 year - mortality age rating)	148,164	158,997
Rate of inflation (increase or decrease by 0.1%)	155,857	151,293
Rate of increase in salaries (increase or decrease by 0.1%)	153,765	153,348
Rate of increase in pensions (increase or decrease by 0.1%)	155,857	151,293
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	151,111	156,044

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 scheme will need to take account of the national changes for the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipates to pay £2.942 million expected contributions to the scheme in 2015/16.

The weighted average duration of the defined benefit obligation for scheme members is 17 years, 2014/15 (17 years 2013/14).

33 Contingent Liabilities

At 31 March 2015, the Authority had one material contingent liability:- Municipal Mutual Insurance (MMI), the Council's Insurer until 1992, is now the subject of a scheme of arrangement and the Company's assets are now 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. 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.

34 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 before the commencement 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 2014/15 was £62.817 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. The current credit crisis 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 2015	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2015	Estimated maximum exposure to default and uncollect-ability at 31 March 2015	Estimated maximum exposure at 31 March 2014
	£000	%	%	£000	£000
Banks	5,401	3.09	3.09	167	182
Building Societies	3,002			-	-
Local Authorities	32,050			-	-
UK Government	2,700			-	-
	43,153			167	182

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 and bonds.

The Authority allows credit for some customers where payment in advance of service provision is not practicable. £319,959 of the £728,298 sundry debtor balance is past its due date for payment. The past due, but not impaired, amount can be analysed by age as follows:

2013/14		2014/15
£000		£000
173	Less than three months	63
36	Three to six months	18
77	Six months to one year	81
91	More than one year	158
377		320

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 2015 was as follows:

2013/14 £000		2014/15 £000
2,587	Less than one year (includes interest)	2,595
2,227	Between one and two years	2,248
6,042	Between two and five years	5,557
8,799	Between five and ten years	9,659
9,645	Between ten and fifteen years	8,113
23,631	More than fifteen years	22,541
52,931		50,713

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

c) **Market Risk**

➢ **Interest Rate Risk**

At 31 March 2015 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 2015, 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	515
Increase in interest receivable on variable rate investments	(513)
Increase in government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	2
Share of overall impact relating to the HRA	408
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	-

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

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

- **Price Risk**

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

- **Foreign Exchange Risk**

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

35 Material Items of Income and Expenditure

During 2014/15 the Council began a major coastal protection scheme which continues 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 is £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
	35.977

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

	£m
Environment Agency	11.675
Essex County Council	1.000
Tendring District Council	0.989
	13.664

The Environment Agency actually paid grant of £12.458 million during 2014/15. The Agency owed the Council £0.340 million at 31 March 2014 for the scheme. £12.015 million has been recognised as income during 2014/15 with the remaining £0.443 million included within Capital Grants Received in Advance on the balance sheet at 31 March 2015. The funding from Essex County Council is included on the balance sheet as a debtor balance and was received on 2 April 2015.

HOUSING REVENUE ACCOUNT –
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2015

2013/14 £000		2014/15 £000	£000	Note Ref
	EXPENDITURE			
3,273	Repairs and Maintenance	3,374		4
2,226	Supervision and Management	2,518		
97	Rents, Rates, Taxes and Other Charges	93		
2,088	Depreciation and Impairments of Non-Current Assets	3,351		7,8
66	Debt Management Costs	66		
43	Movement in the allowance for bad debts	23		13
23	Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	22		10,11
7,816	**Total Expenditure**		**9,447**	
	INCOME			
(12,839)	Dwelling rents	(13,241)		
(206)	Non dwelling rents	(205)		
(582)	Charges for Services and Facilities	(742)		
(122)	Contributions towards expenditure	(206)		14
(13,749)	**Total Income**		**(14,394)**	
(5,933)	Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		**(4,947)**	
276	HRA Share of Corporate and Democratic Core		276	
(5,657)	Net Expenditure / (Income) for HRA Services		**(4,671)**	
	HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:			
(88)	(Gain) or loss on sale of HRA Non-current Assets		(77)	15
1,642	Interest Payable and Similar Charges		1,604	9
(457)	Taxation and Non Specific Grant Income (Capital Grant)		(1,306)	
(40)	Interest and Investment Income		(46)	
(4,600)	**(Surplus) / Deficit for the year on HRA Services**		**(4,496)**	

HOUSING REVENUE ACCOUNT – MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2013/14		2014/15	
£000		£000	£000
5,826	Balance on the HRA as at the end of the previous year		6,372
4,600	Surplus or (Deficit) on the HRA Income and Expenditure Statement	4,496	
	Adjustments between accounting basis and funding basis under regulations:		
(493)	Reversal of Revaluation Changes and Impairment	(301)	
23	Reversal of Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	22	
(88)	Reversal of (Gain) or Loss on sale of HRA Non-current assets	(77)	
(457)	Reversal of Capital Grant	(1,306)	
-	Reversal of Short Term Accumulating Compensated Absences	-	
(294)	Capital Expenditure Funded by the HRA	(438)	
(1,964)	Debt Repayment & Credit arrangements	(1,964)	
(67)	HRA share of contributions to or from the Pension Reserve	(93)	
1,260	Net increase or (decrease) before transfer to or from Reserves	339	
	Transfer (to) or from Reserves:		
(685)	Transfer (to)/from Major Repairs Reserves	(510)	
(29)	Transfers (to)/from Housing Repairs Reserve	(48)	
546	Increase or (decrease) in year on the HRA		(219)
6,372	**Balance on the HRA as at the end of the current year**		6,153

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

1 Housing Revenue Account Balances

HOUSING REVENUE ACCOUNT RESERVES

2013/14 £000		2014/15 Housing Revenue Account £000	Housing Repairs Reserve £000	Total £000
7,172	Balances as at 1 April	6,372	1,375	7,747
575	Surplus/(deficit) for year	(219)	48	(171)
7,747	**Balances as at 31 March**	6,153	1,423	7,576

2 Housing Assets

As at 31 March 2015, the Council was responsible for managing the following council housing assets:

31 March 2014 No	31 March 2014 Balance Sheet Value £000		31 March 2015 No	31 March 2015 Balance Sheet Value £000
		Dwellings		
1,500	44,489	Flats	1,493	46,204
1,045	53,312	Houses	1,042	58,080
338	14,524	Bungalows	338	14,524
319	6,559	Sheltered accommodation	319	6,315
22	942	Do-It-Yourself Shared Ownership (DIYSO)	21	1,024
3,224	119,826		3,213	126,147
		Other Land and Buildings		
64	871	Shared equity plots of land	64	894
438	1,159	Garages	436	1,175
377	80	Ground rents re sold Council flats	382	83
1	365	Community Centre	1	360
4	208	Other non-domestic properties	3	150
5	12	Land	9	536
-	-	Other	-	-
4,113	122,521	Total Balance Sheet values	4,108	129,345

The Balance Sheet value for the dwellings reflects 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 vacant possession value of all the housing assets as at 1 April 2014 undertaken in accordance with CLG's Guidance was £334 million compared with the existing use value of £132 million. The difference between the two values of £202 million represents the economic cost of providing council housing at less than open market rents. A desktop review 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 2015.

During 2014/15, 12 council dwellings were sold under 'Right to Buy' legislation. The Old Ship Inn, Harwich was also sold along with 1 DIYSO property.

A total of 2 properties were built in 2014/15 and a further 4 plots of land were purchased in Jaywick.

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. From April 2012 under the new self-financing arrangements, the transfer from the HRA is achieved by firstly crediting the Reserve with an amount equivalent to the full depreciation charges for the year. This amount is then 'topped' up via an additional contribution from the HRA in line with the forecasted 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:

2013/14		2014/15	
£000		£000	£000
2,925	Balance as at 1 April		3,666
	HRA depreciation provision		
2,524	Dwellings (excluding DIYSO)	2,690	
55	All other HRA assets	60	
1	HRA Equipment	-	
			2,750
685	Transfer (to)/from the HRA		510
(2,524)	Applied to finance capital expenditure on the housing stock		(3,726)
3,666	Balance as at 31 March		3,200

4 Housing Repairs Reserve

A contribution is made into this account each year from the HRA in order to assist the planning of major and cyclical works to the Council's housing stock. The movements on this account were as follows:

2013/14 £000		2014/15 £000
(3,302)	**Income:** Contribution from Housing Revenue Account	(3,422)
3,273	**Expenditure** on repairs and maintenance	3,374
(29)	**(Surplus)/Deficit for year**	(48)
(1,346)	Balances Brought Forward	(1,375)
(1,375)	Balances Carried Forward	(1,423)

5 Capital Expenditure and Financing

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

2013/14 £000		2014/15 £000
	Capital Investment:	
2,506	Operational Assets	3,858
18	Revenue Expenditure Funded from Capital Under Statute	20
751	Property Acquisition and New Build	1,592
-	Compulsory Purchase and Refurbishment	-
3,275		5,470
	Sources of Finance:	
2,524	Major Repairs Reserve	3,726
294	Direct Revenue Financing	438
457	Funding of S106	102
-	External Funding	1,204
3,275		5,470

6 Housing Capital Receipts Reserve

With effect from 1 April 2004, there is a requirement to 'pool' part of the capital receipts received by the Council and pay it to the Secretary of State. Previously this amounted to 75% for dwellings and 50% for land and other assets (net of statutory deduction and allowance) but from 1 April 2012 the criteria changed in respect of the disposal of dwellings and an amount that now reflects the age and type of dwelling is now payable to the Government on disposal. This amount is subject to certain reductions such as the administrative costs of disposal and in certain instances by applying a capital allowance which is equal to the part or planned expenditure on affordable housing and regeneration projects.

The remaining capital receipts can be applied to finance any capital expenditure. During 2014/15 housing, DIYSO and other capital receipts amounted to £0.742 million of which £0.593 million was 'poolable' and therefore payable to the Government. In respect of the £0.082 million applied during the year to finance capital expenditure, this funded non-HRA housing capital schemes. The movements on the Reserve during the year are shown below:

2013/14 £000		2014/15 £000
771	Balance as at 1 April	1,006
	Capital Receipts in the year:	
534	Council house sales (net of administration costs)	577
29	Shared Equity Plots of Land Sales	-
-	DIYSO property sales	38
1	Mortgage principal repayments	1
-	Other receipts	110
1,335		1,732
	Less:	
(270)	Capital receipts 'pooling contribution'	(274)
(59)	Capital receipts used for financing capital expenditure	(82)
1,006	Balance as at 31 March	1,376

7 Depreciation

Depreciation has been provided on the 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.

2013/14 £000		2014/15 £000
2,524	Dwellings	2,690
20	Do-It-Yourself Shared Ownership (DIYSO)	25
24	Garages	24
7	Community Centre	7
4	Other Non-Domestic Properties	4
1	HRA Equipment	-
2,580	**Depreciation Charged to the HRA I & E Account for the Year**	2,750

8 Impairment Charges

Impairment may be applicable to assets if caused by either a consumption of economic benefits or a general fall in prices. A net impairment figure of £0.601 million (in 2013/14 this was a net reversal of £0.493 million) for the year was a charge to the HRA Income and Expenditure Account which took into account £3.858 million (2013/14 - £2.506 million) associated with works to the Council's dwelling stock and a reversal of £3.257 million (2013/14 - £3.374 million) in respect of impairment amounts previously charged to the account. The impairment reversal of £3.257 million is comprised of total reversals of £4.159 million less £0.902 million which is the impairment charge for the Jaywick Project charged direct to the HRA Comprehensive Income and Expenditure Statement. (In 2013/14 there was also an impairment of £0.348 million on new build dwellings and £0.027 million for the demolition of a property.)

9 Capital Asset Charges Accounting Adjustment

This relates to the borrowing costs incurred for the year adjusted for impairment and revenue expenditure funded from capital under statute in accordance with item 8 determinations under the previous housing subsidy arrangements. In 2014/15 the total capital asset charges was £2.225 million (2013/14 - £1.167 million). The individual elements that form the capital asset charges accounting adjustment continue to be included within the HRA and are set out elsewhere such as the Interest Payable and Similar charges included in the HRA Income and Expenditure Account and impairment as set out in the note above.

10 Revenue Expenditure Funded from Capital under Statute

Charges were made to the HRA during the year in accordance with the Secretary of State's Item 8 Determination. Revenue expenditure funded from capital under statute was £0.020 million for 2014/15 (£0.018 million for 2013/14) where expenditure was incurred on a cash incentive scheme which is in accordance with the classification of such cost as explained in the accounting policies.

As these charges are intended to act as a signal only, rather than remaining as a cost to be met by the HRA, an accounting adjustment is made by reversing it out in the Movement on the HRA Statement.

11 Intangible Assets

This represents expenditure that has recently been incurred on software that has been financed from capital resources. The amount of £0.002 million was charged to the Housing Revenue Account for the year (£0.005 million for 2013/14) represents the annual writing down of the asset over its useful life.

12 Contributions to Pensions Reserve

In line with the accounting treatment in the General Fund, the pension benefits accrued for employees whose time is charged to the HRA are shown in the Income and Expenditure Account for 2014/15 by replacing pension costs charged for the year with the current cost of service within Supervision and Management Costs. However, to ensure there is no overall impact on HRA balances further adjustments have been made in the Movement on the HRA Statement. These reverse out the additional costs added via the current cost of service adjustment mentioned above but also add back the HRA's share of the Council's total pension payments to the pension fund in 2014/15 which total to a net amount of £0.093 million (2013/14 - £0.067 million).

13 Rent Arrears and the Provision for Bad and Doubtful Debts

The rent arrears at 31 March 2015 were £370,651 (2013/14 - £350,373), which equates to 2.61% (2.55% for 2013/14) 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 2015 is £0.128 million after the following movements on the account during 2014/15:

2013/14 £000		2014/15 £000
116	Balance as at 1 April	146
43	Provision for year	23
(13)	Arrears written off	(41)
146	Balance as at 31 March	128

14 Contributions Towards Expenditure

Where services that are accounted for within the HRA benefit both Council tenants and private sector owner/occupiers, there must be a fair apportionment of the associated costs and income between the HRA, the General Fund and from customers. Such services provided by this Council's HRA are Sewerage Treatment Works and Pumping Stations along with those supporting leasehold properties whose ownership is now in the private sector and not the HRA. In 2014/15 contributions towards expenditure were £0.206 million (2013/14 - £0.122).

15 Gains or Losses on the Sale of Non-Current Assets

When a housing asset is disposed of the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposal are credited to the Income and Expenditure Account 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). However the written off value of disposals is not a charge that remains against the HRA as it is reversed out in the Movement on the HRA Statement. Administration costs incurred in the disposal of an asset are a cost directly associated with the disposal and therefore a loss is shown in the Income and Expenditure Account to reflect this. In addition to this the Council may receive income from repaid discounts which would have been given at the time of the original asset sale such as those under the Right to Buy Scheme and are deemed to be a gain on HRA asset disposals and so shown in the Income and Expenditure Account.

For 2014/15 the net gain of £0.077 million in the HRA Income and Expenditure account represents the gain from the disposal of dwellings. For comparative purposes there was a net gain of £0.088 million in the HRA Income and Expenditure Account in 2013/14, from the disposal of dwellings.

16 Further Information

Further information about the Council's housing activities is available on the Council's website. You can also contact the Council's Life Opportunities Department that has responsibility for Housing within the District which is based at the Town Hall, Station Road, Clacton on Sea, Essex, CO15 1SE; or by using the online contact process available on the Council's website.

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

2013/14		2014/15			
		Council Tax	Business Rates	Total	Note
£000		£000	£000	£000	Ref
	INCOME				
(65,553)	Council Tax Payers	(67,220)	-	(67,220)	2
(25,699)	Income from Business Ratepayers	-	(25,273)	(25,273)	3, 6
(91,252)	**Total Income**	**(67,220)**	**(25,273)**	**(92,493)**	
	EXPENDITURE				
	Precepts:				4
46,165	Essex County Council	47,246	-	47,246	
2,821	Essex Fire Authority	2,888	-	2,888	
6,010	Essex Police and Crime Commissioner	6,272	-	6,272	
7,559	Tendring District Council	7,746	-	7,746	
	Shares of Business Rates Income:				3
12,098	Central Government	-	12,320	12,320	
2,178	Essex County Council	-	2,218	2,218	
242	Essex Fire Authority	-	246	246	
9,678	Tendring District Council	-	9,856	9,856	
1,250	Share of Collection Fund Balance	2,101	46	2,147	5
	Other Business Rates Payments:				
292	Costs of Collection	-	293	293	
14	Transitional Protection Payments	-	191	191	
55	Renewable Energy Schemes	-	116	116	
	Bad Debt and Other Provisions:				6
(49)	Provisions	(115)	(29)	(144)	
267	Write Offs	372	108	480	
1,578	Provisions for Appeals	-	(747)	(747)	
90,158	**Total Expenditure**	**66,510**	**24,618**	**91,128**	
(1,094)	**(Surplus)/Deficit for the Year**	**(710)**	**(655)**	**(1,365)**	
	Collection Fund Balance				
(2,298)	Balance brought forward	(3,554)	162	(3,392)	
(1,094)	(Surplus)/Deficit for the year	(710)	839	129	
(3,392)	**Balance Carried Forward**	**(4,264)**	**1,001**	**(3,263)**	

2013/14		2014/15			
		Council Tax	Business Rates	Total	Note
£000		£000	£000	£000	Ref
	Allocated to:				
81	Central Government	-	500	500	
(2,605)	Essex County Council	(3,138)	90	(3,048)	
(159)	Essex Fire Authority	(192)	10	(182)	
(344)	Essex Police and Crime Commissioner	(419)	-	(419)	
(365)	Tendring District Council	(515)	401	(114)	
(3,392)		**(4,264)**	**1,001**	**(3,263)**	

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 2014/15 was £1,475.62 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 2014/15

2013/14	Band	Valuation	Pro-portion	Full Charge	Paying 75%	Paying 50%	2nd Homes	Empty Properties	Exempt	Total Excluding LCTS	LCTS Scheme 100%	Total
8	*A	Up to £40,000	5/9	9	7	-	-	-	-	16	(6)	10
8,798	A	Up to £40,000	6/9	4,015	7,142	26	657	612	316	12,768	(3,772)	8,996
13,573	B	£40,001 to £52,000	7/9	9,427	6,964	19	337	408	220	17,375	(3,509)	13,866
17,546	C	£52,001 to £68,000	8/9	12,723	6,728	38	460	333	305	20,587	(2,857)	17,730
9,467	D	£68,001 to £88,000	9/9	7,059	2,708	44	223	133	132	10,299	(743)	9,556
4,462	E	£88,001 to £120,000	11/9	3,508	946	31	95	67	44	4,691	(175)	4,516
1,583	F	£120,001 to £160,000	13/9	1,258	271	36	41	20	11	1,637	(49)	1,588
768	G	£160,001 to £320,000	15/9	591	95	42	33	14	6	781	(14)	767
52	H	Over £320,000	18/9	38	3	7	3	-	1	52	-	52
56,257				38,628	24,864	243	1,849	1,587	1,035	68,206	(11,125)	57,081
44,668		Number of equivalent full charge Band D dwellings (unscaled tax base)										45,145
(2,189)		Less Provision for changes in valuation list, discounts and doubtful debts										(1,670)
42,479		Tax base for tax setting purposes										43,475

* Band A – entitled to Disabled Relief

Analysis of the Council Tax

Council Tax for a Band D Dwelling

2013/14 Average £		2014/15 Average £
	Tendring District Council:	
135.34	General Expenses	136.37
12.30	Special Expenses	11.27
30.30	Town and Parish Councils	30.54
1,086.75	Essex County Council	1,086.75
66.42	Essex Fire Authority	66.42
141.48	Essex Police and Crime Commissioner	144.27
1,472.59		1,475.62

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:

2013/14		2014/15
£70.718m	Rateable Value on 31 March	£71.101m
	Non-Domestic Rate per £	
46.2p	Small Businesses	47.1p
47.1p	Standard	48.2p

Following the introduction of the business rates retention scheme on 1 April 2013 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.

2013/14		2014/15		
		Council Tax	Business Rates	Total
£000		£000	£000	£000
	Allocated to:			
-	Central Government	-	23	23
926	Essex County Council	1,550	4	1,554
57	Essex Fire Authority	95	-	95
116	Essex Police and Crime Commissioner	202	-	202
151	Tendring District Council	254	19	273
1,250		**2,101**	**46**	**2,147**

Therefore the year end surplus of £4.264 million at on Council Tax and deficit of £0.879 million on Business Rates together with balances paid over to precepting authorities in 2015/16, will form part of the assessment made in January 2016.

6 Bad Debt and Other Provisions

Provision for Bad and Doubtful Debt

2013/14 Council Tax	2013/14 Business Rates	2013/14 Total		2014/15 Council Tax	2014/15 Business Rates	2014/15 Total
£000	£000	£000		£000	£000	£000
			Movements in Year:			
492	(274)	218	Contributions to provisions in year	257	79	336
(230)	(37)	(267)	Less: Amounts written off in the year	(372)	(108)	(480)
262	(311)	(49)	Net change in provisions	(115)	(29)	(144)
			Balances on provisions:			
1,303	430	1,733	Balance Brought Forward	1,565	119	1,684
262	(311)	(49)	Net change in provisions	(115)	(29)	(144)
1,565	119	1,684	Balance Carried Forward	1,450	90	1,540

Provisions for Appeals (Business Rates only)

	2013/14	2014/15
	£000	£000
Balance Brought Forward	-	1,578
Contributions to provisions in year	1,578	747
Balance Carried Forward	1,578	2,325

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 2014/15.

		Basic Allowance	Special Responsibility Allowance	Childcare Allowance	* Travelling and Subsistence	Total
		£	£	£	£	£
D	Aldis	5,030.36	-	-	63.00	5,093.36
C	Amos	5,030.36	-	-	-	5,030.36
J	Broderick	5,030.36	1,855.34	-	1.35	6,887.05
N	Brown	5,030.36	-	-	405.00	5,435.36
R J	Bucke	5,030.36	-	-	372.95	5,403.31
G	Caines	5,030.36	-	-	-	5,030.36
C	Callender	5,030.36	-	-	-	5,030.36
R	Callender	5,030.36	3,665.12	-	-	8,695.48
G	Calver	5,030.36	-	-	11.70	5,042.06
S	Candy (part year to 19.4.14)	682.19	-	-	-	682.19
D	Casey	5,030.36	-	-	356.40	5,386.76
S	Challinor	5,030.36	3,613.43	-	-	8,643.79
J	Chapman	5,030.36	-	-	-	5,030.36
A	Colbourne	5,030.36	1,563.48	-	-	6,593.84
A	Coley (elected 3.7.14)	2,942.01	377.25	-	103.95	3,423.21
M	Cossens	5,030.36	-	-	-	5,030.36
P G	De-Vaux Balbirnie	5,030.36	-	-	183.60	5,213.96
T	Fawcett	5,030.36	3,923.78	-	-	8,954.14
A	Goggin	5,030.36	10,637.84	-	-	15,668.20
C	Griffiths	5,030.36	4,528.50	-	-	9,558.86
C	Guglielmi	5,030.36	10,637.84	-	805.50	16,473.70
V	Guglielmi	5,030.36	510.92	-	497.25	6,038.53
J	Hawkins	5,030.36	-	-	-	5,030.36
R	Heaney	5,030.36	6,155.46	-	-	11,185.82
I	Henderson	5,030.36	3,083.34	-	193.50	8,307.20
J	Henderson	5,030.36	-	78.93	67.50	5,176.79
P	Honeywood	5,030.36	10,637.84	-	44.60	15,712.80
S	Honeywood	5,030.36	(1,350.00)	-	-	3,680.36
T	Howard	5,030.36	-	-	-	5,030.36
I R	Johnson	5,030.36	-	-	214.20	5,244.56
K T	King	5,030.36	-	-	-	5,030.36
D	Mayzes	5,030.36	-	-	76.05	5,106.41
S	Mayzes	5,030.36	-	-	-	5,030.36
D	McLeod	5,030.36	-	-	432.00	5,462.36
L	McWilliams	5,030.36	10,637.84	-	-	15,668.20
M	Miles	5,030.36	3,622.16	-	-	8,652.52
G	Mitchell	5,030.36	1,992.36	-	-	7,022.72

		Basic Allowance	Special Responsibility Allowance	Childcare Allowance	* Travelling and Subsistence	Total
		£	£	£	£	£
F	Nicholls	5,030.36	-	-	1,380.90	6,411.26
D	Oxley	5,030.36	-	-	-	5,030.36
P J	Oxley	5,030.36	2,568.01	-	-	7,598.37
M	Page	5,030.36	17,505.70	-	2,256.10	24,792.16
M	Patten	5,030.36	-	-	-	5,030.36
M	Platt	5,030.36	10,637.84	-	-	15,668.20
J A	Powell	5,030.36	-	-	-	5,030.36
A	Pugh	5,030.36	-	-	-	5,030.36
S	Richardson	5,030.36	-	-	-	5,030.36
P	Sambridge	5,030.36	2,546.36	-	153.45	7,730.17
G	Scott	5,030.36	-	-	-	5,030.36
H	Shearing	5,030.36	1,846.64	-	27.00	6,904.00
K	Simons	5,030.36	-	-	-	5,030.36
D	Skeels	5,030.36	1,042.15	-	-	6,072.51
M	Skeels	5,030.36	810.90	-	-	5,841.26
G	Steady	5,030.36	3,622.16	-	-	8,652.52
N	Stock	5,030.36	-	-	-	5,030.36
M J	Talbot	5,030.36	2,597.34	-	393.30	8,021.00
I	Tracey	5,030.36	-	-	-	5,030.36
N W	Turner	5,030.36	10,637.84	-	1,812.07	17,480.27
G	Watling	5,030.36	3,379.62	-	-	8,409.98
J	White	5,030.36	-	-	267.30	5,297.66
C	Winfield	5,030.36	-	-	-	5,030.36
A	Wood	5,030.36	-	-	-	5,030.36
	Grand Total of payments for year	**300,415.44**	**133,287.06**	**78.93**	**10,118.67**	**443,900.10**

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

Chairman – N Stock (2013)	£1,021.84
Vice Chairman – V Guglielmi (2013)	£360.16
Chairman – V Guglielmi (2014)	£4,620.78
Vice Chairman – F Nicholls (2014)	£1,808.80

Allowances for Travel paid during the year were £10,095.10, subsistence was £23.57.

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

		Total Mileage	Independent Person Allowance	Total
		£	£	£
J	Wolton	-	500.00	500.00
W	Lock	31.50	187.50	219.00
C	Gosling	112.50	187.50	300.00
	Grand Total of payments for year	**144.00**	**875.00**	**1,019.00**

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*.

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), Finance and Procurement Manager, 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, e.g. 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, e.g., 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. Also for this class of lease the value of the asset appears on the Council's balance sheet.

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. The different revenue accounts are brought together in the Comprehensive Income and Expenditure Statement, which also demonstrates how the annual costs of the Council have been financed.

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.