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Tendring District Council

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AGENDA

AUDIT COMMITTEE

DATE:	**Thursday, 19 February 2026**
TIME:	**10.30 am**
VENUE:	**Town Hall, Station Road, Clacton-on-Sea, CO15 1SE**

MEMBERSHIP:

Councillor Sudra (Chairman)
Councillor Steady (Vice-Chairman)
Councillor Fairley
Councillor Keteca
Councillor Morrison
Councillor Placey

Chief Executive
Ian Davidson

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DATE OF PUBLICATION: Friday, 13 February 2026

AGENDA

5 Report of the Corporate Director (Finance & IT) - A.1 - Statement of Accounts 2024/25 and associated Annual and Year End Reports of the External Auditor (Pages 5 - 272)

To present for consideration and approval a number of associated reports which include the following, to enable the final opinion on the accounts and value for money arrangements to be formally issued by the External Auditor:

- The External Auditor's Report for the year ended 31 March 2025;
- The External Auditor's Value for Money Report 2024/25;
- The Council's Statement of Accounts (including the Annual Governance Statement) for 2024/25 for consideration and approval for publication by the backstop date of 27 February 2026.

Date of the Next Scheduled Meeting

The next scheduled meeting of the Audit Committee is to be held in the Town Hall, Station Road, Clacton-on-Sea, CO15 1SE at 10.30 am on Thursday, 26 March 2026.

Information for Visitors

FIRE EVACUATION PROCEDURE

There is no alarm test scheduled for this meeting. In the event of an alarm sounding, please calmly make your way out of any of the fire exits in the room and follow the exit signs out of the building.

Please heed the instructions given by any member of staff and they will assist you in leaving the building and direct you to the assembly point.

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Your calmness and assistance are greatly appreciated.

AUDIT COMMITTEE

19 FEBRUARY 2026

REPORT OF CORPORATE DIRECTOR (FINANCE & IT)

A.1 STATEMENT OF ACCOUNTS 2024/25 AND ASSOCIATED ANNUAL AND YEAR END REPORTS OF THE EXTERNAL AUDITOR

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To present for consideration and approval where necessary the following, to enable the final opinion on the accounts and value for money arrangements to be formally issued by the External Auditor:

- The External Auditor's Annual Report for the year ended 31 March 2025
- The External Auditor's Year End Report for the year ended 31 March 2025
- The Council's Statement of Accounts (including the Annual Governance Statement and proposed External Auditor's Opinion) for 2024/25 for consideration and approval for publication by the backstop date of 27 February 2026.

The first two items above include the External Auditor's Value for Money commentary.

EXECUTIVE SUMMARY

- In-line with the backstops dates previously discussed, the Council's External Auditor has substantially completed the necessary audit work for 2024/25, with their associated audit reports attached.

- As set out within their reports and in-line with the planned approach to recover from audit delays nationally, the External Auditor anticipates issuing a disclaimed opinion for 2024/25.

- The Council's Statement of Accounts for 2024/25 are attached, which reflect any necessary amendments identified to date in consultation with the External Auditor.

- In respect of the External Auditors value for money commentary, the final position is set out within the attached reports, which provides an update to their interim annual report that was presented to the Audit Committee in September 2025. There have been no significant issues raised as part of finalising their commentary, and it is welcomed that there remains no significant risks associated across the 3 key areas of the value for money review as set out within the attached.

- The External Auditor has made a limited number of recommendations as highlighted further on in this report and within their attached reports. Management responses have been set out within the External Auditor's attached reports. A limited number of items remain on-going from last year and where this is the case, the current status of the associated action has been included. This complements the information set out within the Table of Outstanding Issues Report elsewhere on the agenda that

provides the Audit Committee with timely updates against any issues identified. This approach will continue with updates provided to future meetings of the Committee during 2026/27.

- Subject to the Committee's consideration of the attached reports, and approval of the Statement of Accounts for 2024/25 (including the Annual Governance Statement) it is proposed to publish the Accounts by the backstop date of 27 February 2026.

- In respect of the required management representation letter included within the recommendations below, this is attached and requires the Audit Committee's approval following which the Corporate Director Finance & IT and Audit Committee Chairman can sign it before being forwarded onto the External Auditor. As set out later on in this report, the External Auditor does not currently plan on requesting any specific representations over and above those areas normally covered by their 'standard' letter.

- As set out below, the External Auditor's work remains ongoing, and if there are any changes to the attached documents that emerge from the completion of their necessary work, then revised versions will either be provided ahead of the Committee's meeting or directly at the meeting.

RECOMMENDATIONS

That in respect of the 2024/25 Statement of Accounts and the associated External Auditor Reports relating to the year ended 31 March 2025, the Audit Committee:

(a) considers and notes the contents of the External Auditor's reports attached, including the value for money commentary set out therein;

(b) subject to (a) above, considers and endorses the management responses set out within the attached External Auditor reports and requests Officers to report the status / progress against each item to future meetings of the Committee;

(c) subject to (a) and (b) above, approves the management representation letter relating to the year ended 31 March 25 (Attachment 3);

(d) subject to (c) above, authorises the Corporate Director Finance & IT and the Audit Committee Chairman to sign the management representation letter for forwarding to the External Auditor; and

(e) subject to (a) to (c) above, approves for publication the audited Statement of Accounts for 2024/25 as attached (including the External Auditor's proposed opinion), and approves for signing, the Annual Governance Statement set out in therein.

REASON(S) FOR THE RECOMMENDATION(S)

To conclude the Statement of Accounts Process for 2024/25 to enable the publication of

the audited accounts for the same year by the backstop date of 27 February 2026.

ALTERNATIVE OPTIONS CONSIDERED

Not applicable.

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.

LEGAL REQUIREMENTS (including legislation & constitutional powers)

The Government has put arrangements in place to clear the backlog of outstanding historical audit opinions. Although these arrangements were referenced within previous reports and within the attached External Auditor's Reports where necessary, a detailed background is set out below for context / completeness.

In previous years, the Government set out proposals to tackle the backlog, which included setting a backstop date of December 2024 to clear the backlog of unaudited accounts up to and including the financial year 2022/23. This aimed to enable the system to refocus on recent accounts where assurance is most valuable. There are also five further backstop dates up to and including the financial year 2027/28 to allow assurance to be rebuilt over several audit cycles.

The Government laid before Parliament two pieces of legislation that would give effect to these proposals: the Accounts and Audit (Amendment) Regulations 2024 and, on behalf of the Comptroller & Auditor General of the National Audit Office (NAO), a Code of Audit Practice 2024.

The Accounts and Audit (Amendment) Regulations 2024 came into force on 30 September 2024, which removed the current requirement to publish audited accounts for financial year 2023/24 on that date. The deadline for the publication of audited accounts for 2023/24 was instead, 28 February 2025 to coincide with the second backstop date. The Regulations also amend the date by which bodies should publish draft (unaudited) accounts to 30 June for financial years 2024/25 – 2027/28. Auditors are now required to produce timely audit opinions (which may result in the issue of a disclaimed or modified opinion).

It is acknowledged that issuing modified or disclaimed audit opinions where audits cannot be completed by a backstop date may be uncomfortable for stakeholders, including Local Authorities themselves. However given the scale of the backlog and the absence of viable alternatives, the Government took the difficult decision to proceed with the backstop date approach highlighted above.

It is important to highlight that the Government recognised the measures as exceptional in nature and that local bodies should not be unfairly judged based on disclaimed or modified

opinions, caused by the introduction of backstop dates that are largely beyond their control.

Auditors are therefore expected to provide clear reasons for the issuing of such opinions to mitigate the potential reputational risk that local bodies may face.

To support auditors in meeting their responsibilities under the Code of Audit Practice, the NAO has issued specific guidance, endorsed by the Financial Reporting Council (FRC) on implementing the reset and recovery of local audit in England. This guidance sets out the public interest considerations that require auditors to act in ways that enable a return to the completion of audits on a timely manner whilst complying with professional standards.

The Government is clear that a proportionate approach to the rebuilding of assurance, once the backlog is cleared, is required by auditors - and all system partners including the FRC, NAO and auditors, are aware that this is the Government's objective.

The Government highlighted that in order to comply with the regulations, and to help auditors deliver opinions, any local body that has not yet done so should publish their unaudited accounts (including financial statements, the annual governance statement and narrative statement) and hold the 30-day public inspection period for all years up to and including 2023/24 as soon as possible. This Council had undertaken all of these tasks by the original specified deadlines for all four years - 2020/21 to 2023/24.

It is recognised that the recovering from the backlog is a shared endeavour between auditors and local bodies. Local Authorities therefore have a vital part to play, providing good quality draft financial statements supported by comprehensive working papers and supporting evidence to auditors. The Council has and will continue to work both proactively and pragmatically with the External Auditor to achieve the necessary recovery from the audit backlog.

In terms of the financial statements, they include the following (in addition to explanatory disclosure notes):

• the opening balances brought forward from the prior year which includes cash, general fund and ringfenced reserves, and the property valuation at the start of the year;
• the closing balances which include cash, general and ringfenced (e.g. Housing Revenue Account) fund reserves and the property valuation at the end of the year;
• the in-year expenditure, income, reserves, and cash flow movements; and
• the comparative figures from the prior year.

In terms of the audit process, the objective of the auditor is to obtain sufficient evidence to conclude that they have reasonable assurance that the financial statements as a whole are free from material misstatement. Where an auditor is unable to gain enough evidence or is unable to reach this conclusion based on the evidence gathered, they are required to issue a modified opinion. Auditors will disclaim their opinion where they lack the evidence to support an opinion.

The Financial Reporting Council (FRC) have produced a helpful document setting out details around the types of opinion that can be given, with a relevant summary as follows:

An unmodified opinion is classed as a 'clean' opinion or one that has historically been

referred to as an unqualified opinion.

A modified opinion covers a range of scenarios, with the following setting out the types of modified opinion that can be given:

	Material but not pervasive	**Material and pervasive**
Financial statements are materially misstated	Qualified Opinion	Adverse Opinion
Auditor is unable to obtain sufficient evidence to conclude on whether the financial statements are materially misstated	Qualified Opinion	Disclaimer Opinion

The following sets out the sequence of subsequent events based on the opinion given in the prior year:

In an audit following an unmodified opinion - In an audit following an unmodified, or 'clean', opinion, the auditor normally relies on the prior year audit for reasonable assurance over the opening balances brought forward from the prior year (the prior year's audited closing balance); and the comparative figures.

Therefore, during an audit following an unmodified opinion, the auditor performs testing to obtain reasonable assurance over the closing balances such as cash, general fund reserves and the property valuation at the end of the year being audited and the in-year expenditure, income, reserves and cash flow movements.

In an audit following a disclaimed opinion - In an audit following a disclaimer, the auditor will not have assurance over the opening balances brought forward from the prior year and the comparative figures.

It is also unlikely that the auditor will be able to obtain sufficient evidence to conclude they have reasonable assurance over the in-year income, expenditure, cash flow and reserves movements without assurance over the opening balances.

Rebuilding assurance - In normal circumstances, where a disclaimer is issued, an auditor would effectively have to perform work to assure all the opening balances and prior year comparatives in a single year. A recovery period has been designed to allow auditors to rebuild assurance for balances related to 2022/23 or earlier over multiple audit cycles, reducing the risk of the backlog recurring. Because auditors will need to make prioritisation decisions to issue audit opinions ahead of the backstop dates, they may not be able to obtain evidence to support all balances nor all in-year and comparative expenditure, income, cash flow and reserves movements.

The knock-on impact of the auditor not having assurance over in-year movements means they will also not have assurance over those figures when they are shown as comparatives in the following year. Although it was anticipated that many bodies that received disclaimers in 2022/23 will follow a similar cycle to that shown in the table below, in practice

it will depend on individual circumstance and it may take longer for auditors to rebuild assurance on some bodies, especially those with underlying weaknesses in financial reporting.

Audit Year	Opinion	Reason
2023/24	Disclaimer	The auditor has begun limited work to rebuild assurance ahead of the 2023/24 backstop date. They have not obtained sufficient evidence to have reasonable assurance over closing balances. The auditor does not have assurance over the brought forward balances from 2022/23. This means they do not have assurance over the in-year movements. They also do not have assurance over the comparative prior year movements. The auditor judges the lack of evidence over these movements and balances means they cannot conclude that the accounts are free from material and pervasive misstatement of the financial statements. Therefore, they disclaim their audit opinion.
2024/25	Disclaimer	The auditor has obtained sufficient evidence to have assurance over closing balances in 2024/25. The auditor does not have assurance over brought forward balances that were deprioritised on the 2023/24 audit. This means they do not have assurance over all in-year movements. They also do not have assurance over the comparative prior year movements. The auditor judges the lack of evidence over these movements and balances means they cannot conclude that the accounts are free from material and pervasive misstatement of the financial statements. Therefore, they disclaim their audit opinion.
2025/26	Qualified	The auditor has assurance over the opening and closing balances plus in-year movements. The auditor does not have assurance over the comparative figures. The auditor judges that this means there could be material but not pervasive misstatement and will need to qualify their opinion for 2025/26 by limiting its scope to not provide assurance over the comparative figures

2026/27	Unmodified (unqualified)	The auditor has assurance over opening balances, closing balances, in-year movements and prior year comparatives. The auditor can therefore issue an unmodified opinion.

Based on the above approach, the continued aspiration of all local audit system partners including the Government is that disclaimed opinions driven by backstop dates should, in most cases, be limited to two years (up to and including the 2024/25 backstop date of 27 February 2026).

Auditors and audited bodies should work together to agree jointly-owned delivery plans for each year's audit to enable this.

Audit firms will design their own approaches which may differ between individual firms and audited bodies with relevant factors including:

- Audit opinion for 2022/23 and earlier years.
- Nature and complexity of the audited bodies' transaction streams and balances.
- The auditor's previous experience of the audited body.
- Ability of the audited body to provide high quality audit evidence.
- Firm-wide audit methodology.

When designing approaches to rebuild assurance over multiple years, auditors will need to decide which balances to prioritise each year so as to deliver the optimal pathway to returning, as soon as possible, to a position where they are able to complete audits in full and the opinion is not influenced by backstop dates. The attached reports provide some further details around this issue.

The auditor's opinion - The nature of the audit opinion in each financial audit cycle will depend on the professional judgement of the auditor, and the evidence available to support the opinion given. The auditor is required to disclaim their opinion if they are unable to gather sufficient evidence to conclude whether the financial statements are free from material misstatement (error).

A disclaimer of opinion does not mean that the auditor has not carried out any work. Even where an auditor has disclaimed or modified their opinion, an auditor may consider if they can assure individual balances or classes of transactions to support rebuilding assurance on a timely basis. Key to the success of this plan is effective communication between the auditor and the audited body, including its Audit Committee.

Auditors have a responsibility under auditing standards to clearly communicate the reasons for modified or disclaimed audit opinions in their reports. This includes making it clear where the modified or disclaimed opinion has been caused by the statutory backstop dates. Local bodies should therefore not be unfairly judged for modified or disclaimed opinions that are beyond their control.

The measures have been designed to enable any limitation of scope of the audit to be caused by the system-imposed backstop and not by the actions of management, as the latter may lead to significant consequences for a local body.

In terms of value for money, the Code of Audit Practice requires auditors to carry out full scope audit of Value for Money (VFM) arrangements for 2023/24 onwards. From 2024/25 onwards, auditors will be required to issue their annual auditor's report containing the VFM commentary each year by 30 November. [The Council's own Auditors provided their report ahead of this deadline with it being presented to the Audit Committee in September 2025]. This has been designed to ensure that, even where the financial audit opinion is disclaimed, the audit still provides useful information to audit committees and other stakeholders about the financial management and financial sustainability of local bodies.

The requirement for auditors to report any significant weaknesses in VFM arrangements that they identify remains. The temporary changes introduced during Covid-19 to enable auditors to report significant weaknesses in VFM arrangements in the audit certificate or the audit opinion will remain until 2023/24. For 2024/25 auditors must report significant weaknesses in VFM arrangements in the audit opinion.

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.

A helpful and timely update is set out within the attached External Auditor's Report.

FINANCE AND OTHER RESOURCE IMPLICATIONS

Finance and other resources

There are no direct financial implications at this stage - the External Auditor's proposed fees as set out within the attached report will be subject to review as part of the PSAA's review process. Updates will be provided to members and will be reflected in future financial performance reports as necessary, if associated budget movements are required.

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USE OF RESOURCES AND VALUE FOR MONEY

The following are submitted in respect of the indicated use of resources and value for money indicators:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	Detailed commentary on these matters is set out within the attached External Auditor's Reports.
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	
C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.	

MILESTONES AND DELIVERY

The information and activities set out within this report enable the Council to conclude the Statement of Accounts Process for 2024/25 and to enable the publication of the audited accounts by the backstop date of 27 February 2026.

ASSOCIATED RISKS AND MITIGATION

The preparation, reporting and publishing of the Statement of Accounts follows a prescribed programme with various milestones along the way. 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. This is in addition to key elements of work that need to be undertaken on an iterative process each year alongside the annual review of the Council's Governance arrangements, to ensure that the Council can continue to deliver positive value for money outcomes.

OUTCOME OF CONSULTATION AND ENGAGEMENT

Not directly applicable.

EQUALITIES

There are no direct implications.

SOCIAL VALUE CONSIDERATIONS

There are no direct implications.

IMPLICATIONS RELATED TO DEVOLUTION AND / OR LOCAL GOVERNMENT REORGANISATION

Although there are no immediate issues / impacts, the position will be kept under review as part of the wider risk framework / implementation plan as necessary during the next two years.

IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2050

There are no direct implications.

OTHER RELEVANT 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	Not applicable
Health Inequalities	Not applicable
Area or Ward affected	Not applicable

ANY OTHER RELEVANT INFORMATION

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 2024/25 were previously approved for publication by the Council's S151 Officer (Corporate Director Finance & IT).

The pre-audited Annual Governance Statement for 2024/25 was previously approved for publication by the Leader and Chief Executive.

The publication of the above along with a period of public inspection was undertaken in accordance with the requirements set out in associated regulations.

The Council's External Auditors have prepared the following two reports which are attached:

1) ***The External Auditor's Annual Report for the year ended 31 March 2025 (Attachment 1)***
   External Auditors are required to prepare such reports setting out the outcomes from their review of the Statement of Accounts (including the Annual Governance Statement) and the Council's value for money arrangements. The Audit Committee are being asked to consider the content of this annual report as part of the associated approval process relating to the publication of the final audited Statement of Accounts and Annual Governance Statement.

2) ***The External Auditor's Year End Report for the year ended 31 March 2025 (Attachment 2)***
   To a large extent this covers the issues raised in the reports highlighted above but along with some additional matters, it effectively acts as an overall and detailed summary of the various activities undertaken by the Auditor and their associated findings for 2024/25.

   As set out on page 7 of the attached report, the External Auditor states that their audit is substantially complete except for a limited number of items, including the Management Representation Letter. Work remains on-going in supporting the External Auditor to complete their work ahead of the meeting.

   In respect of the Management Representation Letter, the Audit Committee are required to separately approve this along with authorising the Corporate Director Finance & IT and Audit Committee Chairman to sign it before being forwarded onto the External Auditor. The currently proposed letter ***(Attachment 3)*** broadly reflects a 'standard template letter' and based on information to date, the External Auditor does not currently plan on requesting any specific representations over and above those areas normally covered by this 'standard' letter. However, if changes are required then a revised letter will either be provided ahead of the meeting or directly at the meeting where possible.

   Once the outstanding tasks are completed the External Auditor can conclude the audit process for 2024/25 by finalising and formally issuing their audit opinion along with the certification of the accounts.

The above reports set out detailed value for money commentary that 'builds' on the earlier report presented to the Committee in September 2025. The Council is required to publish the commentary on its website at the same time as publishing its Statement of Accounts.

EXTERNAL AUDIT REPORTS RELATING TO 2024/25 – FINDINGS AND RECOMMENDATIONS

A summary of the content of the External Auditor's Reports referred to above is as follows:

External Auditor's Annual Report for the year ended 31 March 2025

The External Auditor's Interim Annual Report was presented to Committee at its meeting on the 25 September 2025. The work of the External Auditor has remained ongoing since this earlier date and an updated and useful high-level summary against various key elements is set out on page 4 of the Auditor's latest report.

At the time of finalising this report, the External Auditor anticipated issuing a disclaimed audit opinion primarily due to the limitations imposed by the backstop date, but attention is also drawn to the valuation of a limited number of specialised assets held by the Council. This latter point has previously been discussed with the Committee and remains an on-going issue and as noted by the Auditor within their year-end report below, the Council is working with them in advance of the 2025/26 audit to ensure that this can be satisfactorily resolved.

External Auditor's Year End Report for the year ended 31 March 2025

As mentioned earlier, this report effectively covers similar issues highlighted within the above, although it includes more detailed commentary.

In terms of both the reports above, a limited number of recommendations / performance improvement observations have been made by the External Auditor, although this is set against the underlying position where no material mis-statements or identified significant risks have been identified in terms of the financial statements. Management responses against each item have been provided where necessary. Several items are on-going from last year and along with any new observations or commentary this year, activities will remain in progress, with updates provided to future meetings of the Committee.

The Statement of Accounts (including the Annual Governance Statement) for 2024/25 are set out as **Attachment 4**. These include any required changes made in consultation with the External Auditor, with no direct impact on the overall financial position of the Council.

To conclude the Statement of Accounts process for 2024/25, the Audit Committee is being asked to consider the:

- the External Auditor's Annual Report for the year ended 31 March 2025;
- the External Auditor's Year End Report for the year ended 31 March 2025; and
- approve the management representation letter and the final Statement of Accounts for 2024/25.

The Annual Governance Statement is included within the Statement of Accounts referred to above, and its approval along with seeking the necessary agreement to the Chief Executive and the Leader to sign it, are reflected in the recommendations above.

Subject to the agreement of the recommendations above and the completion of the External Auditor's outstanding work, the final Statement of Accounts for 2024/25 will be published by the 27 February 2026 backstop date deadline.

The External Auditor will formally present their Audit Reports directly at the meeting of the Committee. Their proposed opinion for inclusion in the Statement of Accounts when published is attached ***(Attachment 5).***

PREVIOUS RELEVANT DECISIONS TAKEN BY COUNCIL/CABINET/COMMITTEE ETC.
External Auditor's Draft Audit Plan and Strategy for the Year Ending 31 March 2025 – Item A.5 Audit Committee 27 March 2025. External Auditor's Interim Annual Report for the Year Ended 31 March 2025 – Item A.2 Audit Committee 25 September 2025.
BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL
None

APPENDICES	
Attachment 1	External Auditor's Annual Report for the year ended 31 March 2025
Attachment 2	External Auditor's Year End Report for the year ended 31 March 2025
Attachment 3	Management Representation Letter
Attachment 4	The Council's Statement of Accounts 2024/25 for Publication (Including the Annual Governance Statement)
Attachment 5	External Auditor's Opinion to be Included in the Published Version of the Statement of Accounts 2024/25

REPORT CONTACT OFFICER(S)	
Name	**Richard Barrett**
Job Title	**Corporate Director (Finance & IT)**
Email	**rbarrett@tendringdc.gov.uk**

ATTACHMENT 1

External Auditor’s Annual Report for the year ended 31 March 2025

Auditor's Annual Report for Tendring District Council

Year-ended 31 March 2025

19 February 2026

Contents

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Key Contacts

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	c) Improving economy, efficiency and effectiveness	

Our audit report is made solely to the members of Tendring District Council (the Council), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the members of the Council, as a body, for our audit work, for our auditor's report, for this Auditor's Annual Report, or for the opinions we have formed.

External auditors do not act as a substitute for the Council's own responsibility for putting in place proper arrangements to ensure that public 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.

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Executive Summary

Executive Summary

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Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2024-25 audit of Tendring District Council (the 'Council'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office (the 'Code of Audit Practice') and is required to be published by the Council alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014 (the Act). Our responsibilities under the Act, the Code of Audit Practice and International Standards on Auditing (UK) ('ISAs (UK)') include the following:

Financial Statements - To provide an opinion as to whether the financial statements give a true and fair view of the financial position of the Council and of its income and expenditure during the year and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2024/25 ('the CIPFA Code').

Other information (such as the narrative report) - To consider, whether based on our audit work, the other information in the Statement of Accounts is materially misstated or inconsistent with the financial statements or our audit knowledge of the Council.

Value for money - To report if we have identified any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency and effectiveness in its use of resources. We are also required to provide a summary of our findings in the commentary in this report.

Other powers - We may exercise other powers we have under the Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to any valid objections received from electors.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Financial statements	We issued a disclaimer of opinion on the Council's financial statements on 27 February 2026. This is because we have been unable to obtain sufficient appropriate audit evidence over the financial statements as at 31 March 2025. Further details are set out on page 7. We have provided further details of the key risks we identified and our response on page 8 and 9.
Other information	Whilst in our opinion the content of the other information is consistent with the financial statements, we are unable to determine whether there are material misstatements in the other information.
Value for money	We identified no significant weaknesses in respect of the arrangements the Council has put in place to secure economy, efficiency, and effectiveness in the use of its resources. Further details are set out on page 7.
Whole of Government Accounts	We are required to perform procedures and report to the National Audit Office in respect of the Council's consolidation return to HM Treasury in order to prepare the Whole of Government Accounts. As the National Audit Office has not yet informed us that we are not required to perform any further procedures, we are unable to confirm that we have concluded our work in this area.
Other powers	See overleaf.

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Executive Summary

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There are several actions we can take as part of our wider powers under the Act:

Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Council is required to consider it and to bring it to the attention of the public.

We have not issued a Public Interest Report this year.

Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Council is taking. We may also apply to the courts for a declaration that an item of expenditure the Council has incurred is unlawful.

We have not applied to the courts.

Recommendations

We can make recommendations to the Council. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Act. If we do this, the Council must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Council does not need to take any action, however should the Council provide us with a response, we will include it within this report.

We made no recommendations under Schedule 7 of the Act.

We have not raised any other recommendations.

Advisory notice

We may issue an advisory notice if we believe that Council has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Council is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

We have not issued an advisory notice this year.

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Council. Where we raise observations we report these to management and the Audit Committee. The Council is not required to take any action to these, however it is good practice to do so and we have included any responses that the Council has given us.

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02

Audit of the financial statements

Audit of the financial statements

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Our responsibility is to conduct an audit of the financial statements in accordance with the Local Audit and Accountability Act 2014, Code of Audit Practice and ISAs (UK) and to issue an auditor's report.

However, due to the significance of the matters described below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Council financial statements.

We have fulfilled our ethical responsibilities under, and are independent of the council in accordance with, UK ethical requirements including the FRC Ethical Standard.

Our disclaimer of opinion on the Council's financial statements

We have issued a disclaimer of opinion on the Council's financial statements on 27 February 2026. We therefore do not express an opinion on the financial statements. The reason for our disclaimer of opinion is as follows:

The Accounts and Audit (Amendment) Regulations 2024 (the "Amendment Regulations") require the Authority to publish its financial statements and our opinion thereon for the year ended 31 March 2025 by 27 February 2026 (the "Backstop Date").

We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. These areas include, but were not limited to, the carrying amount of Other Land and Buildings and Infrastructure included within Property, Plant and Equipment, short term Creditors, and the balance of, and movements in, usable and unusable reserves for the year ended 31 March 2025.

In addition, we have been unable to obtain sufficient appropriate evidence over a number of areas of the financial statements in relation to the disclosed comparative figures for the Council for the year ended 31 March 2024 due to the Backstop Date. These areas include, but were not limited to, those listed above, and carrying amount of Council Dwellings included within property, plant and equipment, short term debtors and the net assets as at 1 April 2023.

As a result, we were unable to determine whether any adjustments were necessary to the amounts recorded in relation to these areas as at 31 March 2024, or whether there were any effects on the Council's income and expenditure for the years ended 31 March 2024 and 2025.

Any adjustments from the above matters would have a consequential effect on the Council's net assets and the split between usable reserves, including the Housing Revenue Account, and unusable reserves as at 31 March 2025 and 31 March 2024, the Collection Fund and on its income and expenditure and cash flows for the years then ended.

In addition, included within Other Land and Buildings are specialised buildings valued at depreciated replacement cost with a reported carrying amount of £66.472m as at 31 March 2025 and £64.602m as at 31 March 2024, that have been valued on the basis of the gross external areas of the assets concerned, rather than the gross internal areas. As a result, the valuation of these assets, and the associated amount recorded in the revaluation reserve, are overstated as at 31 March 2025 and 31 March 2024. The Council has not instructed the valuer to carry out a detailed analysis of the valuations to determine the amount by which the value of the relevant assets has been overstated at that date. As no detailed analysis has been performed, it is not practicable for us to quantify the effect of this matter or whether any adjustment would be material to the financial statements.

Further information on our audit of the Council financial statements is set out overleaf.

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Audit of the financial statements: Council

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The table below summarises the key financial statement audit risks that we identified as part of our risk assessment and how we responded to these through our audit.

Valuation of land and buildings

The carrying amount of revalued Land & Buildings differs materially from the fair value

Our procedures and findings

While we are disclaiming our audit opinion on the Council's financial position, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

- We have been unable to perform procedures over the significant risk associated with the valuation of land and buildings. The issues identified are detailed in the Year End Report to the Audit Committee.

Management override of controls

Fraud risk related to unpredictable way management override of controls may occur

Our procedures

- Evaluate the selection and application of accounting policies
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments
- Analyse all journals through the year and focus testing on those with a higher risk

Our findings

While we are disclaiming our audit opinion on the Council's financial position, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

- We did not identify any material misstatements relating to this risk
- We raised a recommendation relating to the review of journals

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Audit of the financial statements: Council

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The table below summarises the key financial statement audit risks that we identified as part of our risk assessment and how we responded to these through our audit.

Valuation of post retirement benefit obligations

The Council is a member of the Essex Pension Fund, a Local Government Pension Scheme. Accounting standards require that the value of the liabilities to be paid to current and future pensioners. The valuation of these liabilities is subject to complex actuarial judgements and assumptions. This means that a small change in an assumption or judgement can have a significant impact on the valuation reached.

Our procedures

We evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;

- We evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;

- We challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;

- We confirmed that the accounting treatment and entries applied by the Council are in line with IFRS and the CIPFA Code of Practice; and

- We assessed the level of surplus that should be recognised by the Council

- We considered the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions.

Our findings

While we are disclaiming our audit opinion on the Council's financial position, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

- We did not identify any material misstatements relating to this risk. We considered the estimate to be balanced based on the procedures performed.

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02

Value for Money

Value for Money

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Introduction

We are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the Code of Audit Practice:

- **Financial sustainability**: How the Council plans and manages its resources to ensure it can continue to deliver its services.
- **Governance:** How the Council ensures that it makes informed decisions and properly manages its risks.
- **Improving economy, efficiency and effectiveness:** How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We do not act as a substitute for the Council's own responsibility for putting in place proper arrangements to ensure that public 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. We are also not required to consider whether all aspects of the Council's arrangements are operating effectively, or whether the Council has achieved value for money during the year.

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council.

Summary of findings

Our work in relation to value for money is complete.

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	4	6	9
Identified risks of significant weakness?	✕ No	✕ No	✕ No
Actual significant weakness identified?	✕ No	✕ No	✕ No
2023-24 Findings	No significant risks identified	Significant weakness identified	No significant risks identified
Direction of travel	↔	↘	↔

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Value for Money

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National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

Local Government Reorganisation

The Government has announced proposals to restructure local government throughout England. County and District councils (and, in some cases, existing Unitary authorities) will be abolished and replaced with new, larger Unitary authorities, which will (in many cases) work together with peers in a regional or sub-regional Combined Authority. Authorities which are unaffected by these proposals may still see changes in local police and fire authorities and in the Councils they already work in collaboration with.

Restructuring has, in some cases, resulted in differing views on how services should be provided in their regions – with little consensus on how previously separate organisations will be knitted together. Councils will need to ensure that investment decisions are in the long-term interest of their regions, and that appropriate governance is in place to support decision making.

Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable.

Whilst the Government has indicated an intention to restore multi-year funding settlements, giving Councils greater certainty and ability to make longer-term investment decisions, the Government has also proposed linking grant funding to deprivation. For some authorities this presents a significant funding opportunity, whereas for others this reinforces existing financial sustainability concerns and creates new financial planning uncertainties.

Local context

Tendring District Council covers north-east Essex, including the principal towns of Clacton-on-Sea, Frinton, Walton and Harwich, and has over 36 miles of coastline.

Tendring is one of the most deprived districts in England and large parts of the district, particularly on the south east coast, are some of the most deprived areas nationally. The Council expect to receive significant earmarked funding in coming years for regenerating Clacton and Dovercourt town centres.

Currently, the Council have sufficient reserves including a surplus balance of General Fund and HRA reserves, this is forecasted to remain in surplus.

The Council have delivered on their capital programme for 2024/25 with numerous projects such as Government Grant Funded Capital Regeneration Projects carried forward into 2024/25 due to spanning financial years. The capital programme is set to expand with the upcoming Levelling Up funding.

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Financial Sustainability

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How the Council plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

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

A long term financial forecast was established in 2017 to cover an initial 10 year period, this is updated quarterly and reported to Cabinet where key budget assumptions are challenged. The budget cycle includes a review by the Council's Overview and Scrutiny Committee before final budget proposals are presented to full Council.

Each service area is supported via a Finance Officer within the Corporate Finance Service who supports other Service areas in undertaking budget monitoring during the year. A comprehensive review of fees and charges is carried out each year including a benchmarking exercise. Monthly management team meetings take place to review key financial issues, performance management and delivery. The Council do not undertake regular external general cost benchmarking against other Council's.

A live cost pressure list is also maintained with regular updates from Senior Managers and reflects aims and objectives set out in operational plans. Finance reports to Cabinet are sufficiently detailed to highlight in-year issues and variances to budget and enable informed decision making by Cabinet members. Issues such as inflation and escalating energy costs are well known and considered when completing future budgets.

In 2024-25, the Council issued quarterly financial reports to Cabinet to monitor the forecast and delivery on savings. The Council has developed a savings plan for 2025/26 and 2026/27 including identification of options to deliver a sustainable position. Due to Local Government Reform (LGR), a review of the length of the financial planning cycle is currently being undertaken. At the date of our risk assessment, the on-going savings required to deliver financial sustainability is £2.6m in 2025/26 and £0.9m in 2026/27

The Council also have a forecast risk fund of £6.4m (2024/25) in place to support the timing issues associated with annual budget setting including the delivery of savings, this includes the use of reserves. However, we do note that the Council have a General Fund Earmarked reserves balance of £39.6m 2024/25. The forecast risk fund is estimated to remain in a surplus position until 2029/30.

The Council reported a £3.515m net underspend in 2024/25, this favourable variance is currently being held in the Revenue Commitments Reserve.

The Council have 'Highlight Priorities' and a performance outturn report which sets out the Council's strategic ambitions and delivery against these. The performance outturn report is aligned to the Council's long term financial forecast, for example on the delivery of capital projects.

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Financial Sustainability

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The Council have numerous risks relating to financial sustainability and performance within its Corporate Risk Register. These include lack of capacity to deliver core services, financial strategy and failure to collect levels of income required from council tax and non-domestic rates. The Corporate Risk Register is monitored bi-annually by Audit Committee and our review of the Risk Register confirmed that sufficient information was included to enable informed decision making.

Conclusion

Based on the procedures performed we have not identified a significant risk associated with financial sustainability.

Key financial and performance metrics:	2024-25	2023-24
Planned surplus/(deficit), excluding HRA	(449)	(13,518)
Actual surplus/(deficit), excluding HRA	5,477	1,782
Planned HRA surplus/(deficit)	418	(2,497)
Actual HRA surplus/(deficit)	(872)	96
Usable reserves	64,234	61,034
Gross debt compared to the capital financing requirement	0.86:1	0.86:1
Year-end borrowings	32,145	34,472
Year-end cash position	5,589	7,102

HRA: Housing Revenue Account, a ring-fenced fund relating to social housing

Gross debt compared to the capital financing requirement: Authorities are expected to have less debt than the capital financing requirement (i.e. a ratio of under 1 : 1) except in the short term, else borrowing levels may not be considered prudent.

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Governance

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How the Council ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

Risk management

The Council assessed and managed risks through it's Risk Management Framework (last updated in January 2025) and Corporate Risk Register during the financial period.

The Council has created a culture in which employees are responsible for identifying, assessing, measuring, monitoring and reporting and escalating significant risks associated with their functions or activities which feed into the Corporate Risk Register. The Risk Register is owned by the Management Team and operational risks are recorded in registers maintained by each department of the Council. Corporate Directors also provide monthly updates to corporate services on risks.

The Audit Committee receives reports on risk management at least twice each year and the Resources and Services Overview and Scrutiny Committee also provide challenge around risk actions for financial risks and pressures.

Risks are allocated a risk owner, target and review date, risk rating and commentary on movement. Risks are scored 1-25 based on likelihood and potential impact. We deem the Corporate Risk Register to be sufficiently detailed to enable appropriate monitoring of risks.

Budget monitoring

The final 2024/25 budget was approved by Full Council on 13 February 2024. We have provided further commentary on the Council's budget setting process at page 5.

The Council operate a one month budget monitoring cycle. On a monthly basis, key financial issues, performance management and delivery of budget is monitored at the monthly management meeting. The monthly management team meeting then has a standing agenda item as reported to the Audit Committee in order to escalate any significant performance issues or delivery hold ups. We note that there were no significant adverse variances in 2024/25.

Counter fraud

The Council's counter fraud and anti-corruption arrangements are included within the Council's Anti-Fraud and Corruption Strategy which is monitored via the Audit Committee, additionally, the roles and responsibilities of Council employees and Committees regarding fraud are included within the Council's Constitution. The strategy was last updated in March 2025 and reviewed at Audit Committee on 27 March 2025.

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Governance

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Compliance with laws and regulations and standards and behaviour

The Council's Staff Handbook includes a Gifts and Hospitality Policy and a Code of Conduct Policy which documents the responsibilities of Council employees and processes regarding conflicts of interest, gifts and hospitality. Staff are required to report any arising conflicts of interest and each service department is responsible for maintaining a register of declarations of interest.

During 2024/25, a Section 5 report was made for noncompliance with the legal requirement to approve and adopt a Crime and Disorder Reduction Strategy. Although a Crime and Disorder Reduction Strategy was taken to the Crime and Disorder Safety Partnership, it was not officially adopted, this has now been rectified.

Decision making processes

The Council's decision making processes are derived from the Constitution. The Constitution notes that a 'key decision' means incurring expenditure/making savings in excess of £100,000 or is significant having regard to the local authority's budget for the service or function or be significant in terms of its effect on communities. If there is a decision which is deemed to be a 'key decision' (primarily for procurement decisions), and requires a call-in, there is a letter sent to the relevant councillor outlining the key decision and requirement to sign and return a concurrence letter which provides appropriate challenge and scrutiny. Key decisions are published on the Council's website for transparency.

Our review of a decision made within 2024/25 for the Safer Streets Programme - Project Update (Post Consultation) confirmed that the correct process was followed, including full report of Assistant Director with executive summary, recommendations, alternative options considered, implications of the decision, legal requirements, finance and resource implications, associated risks and appropriate documentation on Tendring's website including purpose, decision and alternative options considered..

Conclusion

Based on the procedures performed we have not identified any significant risks associated with governance.

	2024-25	2023-24
Head of Internal Audit Opinion	Adequate Assurance	Adequate Assurance
Local Government Ombudsman findings	1 upheld complaint	4 upheld complaints
Housing Ombudsman findings	6 findings, 2 maladministration findings	None
Control deficiencies reported in the Annual Governance Statement	2 as per Section 4 of the AGS	4 per Section 6 of the AGS

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Value for Money: Recommendations

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Below we have set out our findings from following up recommendations raised in respect of significant weaknesses identified in prior periods:

#	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of September 2025
1	We have identified a significant weakness relating to Governance. Unauthorised expenditure of £386k in 2023/24 has been identified on the Spendells capital project. In addition to this, a number of capital projects, including Spendells, have overspent their budget in 2023/24. The unauthorised expenditure highlights that appropriate governance procedures to monitor approved capital expenditure on projects were not in place during 2023/24. The Council is undertaking a formal investigation into how the unauthorised expenditure arose, but this is yet to be concluded at the date of our report. We recommend that the Council concludes its investigation as soon as possible and ensures that appropriate governance arrangements are in place to monitor the implementation of the recommendations arising from the investigation.	The outcome of the investigation into Spendells is due to be finalised and reported to Members shortly, and any emerging recommendations to strengthen the Council's project management / governance arrangements will be considered as timely as possible. In respect of the reference to capital projects overspending their budget in 2023/24, unlike the Spendells project where unauthorised expenditure was incurred, these broadly relate to projects where the associated budgets would have increased as necessary via the Council's existing governance arrangements. The overspending reference therefore relates to increases made to the associated budgets ahead of expenditure being incurred which would have been subject to separate standalone decisions or via the regular Financial Performance Reports presented to Cabinet. Such reports would have set out the reasons for the increase. It is also important to highlight that the Council has acknowledged the need to ensure sufficient capacity to deliver the Council's various ambitious projects, with the Project Delivery Unit recently being established. **Update as of February 2026:** The investigation and review were completed last year with final reports presented to Members (including a report to the Audit Committee on 27 March 2025). This has been complemented by further opportunities to learn from other major projects as reported to Cabinet during the year along with the delivery of three associated key actions, one of which was the establishment of an Officer Project Delivery Board. It is also worth highlighting that the Council acknowledged the need to ensure sufficient capacity to deliver the Council's various ambitious projects, with the Project Delivery Unit also established last year.	**Partially Implemented:** We reviewed the final investigation report on the Spendells House Capital Scheme, presented to the Audit Committee on 27 March 2025. The report found that the Council's governance and internal controls were reasonable but recommended improved adherence to the governance framework, stronger specifications, and enhanced training—including staff inductions highlighting high-level governance arrangements. The recommendations highlighted from the investigation, alongside other major project learnings, will form part of the annual review of the Council's governance arrangement's which will in turn inform the associated action plan to be presented to the Audit Committee in the first half of 2025/26.

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Improving economy, efficiency and effectiveness

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How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

Performance reporting

Non-financial performance is measured in the annual report per the 'Highlight Priorities' and performance outturn report by delivery of commitments. This is underpinned by the Council's key priorities for local residents and communities going forward.

Other activities

We have not identified any materially under-performing services in 2024-25 and the Council has not initiated any commercialisation activities such as borrowing to invest or setting up subsidiaries to conduct novel commercial activity.

We note that no new significant outsourcing arrangements have been initiated in 2024/25. Cabinet approved the decision to transfer the provision of the existing Careline Service across to Colchester City Council in-year. Re-tendering and preparation for a new waste and recycling collection and street cleaning contract is ongoing.

The Council has a process where waivers can be obtained from the Council's procurement process, for instance if there is an urgent or specific reason to bypass the procurement process. All tender exemption decisions must be approved and are published as separate decisions on the Council's website. We note that a Central Tender Waiver Register is not maintained by the Council.

Partnership work

The Council have a number of partnership arrangements including Levelling Up Partnerships and the Procurement partnership with Essex County Council. The Council have brought the work to deliver the Levelling Up Project in-house and additional capacity has been put in place to support this. In order to manage the delivery of these projects, the Project Delivery Unit was set up in 2024/25. Monthly highlight reports track progress, key risks, issues, financials, and timelines for the Project Board and Regeneration Capital Delivery Board, measured against the Project Initiation Document.

Conclusion

Based on the procedures performed we have not identified a significant risk associated with improving economy, efficiency and effectiveness.

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Performance improvement observations

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The performance improvement observations raised as a result of our risk assessment procedures are included below:

Priority rating for observations		
1 Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2 Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	3 Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
1	3	**External benchmarking** As part of our VFM risk assessment, we considered how external data and benchmarking is used to assess the Council's cost base and noted that external benchmarking is not undertaken on a corporate basis, only through ad-hoc external reviews and self-assessment. External benchmarking against other Council's and particularly neighbouring authorities is useful context to measure the Council's performance. Performance indicators, as an example, may include collection rates, invoices paid within 30 days or rent and service charge arrears as a % of the annual rent debit. We recommend that the Council implement regular external benchmarking reports to better understand the Council's relative performance, as well as to identify areas for improvement.	Although in principle such benchmarking can be positive, it can also be time consuming and costly that therefore comes at the expense of other key activities and the delivery of priorities for example, especially when there is already limited capacity / resources within the organisation. A balance therefore needs to be maintained between these two key elements, and although it is not proposed to introduce a corporate wide approach to benchmarking, the opportunity to learn from other councils will be considered as part the Council's Departmental Planning processes, best value responsibilities and alongside the work associated with LGR, which will include working with authorities across Essex.

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Performance improvement observations – follow up from prior year

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The following observations were raised in the prior year:

#	Grading	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current status (February 2026)
1	❶	The Internal Audit team during their Project Management review, noted improvement is required due to major issues identified around multiple instances of projects failing to be delivered on time and within their original budget. Due to the nature of these projects, the values involved, and potential for further overspends, as well as the scale of the Council's capital programme and funding in the short and medium term, we have noted a significant risk around governance. The report from internal audit on Project Management had two major findings, however, there is an adequate action plan in place to address the issues found. We recommend that the Council continue to implement and closely monitor the progress of the action plan.	As recommended, the Council continues to take forward the necessary actions along with monitoring their progress as part of existing governance / reporting arrangements.	**Partially implemented:** The Internal Audit action plan remains ongoing and updates will be provided during 2025/26.
2	❸	Risks around building safety, fire and mould which are current sector issues are not currently captured in the corporate risk register. The Council also do not currently monitor service-line risks alongside the authority-wide risk register. We recommend that the Council ensure that health and safety risks are adequately captured in the risk register and service-line risks are monitored alongside the authority-wide risk register.	It is acknowledged that there is always a balance between operational / service risks and those captured within the Corporate Risk Register. The Council's current corporate risk register does capture Health and Safety and the Management of Assets as high level risks, but further consideration is being given to the recommendations made as part of the current / on-going risk register review.	**Outstanding:** Remains under review with updates to be provided during 2025/26.
3	❸	Although the Council make tender exemption decisions individually, a central tender waiver register is not held. We recommend that the Council hold a central tender waiver register to be reviewed annually by Cabinet and the Audit Committee	Following the associated review, a register has now been established and it is proposed to report this annually to the Audit Committee. In terms of reporting to Cabinet it is proposed that this remains subject to the annual review of the Audit Committee highlighted above.	**Outstanding for 2024-25:** We note that this has subsequently been implemented during 2025-26.
4	❸	The Council's risk management framework is now 6 years old, we recommend that this is reviewed and updated as required.	It is worth highlighting that although it is broadly subject to a 'light touch' review on a six-monthly basis alongside the Corporate Risk Register, it will be subject to a more comprehensive review as part of the current work associated with item 2 above during 2025/26.	**Implemented:** The risk management framework was updated in January 2025

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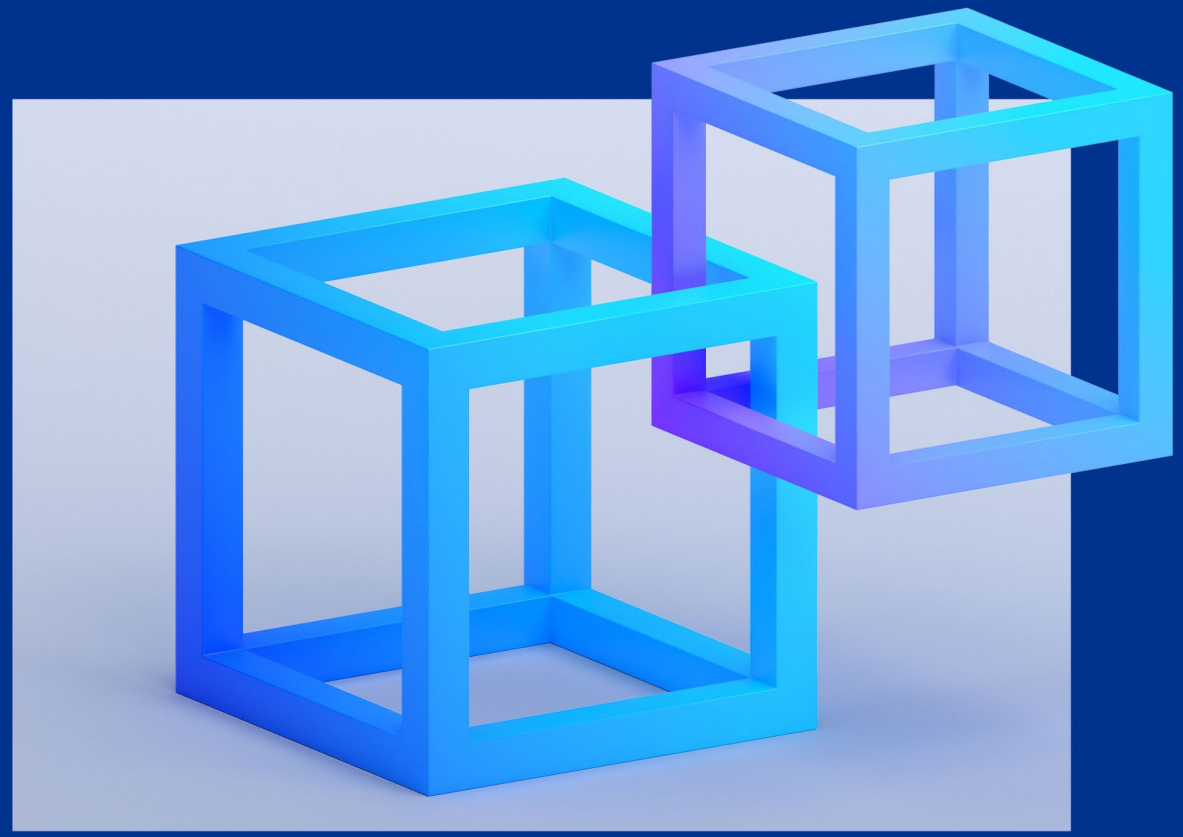
Document Classification: KPMG Public

ATTACHMENT 2

External Auditor’s Year End Report for the year ended 31 March 2025

Tendring District Council

Year End Report to the Audit Committee



Year end report for the year ended 31 March 2025

19 February 2026

KPMG required communications for all entities

Introduction

To the Audit Committee of Tendring District Council

We are pleased to have the opportunity to meet with you on 19 February to discuss the findings and key issues arising from our audit of the financial statements of Tendring District Council **(the 'Council')**, as at and for the year ended 31 March 2025.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan and strategy report, presented on 27 March 2025. We will be pleased to elaborate on the matters covered in this report when we meet.

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when:

- Audits are executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality management; and,
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Sarah McKean, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with the response, please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Tim Cutler. (tim.cutler@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access KPMG's complaints process here: Complaints.

The engagement team

Subject to the approval of the statement of accounts, we expect to be in a position to sign our audit report on the approval of those statement of accounts and auditor's representation letter on 27 February 2026, provided that the outstanding matters noted on page 7 of this report are satisfactorily resolved.

There have been no significant changes to our audit plan and strategy other than those described on page 8.

We draw your attention to the important notice on page 3 of this report, which explains:

- The purpose of this report
- Limitations on work performed
- Status of our audit and the implications of the statutory backstop.

Yours sincerely,

Sarah McKean

19 February 2026

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Important notice

This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract.

The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of Tendring District Council (the 'Council') for the year ended 31 March 2025.

This Report has been prepared for the Council's Audit Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you by written communication on 27 March 2025.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Council's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit (to the extent it has been possible in the context of our disclaimer of opinion - see page 5.

Status of our audit and the implications of the statutory backstop

Page 4 'The statutory backstop and rebuilding assurance' explains the impact of the statutory backstop and our resulting conclusion to issue a disclaimer opinion on the financial statements

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified findings as reported in our report.

Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status. Page 7 'Our Audit Findings' outlines the outstanding matters in relation to the audit. Our conclusions will be discussed with you before our audit report is signed.

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The statutory backstop and rebuilding assurance

Background

The Government has introduced measures to resolve the legacy local government financial reporting and audit backlog.

Last year, amendments were made to the Accounts and Audit Regulations and NAO's Code of Audit Practice which introduced the requirement for audit reports in respect of any open, incomplete audits up to the period ending 31 March 2023 to be published by 13 December 2024. It also introduced a statutory back stop date of 28 February 2025 for the 2023/24 audit. For the Council this had the impact of disclaimers of opinion issued by your predecessor auditor for 2 financial years up to and including 2022/23. We then issued a disclaimer of opinion for 2023/24 on 26 February 2025 to comply with the statutory backstop date for the reasons set out in our Basis of Disclaimer Opinion below.

Work has been ongoing in the sector to develop guidance to help support appropriate audit procedures for audits where further work is required to build back assurance. In addition to Local Audit Rest and Recovery Implementation Guidance (LARRIGs) that were published in 2024 by the NAO, further guidance has now been published by the NAO LARRIG) 06 - Special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions (e.g reserves balances where a disclaimer has been previously issued). We note the LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England.

The 2023/24 audit

In our *Basis of Disclaimer Opinion s*ection of our audit report in 2023/24 we reported*:*

The Accounts and Audit (Amendment) Regulations 2024 (the “Amendment Regulations”) require the Council to publish its financial statements and our opinion thereon for the year ended 31 March 2024 by 28 February 2025 (the “Backstop Date”).

We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. These areas were the carrying amounts of property, plant and equipment, short term creditors, short term debtors, business rates tariff and levy included within taxation and non-specific grant income and expenditure, and the balance of, and movements in, usable and unusable reserves for the year ended 31 March 2024.

In addition, we have been unable to obtain sufficient appropriate evidence over the disclosed comparative figures for the year ended 31 March 2023 due to the Backstop Date. Therefore, we were unable to determine whether any adjustments were necessary to the opening balances as at 1 April 2023 or whether there were any consequential effects on the Council’s income and expenditure for the year ended 31 March 2024.

Any adjustments from the above matters would have a consequential effect on the Council’s net assets and the split between usable reserves, including the Housing Revenue Account, and unusable reserves as at 31 March 2024 and 31 March 2023, the Collection Fund and on its income and expenditure and cash flows for the years then ended.

In addition, included within other land and buildings are specialised buildings valued at depreciated replacement cost with a reported carrying amount of £64.602m as at 31 March 2024 that have been valued on the basis of the gross external areas of the assets concerned, rather than the gross internal areas. As a result, the valuation of these assets, and the associated amount recorded in the revaluation reserve, are overstated as at 31 March 2024. Because of the time constraints created by the Backstop Date, the Council has not instructed the valuer to carry out a detailed analysis of the valuations to determine the amount by which the value of the relevant assets has been overstated at that date. As no detailed analysis has been performed, it is not practicable for us to quantify the effect of this departure on the financial statements.

The 2024/25 audit

On Page 6, we set out what work we have been able and not been able to complete in respect of the 2024/25 financial statements as being able to audit the closing balance sheet is an essential element of rebuilding assurance.

In addition during the 2024/25 audit we have started our rebuilding assurance risk assessment. Once this is complete we will report separately the findings along with the period of time we will take to complete this work if the findings indicate it is possible to rebuild assurance.

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The statutory backstop and rebuilding assurance

Impact on our audit report on the financial statements

Given our work to rebuild assurance is not complete and due to the statutory backstop date of 27 February 2026, we have determined that there is insufficient time to obtain sufficient appropriate audit evidence over the split of useable and unusable reserves as at 31 March 2025 or 31 March 2024 ahead of the backstop, and, in our view, this is pervasive to the Council's financial position as at 31 March 2025.

Further to this there are a number of areas of the financial statements where we have determined we will be unable to obtain sufficient appropriate audit evidence, as we will be unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. These are detailed on page 6.
As a result of the pervasiveness of the above, we intend to issue a disclaimer of opinion on the financial statements as a whole

Other matters

As required by the ISAs (UK) when we are disclaiming our audit opinion on the financial statements as a whole, our audit report will not report on other matters that we would usually report on, most notably the use of the going concern assumption in the preparation of the financial statements; the extent to which our audit was considered capable of detecting irregularities, including fraud; and whether there are material misstatements in the other information presented within the Statement of Accounts.

Although we are disclaiming our audit opinion we have, in this report, reported matters that have come to our attention and, where appropriate, we intend to include in our audit report.

Value for Money

The amendments to the Accounts and Audit Regulations do not impact on our responsibilities in relation to the Council's Value for Money arrangements, specifically we are responsible for reporting if we have identified any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency and effectiveness in its use of resources. We also provide a summary of our findings in the commentary in this report.

Page 22 provides a summary of our findings. Further details are also available in our Auditor's Annual Report for 2024/25.

Work completed in 2024/25

Our audit plan, presented to you on 13 February 2025 set out our audit approach including our significant risks and other audit risks. We have updated our response to those significant risks in the pages overleaf, identifying the work we have and have not been able to complete.

Although we will be issuing a disclaimer of opinion, we have reported matters that have come to our attention during the audit and, where appropriate, we intend to include in our audit report. Our audit is not yet complete. We will provide an oral update on the status. Our conclusions will be discussed with you before our audit report is signed.

Specifically in relation to 2024/25 we have completed our work on the following areas in addition to our planning and risk assessment work:

Significant risks

- Management override of controls

Other areas

- Investment Property
- Short Term Investments
- Cash and Cash Equivalents
- Short and Long Term Borrowing
- Other Long Term Liabilities – Pensions
- Property, Plant and Equipment Additions
- Valuation of Council Dwellings
- In-year Expenditure
- In-year Income
- Housing Revenue Account
- Collection Fund
- Short Term Debtors and Creditors, excepting grants received in advance

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The statutory backstop and rebuilding assurance

We have been unable to complete our work on a number of areas, including, but not limited to the following areas:

- Split of usable and unusable reserves for the year ended 31 March 2025;
- Work associated with significant risks on the valuation of other land and buildings;
- Deferred balance related to Creditors - Other amounts due to government and preceptors (Disabled Facilities Grant)
- The disclosed comparative figures for the Council's income and expenditure for the year ended 31 March 2024, and the comparative figures in the balance sheet as at 31 March 2024 as disclosed in the 'Basis of Disclaimer Opinion' section of our 2023/24 audit report (see page 4).

Significant challenges with progressing work

Matters which led to significant challenges in performing the audit included the following:

Quality of audit evidence:

- Issues with the valuation of other land and buildings (see Page 19 for further detail)

A failure to address these issues (along with the results of the rebuilding assurance risk assessment) will have a significant impact on the timescale to rebuild assurance or whether rebuilding assurance is possible under the current guidance.

We are working with management in advance of the 2025/26 audit to ensure these are addressed where possible.

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Our audit findings

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed.

Significant audit risks	Page 10-15
Significant audit risks	**Our findings**
Valuation of other land and buildings	We were unable to complete the procedures we considered necessary to obtain sufficient appropriate audit evidence in relation to this area
Valuation of post retirement benefit obligations	We completed our planned procedures and we did not identify any material misstatements relating to this area. We identified one uncorrected misstatement (see page 33)
Management override of controls	We completed our planned procedures and we did not identify any material misstatements relating to this area

Misstatements in respect of Disclosures	Page 34
Misstatement in respect of Disclosures	**Our findings**
Remuneration Report	Recorded the remuneration for a senior member of staff was incorrect due to a transposition error.

Uncorrected Audit Misstatements	Page 33
Understatement/ (overstatement)	**£m**
Net defined benefit plan assets	1.350
Remeasurements of defined benefit liability OCI	(1.350)

Number of Control deficiencies	Page 35-36
Significant control deficiencies	1
Other control deficiencies	3
Prior year control deficiencies remediated	3

Outstanding matters

There are a number of outstanding matters we need to allow us to sign our audit report, including

- Laws and regulations inquiries
- Completion of final quality reviews on audit documentation
- Management representation letter
- Completion checks on final updated Statement of Accounts

Conclusions on these matters will be reported to the next audit committee following completion of the audit.

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KPMG required communications for all entities

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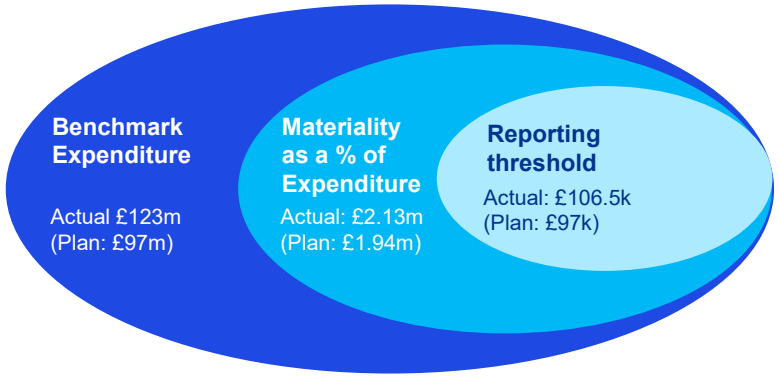
Key changes to our audit plan

We have not made any changes to our audit plan as communicated to you on 27 March 2025, other than as follows:

Materiality

Materiality has been revised because the benchmark, total expenditure, has increased significantly since planning due to using total expenditure as opposed to net cost of expenditure.



In our audit plan, we identified the adoption of IFRS 16 as an other audit risk. We performed the following risk assessment procedures, as a result, we no longer associate an other audit risk with the adoption of IFRS 16:

- We evaluated the Council's process for reviewing current arrangements and contracts to ascertain whether there is a lease falling within the remit of the standard;
- We critically assessed the key decisions made about material contracts such as property leases;
- We reperformed the calculation of the lease liability and right of use asset for a sample of leases; and
- We critically assessed the disclosure proposed for compliance with the requirements

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Significant risks and Other audit risks

We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

Our risk assessment draws upon our historic knowledge of the business, the industry and the wider economic environment in which Tendring District Council operates.

We also use our regular meetings with senior management to update our understanding and take input from local audit teams and internal audit reports.

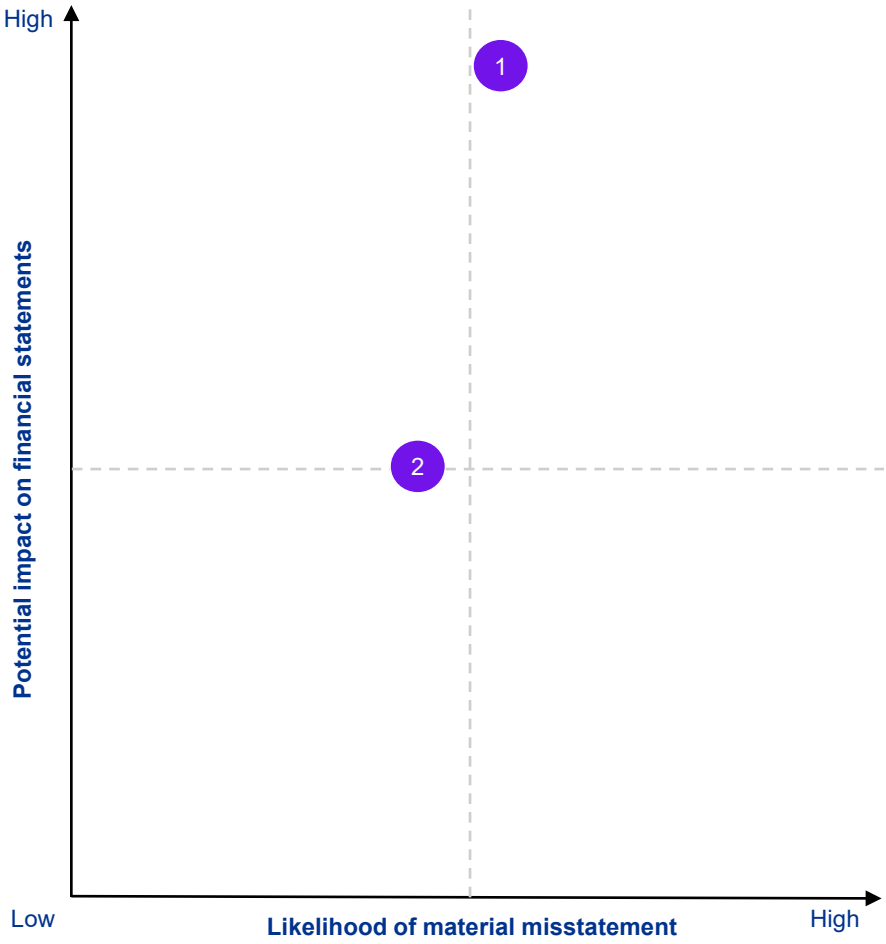
In the pages overleaf we have reported the work we have completed on significant risks and other audit risks.

Significant risks	
1.	Valuation of land and buildings
2.	Valuation of post retirement benefit obligations
3.	Management override of controls*

*A significant risk that auditing standards require us to assess on all audit engagements. Not always included in the graph except where we have also identified an entity-specific risk of management override of controls

Key:

- Significant financial statement audit risks
- Key audit matter and significant financial statement audit risk
- Significant financial statement audit risks
- Increasing or decreasing risk compared with planning
- Other audit risk



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Audit risks and our audit approach

1 Valuation of land and buildings

The carrying amount of revalued Land & Buildings differs materially from the fair value

Cautious — Neutral — Optimistic

Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date

Land and buildings are valued either at existing use value (EUV) or for specialised assets at Depreciated Replacement cost (DRC) which includes assumptions made by the Valuer for relevant build costs, obsolescence and professional fees costs.

There is therefore the risk for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the engaged valuer

We consider the significant audit risk to be over the floor area data of other land and buildings (DRC), particularly as these have not been sufficiently maintained by the Council in the past (see page 19).

Key:
Prior year
Current year

Our response

We planned to perform the following procedures designed to specifically address the significant risk associated with the valuation. We have been unable to perform the following procedures specifically designed to address the significant risk associated with the valuation of other land and buildings as a result of the issues explained on page 19:

- We will critically assess the independence, objectivity and expertise of the valuers used in developing the valuation of the Council's properties at 31 March 2025;
- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We will utilise our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

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Audit risks and our audit approach (cont.)

1 Valuation of land and buildings (cont.)

The carrying amount of revalued Land & Buildings differs materially from the fair value

Cautious — Neutral — Optimistic

Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date

Land and buildings are valued either at existing use value (EUV) or for specialised assets at Depreciated Replacement cost (DRC) which includes assumptions made by the Valuer for relevant build costs, obsolescence and professional fees costs.

There is therefore the risk for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the engaged valuer

We consider the significant audit risk to be over the floor area data of other land and buildings (DRC), particularly as these have not been sufficiently maintained by the Council in the past (see page 19).

Our findings

We have been unable to perform procedures over the significant risk associated with the valuation of land and buildings. This is due to identified issues including:

- The Council do not hold sufficient data such as up to date floor plans for the asset portfolio revalued under other land and buildings. A full review of the Council's asset portfolio to ensure correct floor area data is held is recommended, we have raised a high priority control deficiency in this regard on Page 35.

Key:
Prior year | Current year

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Audit risks and our audit approach

2 Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation

Cautious — Neutral — Optimistic

Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.

Key:
Prior year | Current year

Our response

We have performed the following procedures :

- Understood the processes the Council have in place to set the assumptions used in the valuation;
- Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirmed that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;
- Considered the adequacy of the Council's disclosures in respect of the sensitivity of the surplus to these assumptions;
- Where applicable, assessed the level of surplus that should be recognised by the entity; and
- Assessed the impact of any special events, where applicable.

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Audit risks and our audit approach (cont.)

2 Valuation of post retirement benefit obligations (cont.)

An inappropriate amount is estimated and recorded for the defined benefit obligation

Cautious — Neutral — Optimistic

Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
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- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.

Our findings

- We have confirmed that the Fund's appointed actuaries, both individual and firm, hold appropriate professional qualifications, being Fellows of the Institute of Actuaries (UK), and are therefore suitably qualified to perform actuarial valuations and prepare IAS19 disclosure reports.
- We agreed the data provided by the scheme administrator for use within the calculation of IAS 19 report with no issues noted.

The actuarial methodology applied in the current year is consistent with the prior year and aligns with the council's reporting framework. We have reviewed the key actuarial assumptions adopted by council and compared them to KPMG central rates. Overall, the assumptions are considered Balanced. We found that the salary increase assumption is outside our acceptable range. All the other individual assumption were found to be balanced and within a reasonable range.

- The salary increase assumption applied by the actuary in the calculation of the defined benefit obligation does not align with the employer's best estimate. Had the actuary utilised the employer's best estimate for salary increases, the defined benefit obligation would have been reduced by £1.3 million. While we acknowledge that management reviews the actuarial assumptions based on advice from an external actuarial specialist, the current review control does not meet the stringent requirements set out by the FRC in its auditing standards. Specifically, the control lacks the necessary precision and is not formally documented, and as such, its design is not considered to be effective. If the control had been properly designed and implemented in accordance with these standards, it is likely that this issue would have been identified and addressed by management.
- We have reviewed the asset ceiling calculation and pension disclosures, and have identified and recommended some minor improvements.

Key:
Prior year | Current year

Note: (a) Significant risk that professional standards require us to assess in all cases.

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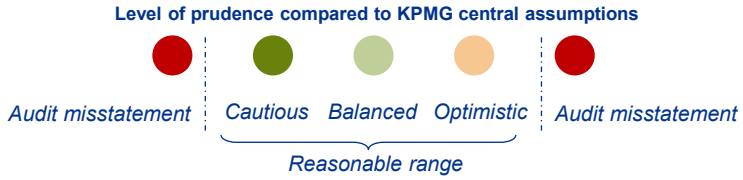
Procedures 3-6: UK assumptions



Overall assessment of assumptions for audit consideration							Balanced	
Underlying assessment of individual assumptions		**Methodology**	**Consistent methodology to prior year?**	**Compliant methodology with accounting standard?**	**Employer**	**KPMG**	**Assessment**	**Key assumptions**
Discount rate		AA yield curve	✓	✓	5.80%	5.71%		✓
CPI inflation		Deduction to inflation curve	✓	✓	2.90%	2.74%		✓
Pension increases		In line with CPI	✓	✓	2.90%	2.96%		
Salary increases		In line with most recent Fund valuation	✓	See page 13	CPI plus 1.0%	In line with long-term remuneration policy	See page 13	
Mortality	Base tables	In line with most recent Fund valuation	✓	✓	110% SAPS Series 3 tables	In line with Fund best-estimate		✓
	Future improvements	In line with most recent Fund valuation, updated to use latest CMI model	✓ See page 13	✓	CMI 2023, 1.25% long-term trend rate and default other parameters	CMI 2023,1.25% long-term trend rate and default other parameters		✓
Other demographics		In line with most recent Fund valuation	✓	✓	Members commute 50% of the maximum tax-free cash at retirement	In line with Fund experience		

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Audit risks and our audit approach

3 Management override of controls[a]

Fraud risk related to unpredictable way management override of controls may occur

Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

Our response

Our audit methodology incorporates the risk of management override as a default significant risk.

- Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicated a possible bias.
- Evaluated the selection and application of accounting policies.
- In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments.
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual.
- We analysed all journals through the year and focus our testing on those with a higher risk, such as unusual debits and credits to cash and borrowings.

Note: (a) Significant risk that professional standards require us to assess in all cases.

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Audit risks and our audit approach (cont.)

3 Management override of controls(cont.)[a]

Fraud risk related to unpredictable way management override of controls may occur

Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our findings

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

- We identified 7 journal entries and other adjustments meeting our high-risk criteria – our examination did not identify unsupported or inappropriate entries.
- Our procedures did not identify any significant unusual transactions.
- We identified a control deficiency in relation to journals approval, see page 35.
- We evaluated the selection and application of the Council's accounting policies and concluded that these were in line with the 24/25 CIPFA code.

Note: (a) Significant risk that professional standards require us to assess in all cases.

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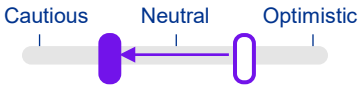
Key accounting estimates and management judgements– Overview

Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.



Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
Valuation of Council Dwellings	Cautious / Neutral / Optimistic	191,959	8.5	Needs improvement / Neutral / Best practice	Our work over the assumptions underlying the valuation of council dwellings has not identified any other significant differences compared to our expectations. We considered the disclosures to be acceptable.
Valuation of Other Land and Buildings		66,978	1.9		We have been unable to complete our work over the assumptions underlying the valuation of other land and buildings. See page 19 for further information.
Defined Benefit Obligations		122.68	-14.66		The LGPS liability balance has decreased from £137.347m to £122.683m over the year, giving a net reduction of £14.664m which represents a 10.7% decrease. This reduction is primarily driven by a significant re-measurement gain on liabilities arising from changes in financial assumptions, most notably the increase in the discount rate from 4.90% to 5.80%, which materially lowers the present value of future obligations.

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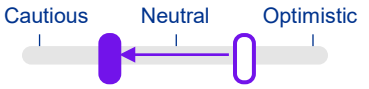
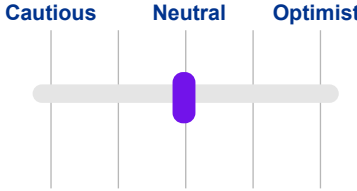
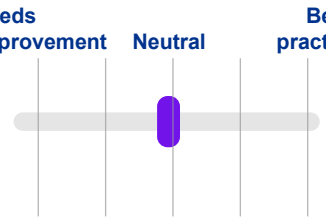
Key accounting estimates and management judgements– Overview (Cont.)

Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.



Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
Defined Benefit Plan Assets		199.54	7.55		The fair value of plan assets increased from **£191.999m to £199.544m**, reflecting a **net movement of +£7.545m**, which is an increase of approximately **3.9%** over the year. This rise was mainly driven by positive investment returns and contributions from the employer and members, partly offset by benefits paid and administration expenses. No settlements or unusual events were reported during the year.

Key:
Prior year
Current year

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Other significant matters

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. The below are other significant matters we have identified in our audit.

Control deficiencies

We obtain an understanding of internal control to design appropriate audit procedures, but not to express an opinion on the effectiveness of the Council's internal control.

The matters below will be covered in further detail in our management letter which is due to be issued on 27 February 2025. The significant control deficiency was previously reported to you in our letter to the audit committee dated 26 February 2025.

Key:

- These are significant control deficiencies which increase the likelihood and potential magnitude of a material misstatement in the financial statements. We have identified 1 significant control deficiencies in the current year.
- These are matters of sufficient importance to note such as weaknesses which were subsequently corrected and matters that could be significant in the future if left unaddressed. We have identified 1 of such deficiencies in the current year.
- These are less significant weaknesses but which we considered to be of sufficient importance to merit management's attention. We have raised 2 related observations in the current year.

Other land and buildings (recurring)

- As in the previous year, the Council do not hold sufficient data on the floor areas of their other land and buildings asset portfolio including up to date floor plans. This has meant we are unable to obtain sufficient audit evidence over the other land and buildings balance. We recommend that the Council undertake a full review of their asset portfolio and ensure up to date data is held on all asset floor areas.

This deficiency is currently unresolved. Management acknowledged in the previous year that this is likely to be resolved on a phased approach over more than one year.

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Other matters

Narrative report

As Audit Committee members you confirm that you consider that the Narrative Report, including the Annual Governance Statement, and financial statements taken as a whole are fair, balanced and understandable and provides the information necessary for regulators and other stakeholders to assess the Council's performance, model and strategy.

Our responsibility is to read the other information, which comprises the information included in the Statement of Accounts other than the financial statements and our auditor's report thereon and, in doing so, consider whether, based on our financial statements audit work, the other information is materially misstated or inconsistent with the financial statements or our audit knowledge.

Due to the significance of the matters leading to our disclaimer of opinion, and the possible consequential effect on the related disclosures in the other information, whilst in our opinion the other information included in the Statement of Accounts is consistent with the financial statements, we are unable to determine whether there are material misstatements in the other information.

Whole of Government Accounts

As required by the National Audit Office (NAO) we carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack.

We have confirmed that, for Tendring District Council, the threshold at which detailed testing is required has not been exceeded.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

Audit Fees

We have set out audit fees, as set by PSAA and fee variations on page 29.

We have also completed non audit work at the Council during the year on Pooling of Housing Capital Receipts Return for 23/24 and have included in the appendix on page 31 confirmation of safeguards that have been put in place to preserve our independence.

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Value for money

Value for Money

We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

In discharging these responsibilities we include a statement within our audit report on your accounts to confirm whether we have identified any significant weaknesses. We also prepare a commentary on your arrangements that is included within our Auditor's Annual Report, which is required to be published on your website alongside your annual report and accounts.

Commentary on arrangements

We have prepared our Auditor's Annual Report and a copy of the report is included within the papers for the Committee alongside this report.

Response to risks of significant weaknesses in arrangements to secure value for money

As noted on the right, we have identified no risk of a significant weakness in the Council's arrangements to secure value for money.

We have no recommendations to report.

Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

Further detail is set out in our Auditor's Annual Report.

Performance improvement observations

As part of our work we have identified 1 Performance Improvement Observation, which are suggestions for improvement but not responses to identified significant weaknesses – see page 23.

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Value for Money: Recommendations

Below we have set out our findings from following up recommendations raised in respect of significant weaknesses identified in prior periods:

#	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of September 2025
1	We have identified a significant weakness relating to Governance. Unauthorised expenditure of £386k in 2023/24 has been identified on the Spendells capital project. In addition to this, a number of capital projects, including Spendells, have overspent their budget in 2023/24. The unauthorised expenditure highlights that appropriate governance procedures to monitor approved capital expenditure on projects were not in place during 2023/24. The Council is undertaking a formal investigation into how the unauthorised expenditure arose, but this is yet to be concluded at the date of our report. We recommend that the Council concludes its investigation as soon as possible and ensures that appropriate governance arrangements are in place to monitor the implementation of the recommendations arising from the investigation.	The outcome of the investigation into Spendells is due to be finalised and reported to Members shortly, and any emerging recommendations to strengthen the Council's project management / governance arrangements will be considered as timely as possible. In respect of the reference to capital projects overspending their budget in 2023/24, unlike the Spendells project where unauthorised expenditure was incurred, these broadly relate to projects where the associated budgets would have increased as necessary via the Council's existing governance arrangements. The overspending reference therefore relates to increases made to the associated budgets ahead of expenditure being incurred which would have been subject to separate standalone decisions or via the regular Financial Performance Reports presented to Cabinet. Such reports would have set out the reasons for the increase. It is also important to highlight that the Council has acknowledged the need to ensure sufficient capacity to deliver the Council's various ambitious projects, with the Project Delivery Unit recently being established. **Update as of February 2026:** The investigation and review were completed last year with final reports presented to Members (including a report to the Audit Committee on 27 March 2025). This has been complemented by further opportunities to learn from other major projects as reported to Cabinet during the year along with the delivery of three associated key actions, one of which was the establishment of an Officer Project Delivery Board. It is also worth highlighting that the Council acknowledged the need to ensure sufficient capacity to deliver the Council's various ambitious projects, with the Project Delivery Unit also established last year.	Partially Implemented: We reviewed the final investigation report on the Spendells House Capital Scheme, presented to the Audit Committee on 27 March 2025. The report found that the Council's governance and internal controls were reasonable but recommended improved adherence to the governance framework, stronger specifications, and enhanced training—including staff inductions highlighting high-level governance arrangements. The recommendations highlighted from the investigation, alongside other major project learnings, will form part of the annual review of the Council's governance arrangement's which will in turn inform the associated action plan to be presented to the Audit Committee in the first half of 2025/26.

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Value for Money: Performance improvement observations

The performance improvement observations raised as a result of our work in respect of identified or potential significant value for money risks in the current year are as follows:

Priority rating for observations		
1 **Priority one:** Observations linked to issues where, if not rectified, these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2 **Priority two:** Observations linked to issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately, but the weakness remains in the system.	3 **Priority three:** Observations linked to issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	3	External benchmarking As part of our VFM risk assessment, we considered how external data and benchmarking is used to assess the Council's cost base and noted that external benchmarking is not undertaken on a corporate basis, only through ad-hoc external reviews and self-assessment. External benchmarking against other Council's and particularly neighbouring authorities is useful context to measure the Council's performance. Performance indicators, as an example, may include collection rates, invoices paid within 30 days or rent and service charge arrears as a % of the annual rent debit. We recommend that the Council implement regular external benchmarking reports to better understand the Council's relative performance, as well as to identify areas for improvement.	Although in principle such benchmarking can be positive, it can also be time consuming and costly that therefore comes at the expense of other key activities and the delivery of priorities for example, especially when there is already limited capacity / resources within the organisation. A balance therefore needs to be maintained between these two key elements, and although it is not proposed to introduce a corporate wide approach to benchmarking, the opportunity to learn from other councils will be considered as part the Council's Departmental Planning processes, best value responsibilities and alongside the work associated with LGR, which will include working with authorities across Essex.

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Value for Money: Performance improvement observations

Below we have set out our findings from following up performance improvement observations raised in prior periods:

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of February 2026
1	1	The Internal Audit team during their Project Management review, noted improvement is required due to major issues identified around multiple instances of projects failing to be delivered on time and within their original budget. Due to the nature of these projects, the values involved, and potential for further overspends, as well as the scale of the Council's capital programme and funding in the short and medium term, we have noted a significant risk around governance. The report from internal audit on Project Management had two major findings, however, there is an adequate action plan in place to address the issues found. We recommend that the Council continue to implement and closely monitor the progress of the action plan.	As recommended, the Council continues to take forward the necessary actions along with monitoring their progress as part of existing governance / reporting arrangements.	**Partially implemented:** The Internal Audit action plan remains ongoing and updates will be provided during 2025/26.
2	3	Risks around building safety, fire and mould which are current sector issues are not currently captured in the corporate risk register. The Council also do not currently monitor service-line risks alongside the authority-wide risk register. We recommend that the Council ensure that health and safety risks are adequately captured in the risk register and service-line risks are monitored alongside the authority-wide risk register.	It is acknowledged that there is always a balance between operational / service risks and those captured within the Corporate Risk Register. The Council's current corporate risk register does capture Health and Safety and the Management of Assets as high level risks, but further consideration is being given the recommendations made as part of the current / on-going risk register review.	**Outstanding**: Remains under review with updates to be provided during 2025/26.
3	3	Although the Council make tender exemption decisions individually, a central tender waiver register is not held. We recommend that the Council hold a central tender waiver register to be reviewed annually by Cabinet and the Audit Committee	Following the associated review, a register has now been established and it is proposed to report this annually to the Audit Committee. In terms of reporting to Cabinet it is proposed that this remains subject to the annual review of the Audit Committee highlighted above.	**Outstanding**: This is being considered alongside the annual governance review.
4	3	The Council's risk management framework is now 6 years old, we recommend that this is reviewed and updated as required.	It is worth highlighting that although it is broadly subject to a 'light touch' review on a six-monthly basis alongside the Corporate Risk Register, it will be subject to a more comprehensive review as part of the current work associated with item 2 above during 2025/26.	**Implemented**: The risk management framework was updated in January 2025

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Appendix

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Rebuilding assurance: Risk assessments results

LARRIG 06 sets out guidance to auditors of English local authorities in circumstances where the auditor's opinion on the prior year financial statements has been disclaimed because of backstop arrangements included in the Accounts and Audit (Amendment) Regulations 2024, specifically its purpose is to assist auditors in the process of rebuilding assurance for specific classes of transactions, account balances and disclosures which warrant special consideration beyond the general principles set out in LARRIG 05.

Specifically we have completed the following risk assessment procedures:

- Review of Statements of Accounts from disclaimed years;
- Review of predecessor's auditors report;

We have not yet been able to complete the following, but plan to do so by the end of April 2025:

- Entity and process level risk assessment procedures;
- An assessment of the revenue budget setting and monitoring, including reserves, and capital during the disclaimed period; and
- Inquiries, with regards to changes to the Authority during the disclaimed period.

The risk assessment so far has identified risks of material misstatement we need to complete procedures to address the risk of material misstatement. The table below identified the risks of material misstatements, the procedures to address the risks and the likely audit year we will complete the work.

#	Risk of material misstatement identified	Procedures to address the risk of material misstatement	Audit year we have planned the procedures *
1	Property, plant and equipment	• Sample test additions to FAR in the disclaimed period • Sample test the disposals to FAR in the disclaimed period • Sample test movements in the Asset Categories to ensure the classification is fairly stated	2025-26
2	Short and long term creditors (Disabled Facilities Grant)	• Test the Disabled Facilities Grant opening balance in full back (including disclaimed years) to supporting evidence	2025-26

* This is subject to the Authority providing the required information in a timely manner.

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Required communications

Type		Response
Our draft management representation letter	OK	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2025.
Adjusted audit differences	OK	There were nil adjusted audit differences
Unadjusted audit differences	OK	The aggregated surplus impact of unadjusted audit differences would be £nil.
Related parties	OK	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	OK	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	OK	We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing on 19 February 2026.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	OK	No actual or suspected fraud involving Council management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Issue a report in the public interest	OK	We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Significant difficulties	OK	No significant difficulties were encountered during the audit.
Modifications to auditor's report	X	Our audit opinion will be disclaimed. See page 4 for further details.
Disagreements with management or scope limitations	OK	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	OK	No material inconsistencies were identified related to other information in the statement of accounts.
Breaches of independence	OK	No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
Accounting practices	OK	Over the course of our audit, we have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	OK	There were no significant matters arising from the audit.
Certify the audit as complete	OK	We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above. We will issue our certificate once we have received confirmation from the National Audit Office that their audit of the Whole of Government Accounts is complete and therefore all our work in respect of the Authority's Whole of Government Accounts consolidation pack is complete.
Whole of government accounts	OK	We will issue our report to the National Audit Office following the completion of our work.

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Fees

Audit fee

Our fees for the year ending 31 March 2025 are set out in the table below (note all fees are exclusive of VAT).

Entity	2024/25 (£'000)	*2023/24 (£'000)*
Scale fee as set by PSAA	177	*162*
IFRS 16 fee variation	2*	-
Disclaimer fee variation	4*	*5*
ISA315r fee variation	-	*9*
VFM fee variation related to material weakness	2*	*8*
Other fee variations related to overruns	2.8*	*4*
TOTAL FEE PAYABLE	**187.8**	*189*

*Fees variations subject to PSAA approval process.

In addition to the fees above, we have yet to calculate the expected fee related to the Build Back Assurance programme of work which will be agreed and billed as part of the 2025/26 audit. We expect this to be in the range of £63-75k. .

Billing arrangements

- Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.
- Note some fees are subject to PSSA determination and will therefore be confirmed on that determination

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Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Director and audit staff is not impaired.

To the Audit and Risk Committee members

Assessment of our objectivity and independence as auditor of Tendring District Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out on the table overleaf.

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Confirmation of Independence (cont.)

Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2025 £000	Value of Services Committed but not yet delivered £000
1	Council's Pooling of Housing Capital Receipts Return for 23/24	Assumption of management responsibilities Self interest	• Standard language on non-assumption of management responsibilities is included in our engagement letter. • The level of fee is not considered to cause a significant self-interest threat.	Fixed	5,000	0

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Confirmation of Independence (cont.)

Summary of fees

We have considered the fees charged by us to the Group and its affiliates for professional services provided by us during the reporting period.

Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0.03: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2024/25
	£'000
Scale fee	177
Other Assurance Services	5
Total Fees	**182**

Application of the FRC Ethical Standard 2019

Your previous auditors will have communicated to you the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Risk Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee of the Group and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

Sarah McKean

KPMG LLP

KPMG

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Uncorrected audit misstatements

Given we are disclaiming our audit opinion as described on page 4 there may be other audit misstatements our audit procedures would have identified if we completed our audit procedures as initially planned. In this section, we have reported uncorrected audit misstatements that we have identified.

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit Committee with a summary of uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Audit Committee, details of all adjustments greater than £106.5K are shown below:

Uncorrected audit misstatements (£'000s)

No.	Detail	CIES Dr/(cr)	Balance Sheet Dr/(cr)	Comments
1	Dr Net Defined benefit plan liabilities		1,350	The salary increase assumption should be set as the Employer's best estimate of their long term remuneration policy for their active membership in the Fund. Hence, KPMG requested confirmation from the Employer as to whether that is the case. The Employer confirmed that when preparing their medium-term financial forecast, they would use a salary increase assumption set in line with CPI. Therefore, from the Employer's perspective, the actuary has applied a prudent risk premium to the salary increase assumption for the purpose of calculating the net asset/liability position of the fund.
	Cr Remeasurements of defined benefit liability- OCI	(1,350)		
Total		**(£1,350)**	**£1,350**	

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Corrected audit misstatements

Given we are disclaiming our audit opinion as described on page 4 there may be other audit misstatements our audit procedures would have identified if we completed our audit procedures as initially planned. In this section, we have reported corrected audit misstatements that we have identified.

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Corrected audit misstatements		
No.	**Detail**	**Comments**
1	Remuneration Report	Recorded the remuneration for a senior member of staff was incorrect due to a transposition error.

We also identified an additional disclosure required to the Financial Instruments note to clarify the classification of a short term investment.

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Control Deficiencies (cont.)

We have also follow up the recommendations from the previous years audit, in summary:

Total number of recommendations	Number of recommendations implemented	Number outstanding (repeated below):
7	3	4

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (February 2026)
1	1	Review of valuation of land and buildings: Currently there is not a formalised review of the Council's valuer Wilks Head and Eve output. The Council do not hold sufficient data on the floor areas of their other land and buildings asset portfolio including up to date floor plans. We recommend that the Council undertake a full review of their asset portfolio and ensure up to date data is held on all asset floor areas. We also recommend that the Council undertake a formal review of the valuation on an annual basis.	The necessary review was undertaken as part of the preparation of the 2024/25 Statement of Accounts. However, although it has not been possible to resolve the matter in its entirety, plans are in place to enable this to be finalised as part of the preparation of the Council's future year's accounts. Notwithstanding the above, interim activities were undertaken as part of preparing the 2024/25 Statement of Accounts where possible to strengthen the quality of information included.	KPMG: We note that an exercise to obtain up to date floor areas has been undertaken for the largest leisure centres, however, up to date measurements of the floor areas for the remainder of the other land and buildings portfolio is yet to be undertaken.
2	2	Review of journals: There is no documentation to the review of journals other than the initials of the reviewer. All journals posted below £100k have no approval or review process. We recommend that the Council formalise their review process for journals including full documentation of the review e.g. purpose of the journal, as well as review of some journals below the threshold	It is important to highlight that journals are only undertaken by finance officers within the Corporate Finance Team rather than a wider issue across the Council and journals involve the movement of money internally between budget lines. Although it is accepted that there is a risk of misstatement to the accounts via the journals process, there are already complementary controls in place that adequately address such risks and therefore it is not proposed to consider the implementation of this recommendation	KPMG: We note that this control deficiency remains the same for the year ended 31 March 2025.

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Control Deficiencies (cont.)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (February 2026)
3	3	Declarations of interest (DOI): KPMG had requested up to date DOI for each councillor to agree to interests recorded in the Register of interests for related party purposes. The council does not hold an up to date DOI from one councillor due to non-response (two councillors in previous year). We recommend that the Council continue to reiterate the importance of each councillor providing an up to date DOI annually.	This issue relates to the email sent out to Members at the end of each financial year reminding them to confirm that their DOI's are up to date that in turn informs the associated reporting within the Statement of Accounts where necessary. It is not necessarily that their DOI's are not up to date but a matter of them confirming in a timely manner that is the case or otherwise at the end of each year. The Audit Committee and officers will continue to raise the importance of the required action with Members going forwards.	KPMG: Although an exercise was undertaken by management to ensure declarations of interests were obtained and non-responses followed up, there was one missing declaration of interest for the year-ended 31 March 2025. This was subsequently received.
4	3	Management review of actuarial assumptions: We inquired with the audited entity to understand the pension process. We understood that the Finance Head reviews the assumptions and methodologies used in the calculation of the FRS 102 Report. This is based on their understanding of the pension scheme, the accounting standard and the business process and circumstances. The documentation is not formalised and may consist of email or corresponding and verbal confirmations. However, the audited entity was not able to provide the evidence of performing the control. We recommend that management produce formal documentation of their review of the assumptions and methodologies used in the calculation of the FRS 102 Report.	Following on from last year, this was moved onto a more formal basis as recommended, with a statement made by the S151 provided to the External Auditor to inform their review. It is proposed to continue to work with the External to address any further required actions during 2025/26.	KPMG: We note that this control deficiency remains the same for the year ended 31 March 2025.

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KPMG required communications for all entities

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FRC's areas of focus

The FRC released their Annual Review of Corporate Reporting 2023/24 ('the Review') in September 2024 having already issued three thematic reviews during the year.

The Review and thematics identify where the FRC believes companies can improve their reporting. These slides give a high level summary of the key topics covered. We encourage management and those charged with governance to read further on those areas which are significant to their entity.

Key expectations for 2024/25 annual reports

Overview

The Review identifies that the quality of reporting across FTSE 350 companies has been maintained this year, but there is a widening gap in standards between FTSE 350 and non-FTSE 350 companies. This is noticeable in the FRC's top two focus areas, 'Impairment of assets' and 'Cash Flow Statements'.

'Provisions and contingencies' has fallen out of the top ten issues for the first time in over five years. This issue is replaced by 'Taskforce for Climate-related Financial Disclosures (TCFD) and climate-related narrative reporting'.

The FRC re-iterates that companies should apply careful judgement to tell a consistent and coherent story whilst ensuring the annual report is clear, concise and Council/Authority-specific.

Pre-issuance checks and restatements

The FRC expects companies to have in place a sufficiently robust self-review process to identify common technical compliance issues. The FRC continues to be frustrated by the increasing level of restatements affecting the presentation of primary statements. This indicates that thorough, 'step-back' reviews are not happening in all cases.

Risks and uncertainties

Geopolitical tensions continue and low growth remains a concern in many economies, particularly with respect to going concern, impairment and recognition/recoverability of tax assets and liabilities. The FRC continue to push for enhanced disclosures of risks and uncertainties. Disclosures should be sufficient to allow users to understand the position taken in the financial statements, and how this position has been impacted by the wider risks and uncertainties discussed elsewhere in the annual report.

Financial reporting framework

The FRC reminds preparers to consider the overarching requirements of the UK financial reporting framework in determining the information to be presented. In particular the requirements for a true and fair view, along with a fair, balanced, and comprehensive review of the Council/Authority's development, position, performance, and future prospects.

The FRC does not expect companies to provide information that is not relevant and material to users, and companies should exercise judgement in determining what information to include.

Companies should also consider including disclosures beyond the specific requirements of the accounting standards where this is necessary to enable users to understand the impact of particular transactions or other events and conditions on the entities financial position, performance and cash flows.

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KPMG required communications for all entities

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FRC's areas of focus (cont.)

Impairment of assets

Impairment remains a key topic of concern, exacerbated in the current year by an increase in restatements of parent Council/Authority investments in subsidiaries.

Disclosures should provide adequate information about key inputs and assumptions, which should be consistent with events, operations and risks noted elsewhere in the annual report and be supported by a reasonably possible sensitivity analysis as required.

Forecasts should reflect the asset in it's current condition when using a value in use approach and should not extend beyond five years without explanation.

Preparers should consider whether there is an indicator of impairment in the parent when its net assets exceed the group's market capitalisation. They should also consider how intercompany loans are factored into these impairment assessments.

Cash flow statements

Cash flow statements remain the most common cause of prior year restatements.

Companies must carefully consider the classification of cash flows and whether cash and cash equivalents meet the definitions and criteria in the standard. The FRC encourage a clear disclosure of the rationale for the treatment of cash flows for key transactions.

Cash flow netting is a frequent cause of restatements and this was highlighted in the 'Offsetting in the financial statements' thematic.

Preparers should ensure the descriptions and amounts of cash flows are consistent with those reported elsewhere and that non-cash transactions are excluded but reported elsewhere if material.

Climate

This is a top-ten issue for the first time this year, following the implementation of TCFD.

Companies should clearly state the extent of compliance with TCFD, the reasons for any non-compliance and the steps and timeframe for remedying that non-compliance. Where a Council/Authority is also applying the CIPFA Climate-related Financial Disclosures, these are mandatory and cannot be 'explained', further the required location in the annual report differs.

Companies are reminded of the importance of focusing only on material climate-related information. Disclosures should be concise and Council/Authority specific and provide sufficient detail without obscuring material information.

It is also important that there is consistency within the annual report, and that material climate related matters are addressed within the financial statements.

Financial instruments

The number of queries on this topic remains high, with Expected Credit Loss (ECL) provisions being a common topic outside of the FTSE 350 and for non-financial and parent companies.

Disclosures on ECL provisions should explain the significant assumptions applied, including concentrations of risk where material. These disclosures should be consistent with circumstances described elsewhere in the annual report.

Council/Authority should ensure sufficient explanation is provided of material financial instruments, including Council/Authority -specific accounting policies.

Lastly, the FRC reminds companies that cash and overdraft balances should be offset only when the qualifying criteria have been met.

Judgements and estimates

Disclosures over judgements and estimates are improving, however these remain vital to allow users to understand the position taken by the Council/Authority. This is particularly important during periods of economic and geopolitical uncertainty.

These disclosures should describe the significant judgements and uncertainties with sufficient, appropriate detail and in simple language.

Estimation uncertainty with a significant risk of a material adjustment within one year should be distinguished from other estimates.

Further, sensitivities and the range of possible outcomes should be provided to allow users to understand the significant judgements and estimates.

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KPMG required communications for all entities

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FRC's areas of focus (cont.)

Revenue

Disclosures should be specific and, for each material revenue stream, give details of the timing and basis of revenue recognition, and the methodology applied. Where this results in a significant judgement, this should be clear.

Presentation

Disclosures should be consistent with information elsewhere in the annual report and cover Council/Authority - specific material accounting policy information.

A thorough review should be performed for common non-compliance areas of IAS 1.

Income taxes

Evidence supporting the recognition of deferred tax assets should be disclosed in sufficient detail and be consistent with information reported elsewhere in the annual report.

The effect of Pillar Two income taxes should be disclosed where applicable.

Strategic report

The strategic report must be 'fair, balanced and comprehensive'. Including covering all aspects of performance, economic uncertainty and significant movements in the primary statements.

Companies should ensure they comply with all the statutory requirements for making distributions and repurchasing shares.

Fair value measurement

Explanations of the valuation techniques and assumptions used should be clear and specific to the Council/Authority.

Significant unobservable inputs should be quantified and the sensitivity of the fair value to reasonably possible changes in these inputs should provide meaningful information to readers.

Thematic reviews

The FRC has issued three thematic reviews this year: 'Reporting by the UK's largest private companies' (see below), 'Offsetting in the financial statements', and 'IFRS 17 Insurance contracts –Disclosures in the first year of application'. The FRC have also performed Retail sector research (see below).

UK's largest private companies

The quality of reporting by these entities was found to be mixed, particularly in explaining complex or judgemental matters. The FRC would expect a critical review of the draft annual report to consider:

- internal consistency
- whether the report as a whole is clear, concise, and understandable; notably with respect to the strategic report
- whether it omits immaterial information, or
- whether additional information is necessary for the users understanding particularly with respect to revenue, judgments and estimates and provisions

Retail sector focus

Retail is a priority sector for the FRC and the research considered issues of particular relevance to the sector including:

- Impairment testing and the impact of online sales and related infrastructure
- Alternative performance measures including like for like (LFL) and adjusted e.g. pre-IFRS 16 measures
- Leased property and the disclosure of lease term judgements, particularly for expired leases.
- Supplier income arrangements and the clarity of accounting policies and significant judgements around measurement and presentation of these.

2024/25 review priorities

The FRC has indicated that its 2024/25 reviews will focus on the following sectors which are considered by the FRC to be higher risk by virtue of economic or other pressures:

- Industrial metals and mining
- Construction and materials
- Food producers
- Retail
- Gas, water and multi-utilities
- Financial Services

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KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every director and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight (and Risk) Committee, and accountability is reinforced through the complete chain of command in all our teams.

Commitment to continuous improvement

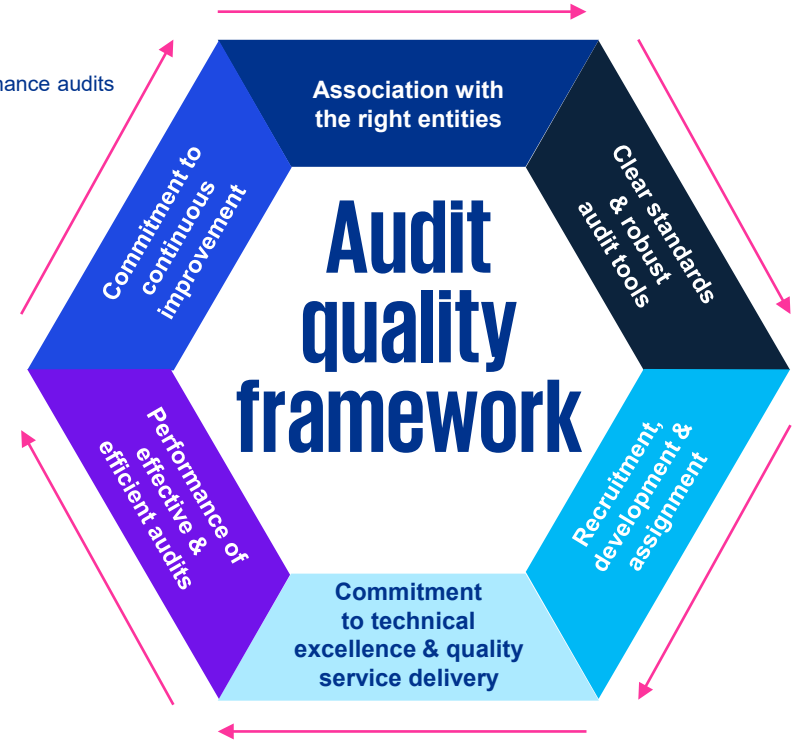
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



Association with the right entities

- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members employed KPMG specialists and specific team members

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ATTACHMENT 3

Management Representation Letter

[Council Letterhead]

KPMG LLP
Sarah McKean
15 Canada Square
London
E14 5GL

XX February 2026

Dear Sarah

This representation letter is provided in connection with your audit of the Council financial statements of Tendring District Council ("the Council"), for the year ended 31 March 2025, for the purpose of expressing an opinion:

i. as to whether these give a true and fair view of the financial position of the Council as at year end and of the Council's income and expenditure for the year then ended;
ii. whether the Council's financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 ("CIPFA/LASAAC Code").

These financial statements comprise the following: the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement, Statement of Cash Flows, Collection Fund, Housing Revenue Account and the notes, comprising material accounting policies and other explanatory information and the Expenditure and Funding Analysis.

The Council confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Council confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Council has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendment) Regulations 2024, for the preparation of financial statements that:

    i. give a true and fair view of the financial position of the Council as at year end and of the Council's income and expenditure for the year then ended;
    ii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

    The financial statements have been prepared on a going concern basis.

2. The methods, the data and the significant assumptions used in making accounting estimates and their related disclosures are appropriate to achieve recognition,

measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. The Council has provided you with:

   - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
   - additional information that you have requested from the Council for the purpose of the audit; and
   - unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

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

7. The Council confirms the following:

   The Council has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

   Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

9. The Council has disclosed to you all information in relation to:

   a) Fraud or suspected fraud that it is aware of and that affects the Council and involves:
      - management;
      - members;
      - employees who have significant roles in internal control; or
      - others where the fraud could have a material effect on the financial statements; and
   b) allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, members, analysts, regulators or others.

   In respect of the above, the Council acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Council acknowledges its responsibility for the design, implementation and

maintenance of internal control to prevent and detect fraud and error, and we believe we have appropriately fulfilled those responsibilities.

10. The Council has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

11. The Council has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

12. The Council has disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures.*

    Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

13. The Council confirms that:

    a) The financial statements disclose all of the matters that are relevant to the Council's ability to continue as a going concern, including the key risk factors, assumptions made and uncertainties surrounding the Council's ability to continue as a going concern as required to provide a true and fair view and to comply with IAS 1 *Presentation of Financial Statements*.
    b) No material uncertainties related to events or conditions exist that may cast significant doubt upon the ability of the Council to continue as a going concern.

14. On the basis of the process established by the Council and having made appropriate enquiries, the Council is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 Employee Benefits.

    The Council further confirms that:

    a) all significant retirement benefits, including any arrangements that are:
        - statutory, contractual or implicit in the employer's actions;
        - arise in the UK and the Republic of Ireland or overseas;
        - funded or unfunded; and
        - approved or unapproved,

        have been identified and properly accounted for; and
    b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

15. We have disclosed to you all information regarding investigations into possible fraud and/or non-compliance or suspected non-compliance with laws and regulations, including illegal acts, that we have undertaken at our discretion and completed, including the results of such investigations, and the resolution of the matters, if any, identified in such investigations

This letter was tabled and agreed at the meeting of the Audit Committee on 19 February 2026.

Yours faithfully,

Richard Barrett
Director of Finance and IT (Section 151 Officer)

[DATE]

Appendix to the Council Representation Letter of Tendring District Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

A housing authority must present a Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;

b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
c) dissimilar items, transactions or other events are inappropriately aggregated;
d) similar items, transactions or other events are inappropriately disaggregated; and
e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.

Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and
b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- A person or a close member of that person's family is related to a reporting entity if that person:
    - has control or joint control over the reporting entity;
    - has significant influence over the reporting entity; or
    - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- An entity is related to a reporting entity if any of the following conditions applies:
    - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
    - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
    - Both entities are joint ventures of the same third party.
    - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
    - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
    - The entity is controlled, or jointly controlled by a person identified in (a).
    - A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
    - The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a government that has control or joint control of, or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Appendix 1: Uncorrected Audit Misstatements

There is one uncorrected audit difference.

Dr Net Defined benefit plan liabilities 1,350k
Cr remeasurements of defined liability-OCI 1,350k

The salary increase assumption should be set as the Employer's best estimate of their long-term remuneration policy for their active membership in the Fund. Hence, KPMG requested confirmation from the Employer as to whether this is the case. The Employer confirmed that when preparing their medium-term financial forecast, they would use a salary increase assumption set in line with CPI. Therefore, from the Employer's perspective, the actuary has applied a prudent risk premium to the salary increase assumption for the purpose of calculating the net asset/liability position of the fund.

ATTACHMENT 4

The Council's Statement of Accounts 2024/25 for Publication (Including the Annual Governance Statement)

Tendring District Council

STATEMENT OF ACCOUNTS

2024/25

TENDRING DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2024/25

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R C Barrett
Corporate Director Finance and IT
Town Hall
Clacton on Sea
Essex CO15 1SE
19 February 2026

NARRATIVE REPORT 2024/25

INTRODUCTION

During each year the Leader of the Council makes a number of key announcements such as the introduction to the Council's annual budget and the 'Annual State of the Tendring District' Statement, which provide a helpful summary on a range of subjects, with some key highlights included in his announcements to Full Council earlier in 2025 as follows:

I have consistently emphasised my focus on getting things done. This includes both continuing the important projects initiated by previous administrations and driving forward this administration's new initiatives. Some of our notable successes include:

Spendells - our flagship homeless centre that provides a much-needed roof over the heads of 30 homeless families and contributes over £200k saving per year against our homelessness cost pressure.

Honeycroft - a sheltered scheme that was delivered under budget and on time. This allowed us to look after the more vulnerable residents in Tendring whilst freeing up seven council homes for much deserving families.
Sunspot - a scheme in Jaywick Sands, a multi-million-pound, award-winning project now complete and is now fully covering its costs two years ahead of predictions.

That is not all that has been achieved this year as there is a significant amount of projects that are progressing well that are still in the pipeline to be delivered. These include:-

- *Levelling Up Fund - Carnarvon Terrace / Library in Clacton*
- *Significant progress on the 15 projects within the Community Regeneration Partnership Programme which will make transformative investments in the district.*
- *Capital Regeneration Project - Milton Road /Kingsway/ Victoria Street/ Harwich library.*
- *Necessary improvements to the Clacton Leisure Centre and investments in local assets, ensuring our facilities meet the growing needs of residents.*
- *Playzones in all of the towns in the district.*

Being a coastal district, we have a rich maritime heritage, but our future does not rest solely on our past. Freeport East continues to take shape, with the potential to create 13,500 jobs and drive economic transformation. One clear sign of progress is the development of Centurion Park at Horsley Cross, a new business hub that will strengthen Harwich's role as a gateway for global trade.

Tendring's natural beauty is one of its greatest assets and we are determined to protect and enhance it for generations to come. Our Climate Change Action Plan, adopted this past year, is already driving real change, with new initiatives taking shape across the district. Meanwhile, we are strengthening our commitment to conservation, ensuring that our historic landscapes and cherished green spaces remain places of pride and inspiration. Through our Sports and Activity Strategy, we are encouraging residents to step outside, get active and enjoy the stunning open spaces that make Tendring unique.

Our heritage is not just something we preserve; it is something we celebrate. The iconic Dovercourt Leading Lights are undergoing a vital assessment, funded by Historic England, to secure their future. We will soon unveil the Tendring Witch Heritage Trail, an immersive journey through our district's past, bringing to life the rich and often untold stories that shape our history. This is about more than preserving the past, it is about making history a living, breathing part of our community's future.

Our ability to secure external funding continues to be a key focus, and I'm proud to report success on this front as well. We have secured multiple strands of funding from the Government's regeneration programs and beyond, including:-

- *Funding for improvements to our leisure centres from the Government's Swimming Pool Fund.*
- *£500k of UKSPF money to support various initiatives district-wide on top of over £1million in previous years.*
- *An additional £500k of green space funding for High Street Accelerator in Dovercourt, which includes investment for open spaced landscape improvements. This is in addition to £237k secured last year for improvements in Dovercourt.*
- *£40k to fund a structural survey on the Dovercourt Leading Lights*
- *£200k capacity funding for the Long Term Plan for Towns overseen by Clacton Town Board.*
- *We are also pursuing a SALIX funding bid for over £1 million green energy solutions, aimed at replacing our ageing boilers at Clacton Leisure Centre.*

In terms of future financial management, we have been proactive. Notable actions this year include:-

- *Waste, recycling, and street cleaning contract preparations to provide flexibility as decisions are made later in the year.*
- *Investment in Council assets to avoid "ticking time bomb" scenarios due to neglect.*
- *Setting aside £1 million for coastline management, which we hope will help leverage additional external funding.*
- *Proactively managing cost pressures, such as the growing issue of homelessness, where we have allocated resources to manage the financial implications.*
- *£1 million to fund a Project Delivery Unit to give much needed capacity to deliver the many ongoing projects and more may be needed if we are to complete all outstanding projects to meet the timelines set by LGR.*

Looking ahead to the proposed General Fund Budget for 2025/26, we have made careful assumptions and managed risks to ensure a balanced budget. The savings plan will continue to be an important element in helping us continue to balance the budget in future years. Savings do not necessarily mean reductions in expenditure as they can include increases in income, which is reflected within the current plan and will be something we will continue to explore going forwards – one good example being the on-going successful management of our investments. As reflected in the savings plan, income from our treasury management activities continues to deliver a significant level of funding that remains an important part of balancing our books, with the budget for 2025/26 expecting an investment income of over £1.8 million. Unlike other councils that have proposed savings plans that are ultimately undeliverable, the savings in our plan are achievable, many of which have already been secured.

In terms of the overall net budget for 2025/26, it is now in surplus with a contribution being made to the Forecast Risk Fund rather than a contribution from it, which was the case in earlier forecasts.

Part of stewardship is having one eye on the future and the challenges that may lie ahead and for me these come in three areas:-

The first is BAU, the business as usual, and these incorporate items such as the rise of inflation, the increase in the cost of living, which makes even more demands on council services, reduced interest rates, which will affect treasury outcomes and volatile energy costs.

The second is the Government equation. I welcomed the continued commitment to our levelling up projects, and announcements around UKSPF and right to buy receipts, alongside a commitment to a multi-year settlement which will add stability in forecast predictions. We do however, need to understand the significant impact from National Insurance changes, along with potential changes in and around business rates and the new homes bonus which will impact our 2026/27 financial position.

The Government's recent white paper on local government devolution will have a significant impact on our future financial planning. We are actively considering this new landscape and preparing our savings plans with a focus on identifying efficiencies, protecting services, and managing cost pressures.

The budget surplus for 2025/26 also provides us with some flexibility, which could be crucial in supporting the capacity required for local government reorganisation, should that occur.

However, despite these uncertainties, I am confident that the strong financial foundation we have built will enable us to navigate these challenges. This confidence is backed by the recent recognition from our External Auditor, whose independent view [on value for money] assures us of the effectiveness of our financial stewardship.

[In terms of the Housing Revenue Account] it might be worth setting the scene in terms of the underlying principle that both my administration and the previous administration have applied to the Council's important social housing landlord role.

And that is we want to make sure that as much of the rents we collect from our tenants is invested back into their homes and associated services. This continues to remain a fundamental premise of what a good social landlord should do, regardless of the social housing regulations that might require it. Good quality housing goes hand in hand with the quality of life of our tenants.

Effective Management of our tenants' homes and the support we provide them are further cornerstones of our important landlord role, that we will be judged against by both our tenants and the Regulator.

Similarly to the General Fund, there are challenging times ahead and there will always be trade-offs in terms of balancing our aims and aspirations with the depth of our pockets. We acknowledge that the proposed use of reserves in 2025/26 and beyond is not a sustainable long-term solution, but in the more immediate term it strikes the necessary balance of 'protecting' the investment in tenants' homes and enables the Council to meet its key priorities and regulatory responsibilities.

As part of our active management of the business plan, we will need to continue to keep a watching brief on potential cost pressures and other liabilities. The cost of undertaking the required level of maintenance to our tenants' homes continues to rise due to inflationary pressures. We are also required to meet a set of tenant satisfaction measures and are subject to an enhanced programme of regulation from the Regulator for Social Housing. Such a challenging background to our financial planning process will naturally limit options to rationalise resources across the various lines of the forecast.

However, we need to be up to the challenge of seeking efficiencies and exploring the prioritisation of resources without compromising our underlying principles or our ability to meet regulatory requirements.

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

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

Organisational Overview and External Environment

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

- Tendring enjoys over 36 miles of coastline, award-winning sandy beaches, numerous coastal towns providing anything from the traditional pleasures of the seaside to maritime heritage, a variety of beautiful and picturesque villages and one of the busiest harbours in Europe.

- The coastal geography is one of the greatest assets but also presents difficulties such as expensive management issues.

- A large majority of people living in Tendring consider it a good place to live, which is reflected in the number of individuals who have decided to retire to the area. A very high proportion of our residents are over the age of 65. The population is growing rapidly and is predicted to grow to 170,000 by 2026.

- People live in five main areas of settlement and villages across the District with differing community needs and aspirations.

- The Council has a workforce of over 400 (full time equivalents) of which many are Tendring residents.

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

The Council agreed a revised Corporate Plan (covering the period 2024 to 2028) during 2023/24 which remains set against the context of a changing environment for Councils with continuing financial pressures and it encompasses a community leadership approach and a listening to residents and businesses commitment.

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

Delivery of a long-term financial sustainability plan continues to be an overriding priority for this Council with this having an influence on other projects and priorities, targets, delivery and performance management. The overriding pressure on the budget is a mix of issues including reduced Central Government funding over recent years along with significant inflationary pressures.

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

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

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

- **Community Leadership (at the heart of everything we do) -** Recognised as a cross-cutting element of the Plan

- **Championing our local environment** - We believe our environment is special, it is the space where we live and work, and therefore deserves protection. We will be tough on those who do not respect our environment. We want to create and maintain spaces for leisure, wellbeing and healthy lifestyles, and deliver access to open spaces and community resources.

- **Pride in our area and services to residents** - We want to put residents' first, by promoting clean and tidy communities, providing decent housing that everyone deserves, and tackling the things that make a big difference to you. This means getting the basics right on our services. The Council will look to harness the power of digital delivery of services while ensuring that no resident is left behind. We also want to promote pride in our communities by encouraging everyone to take responsibility for keeping their area a pleasant place in which to live and work. Pride in our area and services to residents

- **Working with partners to improve quality of life** - We want to promote safer, healthier, well connected and inclusive communities by working with our partners across government, public, private and third sectors. We will strive to build on the firm foundations, developed over time, with those partners to meet the identified needs of our communities. We recognise the vital role volunteers play in caring for others and our environment, and we will support, encourage and facilitate those opportunities.

- **Raising aspirations and creating opportunities** - Tendring is ambitious and our residents will be supported to reach their potential and realise their opportunities. To do this, working with businesses and partners, we want to improve access to skills learning and training so that residents can find employment and enable businesses to thrive; particularly taking the opportunities afforded by Freeport East and the Garden Community. We want to maximise the opportunities for young people and see them enthused with purpose. To inspire those dreams we will celebrate business success, encourage cultural, tourism and economic growth.

- **Promoting our heritage offer, attracting visitors and encouraging them to stay longer** - We want to boost our tourism by attracting more visitors to the 36 miles of sunshine coast and to our rural towns and villages. We will support our unique heritage, work with our partners, run events and promote the district for the benefit of our residents and to encourage visitors to come and to stay for longer.

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

During 2024/25 the Government set out their vision for simpler local government structures, stating that simpler structures can lead to better outcomes for residents, improved local accountability and savings which can then be reinvested in public services.

Submissions were subsequently made by Essex County Council, Thurrock and Southend-on-Sea Unitary Councils seeking to join the Government's new Devolution Priority Programme and committing to local government reorganisation. An announcement was made by the Deputy Prime Minister on 5 February 2025 confirming 'Greater Essex's inclusion on the Priority Programme. On 5 February 2025, the Government wrote to Leaders of Councils in two-tier areas and Unitary Councils in Essex, formally inviting them, together with the other Council Leaders in the area, to develop a proposal for local government reorganisation, with two key deadlines being are as follows:

- Initial proposals to be submitted to the Government by 21 March 25
- Final proposals to be submitted to the Government by 26 September 2025

Following commitments made by Local Authorities across Essex, work has either been completed or remains underway set against the deadlines above and any subsequent associated deadlines, that supports the development of plans and proposals, including the implementation of potentially new / successor Unitary Councils from as early as 1 April 2028. The Council's plans, both financial and non-financial will be reviewed against this revised background, with further details set out later on in this statement and Annual Governance Statement as necessary.

Governance and Operational Model

The outcome from the annual review of the Council's governance framework is set out within the Annual Governance Statement (an annex to this Statement of Accounts) with many activities undertaken during the year to strengthen/enhance all areas of the framework. The design of the statement continues to be based on the key principles of being accessible and setting out the key activities that the Council has undertaken during the year along with highlighting a number of key/planned activities in 2025/26. Progress against the actions included are reported to and monitored by the Council's Audit Committee during the year.

Along with the Council's performance management framework which is discussed further on, the Council's budget and Financial Plan articulate the use of resources with the position for 2025/26 and beyond summarised within the following Chief Finance Officer's (S151 Officer) report to Council in February 2025 as part of the budget process:

Robustness of the Estimates

Financial Management / Governance Arrangements

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

During 2024/25, the forecast period was extended to 2033/34 with the aim of continuing to support the Council in managing its budget sustainability and delivering financial resilience over the longer term.

The long term forecast and budget setting processes continue to be 'built' on a number of key strands, which include, increases to underlying income, controlling net expenditure and inflationary pressures, actively managing cost pressures and liabilities, savings and efficiencies and delivering a favourable outturn position each year.

Taking a longer-term view of the forecast also enables the Council to respond to any significant financial impacts over several years rather than as part of an annual budget cycle, which strengthens financial resilience in the long term. This supports the active management of cost pressures with further commentary below, which will need to include the outcome from the upcoming waste and recycling contract tender, where significant additional costs are likely to arise.

Although annual budget deficits are currently forecast across the long term plan, the overall financial forecast risks are underwritten by the use of a dedicated Forecast Risk Fund. Based on current estimates, this fund is expected to be deleted during 2030/31. As highlighted within earlier reports, in terms of the later years of the forecast, it is important to highlight the significant challenges arising from inflationary increases, which are expected to exceed the Council's ability to raise income from council tax and business rates. Therefore, at some reasonable point in the future, the Council must be able to put itself in the position of balancing its annual budget, otherwise the position is not sustainable. Based on the current forecast position, the expected annual imbalance between expenditure and income is approximately ***£0.700m****. This would therefore require corresponding annual on-going savings to be realised over the full forecast period to enable a balanced budget to be set each year.*

With the above in mind, it is important that the Council use the time that the Forecast Risk fund provides to effectively deliver long term financial sustainability. This has been supported by the commitment made by Cabinet in its initial highlight priorities that are set out in the main body of the report.

The development of the forecast and budget remains a key focus for the Council, not only being recognised within Cabinet's initial highlight priorities for 2025/26 but also via both their formal and informal meetings. This also continues to be supported by regular meetings between the Leader, Chief Executive and S151 Officer throughout the development of the current forecast and budget for 2025/26.

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

As has been the case in prior years, key financial issues are routinely considered as part of the preparation of the Council's Annual Governance Statement, with the required leadership demonstrated at the most senior level. As part of a direct response to previous year's outturn positions and in looking ahead to the on-going financial challenges, the Chief Executive continues to hold regular meetings with his senior management team. These meetings continue to cover a range of issues such as drawing out any potential financial issues ahead of the associated impact on the budget, promoting and overseeing any associated decision making / governance processes, to identify financial pressures that may impact on the Council's long term financial plan and to review the in-year performance against the Council's key aims and objectives and other key delivery targets.

As mentioned last year, there have been a number of Local Authority S151 Officers that have issued S114 notices. In reviewing the content of such reports, a major issue faced by Councils is not having the necessary practical and pragmatic plans in place to identify the savings required to balance their budgets, with some of their identified options for savings being seen as high risk and potentially unachievable. The Council has developed its own savings plan during the year, with a considerable element being secured / deliverable in 2025/26 rather than including items that are potentially higher risk.

As highlighted above, further savings are required and the identification of additional items will remain on-going and include a number of strands of work such as zero based reviews, balancing discretionary and statutory service requirements, reviewing service standards, exploring opportunities for efficiencies and how things could potentially be done differently. This will also need to take into account the Government's commitment to Local Government devolution / reorganisation which has introduced a further element of risk and uncertainty to the longer term financial planning process.

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

The Council has already received significant funding from the Government via schemes such as 'Levelling Up', which although support the delivery of key priorities, they also introduce a significant level of additional financial risk along with resource / capacity implications. These have been set out in various reports and supported by the establishment of a Project Delivery Unit.

Regular and comprehensive monitoring of the budget will continue to be undertaken during 2025/26 as part of the well-established and comprehensive financial performance reporting process, so issues can be identified and action taken at the earliest opportunity if and when appropriate. This process, along with the complementary performance management reports will need to continue to capture important management information, including the delivery of the significant projects funded by the Government mentioned above, where the Council is acting as the accountable body.

In terms of capital investment and treasury management, the Council continues to explore opportunities to strengthen its arrangements such as reviewing and learning from the delivery of current schemes and projects. Future schemes and projects will continue to be based on a robust and overall risk aware approach.

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

In previous years, the Council saw significant impacts from national and global events which still remain relevant to the forecasting process e.g. inflation.

Set against the context above, the overall forecast is based on robust and prudent estimates whilst aiming to avoid any potential optimism bias. Each element of the forecast and how it has been derived and developed over time is clearly set out within regular reports to Management Team and Members.

In terms of general inflation, this remains more stubborn than previously expected which has been reflected within the forecast.

The budget for 2025/26 largely includes unavoidable cost pressures, which were identified by maintaining a 'live' list of potential items that could emerge in consultation with Officers and Portfolio Holders. The associated process during 2024/25 has seen an active management of such items with their inclusion in the in-year budgets on as timely a basis as possible. The 2025/26 budget includes their on-going impact as necessary.

Salary estimates have over recent years also presented a significant challenge. Future increases in costs have been reflected in the forecast based on the most up to date estimates, but this significant element of the budget will be reviewed on an on-going basis heading into 2025/26, with any potential adverse issues being reported to Management Team and Members as soon as possible. The recent increase in employers' national insurance contributions have been reflected in the budget on an on-going basis. An assumption is also included in the budget in terms reflecting the Government's commitment to reimburse such costs. The increase in the minimum living wage that was also recently announced by the Government has not had a direct impact on the forecast as the Council already pays above this rate.

It is also acknowledged that the recent increase in National Insurance contributions is also likely to feed through into the supply chain, with contractors and suppliers potentially increasing prices. It is difficult to forecast the associated impact, but it has been recognised and acknowledged within the 'live' cost pressure list mentioned earlier', which will be reviewed on an on-going basis during 2025/26.

As highlighted earlier, the savings plan includes a number of low risk / deliverable items and it is also important to note that the savings do not necessarily have to accrue from the 1 April each year, given the flexibility provided by the Forecast Risk Fund. However, the earlier they can be delivered will be helpful in terms of supporting the later years of the plan.

Where there is significant uncertainty around specific lines of the future year's forecast, these have been treated as initially one-off in nature and subject to further review during 2025/26.

The detailed budget for 2025/26 has been prepared within the above context and clear rationale has been stated in respect of the formulation of the financial forecast and how it has been translated into the detailed budgets. This has been supported by a risk assessment of each line of the forecast.

The budget presented for 2025/26 sets out a balanced position, although it includes the use of one-off funding in the short term as has been the case in previous years. However, the long term forecast still provides an effective method of managing financial risks. The on-going impact from various financial challenges will continue to develop / evolve and it is therefore important to highlight that the money set aside in the forecast risk fund continues to reflect a balanced and realistic approach and as discussed above, it provides the flexibility and time to consider the longer term plan and savings that will be required in a more informed way rather than having to potentially take quick / short term decisions.

Delivering a positive outturn position each year

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

As discussed earlier, cost pressures continue to present a significant risk to the forecast, especially given the amount of unavoidable cost pressures identified in recent years. Although on-going revenue items remain the most difficult items to respond to, one-off items, such as those associated with repairing / refurbishing assets could also have a significant impact on the forecast. However in respect of the latter, one-off funding remains available elsewhere in the budget to support these costs which 'protects' the underlying revenue budget from the associated risk. This continues to form a wider approach to responding to further cost pressures with additional comments set out in the risk section below.

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

The financial forecasting / budget setting process continues to remain alert to government announcements and the impact of external issues such as funding receivable from elsewhere within the public sector. Via the forecast and by maintaining a 'live' potential cost pressure list, active financial management and planning continues to reflect the outturn position from the previous year along with emerging issues, which allows the Council to remain alert to changes to its financial position.

Financial Risks

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

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

The revised forecast continues to seek to balance optimism / pessimism bias that is inherent in any forecasting process. A good example of this being the on-going inclusion within the forecast of income from the New Homes Bonus and the benefit of being a member of the Essex Business Rates Pool. As highlighted last year, there was a significant departure from earlier years where the Council historically refrained from using potentially one-off money to support the underlying budget. Although there are no long term guarantees around such sources of funding, it is expected that they will continue in the short term. However, such items will continue to be reviewed on an on-going basis and if any information comes to light that indicates an increased risk, then the forecast will be updated and reported to Members as soon as practicable.

As highlighted earlier, the mitigation of cost pressures will continue to form an important element of the Council's financial plans. Although the cost pressures included within the budget to date largely reflect unavoidable items, it is acknowledged that there are likely to be significant financial demands on the Council's resources, such as those relating to the repairs and maintenance of property and other assets, supporting 'spend to save' initiatives and items to support the delivery of the corporate priorities and objectives. With this in mind, a Corporate Investment Fund (CIF) was established during 2024/25 where associated decisions can be taken both as part of the annual budget setting process and 'outside' of this process during the year if required.

There have also been a number of cost pressures that have been considered but no adjustment proposed. This includes planning income (and associated activities) and crematorium income which are both lower than expected to date in 2024/25. Such income streams have historically recovered over time and therefore the budget for 2025/26 has not been adjusted at the present time. The position will be monitored during next year as part of the quarterly financial performance reports. It is also important to mention the potential changes that are likely to emerge from the Government's National Planning Policy Framework that is currently being developed, which is likely to have an impact on the level of planning fees chargeable by Councils.

As highlighted throughout the year, the cost of homelessness continues to be a significant challenge for most Councils across the country. The Government have recognised this position and have committed to providing additional funding to Councils to support them in meeting this challenge - the Council has recently been notified that it will receive total funding of ***£1.457m*** *in 2025/26. An additional* ***£0.500m*** *has also been included as a further on-going cost pressure within* ***Appendix C,*** *which together can support this on-going challenge.*

As acknowledged above, the outcome from the upcoming waste and recycling contract tender will be known early in 2025/26. The risk of costs significantly increasing is high, and further savings / cost reductions may be necessary to accommodate such increases, which will need to be considered as part of developing the forecast during 2025/26.

As recognised within the risk assessment associated with the long term forecast, the Government have announced a number of upcoming changes to the money paid to Local Councils within the wider financial settlement process, with a summary set out in the main body of the report. Together they present a significant risk to Councils, not least the level of uncertainty when forecasting beyond 2025/26. The importance of reserves and contingencies therefore remains an important element of the Council's financial planning over the years ahead, with some additional comments set out below.

The Council will maintain a risk assessment along with sensitivity testing alongside the on-going development of the forecast. This will therefore continue to complement other financial planning processes, which together can act as an 'early warning' system to inform future iterations of the forecast and potential interventions as necessary.
Financial sustainability also continues to be an important element within the Council's Corporate Risk Register which is monitored by Senior Managers and the Audit Committee on a regular basis.

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

The Council's former External Auditors recently provided their value for money commentary on the Council's use of resources. This covered a number of key elements such as financial sustainability and governance, and as highlighted in the main body of the report, they confirmed that they did not find any significant weaknesses in the Council's arrangements.

Adequacy of the Reserves / Financial Standing

An integral part of the Council's overall strategy is that the level of reserves is sufficient to support identified risks along with supporting a sustainable budget position in the longer term. This is especially important given the comment earlier relating to the potential changes to the Government's proposed review of how Councils are funded.

The report to Cabinet in December 2024 set out a review of reserves, which is undertaken annually as part each year's budget setting cycle. When taken together with the Forecast Risk Fund, which supports overlapping risks, the current level of reserves, including the Council's uncommitted reserve (£4.000m), remains adequate.

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

- *the Council has prudently set aside money for other significant risks in the forecast such as **£1.758m** (NDR Resilience Reserve) and **£1.000m** (Benefits Reserve), which can be taken into account during the period of the forecast if necessary; and*
- ***£1.019m** remains set side to mitigate cost pressures associated with the repair and maintenance of Council assets along with supporting the Council's commitment to carbon neutrality.*

The above, along with the on-going / annual review of reserves, continues to help the Council demonstrate that the current level of reserves remain adequate / prudent to 'underwrite' risks and uncertainties that are inherent within the forecasting process. No significant adjustments have been required in 2025/26 that weaken the overall longer term approach to the forecast.

It is also worth highlighting the Best Value Duties placed on Local Authorities that has been highlighted within the various financial performance / budget reports during the year. By continuing to maintain a focus on this key duty, it should support a number of cross cutting financial and governance themes that in turn support robust financial management and sustainability that is expected of a well-functioning local authority.

The proposed budget for 2025/26 resulting from the above processes and governance arrangements is therefore robust / deliverable, and underwritten / supported by reserves.

The impact from the global/economic challenges that emerged in previous years continue to have a significant impact on the Council's financial position in 2025/26 and beyond.

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

The outcome from the value for money work of the External Auditor is based on a commentary on the Council's value for money arrangements rather than a conclusion or opinion and broadly covers the following three headings:

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

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

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

In terms of the significant External Audit delays highlighted in previous years, the backlog has now been cleared with the Statement of Accounts for 2020/21, 2021/22 and 2022/23 published during the year following the work of the Council's outgoing Auditor, BDO. In terms of the accounts for 2023/24, these were published in February 2025 following the Council's current Auditor, KPMG, finalising their necessary work ahead of the statutory 'backstop date' announced by the Government. In terms of their value for money commentary, they highlighted that in terms of two of the three associated strands of work (financial sustainability and improving economy, efficiency and effectiveness) they confirmed that they had not identified any significant weaknesses. In terms of the third strand of work (governance) they identified a weakness that primarily related to the issues concerning the Spendells House capital project discussed in the Statement of Accounts last year. A number of associated actions have been undertaken since last year and along with 'lessons learned' from other major capital projects that were also reported to Cabinet during the year, an associated action remains within the Annual Governance Statement published as an annex to these Statement of Accounts.

Risks and Opportunities

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

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

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

The Council's Corporate Risk Register was reported to the Senior Managers and the Audit Committee during the year to aid accessibility, improve the focus on actions that are required to successfully manage corporate risks.
Within the risk register items have been grouped together under the following themes:

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

Mitigating actions have reduced the residual risk against each risk item within the categories above to at or below the Council's acceptable risk tolerance level apart from the following items, which were included in the latest report to the Council's Audit Committee on 30 January 2025:

Risk	How the Risk is Controlled / Mitigated
Ineffective Cyber Security Physical and Application (software) Based Protection Management - Failure to adopt, implement and deliver effective Cyber Security protective arrangements leading to a catastrophic or significant IT cyber security breach or loss of personal, sensitive, or vulnerable persons' data or inability to provide IT services and applications supporting Council services (or significant operational difficulties arising from)	Tendring District Council has robust cyber-security including physical devices (Firewalls), network segregation, protective software applications to protect the Council from the daily occurrences of external Cyber-attack. Cyber-security is an essential part of our induction training. In addition, Council-wide awareness campaigns are also ongoing. With State-sponsored cyber-attacks growing exponentially in both volume and complexity the Council must consider that it is not IF but WHEN a successful cyber-attack is made and we continue to plan, train and exercise accordingly. Having recently implemented an increased 'immutable backup' frequency regime we have data restoration capabilities from locked-down safe sources. That said, in a restoration scenario we will lose any recent made data changes so an element of recovery will still be necessary but should also be reduced. We will continue to move towards a Zero trust Network Architecture (ZTNA) as a direction of travel over the next twelve months. ZTNA means that in addition to monitoring infrastructure hardware for security vulnerabilities, every user device connecting to services is routinely checked for access rights and vulnerabilities (in the background).
Coastal Defence - The Council has a coastline of 60km and maintains the sea defence structures along 18.5km of this frontage. These defences protect the towns of Harwich, Dovercourt, and Walton on the Naze, Frinton on Sea, Holland on Sea, Clacton and Brightlingsea. The cliffs are prone to stability issues because of steep slopes in many areas, historical structures, and past shortage of funds for maintenance. Unforeseen expenditure may be required on sea defences, which if left to deteriorate could cause catastrophic cliff failure and impact safety of residents/visitors nearby. The East Coast of the UK is vulnerable to a phenomenon called a North Sea Tidal Surge.	Conducting annual inspections of coast protection structures and responding swiftly to public reporting of minor faults. An annual maintenance programme for the coastal frontage is set each year with an appropriate budget to cover the works. Each year sections of the sea defences are improved as part of a rolling programme of special maintenance schemes funded from the Council's Revenue Budgets. Works undertaken range from day-to-day maintenance of promenades and seawalls to schemes costing millions of pounds. Larger capital schemes attracting grant in aid are produced to comply with Defra guidelines and their High-Level Targets for coast protection. At present there are identified areas of current cliff instability where funding to conduct necessary major projects would need to be identified.

Financial Strategy - The impact of achieving a balanced budget in an ever-tightening financial environment on service delivery objectives	Long Term Financial Plan updated on an ongoing basis. • Financial Strategy / Forecast Preparation including identifying and capturing significant risks such as changes to government funding, and the identification of savings which will require some challenging decisions. • Robust and timely Budget Monitoring Processes. • Engagement with key stakeholders, members, and senior management as early as possible. Key financial items discussed at dedicated / regular meetings of Management Team • Responding to and implementing recommendations and advice issued by the Council's External Auditor. A framework in which to deliver required savings is currently being developed with the aim of capturing key financial information to support the associated decision-making process alongside the corporate plan / priorities process. This will also sit alongside a review of cost pressures across three key strands as set out in the report to full Council in February. A review of the length of the financial planning cycle is subject to review during 2024/25. However, in the event that the long-term approach is unable to support the delivery of the intended outcomes, then the Council can revert to the more traditional / short term approach to setting the budget.
Loss of sensitive and/or personal data through malicious actions loss theft and/or hacking	Multi-firewall network segregation implemented with role-based access to systems necessary for work. Governance procedures/ policies/ responsibilities quarterly reviewed by the Information Governance Policy Unit. All remote working is protectively 'tunnelled' utilising Microsoft VPN technology. With Councillors adopting identical working practices to Officers - managed-devices and cyber-security posture control council-wide – has achieved step-change in minimising the number of attack vectors' (pathways) that a hacker can use to attack and attempt to exploit vulnerabilities to gain access to networks/ computers/ digital devices/ information/ data. This action has significantly reduced the likelihood of data loss however the increased State-sponsored UK cyber-attacks increases our risk negating this strengthened position. Procedures are in place to manage agreements where appropriate, where partner organisations are managing data on behalf of the Council. Consultation with the Council's Data Protection Officer should be undertaken prior to agreements being formed. This will ensure risk to the organisation is managed effectively.

As highlighted above, the Corporate Risk register recognises the risks associated with the delivery of key projects and initiatives, with the current risk register recognising items such as:

- Transforming the way the Council works
- Building Council Homes
- Coastal Defences

The Corporate Risk Register also acknowledges the risks associated with the development of services and includes items such as:

- The management of council assets
- The management of information
- Partnership working

In addition to the above, risks and opportunities are reviewed, considered and reported to the Council's Senior Management Team and Members as part of the Council's decision-making processes when projects are identified and developed during the year.

A review of the Council's Risk Management approach and Corporate Risk Register is planned in 2025/26, which will include a review of the risks currently 'captured' along with the consideration of any changes or additions to reflect the most up to date position / challenges faced by the Council.

Strategy and Resource Allocation

The Council has to date adopted a long-term financial sustainability plan with the primary aim of protecting services, as far as is reasonably possible, that the Council provides to its residents, businesses and visitors in the wake of reductions in government funding and significant inflationary pressures that continue. A summary of the thinking behind this approach was set out in the report to Cabinet on 5 September 2017, which is available on the Council's website.

The updated long term forecast presented to Full Council on 11 February 2025 included revised annual forecasts over a recently extended timeframe, which are set out in the table below (including estimated balances on the Forecast Risk Fund that supports the delivery of a balanced budget year on year):

Year	Net Budget Position (including adjusting for prior year use of reserves etc. to balance the budget)*	Forecast Risk Fund - Estimated Balance at the end of the year
2026/27	£0.785m deficit	£6.969m surplus
2027/28	£1.512m deficit	£5.707m surplus
2028/29	£2.228m deficit	£3.729m surplus
2029/30	£2.955m deficit	£1.024m surplus
2030/31	£3.687m deficit	£2.412m deficit
2031/32	£4.426m deficit	£6.588m deficit
2032/33	£5.170m deficit	£11.508m deficit
2033/34	£5.921m deficit	£17.179m deficit

The figures in the table above are after taking into account 'required savings target' of £0.920 million in 2026/27.

Set against the Local Government Reorganisation activities highlighted earlier, the Council's financial forecast / plans will need to be reviewed within that context during 2025/26, with potentially only two further budget 'cycles' left before a new / successor Unitary Council is established from as early as April 2028.

Notwithstanding the above, the Council will maintain a focus on the following five key strands, all of which seek to make the necessary contributions to the forecast / budget in the interim period.

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

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

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

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

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

Council Performance 2024/25

Non-Financial Performance

Performance reports are presented to Management Team and Members during the year, which includes updates against key projects/'highlight' priorities agreed by Cabinet. The following sets out a summary of the relevant / current actions, with full details published annually on the Council's website shortly after the end of the associated financial year:

Highlight Action*
Extend a ‘You said, we did’ approach to all major services to the public across the Council
In the Council’s own housing stock – driving improvement with expanded estate management and well-informed enhancements around kitchens and bathrooms etc. Enhanced tenancy engagement.
More widely, develop a revised Housing Strategy to address the needs of the District and its residents.
Progress the review of the Local Plan to support sustainable development of quality housing for a range of tenures.
Options appraisal for waste & street cleaning strategy. Community leadership promoting pride of place.
Develop a long term plan for Clacton-on-Sea working with partners in a Town Board
Implement Levelling Up Fund, Capital Regeneration Partnership Projects and High Street Accelerator Schemes, taking these through design and planning.
Manage the UK Shared Prosperity Fund projects that build pride in place, support training, economic growth, and improve life chances.
Take the opportunities afforded by Freeport East and the development of Bathside Bay.
Progress the Tendring Colchester Borders Garden Community DPD through the planning process to support opportunities for new jobs, housing and infrastructure.
Action Measures from the new Climate Change Action Plan
Implement the Sports and Activity Strategy for the District.
To support projects to reduce Health inequalities e.g. around Fuel Poverty and access to the jobs market.
To expand the Pupil Encounters’ Project, to provide all school children with additional encounters with businesses and employers throughout their Education.
To deliver a STEAM event for Primary Schools whereby pupils
To complete enhanced CCTV coverage in public areas.
Establishing the feasibility for a new wellbeing hub in the District
Fundraise to support heritage in Tendring, for example the Witches’ Trail around Manningtree and the Leading Lights in Harwich
Re-introduce the Tour de Tendring cycling event
Host the Clacton Air Show and draw in additional sponsorship funding
Carefully plan the Council’s budget and taking appropriate action to respond to liabilities / costs pressures.
Review its communication strategy.

**In terms of the year end status of the above, at the date of publication of these statements, a GREEN or AMBER ‘RAG’ rating was applied to all items, which broadly confirms that they were ‘On their way’ and/or ‘Delivered’ - activities will continue in 2025/26 as necessary.*

In addition to the above, The Social Housing (Regulation) Act 2023 enacted a set of measures intended to improve standards for people living in social housing. It set out a new regulatory framework for the consumer regulation of social housing to strengthen the accountability of landlords for providing safe homes, quality services and treating residents with respect. Social housing landlords in England are therefore required to collect and report on associated Tenant Satisfaction Measures (TSMs) to the Regulator of Social Housing (RSH). Landlords with 1,000 or more homes are required to send their outturn data to the RSH by the end of June and the data for all landlords will be published by RSH in the Autumn.

The Council's outturn performance report against the TSMs for 2024/25 indicates a general improvement in performance and tenant satisfaction with the proportion of respondents who report that they are satisfied with the overall service from the Council increasing from 80.1% in 2023/24 to 81.3% in 2024/25. The full outturn position is set out on the Council's website.

Financial Performance

Continuing from previous years, the various strands representing the overall financial performance of the Council have been brought together in one report that is reported to members on a quarterly basis. This approach follows the commitment made to provide regular updates on the financial forecast and to bring the reporting of key financial performance and budget monitoring together in one report. The report therefore sets out the overall financial position of the Council in one place and includes a risk assessed approach to each strand of the forecast. The financial performance reports that were presented to Members during 2024/25, which are available on the Council's website, also include the consideration of cost pressures / investment opportunities.

The Council is meeting its annually forecasted position supported by the forecast risk fund that was set up to 'underwrite' the risks associated with forecasting. In respect of 2025/26, there is an estimated overall budget surplus of £0.572 million, which is planned to be transferred to the Forecast Risk Fund. £7.235 million is forecast to be 'held' within the forecast risk fund at the end of 2025/26 to continue to support the long-term plan in 2026/27 and beyond.

Financial Performance 2024/25 including comparison with the 2024/25 Budget

The detailed outturn position for 2024/25 has been finalised and is available on the Council's website. A summary is set out below that follows a similar format of the Expenditure and Funding analysis within the Statement of Accounts:

Summary of General Fund Revenue Financial Performance 2024/25

	Budget 2024/25 £m	Outturn 2024/25 £m	Variance £m
Net Cost of Services *	**36.267**	**16.129**	**(20.138)**
Other Income and Expenditure			
Revenue Support for Capital Investment	5.387	0.487	(4.900)
Financing Items	(6.766)	(5.782)	0.984
Business Rates (including Tariff and Levy)	(3.265)	(4.546)	(1.281)
Revenue Support Grant	(0.766)	(0.766)	-
Collection Fund Surplus/Deficit	(0.951)	(0.951)	-
Income from Council Tax Payers	(10.048)	(10.048)	-
Total Other Income and Expenditure	**(16.409)**	**(21.606)**	**(5.197)**
**(Surplus) or Deficit on Provision of Services ** **	**19.858**	**(5.477)**	**(25.335)**
Opening General Fund Balances	(38.134)	(38.134)	-
(Surplus) or Deficit on General Fund in Year	19.858	(5.477)	(25.335)
Closing General Fund Balances at 31 March	**(18.276)**	**(43.611)**	**(25.335)**

* the budget of £36.267 million included in the table above is £15.383 million more than the figure (£20.884 million) presented to Full Council in February 2024 when the original budget was agreed, which is primarily due to the amounts carried forward from 2023/24 into 2024/25.

** the difference between budget and actuals is primarily due to carry forwards into 2025/26, with some significant items as follows:

- Corporate Investment Fund - £ 4.457 million
- Garden Communities Project - £0.315 million
- Council Tax Hardship Support - £0.406 million
- To fund previously agreed capacity / cost pressures and liabilities - £0.613 million
- Careline Transitional Arrangements - £0.746 million
- Investment in Parking - £0.496 million
- Community Housing Trust Grant - £0.611 million
- Asylum Dispersal Grant Activities - £0.593 million
- Investment in Seafronts / Beach Hut Sites - £0.579 million
- Externally Funded Health Projects - £0.640 million
- Project Delivery Unit / Project Capacity - £1.182 million
- Revenue Financing of Capital - £4.827 million

The above figures relate to the General Fund only which explains the difference with the figures set out in the Expenditure and Funding Analysis that also includes the Housing Revenue Account. The Expenditure and Funding analysis set out within the Statement of Accounts shows a Net Cost of Services figure for 2024/25 of £17.000 million. When the HRA is excluded (£0.871million), the outturn position relating to the Net Cost of Services is £16.129 million as included in the table above.

Within the £25.335 million variance on the (Surplus) or Deficit on Provision of Services above, a general contribution of £5.417 million was made to reserves representing the overall outturn variance for the year. Significant items behind the overall outturn variance for the year included the following:

- Increased External Investment Income - £0.829 million
- Increased Net Income from Business Rates – £0.953 million
- Reduced 'call' on General Contingency Budget - £0.920 million
- Increased Net Income from the Council's three main Leisure Facilities - £0.616 million

Summary of General Fund Capital Programme 2024/25

Expenditure is capitalised when it is spent on the acquisition, creation or enhancement of assets that have a value to the Council or the community for more than one year. Examples of capital expenditure incurred by the Council during the year were disabled facilities grants and major repairs/enhancements to assets. As capital schemes span financial years, amounts are proposed to be carried forward to continue the schemes and projects in 2025/26, with significant items as follows:

- Government Grant Funded Capital Regeneration Projects - £47.169 million
- Coast Protection Works - £0.970 million
- Disabled Facilities Grants - £9.081 million

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

	Budget 2024/25	Outturn 2024/25	C/fwds	Variance
	£m	£m	£m	£m
Capital Expenditure	65.166	5.596	59.477	(0.093)

Funding of Capital Expenditure	Budget 2024/25	Outturn 2024/25	To Fund C/fwds	Variance
	£m	£m	£m	£m
External Sources of Finance	0.385	0.333	0.052	-
S106	0.014	0.014	-	-
Government Grants	58.578	4.786	53.793	0.001
Capital Receipts	0.815	(0.010)	0.805	(0.020)
Revenue Contributions	4.186	0.257	3.929	-
Use of Earmarked Reserves	1.188	0.216	0.898	(0.074)
Total	**65.166**	**5.596**	**59.477**	**(0.093)**

General Fund Reserves

The overall level of reserves at the end of 2024/25 is £43.611 million, made up of £25.337 million for earmarked commitment reserves, £14.274 million for other earmarked reserves and £4.000 million for uncommitted reserves.

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

Housing Revenue Account 2024/25

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

	Budget 2024/25 £m	Outturn 2024/25 £m	Variance £m
Net Cost of Services	**2.667**	**0.871**	**(1.796)**
(Surplus) or Deficit on Provision of Services *	**2.667**	**0.871**	**(1.796)**
Opening HRA Revenue Reserves	(6.435)	(6.435)	-
(Surplus) or Deficit on HRA in Year	2.667	0.871	(1.796)
Closing HRA General Balance at 31 March	**(3.768)**	**(5.564)**	**(1.796)**

* the difference between budget and actuals is primarily due to carry forwards totalling £1.511 million along with an additional contribution to reserves of £0.327 million.

The overall level of reserves at the end of 2024/25 of £5.564 million is made up of £1.511 million for earmarked commitment reserves and £4.053 million for uncommitted reserves.

Housing Revenue Account 2024/25 – Capital Expenditure

	Budget 2024/25 £m	Outturn 2024/25 £m	C/fwds £m	Variance £m
HRA Capital Expenditure	10.116	7.916	1.430	(0.770)

A summary of how this capital expenditure was financed in 2024/25 is set out below:

	Budget 2024/25 £m	Outturn 2024/25 £m	To Fund C/fwds £m	Variance £m
Major Repairs Reserve	3.314	3.314	-	-
S106	0.651	0.651	-	-
Capital Receipts	2.834	2.513	-	(0.321)
Revenue funding from the HRA	3.317	1.438	1.430	(0.449)
Total	**10.116**	**7.916**	**1.430**	**(0.770)**

The Council's Overall Balance Sheet

The Council's balance sheet as at the end of March 2025 is set out within the Statement of Accounts. Some significant matters to highlight are as follows:

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

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

    At the end of 2024/25 there is an overall pension surplus attributable to the Council of £76.861 million (£54.652 million surplus for 2023/24). In continuing the change to accounting treatment in-line with IFRIC 14 and its interpretation by Auditors and guidance issued by CIPFA, an asset ceiling approach is applied by the scheme's Actuary that reflects the underlying nature of any accounting surplus in the pension fund - the accounting standards state *that if an employer has an accounting surplus, it should only be recognised to the extent that it is able to recover the surplus either through reduced contributions in the future, or through refunds. The present value of such economic benefits is commonly referred to as the "asset ceiling"*

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

    The changes between years included within the balance sheet therefore reflect this approach, with no surplus recognised at the end of March 2025.

  - **Short Term Investments / Capital Grants Receipts In Advance**

    The change between years for both these lines of the balance sheet primarily relate to further tranches of grant funding receivable from the Government in respect of Levelling Up / Capital Regeneration Projects with further details set out later on in this statement. Grant funding held ahead of expenditure being incurred forms part of the Council's usual short term investment activities, with such funds therefore also appearing within the associated line of the balance sheet as at the end of March 2025.

In terms of the Council's budget for 2025/26, the detailed position that was 'built' on the current longer term financial forecast approach is set out below:

General Fund

The Council's overall net General Fund revenue budget for 2025/26 (excluding amounts carried forward from 2024/25) is £17.661 million with a summary below, including how it is financed:

	2025/26 Original £m
Net Cost of Services	18.449
Revenue Support for capital investment	0.070
Financing items	(1.398)
Net Expenditure	**17.121**
Net Use of Earmarked Reserves	0.540
Total Net Budget	**17.661**
Financed by:	
Business Rates (excl. S31 Govt. Grant funding)	(4.823)
Revenue Support Grant	(0.815)
Collection Fund (Surplus)/Deficit	(1.349)
Council Tax Requirement (for Tendring District Council)	**10.674**

A summary of planned Capital Expenditure in 2025/26 (excluding amounts carried forward from 2024/25) and how it is financed is as follows:

	2025/26 Original Budget £m
Expenditure	0.827
Financing	
Government Grants	0.757
Direct Revenue Contributions	0.070
Total Financing	0.827

The current forecast going into 2026/27 and beyond reflects items such as the on-going impact from changes in government funding and the potential for income growth from council tax and business rates, including amounts from property growth. The expected / proposed changes to business rates nationally and potential changes to the wider financial settlement receivable from the Government as part of their proposed 'Fairer Funding Review' remain as a significant risk to Councils and will therefore continue to be monitored and reflected in the forecast accordingly. On the expenditure side of the forecast, inflation such as on salaries are also included along with an estimate of cost pressures and savings.

Current global events and any associated volatility makes it difficult to forecast the speed and scale of future economic growth and the impact on the Council's own financial position. However, this will be kept under review and reflected in the forecast that will be updated on an on-going basis during 2025/26.

Housing Revenue Account

A summary of the HRA Revenue Budget for 2025/26 is summarised below:

	2025/26 Original Budget £m
Direct Expenditure	12.096
Direct Income	(17.513)
Indirect Income/Expenditure including Financing Costs	6.496
Net (Surplus)/Deficit	1.079
Contribution to/(from) Reserves	(1.079)

A summary of the HRA Capital Programme for 2025/26 is set out below:

	2025/26 Original Budget £m
Expenditure	5.106
Financing	
Major Repairs Reserve	3.556
Revenue funding from the HRA	1.550
Total Financing	5.106

The Council continues to take steps to deliver existing projects, develop new projects and priorities alongside responding to emerging cost pressures, with a summary of some key items set out below:

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

  Following the award of funding by the Government of over £26 million, work remains in progress with partners to deliver these two important capital schemes over the next two years. The Council is the accountable body for these two schemes with a number of assurance and governance processes required, which form part of the wider governance arrangements within the Annual Governance Statement as necessary.

- **Further Capital Regeneration, Plan for Neighbourhoods and High Street Accelerator Funding**

  As highlighted within the last year's statement, in addition to the £26 million highlighted above, the Government have also awarded the Council a total of over £40 million to support a number of economic and regeneration activities to be undertaken within the district. Work continues in taking the various associated schemes and projects forward, which will also need to be supported by similar governance arrangements mentioned above.

- **Freeport East**

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

Freeport East was incorporated on 6 December 2022 and is one of 12 freeports in the United Kingdom, encompassing parts of Suffolk and Essex. The Freeport covers over a thousand square kilometres in total, stretching from Felixstowe and Harwich down through Clacton and Jaywick, out around Colchester and Sudbury, Stowmarket and Woodbridge. The main sites are located at the Port of Felixstowe, Harwich International Port and Gateway 14 near Stowmarket.

The Local Authorities currently working in partnership with Freeport East are East Suffolk, Mid Suffolk District, Tendring District Council, Suffolk County Council and Essex County Council.

The other Freeport East Partners are:

- New Anglia Local Enterprise Partnership Ltd
- University of Essex
- Harwich International Port Ltd
- The Felixstowe Dock and Railway Company
- Gateway 14 Ltd

East Suffolk Council acts as the Accountable Body and has assumed responsibility to oversee the proper governance and administration of financial affairs within the Freeport, including managing grant payments, monitoring and reporting against the use of funding, managing financial risk and fraud, upholding procurement practices in relation to public sector procurement, and providing assurance that Ministry of Housing, Communities and Local Government (MHCLG) seed capital funding proposals have been subject to appropriate levels of scrutiny. Freeport East remains a separate legal entity and as such, none of the income and expenditure is represented within East Suffolk Council's financial statements.

During 2024/25 the Accountable Body had drawn down all of the £25 million seed capital funding provided by the Government for Freeport East, £0.3 million had been defrayed before 31 March, leaving a balance at the end of the financial year of £24.7 million. At 31 March 2025, East Suffolk Council also held £0.682m in Local Authority partner contributions for Skills, Innovation and Clean Growth initiatives and investments. The retained rates due from the three Billing Authority partners (East Suffolk, Tendring and Mid Suffolk), flow through East Suffolk Council as the Accountable Body for Freeport East. These funds are administered in accordance with the Retained Rates Strategy. For example, to cover the operating costs of Freeport East and Accountable Body costs, and remaining funds are allocated across three funding Pots – A, B and C. These are referred to as the Freeport East Free Cashflow. The amount due from the Billing Authorities for 2024/25 totals £2.969 million in retained business rates. This will be administered through the East Suffolk Council as the Accountable Body. £2.926 million of this is not recognised within East Suffolk Council's financial statements as it is not income due to them, but to cover the Freeport East operating costs and

Freeport East funding pot allocations. At the end of the financial year East Suffolk Council also held £0.689 million (Pot C) to support the overall Freeport East geography to meet the vision of the freeport initiative.

In April 2024 the Department for Levelling Up, Housing and Communities (DLUHC) (now known as MHCLG) confirmed a programme-wide subsidy scheme is in place for Freeports in England. The eligibility criteria for the different aspects of the scheme (seed capital, business rates relief, the four HMRC reliefs) are set out in published guidance. This means that, for seed capital awards, East Suffolk Council does not need to develop its own control principles assessments or make referrals to the Competition and Markets Authority. For business rates subsidy awards, all three billing authority partners need to develop / maintain a consistent Business Rates Relief policy across all the three Billing Authorities in order to use their discretionary powers under section 47 of the Local Government Finance Act 1988 (as amended), to grant relief to those ratepayers who are eligible in their individual tax sites.

In terms of Freeport East Ltd as a standalone company, their accounts for the year ending 31 March 2025 are due to be published / submitted by September 2025, with a summary of their financial position to be published on their website.

The transactions of the company are not deemed material at this stage to require the consideration of preparing group accounts, although this will remain under review in 2025/26 and beyond as necessary.

The Council has approved a Freeport Business Plan and the Business Rates Retention Policy referred to above. With the latter point in mind, £0.235 million of income was generated in 2024/25, which is being held in reserves (along with the £0.092 million generated in 2023/24), pending further decisions / discussions with the partner organisations during 2024/25.

- **Homelessness Costs**

Although a number of general financial pressures have been mentioned above, the increasing cost of providing mandatory temporary accommodation to households that find themselves homeless continues to be experienced by many Local Authorities across the country. Although the Government provide grant funding, it is historically never enough to fully meet these costs, which therefore requires Local Councils to fund any shortfall themselves. During the year, the Council provided additional funding of £2.200 million towards the cost of temporary accommodation, with the final outturn position for the year being just under this figure by a net amount of £0.240 million (excluding recharges).

In looking ahead to 2025/26, the ‘base’ budget has already been increased by a further £0.500 million (over and above a similar adjustment in 2024/25). Although the Department remains committed to exploring options to reduce the on-going financial impact on the Council (via a recently formed ‘working group’ whose membership includes the Portfolio Holder for Finance and Governance and the Portfolio for Housing and Planning), this issue will need to be kept under on-going review during the year as further additional funding is likely to be required.

- **Waste and Recycling Collection and Street Sweeping Contract Costs**

  The risks and costs associated with the tender process have been referenced several times within this statement above along with the attached Annual Governance Statement, as it is one of the most significant financial issues / risks to the Council that will be addressed during 2025/26 as part of finalising the associated procurement process.

  As reported to Cabinet on 23 May 2025, in response to the prices emerging from the initial stages of the tender process and their unaffordability, the Council reviewed its options after seeking detailed legal advice. An approach was agreed that was based on a shorter contract term (that reflects the impact of LGR) and amending the core specification principles to ensure that the Council can continue to fulfil its statutory duties to provide a waste collection service beyond the current contract period that ends in March 2026. As set out within the same report, to meet the final / increased contract costs that are still likely to emerge from the tender process, the Council will likely need to rely on the use of one-off funding / potential identification of offsetting savings and efficiencies as necessary, which will need to be identified in 2025/26 ahead of entering into formal contract terms with the relevant supplier.

- **Tendring Council's Careline Service**

  Following the consideration of a number of associated reports and a period of consultation during the year, the Council made the decision to merge its Careline services with Colchester City Council (CCC). As part of its decision making, the Council acknowledged that the aim of the merger was to deliver a robust, digitally-led service that provides high-quality care across the whole of North East Essex. By working together, the Councils are better placed to enhance service delivery, provide better value for money, and ensure a sustainable future for the service to benefit both customers and employees. It was also noted that an expanded Colchester Helpline service is best positioned to provide a long-term solution that aligns with the goals of the North East Essex Health and Wellbeing Alliance, of which TDC is a partner, while it also aligns with potential local government reorganisation proposals, which by 2028 could see Tendring, Colchester, and other councils across Essex merge to form larger unitary authorities. On 21 February 2025, the Council approved proposals to transfer Careline users and staff to the Helpline service, managed by CCC's arms-length company Amphora, which will expand to serve the entire North East Essex area.

  The merger of Colchester and Tendring services will occur within the 2025/26 financial year, following which no further financial liabilities will remain with the Council.

In terms of the Council's Housing Revenue Account, the formulation of the budget for 2024/25 was set against the context of the longer-term business plan. As highlighted within the associated budget reports available on the Council's website, one area that is important to note as it will have a bearing on the overall financial position of the HRA in future years, is the new era of social regulation introduced via the Social Housing (Regulation) Act 2023. This is in addition to the national trend of increases in housing disrepair claims made by tenants. The Council remains committed to providing good quality housing whilst also recognising the ambition of building / acquiring new homes for local people. Given the financial issues the Council faces, this balance is becoming increasingly more challenging in the short term. However, the Council remains alert to any changes that may be required in managing its housing stock, which are reflected in the 30 year business plan as necessary. The business plan will continue to be subject to updates during 2025/26 with the on-going aim of delivering the long-term financial sustainability of the HRA.

Basis of Preparation and Presentation

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

However, notwithstanding the above, it is important to highlight an earlier point in terms of the potential impact from the Government's vision for simpler local government structures and their associated local government reorganisation proposals and invitation to Councils announced during the year.

Following commitments made by Local Authorities across Essex, work has either been completed or remains underway set against associated deadlines that supports the development of plans and proposals, including the implementation of potentially new / successor Unitary Councils from as early as 1 April 2028.

Based on the above proposals, Tendring Districts could therefore cease to exist from 1 April 2028 with a new Unitary Council becoming the successor Authority. All of the property, contracts, assets, liabilities and functions of Tendring District Council would automatically vest in the corporate body of the successor Council in the form and degree specified in associated regulations and any subsequent orders. Further information and implementation plans will be considered in 2025/26 and beyond.

FINANCIAL STATEMENTS

The main elements of the financial statements are explained below and comprise of information in respect of accounting concepts and estimation techniques, the responsibilities for the Statement of Accounts along with the report of the Auditors and the detailed financial statements and notes. The format and information in the Accounts has been prepared in line with International Financial Reporting Standards (IFRS) and the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (The Code). The detailed financial statements that are required are explained below; these are split into 'core statements' and 'supplementary statements'.

ACCOUNTING AND RESPONSIBILITY STATEMENTS

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

- **Statement of Responsibilities for the Statement of Accounts -** This statement sets out the respective responsibilities required of the Council and the Assistant Director Finance and IT for the Authority's accounts and financial affairs.

- **Report of the Auditors -** The Auditor certifies that an audit of the Statement of Accounts has been concluded and gives an opinion on their presentation and content.

CORE FINANCIAL STATEMENTS

The following four statements comprise the 'core statements' and are directly followed in the Statement of Accounts by comprehensive notes which form an integral part of the financial statements.

- **Comprehensive Income and Expenditure Statement -** This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **Movement in Reserves Statement (MIRS) -** This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. This statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax and rents for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

- **Balance Sheet -** The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

Expenditure and Funding Analysis Note - In addition to the four core statements this note demonstrates to council tax and rent payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's Portfolio Holders. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. This note is positioned as Note 1 to the Core Financial Statements to provide it with due prominence.

SUPPLEMENTARY FINANCIAL STATEMENTS

- **Housing Revenue Account Income and Expenditure Statement -** The Housing Revenue Account (HRA) reflects a statutory obligation (Local Government and Housing Act 1989) to maintain a separate account for local authority housing provision such as those revenue transactions relating to the Council's housing stock and its other housing assets. The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement. The Account is also consolidated into the Comprehensive Income and Expenditure Statement previously mentioned.

- **Movement on the Housing Revenue Account Statement -** Similarly to the Movement in Reserves Statement, amounts that need to be included in the HRA to arrive at an overall position for the year include those in accordance with statute and are either added or removed from the figures in the Income and Expenditure Statement. Accordingly this statement reconciles the income and expenditure statement with the other items in the HRA to arrive at the overall HRA balance for the year.

- **Collection Fund Income and Expenditure Statement -** The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and business rates. Transactions relating to Tendring District Council are included in the Comprehensive Income and Expenditure Statement.

OTHER INFORMATION

Additional information to aid the understanding and interpretation of the accounts:

ADDITIONAL STATEMENTS

- **Glossary -** This explains in more detail the terms used in the Statement of Accounts.

ACCOUNTING CONCEPTS AND ESTIMATION TECHNIQUES

Accounting Concepts

The accounting policies are detailed in a separate section (see page 69). These are consistent with the fundamental accounting concepts of:

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

Estimation Techniques

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

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

The Corporate Director Finance and IT's Responsibilities

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

In preparing this Statement of Accounts, the Corporate Director Finance and IT has:

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

The Corporate Director Finance and IT has also:

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

Corporate Director Finance and IT's Certificate

I certify that the accounts set out in this document give a true and fair view of the financial position of the Authority at the 31 March 2025 and the income and expenditure for the year then ended.

R C Barrett
Corporate Director Finance and IT
Date: 19 February 2026

Chair of the Audit Committee Certificate

I can confirm that the Audit Committee at the meeting held on the 19 February 2026 approved these accounts.

Councillor G Sudra on behalf of Tendring District Council
Chair of the meeting approving the accounts
Date: 19 February 2026

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

TENDRING DISTRICT COUNCIL

YEAR ENDED 31 MARCH 2025

Reserved for the Audit Opinion

To be provided as part of finalising the accounts process.

Reserved for the Audit Opinion

Reserved for the Audit Opinion

Reserved for the Audit Opinion

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2025

2023/24 Expenditure £000	2023/24 Income £000	2023/24 Net £000		2024/25 Expenditure £000	2024/25 Income £000	2024/25 Net £000	Note Ref
			EXPENDITURE ON SERVICES				
2,376	(1,633)	743	Assets	2,608	(1,817)	791	
2,427	(103)	2,324	Corporate Finance and Governance	2,549	(917)	1,632	
11,221	(2,692)	8,529	Environment	12,153	(2,833)	9,320	
68,564	(57,722)	10,842	Housing and Planning	73,155	(60,381)	12,774	
3,443	(1,003)	2,440	Partnerships	3,413	(1,398)	2,015	
3,425	(1,924)	1,501	Economic Growth, Regeneration and Tourism	4,334	(3,084)	1,250	
9,176	(5,705)	3,471	Leisure and Public Realm	10,708	(6,281)	4,427	
1,135	(348)	787	Budgets Relating to Non Executive Functions	1,747	(1,038)	709	
101,767	(71,130)	30,637	**Net Cost of Services**	110,667	(77,749)	32,918	
2,838	(542)	2,296	Other Operating Income and Expenditure	3,576	(1,224)	2,352	11
1,332	(6,209)	(4,877)	Financing and Investment Income and Expenditure	1,261	(5,055)	(3,794)	12
7,480	(35,718)	(28,238)	Taxation and Non-Specific Grant Income and Expenditure	7,628	(39,894)	(32,266)	13
		(182)	**(Surplus) or Deficit on Provision of Services**			(790)	
		(21,477)	(Surplus) or deficit on revaluation of non-current assets			(14,098)	10(a)
		2,112	Remeasurements of the net defined benefit liability (asset)			648	10(c)
		(19,365)	**Other Comprehensive Income and Expenditure**			(13,450)	
		(19,547)	**Total Comprehensive Income and Expenditure**			(14,240)	

MOVEMENT IN RESERVES STATEMENT

	General Fund Balances	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied Reserve	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Note Ref
	£000	£000	£000	£000	£000	£000	£000	£000	
Balance at 1 April 2023 brought forward	36,352	6,340	4,891	1,454	11,656	60,693	232,876	293,569	
Movement in reserves during the year									
Total comprehensive expenditure and income	4,032	(3,850)	-	-	-	182	19,365	19,547	
Adjustments between accounting basis and funding basis under regulations	(2,250)	3,945	(449)	(233)	(854)	159	(159)	-	7
Increase/(Decrease) in Year	1,782	95	(449)	(233)	(854)	341	19,206	19,547	
Balance at 31 March 2024 carried forward	38,134	6,435	4,442	1,221	10,802	61,034	252,082	313,116	8,10
Balance at 1 April 2024 brought forward	38,134	6,435	4,442	1,221	10,802	61,034	252,082	313,116	
Movement in reserves during the year									
Total comprehensive expenditure and income	4,581	(3,791)	-	-	-	790	13,450	14,240	
Adjustments between accounting basis and funding basis under regulations	896	2,919	477	(588)	(1,294)	2,410	(2,410)	-	7
Increase/(Decrease) in Year	5,477	(872)	477	(588)	(1,294)	3,200	11,040	14,240	
Balance at 31 March 2025 carried forward	43,611	5,563	4,919	633	9,508	64,234	263,122	327,356	8,10

BALANCE SHEET

AS AT 31 MARCH 2025

31/03/2024 £000		31/03/2025 £000	Note Ref
	Long Term Assets		
286,250	- Property Plant and Equipment	295,914	14
189	- Heritage Assets	186	
2,284	- Investment Property	2,212	15
271	- Long Term Debtors	271	16
288,994	**Total Long Term Assets**	298,583	
	Current Assets		
68,001	- Short Term Investments	95,127	16
823	- Assets Held for Sale	823	18
53	- Inventories	38	
8,887	- Short Term Debtors	8,407	19
7,102	- Cash and Cash Equivalents	5,589	20
84,866	**Total Current Assets**	109,984	
	Current Liabilities		
(2,694)	- Short Term Borrowing	(2,665)	16
(20,893)	- Short Term Creditors	(21,696)	21
(595)	- Provisions	(800)	
(3,532)	- Capital Grants Receipts in Advance	(25,411)	23
(27,714)	**Total Current Liabilities**	(50,572)	
	Long Term Liabilities		
(937)	- Long Term Creditors	(1,321)	
(30,841)	- Long Term Borrowing	(28,232)	16
(1,252)	- Other Long Term Liabilities - Pensions	(1,086)	27
(33,030)	**Total Long Term Liabilities**	(30,639)	
313,116	**Total Net Assets**	327,356	
	Financed by:		
61,034	Usable Reserves	64,234	9
252,082	Unusable Reserves	263,122	10
313,116	**Total Reserves**	327,356	

R C Barrett
Corporate Director Finance and IT
19 February 2026

CASH FLOW STATEMENT

2023/24 £000		2024/25 £000	£000
182	**Net surplus or (deficit) on the provision of services**		**790**
	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements:		
13,340	Depreciation, revaluation and impairment of non-current assets	17,169	
80	Movement in Investment Property Values	72	
1	Amortisation of Intangible Assets	-	
1,559	(Increase)/decrease in creditors	(408)	
2,436	Increase/(decrease) in debtors	(1,606)	
(2,240)	Movement in pension liability	(814)	
(239)	Contributions to/(from) provisions	205	
450	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	1,020	
(18)	Other items	13	15,651
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:		
(4,392)	Capital Grants credited to surplus or deficit on the provision of services	(3,396)	
(540)	Proceeds from the sale of property, plant and equipment	(1,225)	(4,621)
10,619	**Net cash flows from Operating Activities***		**11,820**
	Investing Activities:		
(10,543)	Purchase of property, plant and equipment, investment property and intangible assets		(12,925)
(470,200)	Purchase of short term investments		(895,400)
540	Proceeds from the sale of property, plant and equipment		1,225
477,000	Proceeds from short term investments		868,400
-	Other payments for investing activities		(30)
7,715	Capital Grants		25,318
4,512	**Net cash flows from investing activities**		**(13,412)**
	Financing Activities:		
(1,423)	Repayments of short and long term borrowing		(2,623)
-	Cash payments for the reduction of the outstanding liabilities relating to finance leases		(131)
(2,157)	Other payments for financing activities		-
(11,269)	Other receipts from financing activities		2,833
(14,849)	**Net cash flows from financing activities**		**79**
282	**Net increase or (decrease) in cash and cash equivalents**		**(1,513)**
6,820	Cash and cash equivalents at the beginning of the reporting period		7,102
7,102	**Cash and cash equivalents at the end of the reporting period**		**5,589**

*The cash flows for operating activities include Interest Received of £4.664 million (£3.779 million in 2023/24) and Interest paid of £1.186 million (£1.229 million in 2023/24).

NOTES TO CORE FINANCIAL STATEMENTS

(These notes form an integral part of the Financial Statements)

1 Expenditure and Funding Analysis

2023/24 Expenditure Chargeable to GF and HRA Balances	2023/24 Adjustment between Funding and Accounting basis	2023/24 Net Expenditure in the CIES		2024/25 Expenditure Chargeable to GF and HRA Balances	2024/25 Adjustment between Funding and Accounting basis	2024/25 Net Expenditure in the CIES	Note Ref
£000	£000	£000		£000	£000	£000	
			EXPENDITURE ON SERVICES				
743	-	743	Assets	791	-	791	
(6,205)	8,529	2,324	Corporate Finance and Governance	(8,131)	9,763	1,632	
8,529	-	8,529	Environment	9,320	-	9,320	
5,581	5,261	10,842	Housing and Planning	6,619	6,155	12,774	
2,440	-	2,440	Partnerships	2,015	-	2,015	
1,501	-	1,501	Economic Growth, Regeneration and Tourism	1,250	-	1,250	
3,471	-	3,471	Leisure and Public Realm	4,427	-	4,427	
787	-	787	Budgets Relating to Non Executive Functions	709	-	709	
16,847	13,790	30,637	**Net Cost of Services**	17,000	15,918	32,918	
(18,724)	(12,095)	(30,819)	Other Income and Expenditure	(21,605)	(12,103)	(33,708)	
(1,877)	1,695	(182)	**(Surplus) or Deficit on Provision of Services**	(4,605)	3,815	(790)	
(42,692)			Opening General Fund and HRA Balances	(44,569)			
(1,877)			(Surplus) or Deficit on General Fund and HRA Balances in Year	(4,605)			
(44,569)			**Closing General Fund and HRA Balances at 31 March**	(49,174)			8

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

2023/24 Adjustments for Capital Purposes (see a below)	2023/24 Pensions Adjustments (see b below)	2023/24 Other Differences (see c below)	2023/24 Total Adjustments		2024/25 Adjustments for Capital Purposes (see a below)	2024/25 Pensions Adjustments (see b below)	2024/25 Other Differences (see c below)	2024/25 Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
				EXPENDITURE ON SERVICES				
903	-	7,626	8,529	Corporate Finance and Governance	1,307	-	8,456	9,763
6,109	(68)	(780)	5,261	Housing and Planning	6,975	(119)	(701)	6,155
7,012	(68)	6,846	13,790	**Net Cost of Services**	8,282	(119)	7,755	15,918
(3,361)	(2,172)	(6,562)	(12,095)	Other Income and Expenditure	(3,777)	(695)	(7,631)	(12,103)
3,651	(2,240)	284	1,695	**(Surplus) or Deficit on Provision of Services**	4,505	(814)	124	3,815

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

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

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

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

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

2 Accounting Policies

The Council is required to prepare a Statement of Accounts for each financial year by the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021 in accordance with proper accounting practices as set out in the Chartered Institute of Public Finance and Accountancy 2024/25 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Detailed information on the Council's Accounting Policies are detailed in a separate section (see page 69).

3 Critical judgements in applying accounting policies

The appropriate accounting treatment of Grants and Contributions is a result of critical judgements made about whether any attached terms are restrictions or conditions and whether any conditions have been met, see accounting policy (i). If conditions are met, or there are no conditions or only restrictions, then the income must be shown in the Comprehensive Income and Expenditure Statement. However, if there are conditions and they have not been met they must be shown in the Balance Sheet. The Council also recognises as income in the Comprehensive Income and Expenditure Statement income received under S106 planning agreements in the year of receipt as, although these have conditions action is always taken to ensure the conditions are met. Details of grants recognised during the year are set out in Note 23.

Where the Council has entered into a lease agreement, critical judgement is exercised in determining whether to recognise a right of use asset. Materiality is applied and where the relevant asset is valued at over £10k, or the right of use is for greater than one year, a right of use asset is recognised. If either of these two conditions do not apply, then the lease payment is recognised as a revenue expense.

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

Standards issued not adopted are:

a) IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability)

Issued in August 2023. The amendments to IAS 21 clarify how an entity should access whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

b) IFRS 17 Insurance Contracts

Issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.

c) Changes to the measurement of non-investment assets

The 2025/26 Code includes adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8 following a change in accounting policy as confirmed in paragraph 3.3.1.4 of the Code.

Of the 3 standards, a) and b) are unlikely to have a material impact on the Council. Item c) will need to be considered in conjunction with the Council's Valuer to assess the application of annual indexation for General Fund properties (this already applies to Council Dwellings as valuations are completed on a desktop basis annually) and whether this has a material impact on the valuation of non-current assets. The code has made it clear that any valuation changes required are prospective and only need to be carried out when a full valuation is required and not for all non-current assets in 2025/26.

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

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

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

a) Property, Plant and Equipment and Investment Property Valuations

As set out in note 14 on Property Plant and Equipment, the Council uses the services of an external professional Valuer in valuing assets. In accordance with the Code council dwellings are valued on a beacon basis by grouping similar houses together and applying the social housing discount factor set by central government. Land and buildings are valued either at existing use value (EUV) which is based on market evidence and the Valuer's professional judgement assuming they remain in existing use or for specialised assets at Depreciated Replacement cost (DRC) which includes assumptions made by the Valuer for relevant build costs, obsolescence and professional fees costs. Investment Properties are valued at fair value – Note 15 provides additional information relating to the estimation technique.

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

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 £0.146 million for every year that useful lives had to be reduced.

b) Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged (via Essex County Council) to provide the Authority with expert advice about the assumptions to be applied. The latest actuarial assessment as at 31 March 2025 shows that the discount rate applied by the actuary has increased from 4.9% at 31 March 2024 to 5.8% at 31 March 2025. The impact of this combined with a decline in assumed life expectancy following the full revaluation of the Fund by the actuary as at 31 March 2022 has been to reduce the Pension liability at 31 March 2025, to £1.086 million compared to £1.252 million at 31 March 2024, resulting in an overall surplus on the fund.

Accounting Standards state that an accounting surplus should only be recognised to the extent that it is able to be recovered through reduced future contributions or refunds. The present value of the economic benefit is commonly referred to as the 'Asset Ceiling'.

The figures in these financial statements have been prepared assuming there is no unconditional right to a refund and the authority will participate in the scheme indefinitely resulting in no reduced contributions. Therefore, an Asset Ceiling has been applied resulting in a net pension liability as at 31 March 2025.

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1.609 million.

However, the assumptions interact in complex ways. During 2024/25, the Authority's actuaries advised that the net pensions liability had decreased by £22.209 million as a result of updating a number of factors and assumptions.

c) Impairment

There is a degree of estimation uncertainty in the setting of impairment allowances for un-collectable debts. At 31 March 2025, the Council had a balance of short-term debtors of £13.32 million. The Council has concluded a provision of £4.91 million for the impairment of doubtful debts at 31 March 2025 was appropriate (Note 19 refers). Although recovery action will remain in progress, if collection rates were to deteriorate, an increase in the amount of impairment would be required.

6 Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Corporate Director Finance and IT on 30 June 2025. Consideration for events arising after the Balance Sheet date is given up to the date the accounts are authorised for issue.

7 Adjustments between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2023/24						2024/25				
General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve		General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
					Adjustments to the Revenue Resources					
					Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
(2,172)	(68)	-	-	-	Pensions costs (transferred to/from the Pensions Reserve)	(695)	(119)	-	-	-
251	-	-	-	-	Council Tax and Business Rates (transferred to/from the Collection Fund Adjustment Account)	142	-	-	-	-
29	4	-	-	-	Holiday pay (transferred to the Accumulated Absences Reserve)	(16)	(2)	-	-	-
					Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):					
2,083	11,525	-	-	-	- Depreciation, revaluation and impairment of non-current assets	3,550	13,618	-	-	-
80	-	-	-	-	- Movement in Investment Property Values	72	-	-	-	-
-	1	-	-	-	- Amortisation of intangible assets	-	-	-	-	-
271	11,462	-	-	-	**Total Adjustments to Revenue Resources**	3,053	13,497	-	-	-

2023/24						2024/25				
General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve		General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
					Adjustments between Revenue and Capital Resources					
(51)	(489)	-	-	540	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve and Deferred Capital Receipts	(47)	(1,178)	-	-	1,225
-	450	-	-	-	Amounts of non-current assets written off to the Capital Adjustment Account on disposal	-	1,020	-	-	-
-	9	-	-	(9)	Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	16	-	-	(16)
(2,324)	(2,069)	-	2,972	-	Transfer of capital grants, contributions and donated assets income credited to the Comprehensive Income and Expenditure	(3,333)	(3,793)	-	1,370	-
-	(3,714)	3,714	-	-	Posting of HRA resources from revenue to the Major Repairs Reserve	-	(3,791)	3,791	-	-
(193)	(1,414)	-	-	-	Provision for the repayment of debt (transfer from the Capital Adjustment Account)	(316)	(1,414)	-	-	-
1,421	-	-	-	-	Revenue expenditure financed from capital under statute (transfer from the Capital Adjustment Account)	2,026	-	-	-	-
(1,375)	(289)	-	-	-	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(487)	(1,438)	-	-	-
(2,522)	(7,516)	3,714	2,972	531	**Total Adjustments between Revenue and Capital Resources**	(2,157)	(10,578)	3,791	1,370	1,209
					Adjustments to Capital Resources					
-	-	-	-	(1,385)	Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-	(2,503)
-	-	(4,163)	-	-	Use of the Major Repairs Reserve to finance capital expenditure	-	-	(3,314)	-	-
-	-	-	(3,205)	-	Application of capital grants to finance capital expenditure	-	-	-	(1,958)	-
-	-	(4,163)	(3,205)	(1,385)	**Total Adjustments to Capital Resources**	-	-	(3,314)	(1,958)	(2,503)
(2,251)	3,946	(449)	(233)	(854)	**Total Adjustments**	896	2,919	477	(588)	(1,294)

8 Transfers to/from General Fund and HRA Balances

This note sets out the amounts set aside from the General Fund and HRA balances including earmarked reserves which are used to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure.

	Balance at 1 April 2023 £000	Transfers Out 2023/24 £000	Transfers In 2023/24 £000	Balance at 31 March 2024 £000	Transfers Out 2024/25 £000	Transfers In 2024/25 £000	Balance at 31 March 2025 £000
General Fund:							
Revenue Commitments Reserve	17,168	(13,660)	14,972	18,480	(18,480)	20,510	20,510
Capital Commitments Reserve	2,046	(2,046)	1,228	1,228	(1,228)	4,827	4,827
Forecast Risk Fund	3,315	(304)	3,415	6,426	(263)	250	6,413
Asset Refurbishment/Replacement Reserve	1,019	-	-	1,019	-	-	1,019
Benefit Reserve	1,000	-	-	1,000	-	-	1,000
Building for the Future Reserve	2,340	(2,340)	-	-	-	-	-
Business Rate Resilience Reserve	1,470	-	289	1,759	-	-	1,759
Commuted Sums Reserve	485	(32)	145	598	(85)	208	721
Crematorium Reserve	-	(11)	240	229	(21)	-	208
Election Reserve	90	(120)	30	-	-	45	45
Haven Gateway Partnership Reserve	75	-	-	75	-	-	75
Leisure Capital Projects Reserve	65	(97)	39	7	-	-	7
Leisure 3G Pitch Replacement Reserve	-	-	-	-	-	25	25
Planning Inquiries and Enforcement Reserve	39	(20)	-	19	(19)	-	-
Section 106 Agreements Reserve	3,240	(458)	512	3,294	(468)	176	3,002
Total General Fund Earmarked Reserves	32,352	(19,088)	20,870	34,134	(20,564)	26,041	39,611
General Fund Balance	4,000	-	-	4,000	-	-	4,000
Total General Fund	36,352	(19,088)	20,870	38,134	(20,564)	26,041	43,611

	Balance at 1 April 2023	Transfers Out 2023/24	Transfers In 2023/24	Balance at 31 March 2024	Transfers Out 2024/25	Transfers In 2024/25	Balance at 31 March 2025
	£000	£000	£000	£000	£000	£000	£000
Housing Revenue Account:							
General Reserve	4,813	(644)	-	4,169	(117)	-	4,052
Housing Revenue Account Commitments Reserve	1,527	(1,527)	2,267	2,267	(2,267)	1,511	1,511
Total Housing Revenue Account	6,340	(2,171)	2,267	6,436	(2,384)	1,511	5,563

9 Usable Reserves

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

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

a) General Fund Balance

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

b) Capital Receipts

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

c) Capital Grants Unapplied

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

d) Earmarked Reserves

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

i) Revenue Commitments Reserve

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

ii) Capital Commitments Reserve

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

iii) Forecast Risk Fund

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

iv) Asset Refurbishment/Replacement Reserve

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

v) Benefit Reserve

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

vi) Building for the Future Reserve

To support the delivery of a balanced budget in future years. This Reserve was fully utilised in 2023/24.

vii) Business Rates Resilience Reserve

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

viii) Commuted Sums Reserve

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

ix) Crematorium Reserve

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

x) Election Reserve

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

xi) Haven Gateway Partnership Reserve

To support the costs associated with the Haven Gateway Partnership.

xii) Leisure Capital Projects Reserve

Established to fund ongoing investment in Leisure Facilities.

xiii) Leisure 3G Pitch Replacement Reserve

To enable the Council to fulfil associated grant conditions relating to the future replacement of the 3G Pitch.

xiv) Planning Inquiries and Enforcement Reserve

To meet associated costs relating to planning services. This Reserve is fully utilised in 2024/25.

xv) Section 106 Agreements Reserve

This reserve holds income received from developers under Section 106 of the Town and Country Planning Act 1990 to be spent on specific projects over a number of years in accordance with the terms of the agreements.

e) Housing Revenue Account

i) General Reserve

Resources available to meet future running costs for council houses.

ii) Housing Revenue Account Commitments Reserve

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

10 Unusable Reserves

2023/24 £000		2024/25 £000
116,541	Revaluation Reserve	127,865
135,419	Capital Adjustment Account	135,093
(1,252)	Pensions Reserve	(1,086)
1,559	Collection Fund Adjustment Account	1,417
(185)	Other Unusable Reserves	(167)
252,082		263,122

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.

2023/24 £000	£000		2024/25 £000	£000
	97,258	**Balance at 1 April**		116,541
23,873		Upward revaluation of assets	17,128	
(2,397)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3,030)	
	21,476	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		14,098
(2,023)		Difference between fair value depreciation and historical cost depreciation	(2,291)	
(170)		Accumulated gains on assets sold or scrapped	(483)	
	(2,193)	Amount written off to the Capital Adjustment Account		(2,774)
	116,541	**Balance at 31 March**		127,865

b) Capital Adjustment Account

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

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

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

2023/24			2024/25	
£000	£000		£000	£000
	135,340	**Balance at 1 April**		135,419
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(13,608)		Charges for depreciation, revaluation and impairment of non-current assets	(17,169)	
(80)		Movement in Investment Property Values	(72)	
(1)		Amortisation of Intangible Assets	-	
(1,421)		Revenue expenditure funded from capital under statute	(2,026)	
(450)		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,020)	
(15,560)			(20,287)	
2,194		Adjusting amounts written out of the Revaluation Reserve	2,775	
	(13,366)	Net written out amount of the cost of non-current assets consumed in the year		(17,512)
		Capital financing applied in the year:		
1,385		Use of the Capital Receipts Reserve to finance new capital expenditure	2,503	
4,163		Use of the Major Repairs Reserve to finance new capital expenditure	3,314	
4,626		Application of grants, donated assets and contributions to capital financing	7,714	
1,607		Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances	1,730	
1,664		Capital expenditure charged against General Fund or HRA	1,925	
	13,445	Total amount of capital financing applied in the year		17,186
	135,419	**Balance at 31 March**		135,093

c) Pensions Reserve

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

2023/24			2024/25	
£000	£000		£000	£000
	(1,380)	**Balance at 1 April**		(1,252)
	(2,112)	Remeasurements of the net defined benefit liability (asset)		(648)
(1,411)		Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,033)	
3,651		Employer's pensions contributions and direct payments to pensioners payable in the year	3,847	
	2,240	Total adjustments to revenue resources		814
	(1,252)	**Balance at 31 March**		(1,086)

d) Collection Fund Adjustment Account

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

	Council Tax	Business Rates	Total
	£000	£000	£000
Balance at 1 April 2023	707	1,103	1,810
Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(627)	376	(251)
Balance at 31 March 2024	80	1,479	1,559
Balance at 1 April 2024	80	1,479	1,559
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory	325	(467)	(142)
Balance at 31 March 2025	405	1,012	1,417

11 Other Operating Expenditure

2023/24		2024/25
£000		£000
2,378	Parish Council Precepts	2,540
(82)	(Gains)/losses on the disposal of non-current assets	(188)
2,296	Total	2,352

12 Financing and Investment Income and Expenditure

2023/24		2024/25
£000		£000
1,252	Interest payable and similar charges*	1,189
(1,752)	Net interest on the defined benefit liability (asset)	(32)
(4,229)	Interest receivable and similar income	(4,790)
80	Movement in Investment Property Values	72
(228)	Rental Income from Investment Property	(233)
(4,877)	Total	(3,794)

* Includes IFRS 16 finance costs, for more details please see note 30.

13 Taxation and Non-Specific Grant Income and Expenditure

2023/24 £000		2024/25 £000
11,831	Council tax income	13,073
12,571	Retained Business Rates Income	12,499
(7,480)	Business Rates Tariff and Levy	(7,628)
8,344	Non-Ringfenced Government Grants	9,222
2,972	Capital Grants, Contributions and Donated Assets	5,100
28,238	Total	32,266

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

14 Property, Plant and Equipment

a) Movement on Balances

Movements in 2024/25	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equip-ment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construc-tion	Right of Use Assets*	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2024	183,431	65,051	6,713	60,372	589	49	2,292	-	318,497
Additions	7,959	635	508	225	20	-	4,081	322	13,750
Accumulated depreciation and impairment written off to Gross Carrying Amount	(4,920)	(835)	-	-	-	-	-	-	(5,755)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	10,415	3,763	-	-	-	-	-	-	14,178
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,992)	(3,921)	-	-	-	-	-	-	(10,913)
Derecognition - Disposals	(927)	(100)	-	-	-	-	-	-	(1,027)
Assets reclassified (to)/from Assets Under Construction	2,993	2,385	-	-	-	-	(5,378)	-	-
Other Movements in cost or valuation	-	-	-	-	-	-	-	-	-
At 31 March 2025	191,959	66,978	7,221	60,597	609	49	995	322	328,730

Movements in 2024/25

	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equip-ment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construc-tion	Right of Use Assets*	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Depreciation and impairments									
At 1 April 2024	(1,922)	(449)	(4,865)	(25,002)	(9)	-	-	-	(32,247)
Depreciation Charge for 2024/25	(3,714)	(812)	(417)	(1,178)	-	-	-	(131)	(6,252)
Accumulated depreciation written off to Gross Carrying Amount	4,824	835	-	-	-	-	-	-	5,659
Accumulated impairment written off to Gross Carrying Amount	97	-	-	-	-	-	-	-	97
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	(80)	-	-	-	-	-	-	(80)
Derecognition - Disposals	7	-	-	-	-	-	-	-	7
At 31 March 2025	(708)	(506)	(5,282)	(26,180)	(9)	-	-	(131)	(32,816)
Net Book Value									
at 31 March 2025	191,251	66,472	1,939	34,417	600	49	995	191	295,914
at 1 April 2024	181,509	64,602	1,848	35,370	580	49	2,292	-	286,250

* Further details to be found in Note 30 Leases.

Movements in 2023/24

	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equip-ment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construc-tion	Right of Use Assets	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2023	167,415	59,483	6,359	59,851	558	46	3,597	-	297,309
Additions	4,222	863	508	521	58	-	4,245	-	10,417
Accumulated depreciation and impairment written off to Gross Carrying Amount	(1,761)	(631)	-	-	-	-	-	-	(2,392)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	18,170	3,421	-	-	-	3	-	-	21,594
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,880)	(3,568)	-	-	-	-	-	-	(7,448)
Derecognition - Disposals	(386)	(67)	(154)	-	-	-	-	-	(607)
Assets reclassified (to)/from Assets Under Construction	-	5,550	-	-	-	-	(5,550)	-	-
Other Movements in cost or valuation	(349)	-	-	-	(27)	-	-	-	(376)
At 31 March 2024	183,431	65,051	6,713	60,372	589	49	2,292	-	318,497

Movements in 2023/24	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equip-ment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construc-tion	Right of Use Assets	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Depreciation and impairments									
At 1 April 2023	(440)	(230)	(4,617)	(23,847)	(35)	-	-	-	(29,169)
Depreciation Charge for 2023/24	(3,498)	(764)	(402)	(1,155)	(1)	-	-	-	(5,820)
Accumulated depreciation and impairment written off to Gross Carrying Amount	1,761	631	-	-	-	-	-	-	2,392
Impairment losses/(reversals) recognised in the Revaluation Reserve	(49)	(68)	-	-	-	-	-	-	(117)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(48)	(18)	-	-	-	-	-	-	(66)
Derecognition - Disposals	3	-	154	-	-	-	-	-	157
Other Movements in depreciation and impairment	349	-	-	-	27	-	-	-	376
At 31 March 2024	(1,922)	(449)	(4,865)	(25,002)	(9)	-	-	-	(32,247)
Net Book Value									
at 31 March 2024	181,509	64,602	1,848	35,370	580	49	2,292	-	286,250
at 1 April 2023	166,975	59,253	1,742	36,004	523	46	3,597	-	268,140

b) Depreciation

An annual charge for depreciation is required to be made on all non-current assets with the exception of non-depreciable land and assets held for sale. There is also a requirement to undertake an annual test for 'impairment' which is caused by either a consumption of economic benefits or a general fall in prices.

In accordance with these requirements, depreciation has been provided in 2024/25 on a straight-line basis over the expected life of the Council's non-current assets after allowing for residual values, based on information provided by the Council's valuer.

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

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

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

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

c) Capital Commitments

At 31 March 2025, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment with 2025/26 and future years budgeted to cost £0.316 million. Similar commitments as 31 March 2024 were £3.855 million.

d) Revaluations

A desk top revaluation of the Council's Housing Stock and General Fund was undertaken as at 30 September 2024 by P C Smith, BSc (Hons) MRICS, IRRV (Hons) RICS Registered Valuer, Associate Partner of Wilks Head and Eve LLP in accordance with the following guidance:

- CIPFA Code 2024/25
- International Financial Reporting Standards (IFRS)
- Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards (issued November 2021 and effective January 2022) and the RICS Valuation – Global Standards 2017: UK National Supplement (issued November 2018 and effective from 14 January 2019)
- RICS Global Standards 2017: UK National Supplement – UK VPGA 4 Valuation of local authority assets for accounting purposes.

A market review estimate was also obtained from Wilks Head and Eve LLP as to the change in value from 30 September 2024 to 31 March 2025 of all the Authority's non-current assets. The Council considers the range of movements identified for General Fund assets to be immaterial overall, so they are not reflected in the Balance Sheet. For HRA Assets the movements identified by the valuer of 2.5% for houses were modelled through the portfolio and resulted in a material increase so are reflected in the balance sheet. The Supplementary Financial Statement for the HRA sets out additional valuation details relating to the Council's housing stock.

e) Infrastructure Assets

The tables above include a number of column headings to arrive at the figure for total property plant and equipment that is included within the balance sheet – the total includes infrastructure assets. However, in accordance with the temporary relief offered by the update to the Code on infrastructure assets, the note set out below excludes the disclosure of gross cost and accumulated depreciation of infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The net book value as at 31 March 2025 highlighted below provides a revised total property, plant and equipment figure in line with this temporary relief approach.

2023/24 £000		2024/25 £000
286,250	Total Property, Plant and Equipment assets as per Balance Sheet	295,914
(35,370)	Less infrastructure assets	(34,417)
250,880	**Total Property, Plant and Equipment (excluding infrastructure assets)**	261,497

15 Investment Properties

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

2023/24 £000		2024/25 £000
(228)	Rental Income from Investment Property	(233)
(228)	Net gain/loss	(233)

There are no restrictions on the authority's ability to realise the value inherent it its investment property or on the authority's right to the remittance of income and the proceeds of disposal. The authority has no contractual obligations to purchase, construct or develop investment property, or repairs, maintenance or enhancement.

The movement in the fair value of investment property over the year is as follows:

2023/24		2024/25
£000		£000
2,364	Balance at start of year	2,284
(80)	Net Gains/(losses) from fair value adjustments	(72)
2,284	Balance at end of the year	2,212

a) Fair Value hierarchy

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

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

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

For further details of the Valuers used see Note 14 on Property, Plant and Equipment.

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

b) Highest and best use of investment properties

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

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

16 Financial Instruments

a) Categories of Financial Instruments

Long Term 31 March 2024 £000	Current 31 March 2024 £000		Long Term 31 March 2025 £000	Current 31 March 2025 £000
		Financial assets at amortised cost		
-	68,001	Investments	-	95,127
271	3,036	Trade and other receivables	271	2,139
-	7,102	Cash and Cash Equivalents	-	5,589
271	78,139	**Total Financial Assets at amortised cost**	271	102,855
		Financial liabilities at amortised cost		
30,841	2,694	Borrowing from Public Works Loan Board (PWLB)	28,232	2,665
937	-	Section 106 agreements	1,248	-
-	-	Finance Leases*	73	118
-	4,806	Trade and other payables	-	3,584
31,778	7,500	**Total Financial Liabilities at amortised cost**	29,553	6,367

The Council's balance of Investments at amortised cost consisted of fixed term deposits with UK banks, Building Societies, central government's Debt Management office and other Local Authorities. As the Debt Management Office (DMO) can be used for both investments and operational cash management purposes, £12 million of the Council's overall investment balance was placed with the DMO as at 31 March 2025. There were no operational cash management requirements at the time and therefore this £12 million was placed as a short-term investment. For that reason, the £12 million placed with the DMO has been included as an investment rather than a Cash and Cash equivalent.

* For further details please see note 30 below.

b) Reclassifications

There have been no reclassifications of financial assets or liabilities in 2024/25.

c) Income, Expense, Gains and Losses

2023/24 Financial Liabilities measured at amortised cost	2023/24 Financial Assets measured at amortised cost	Total		2024/25 Financial Liabilities measured at amortised cost	2024/25 Financial Assets measured at amortised cost	Total
£000	£000	£000		£000	£000	£000
1,217	-	1,217	Interest expense*	1,171	-	1,171
-	7	7	Fee expense	-	2	2
1,217	7	1,224	**Total expense in Surplus or Deficit on the Provision of Services**	1,171	2	1,173
-	(4,229)	(4,229)	Interest income	-	(4,790)	(4,790)
-	(4,229)	(4,229)	**Total income in Surplus or Deficit on the Provision of Services**	-	(4,790)	(4,790)
1,217	(4,222)	(3,005)	**Net (gain)/loss for the year**	1,171	(4,788)	(3,617)

* For further details please see note 30 below.

d) Fair Values of Assets and Liabilities

All of the financial liabilities and financial assets are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the Public Works Loans Board (PWLB) payable, premature redemption rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables and payables is taken to be the invoiced or billed amount as this is a fair approximation of fair value.

The fair values calculated are as follows:

31 March 2024			31 March 2025	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
33,535	32,463	PWLB borrowing	30,897	27,893
937	937	Long term Section 106 agreements	1,248	1,248
4,805	4,805	Trade and other payables	3,584	3,584
-	-	Finance Lease Liabilites*	191	191

The fair value of PWLB loans of £27.893 million measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the reduced interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

31 March 2024			31 March 2025	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
68,001	68,001	Investments	95,127	95,127
271	271	Long term trade and other receivables	271	271
3,036	3,036	Short term trade and other receivables	2,139	2,139

17 Nature and Extent of Risks arising from Financial Instruments

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

a) Credit Risk

Credit risk arises from deposits with banks and other financial institutions and from credit advanced to the Council's customers. The Balance Sheet figures for financial assets are not representative of the normal level of exposure at any particular time. Positive cash flows in the early part of each financial year and the receipt of significant grant income can lead to a considerably higher level of total investments. The maximum exposure during 2024/25 was £111 million.

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

The Council has had no experience of default on investments and does not expect any losses, nor has credit risk increased significantly since initial recognition, so no loss allowance has been made for investments. This is because investments are all held at amortised cost.

The Authority allows credit for some customers where payment in advance of service provision is not practicable. £0.584 million of the £1.193 million sundry debtor balance is past its due date for payment. The past due, but not impaired, amount can be analysed by age as follows;

2023/24		2024/25
£000		£000
101	Less than three months	209
10	Three to six months	13
33	Six months to one year	83
265	More than one year	279
409		584

Impairments of Sundry Debtors at 31 March 2025 totalled £0.592 million (£0.569 million at 31 March 2024).

b) Liquidity Risk

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

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

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

	2023/24				2024/25	
Principal	Interest	Total		Principal	Interest	Total
£000	£000	£000		£000	£000	£000
2,881	1,147	4,028	Less than one year	2,665	1,056	3,721
2,421	1,056	3,477	Between one and two years	2,421	969	3,390
4,601	2,764	7,365	Between two and five years	3,270	2,645	5,915
4,684	3,972	8,656	Between five and ten years	4,299	3,844	8,143
2,850	3,434	6,284	Between ten and fifteen years	3,242	3,356	6,598
16,098	8,840	24,938	More than fifteen years	15,000	8,194	23,194
33,535	21,213	54,748		30,897	20,064	50,961

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

c) Market Risk

- **Interest Rate Risk**

  At 31 March 2025 the Council's borrowing for more than one year was all at fixed rates of interest with the PWLB. The Annual Treasury Strategy draws together the Council's Prudential Indicators and its expected treasury operations, including an expectation of interest rate movements. The effects of movements in interest rates on investments are immaterial as the sums invested are at fixed interest rates for short periods.

  At 31 March 2025, 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	318
Increase in interest receivable on variable rate investments	(927)
Impact on Surplus or Deficit on the Provision of Services	(609)
Share of overall impact relating to the HRA	402

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

- **Price Risk**

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

- **Foreign Exchange Risk**

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

18 Assets Held for Sale

The Council offices and depot at Weeley ceased operational use at the end of 2021/22 when they were reclassified as surplus. In April 2023 the Council decided on disposal to a developer for housing in return for 9 Council dwellings. The Council has recently decided to no longer pursue this option and instead are considering other disposal options with the intention to sell the property during 2025/26. The buildings, therefore, remain as Assets Held for Sale at 31 March 2025.

2023/24		2024/25
£000		£000
823	Balance Brought Forward	823
-	Assets reclassified to held for sale in year	-
-	Assets declassified from held for sale in year	-
823	**Balance carried forward**	823

19 Debtors

2023/24 Gross Amount	2023/24 Impairment Allowance	2023/24 Net		2024/25 Gross Amount	2024/25 Impairment Allowance	2024/25 Net
£000	£000	£000		£000	£000	£000
571	(295)	276	Council tenants arrears	541	(275)	266
2,906	(590)	2,316	Trade debtors	2,759	(620)	2,139
1,775	(1,331)	444	Housing benefit overpayments	1,753	(1,315)	438
3,849	(2,441)	1,408	Business rates and Council Tax Payers	4,215	(2,698)	1,517
3,307	-	3,307	Amounts due from government and preceptors for Business Rates and Council Tax	1,242	-	1,242
1,110	-	1,110	Other amounts due from government	2,630	-	2,630
26	-	26	Other	175	-	175
13,544	(4,657)	8,887	**Balance at 31 March**	13,315	(4,908)	8,407

20 Cash and Cash Equivalents

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

2023/24 £000		2024/25 £000
	Current Assets:	
1,261	Bank current accounts	850
5,833	Call accounts	4,729
8	Petty cash	10
7,102		5,589

21 Creditors

2023/24 £000		2024/25 £000
395	Council tenants	359
4,071	Trade creditors	3,584
735	Capital creditors	1,358
3,840	Amounts due to government and preceptors for Business Rates and Council Tax	3,700
11,050	Other amounts due to government and preceptors	11,574
797	Receipts in Advance for Council Tax and Business Rates	1,115
5	Other	6
20,893	**Balance at 31 March**	21,696

22 Expenditure and Income Analysed by Nature

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

2023/24 £000		2024/25 £000
	Expenditure	
21,893	Employee Expenses	23,694
74,014	Other Services Expenses	77,432
13,341	Depreciation, Amortisation, Impairment	17,169
80	Movement in Investment Property Values	72
1,252	Interest Payable and Similar Charges	1,189
-	Pension Interest and Return on Pension Assets	-
2,378	Precepts and Levies	2,540
-	Payments to Housing Capital Receipts Pool	-
459	Loss on the Disposal of Non-Current Assets	1,036
113,417	**Total Expenditure**	123,132
	Income	
(36,561)	Fees and Charges and Other Service Income	(45,158)
(541)	Gain on Disposal of Non-Current Assets	(1,224)
(4,457)	Interest and Investment Income	(5,023)
(1,752)	Pension Interest and Return on Pension Assets	(32)
(11,831)	Income from Council Tax	(13,073)
(12,571)	Income from Business Rates	(12,499)
(45,886)	Government Grants and Contributions	(46,913)
(113,599)	**Total Income**	(123,922)
(182)	**(Surplus) or Deficit on the Provision of Services**	(790)

23 Grant Income

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

2023/24 £000		2024/25 £000
	Credited to Taxation and Non-Specific Grant Income	
	Non-Ringfenced Grants:	
719	Revenue Support Grant	766
205	Services Grant	35
767	Funding Guarantee	1,437
735	New Homes Bonus Grant	848
234	New Burdens Grant	211
5,133	NDR Section 31 Business Rate Grants	5,707
509	Section 106 Agreements	176
42	Other Government Grants	42
8,344		9,222
	Capital Grants, Contributions and Donated Assets	
	Government Funding	
939	- Dept of Levelling Up and Communities	715
-	- Environment Agency	110
1,649	Local Authority - Essex County Council	333
	Other Capital Contributions	
126	- Section 106	63
258	- Football Foundation	-
-	- ESC Lottery Fund	149
-	Donated Assets	3,730
2,972		5,100
	Other Significant Grants Credited to Services	
147	Asylum Dispersal Grant	302
64	Apprenticeship Training Grant	100
35,794	Benefits	34,267
25	Big Lottery Funding	-
(184)	Health Partner Initiatives Grants	-
405	Collection Investment/Hardship Administration Grant	393
44	Community Safety	160
-	Cyber Assessment Framework Grant	65
-	Digital Planning Improvement Fund Grant	100
1,267	Disabled Facilities Grant	1,460
13	DWP Flexible Support Funding	59
41	Essex County Council Public Health and Wellbeing grants	67
396	Major Preceptors - Technical Agreement Contribution	746
-	Healthy Homes Grant	65
1,095	Homelessness Grants	1,271
231	Levelling Up Fund and Regeneration Schemes	542
154	Rural England Prosperity Fund	566
389	Swimming Support Fund	-
193	UK Shared Prosperity Fund	643
72	Urban Tree Challenge	72
40,146		40,878

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:

2023/24 £000		2024/25 £000
	Capital Grants Receipts in Advance	
	Government Funding:	
3,446	Dept of Levelling Up and Communities	25,238
86	Local Authority Funding	162
-	ESC Lottery Fund	11
3,532		25,411

24 Related Parties

The Council is required to disclose material transactions with related parties (bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council). In terms of Officers this is deemed to apply to the Senior Employees listed in Note 26. Material related party transactions which are not disclosed elsewhere in the Statement of Accounts were as follows:

2023/24 Receipts £000	2023/24 Payments £000		2024/25 Receipts £000	2024/25 Payments £000
3,479	934	Essex County Council	3,032	604
441	447	Other Local Authorities	539	735
		Transactions with organisations related by a declared interest of Council Members or Senior Officers:		
15	10	Other	11	2
3,935	1,391	Total Related Party Transactions	3,582	1,341

25 Members' Allowances

The Authority paid £0.511 million to members of the Council during the year (£0.469 million in 2023/24). Full details are available on the Transparency page of the Council's website.

26 Officers' Remuneration

a) Analysis of "senior employees" remuneration

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

Post Title	note	2024/25 Total remuneration (Salaries, Fees and Allocated excluding Pension Contributions)	Employer's Contributions to Pension	Total Remuneration
		£	£	£
Chief Executive		111,293	-	111,293
Corporate Director - Operations and Delivery		100,701	22,154	122,855
Assistant Director - Governance		85,397	18,787	104,184
Assistant Director - Finance and IT		84,727	18,640	103,367
Assistant Director - Partnerships	1	123,355	9,846	133,201
Assistant Director - People	2	29,230	6,405	35,635
Assistant Director - Strategic Planning and Place		79,302	17,447	96,749
Deputy Chief Executive and Corporate Director - Place and Economy	3	105,451	23,199	128,650

Notes

1. This post was removed from the Council's structure during the year. The figures above include amounts set out in note c) below.
2. This post was introduced to the Council's structure during the year.
3. This post was amended to include reference to Deputy Chief Executive during the year.

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

b) Analysis of 'non-senior employees'

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding pension contributions but including compensation for loss of office) are set out below:

2023/24 Number of Total	Remuneration Band	2024/25 Number of Total
9	£50,000 - £54,999	11
4	£55,000 - £59,999	9
3	£60,000 - £64,999 *	5
4	£65,000 - £69,999	2
2	£70,000 - £74,999	2
1	£75,000 - £79,999	2
-	£95,000-£99,999**	1

* This band in 2023/24 includes the financial strain referred to in note c) below.
** This band includes the £47,013 exit package referred to in note c) below

Where the £5,000 bands included no officers in both 2023/24 and 2024/25, they have been excluded from the note.

c) Exit Packages

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

Exit package cost band (including special payments)	**2024/25 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	-	8	8	65,873
£40,001-60,000	-	1	1	47,013
£60,001-80,000*	1	-	1	78,061
Total cost included in Comprehensive Income and Expenditure Statement				190,947

Exit package cost band (including special payments)	**2023/24 Number of compulsory redundancies**	**Number of other departures agreed**	**Total Number of exit packages by cost band**	**Total cost of exit packages in each band**
				£
£0 - £20,000	-	1	1	1,535
£20,001-40,000	-	-	-	-
£60,001-80,000**	-	-	-	60,822
Total cost included in Comprehensive Income and Expenditure Statement				62,357

* The exit package of £78,061 listed above was due to redundancy following a restructure.

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

Of the 10 exit packages listed above none were accrued from financial year 2023/24 (2 in 2023/24).

27 Defined Benefit Pension Schemes

a) Participation in Pension Schemes

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

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

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

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

In addition, by participating in the multi-employer Local Government Pension Scheme, the Authority can be exposed to other participating employers' decisions regarding the scheme but given the nature of the various admitted bodies to the fund it presents a limited and very unlikely material risk.

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:

2023/24 Local Government Pension Scheme £000		2024/25 Local Government Pension Scheme £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
	Service cost comprising:	
2,931	Current service cost	2,950
112	Past service costs	-
120	Administration Expenses	115
	Financing and Investment Income and Expenditure	
(1,752)	Net interest expense	(32)
1,411	***Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services***	3,033
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
(12,898)	Return on plan assets (excluding the amount included in the net interest expense)	(371)
(1,970)	Actuarial gains and losses arising on changes in demographic assumptions	(363)
(3,116)	Actuarial gains and losses arising on changes in financial assumptions	(17,603)
363	Experience gains and losses on defined benefit obligation	(319)
19,733	Changes in effect of Asset Ceiling	19,304
3,523	***Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement***	3,681
	Movement in Reserves Statement	
(1,411)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(3,033)
	Actual amount charged against the General Fund Balance for pensions in the year:	
3,651	Employer's contributions payable to scheme	3,847

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:

2023/24 Local Government Pension Scheme £000		2024/25 Local Government Pension Scheme £000
137,347	Present value of the defined benefit obligation	122,683
(191,999)	Fair Value of plan assets	(199,544)
55,904	Impact of Asset Ceiling*	77,947
1,252	**Net liability (asset) arising from defined benefits obligation**	1,086

* For further details please see note 5 b).

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

2023/24 Local Government Pension Scheme £000		2024/25 Local Government Pension Scheme £000
172,718	Opening fair value of scheme assets	191,999
8,249	Interest income	9,358
	Remeasurement gain/(loss):	
12,898	The return of plan assets, excluding the amount included in the net interest expense	371
3,651	Contributions from employers	3,847
1,003	Contributions from employees into the scheme	1,082
(6,400)	Benefits paid	(6,998)
(120)	Other - Administration	(115)
191,999	**Closing fair value of scheme assets**	199,544

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

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

2023/24 Local Government Pension Scheme £000		2024/25 Local Government Pension Scheme £000
137,927	Opening Balance at 1 April	137,347
2,931	Current service cost	2,950
6,497	Interest cost	6,587
1,003	Contributions from scheme participants	1,082
	Remeasurement (gain)/loss:	
(1,970)	Actuarial gains/losses arising from changes in demographic assumptions	(363)
(3,116)	Actuarial gains/losses arising from changes in financial assumptions	(17,603)
363	Experience gains and losses on defined benefit obligation	(319)
112	Past service cost	-
(6,400)	Benefits paid	(6,998)
137,347	**Closing Balance at 31 March**	122,683

f) Local Government Pension Scheme Assets comprised:

2023/24 Quoted Prices in Active Markets £000	2023/24 Unquoted Prices (not in Active Markets) £000	2023/24 Total £000		2024/25 Quoted Prices in Active Markets £000	2024/25 Unquoted Prices (not in Active Markets) £000	2024/25 Total £000
			Fair Value of Scheme Assets			
-	4,736	4,736	Cash and cash equivalents	-	3,892	3,892
98,095	-	98,095	Equities - Overseas	100,978	-	100,978
3,430	-	3,430	Gilts UK index Linked Government Securities	3,025	-	3,025
2,881	10,371	13,252	Property	2,983	13,124	16,107
-	8,255	8,255	Private Equity	-	8,581	8,581
-	18,697	18,697	Infrastructure	-	19,520	19,520
-	6,487	6,487	Timber	-	5,976	5,976
-	4,007	4,007	Private Debt	-	4,581	4,581
-	35,040	35,040	Other Managed Funds	-	36,884	36,884
104,406	87,593	191,999		106,986	92,558	199,544

g) Reconciliation of change in impact of asset ceiling:

2023/24 £000		2024/25 £000
-	Opening impact of asset ceiling	55,904
-	Interest on impact of asset ceiling	2,739
55,904	Actuarial losses/(gains)	19,304
55,904	**Closing impact of asset ceiling**	77,947

h) Basis for Estimating Assets and Liabilities

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

The Local Government Pension Scheme liabilities have been estimated by Barnett Waddingham, an independent firm of actuaries for the Essex County Council Fund, based on the latest full valuation of the scheme as at 31 March 2022 which has been rolled forward using financial assumptions that comply with IAS19.

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

The significant assumptions used by the actuary have been:

2023/24 Local Government Pension Scheme		2024/25 Local Government Pension Scheme
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
20.8	Men	20.7
23.3	Women	23.3
	Longevity at 65 for future pensioners:	
22.0	Men	22.0
24.7	Women	24.7
2.90%	Rate of inflation - CPI Increases	2.90%
3.90%	Rate of increase in salaries	3.90%
2.90%	Rate of increase in pensions	2.90%
4.90%	Rate for discounting scheme liabilities	5.80%

The demographic assumptions used are in line with those used for the most recent fund valuation, which was carried out as at 31 March 2022. For the assumptions as at 31 March 2025 the CMI_2023 model has been used, which is a change from last year where the CMI_2022 model was used.

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

	Increase in Assumption £000	Decrease in Assumption £000
Defined Benefit Obligation in the Scheme		
Longevity (increase or decrease in 1 year - mortality age rating)	127,633	117,953
Rate of increase in salaries (increase or decrease by 0.1%)	122,818	122,548
Rate of increase in pensions (increase or decrease by 0.1%)	124,239	121,162
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	121,074	124,329

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. On 2 September 2025, Government published draft amendments to the Pensions Scheme Bill which would give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historical benefit changes met the necessary standards. The draft legislation will need to be agreed by both Houses of Parliament before it passes into law. It was not previously clear whether the Virgin Media ruling would apply to the LGPS but, following the publication of draft legislation, we do not now expect the ruling to give rise to any additional liabilities.

i) Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% using the actuarial valuation assumptions. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2025.

The authority expects to pay contributions totalling £3.784 million to the scheme in 2025/26.

The weighted average duration of the defined benefit obligation for scheme members is 14 years, 2024/25 (15 years 2023/24).

28 External Audit Costs

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

2023/24 £000		2024/25 £000
162	Fees payable with regard to external audit services carried out by the appointed auditor for the year	177
-	Variation Fee payable in 2024/25 with regard to external audit services carried out by the appointed auditor for the previous year	27
15	Fees paid in respect of other services provided by the external auditor during the year	5
177	**Total Audit Fees Payable**	**209**

29 Capital Expenditure and Capital Financing

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

2023/24 £000		2024/25 £000
40,183	**Opening Capital Financing Requirement**	38,576
	Capital Investment:	
10,417	Property, Plant and Equipment	10,020
1,421	Revenue expenditure funded from capital under statute	2,026
	Sources of Finance:	
(1,386)	Capital receipts	(2,503)
(4,624)	Government grants and other contributions	(3,983)
(4,164)	Major Repairs Reserve	(3,314)
	Sums set aside from revenue:	
(1,664)	Direct revenue contributions	(1,925)
(193)	MRP/loans fund principal	(185)
-	Principal Payments - Finance Leases	(131)
(1,414)	MRP - HRA	(1,414)
38,576	**Closing Capital Financing Requirement**	37,167
	Explanation of movements in year	
(1,607)	Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	(1,599)
-	Assets acquired under finance leases	190
(1,607)	**Increase/(Decrease) in Capital Financing Requirement**	(1,409)

30 Leases – Change in Accounting Policy and Transition to IFRS16 Lease Accounting

In 2024/25 the Council has adopted the accounting standard IFRS16 Leases in order to comply with the Code of Practice for Local Authority Accounting in the United Kingdom. The main impact of the new requirements is that for arrangements previously accounted for as operating leases (where no asset or liability was recognised by the authority and lease payments were expensed to the comprehensive income and expenditure statement), a right of use asset and a lease liability are to be brought on to the balance sheet as at 1 April 2024. Leases for low value items and leases that expire before 31 March 2025 are exempt from the new arrangements.

IFRS16 has been applied using the 'modified retrospective' approach, with the cumulative effect recognised at 1 April 2024. This means that right of use assets and lease liabilities have been calculated as if IFRS16 always applied but recognised in 2024/25 and not by adjusting prior accounting periods. In line with the code the following has been applied:

- Lease liabilities are measured at the present value of the remaining lease payments at 1 April 2024, discounted by the incremental borrowing rate.
- The weighted average of the incremental borrowing rates used to discount liabilities was 11.30%.
- Right of use assets are measured at the amount of the lease liability, adjusted for any pre-paid or accrued lease payments as at 31 March 2024.
- All leases were assessed as to whether they were onerous at 31 March 2024 and it was determined that there were none.

This has resulted in the following additions to the Balance Sheet at transition:

- £235,000 of additions to the Balance Sheet on 1 April 2024.
- £95,000 Current Creditors (IFRS16 Lease Liabilities).
- £140,000 Non-Current Creditors (IFRS16 Lease Liabilities).

The newly recognised lease liabilities of £0.235 million compare with the operating lease commitments of £0.279 million at 31 March 2024. When these commitments are discounted by the weighted average borrowing rate they total to £0.240 million. The difference of £5,000 relates to short term and low value leases as at the 1 April 2024 which are included in the commitments figure of £0.279 million.

Transactions under Leases

The authority incurred the following expenses and cash flows during 2024/25 in relations to leases:

	2024/25 £000
Comprehensive income and expenditure statement	
Interest expense on Lease Liabilities	24
Expense relating to Short Term Leases	67
Expense relating to exempt Lease of low value items	7
	98

	2024/25 £000
Maturity analysis of Lease Liabilities	
Less than one year	118
One to five years	73
	191

31 Operating Leases - Authority as Lessor

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

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

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

2023/24 £000		2024/25 £000
418	Not later than one year	462
1,326	Later than one year and not later than five years	1,413
3,554	Later than five years	3,932
5,298		5,807

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

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

HOUSING REVENUE ACCOUNT – INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2025

2023/24 £000		2024/25 £000	£000	Note Ref
	EXPENDITURE			
5,482	Repairs and Maintenance	6,296		
3,568	Supervision and Management	3,812		
89	Rents, Rates, Taxes and Other Charges	158		
11,256	Depreciation and Impairments of Non-Current Assets	13,618		5,6
72	Debt Management Costs	75		
36	Movement in the allowance for bad debts	75		
1	Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	-		
20,504	**Total Expenditure**		24,034	
	INCOME			
(14,589)	Dwelling rents	(16,101)		
(306)	Non dwelling rents	(444)		
(646)	Charges for Services and Facilities	(632)		
(74)	Contributions towards expenditure	(107)		
(15,615)	**Total Income**		(17,284)	
4,889	Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		6,750	
276	HRA Share of Corporate and Democratic Core		276	
5,165	Net Expenditure / (Income) for HRA Services		7,026	
	HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:			
(30)	(Gain) or loss on sale of HRA Non-current Assets		(142)	
1,208	Interest Payable and Similar Charges		1,141	
(2,069)	Capital Grants and Contributions Receivable		(3,793)	
(424)	Interest and Investment Income		(441)	
3,850	**(Surplus) / Deficit for the year on HRA Services**		3,791	

HOUSING REVENUE ACCOUNT – MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2023/24		2024/25	
£000		£000	£000
4,813	Balance on the HRA as at the end of the previous year		4,169
(3,850)	Surplus or (Deficit) on the HRA Income and Expenditure Statement	(3,791)	
	Adjustments between accounting basis and funding basis under regulations:		
7,968	Reversal of Revaluation Changes and Impairment	9,827	
1	Reversal of Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	-	
(30)	Reversal of (Gain) or Loss on sale of HRA Non-current assets	(142)	
(2,069)	Reversal of Capital Grants and Contributions Receivable	(3,793)	
4	Reversal of Short Term Accumulating Compensated Absences	(2)	
(288)	Capital Expenditure Funded by the HRA	(1,438)	
(1,414)	Debt Repayment & Credit arrangements	(1,414)	
(68)	HRA share of contributions to or from the Pension Reserve	(119)	
254	Net increase or (decrease) before transfer to or from Reserves	(872)	
	Transfer (to) or from Reserves:		
(158)	Transfer (to)/from Major Repairs Reserves	-	
(740)	Transfers (to)/from Earmarked Reserves	756	
(644)	Increase or (decrease) in year on the HRA		(116)
4,169	**Balance on the HRA as at 31 March**		4,053

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

1 Housing Revenue Account Balances

HOUSING REVENUE ACCOUNT RESERVES

2023/24 Housing Revenue Account £000	2023/24 Housing Commitments Reserve £000	2023/24 Total £000		2024/25 Housing Revenue Account £000	2024/25 Housing Commitments Reserve £000	2024/25 Total £000
4,813	1,527	6,340	Balances as at 1 April	4,169	2,267	6,436
(644)	740	96	Surplus/(deficit) for year	(116)	(756)	(872)
4,169	2,267	6,436	**Balances as at 31 March**	4,053	1,511	5,564

2 Housing Assets

As at 31 March 2025, the Council was responsible for managing the following council housing assets:

01/04/2023 Opening Stock	Acquisitions in Year	Disposals in Year	31/03/2024 Closing Stock	Balance Sheet Value		01/04/2024 Opening Stock	Acquisitions in Year	Disposals in Year	31/03/2025 Closing Stock	Balance Sheet Value
				£000						£000
					Dwellings					
1,445	5	5	1,445	61,270	Flats	1,445	7	4	1,448	61,691
1,008	6	2	1,012	84,597	Houses	1,012	12	7	1,017	91,150
345	-	-	345	26,315	Bungalows	345	-	-	345	27,350
290	-	-	290	8,347	Sheltered Accommodation	290	13	30	273	10,165
8	-	1	7	964	Do-It-Yourself Shared Ownership (DIYSO)	7	-	-	7	895
3,096	11	8	3,099	181,493		3,099	32	41	3,090	191,251
					Other Land and Buildings					
62	-	2	60	1,965	Shared Equity Plots of Land	60	-	3	57	1,883
361	1	-	362	1,349	Garages	362	10	5	367	1,386
429	-	-	429	95	Ground Rents re: sold council flats	429	-	-	429	95
1	-	-	1	505	Community Centre	1	-	-	1	505
5	1	-	6	1,733	Other non-domestic properties	6	1	-	7	2,295
14	-	-	14	2,121	Land	14	1	2	13	559
3,968	13	10	3,971	189,261	**Totals**	3,971	44	51	3,964	197,974

In addition to the above table, the Council also held HRA assets under construction with a balance sheet value of £0.055 million as at 31 March 2025 (2023/24 £2.002 million). This change is mainly due to the completion of two large schemes previously held in assets under construction which have now transferred to Council Dwellings and other Land and Buildings.

2023/24 £000		2024/25 £000
456,530	Vacant Possession Value *	474,828
(181,509)	Less: Existing Use Values (Social Housing)	(191,251)
275,021	Economic Cost of Providing Social Housing	283,577

* This is the market value of dwellings as at 31 March 2025.

A desktop revaluation of all HRA assets was undertaken by the external valuer during the year with resulting changes and other adjustments being reflected in the Balance Sheet value as at 31 March 2025.

3 Capital Expenditure and Financing

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

2023/24 £000		2024/25 £000
	Capital Investment:	
3,025	Operational Assets	4,740
5,009	Property Acquisition and New Build	3,176
8,034		7,916
	Sources of Finance:	
4,163	Major Repairs Reserve	3,314
288	Direct Revenue Financing	1,438
308	Section 106 Funding	651
1,505	External Funding	-
489	New Homes Bonus	-
1,281	Capital Receipts	2,513
8,034		7,916

4 Housing Capital Receipts Reserve

There is a requirement to 'pool' part of the capital receipts received by the Council and pay it to the Secretary of State. The amounts to pool on disposal reflect the age and type of dwelling. For 2024/25 there is no requirement to 'pool' part of the capital receipts received by the Council in respect of Right to Buy sales.

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

2023/24		2024/25
£000		£000
8,937	Balance as at 1 April	8,137
	Capital Receipts in the year:	
432	Council house sales (net of administration costs)	1,099
49	Shared Equity Sales of Land	78
1	Mortgage principal repayments	-
9,419		9,314
	Less:	
(1)	Capital receipts pooling contribution payable to the Government	-
(1,281)	Capital receipts used for financing capital expenditure	(2,528)
8,137	Balance as at 31 March	6,786

5 Depreciation

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

2023/24		2024/25
£000		£000
3,477	Dwellings	3,696
19	Do-It-Yourself Shared Ownership (DIYSO)	18
27	Garages	27
8	Community Centre	8
25	Other Non-Domestic Properties	41
1	Equipment	1
3,557	**Depreciation Charged to the HRA I & E Account for the Year**	3,791

6 Impairment Charges

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

2023/24		2024/25
£000		£000
8,241	Impairment charge for works to the Council's dwelling stock	10,072
(541)	Reversal of previous Impairment Losses due to increase in asset values	(245)
7,700	Impairment charge for the year	9,827

Tendring District Council has elected to recover all losses on non-dwellings from the period 2012-2017 to the HRA Reserve. In 2024/25 there were no gains. (In 2023/24 there were gains of £0.268 million). The balance currently left to recover is £0.991 million.

7 Rent Arrears and the Provision for Bad and Doubtful Debts

The rent arrears at 31 March 2025 were £0.544 million (2023/24 - £0.572 million), which equates to 3.22% (3.73% for 2023/24) of the rent roll due for the year, excluding rents foregone on empty properties and housing benefit overpayments, but inclusive of service charges.

The HRA Provision for Bad and Doubtful Debts at 31 March 2025 is £0.275 million after the following movements on the account during 2024/25:

2023/24		2024/25
£000		£000
280	Balance as at 1 April	295
36	Provision for year	74
(21)	Arrears written off	(94)
295	Balance as at 31 March	275

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

2023/24 Council Tax £000	2023/24 Business Rates £000	2023/24 Total £000		2024/25 Council Tax £000	2024/25 Business Rates £000	2024/25 Total £000	Note Ref
			INCOME				
(106,211)	-	(106,211)	Council Tax Payers	(113,402)	-	(113,402)	2
-	(26,872)	(26,872)	Income from Business Ratepayers	-	(29,992)	(29,992)	3
(106,211)	**(26,872)**	**(133,083)**	**Total Income**	**(113,402)**	**(29,992)**	**(143,394)**	
			EXPENDITURE				
			Precepts:				4
74,031	-	74,031	Essex County Council	78,968	-	78,968	
4,098	-	4,098	Essex Fire and Rescue	4,285	-	4,285	
11,918	-	11,918	Essex Police and Crime Commissioner	12,781	-	12,781	
11,981	-	11,981	Tendring District Council	12,589	-	12,589	
			Shares of Business Rates Income:				3
-	14,189	14,189	Central Government	-	14,257	14,257	
-	2,554	2,554	Essex County Council	-	2,566	2,566	
-	284	284	Essex Fire and Rescue	-	285	285	
-	11,351	11,351	Tendring District Council	-	11,405	11,405	
4,019	767	4,786	Share of Collection Fund Balance	1,353	1,980	3,333	5
			Other Business Rates Payments:				
-	290	290	Costs of Collection	-	290	290	
-	(3,676)	(3,676)	Transitional Protection	-	(1,100)	(1,100)	
-	445	445	Renewable Energy Schemes	-	534	534	
-	92	92	Designated Areas Freeport	-	235	235	
			Bad Debt and Other Provisions:				6
4,899	54	4,953	Provisions	357	11	368	
574	180	754	Write Offs	232	184	416	
-	(598)	(598)	Provisions for Appeals	-	512	512	
111,520	**25,932**	**137,452**	**Total Expenditure**	**110,565**	**31,159**	**141,724**	
5,309	**(940)**	**4,369**	**(Surplus)/Deficit for the Year**	**(2,837)**	**1,167**	**(1,670)**	

2023/24 Council Tax	2023/24 Business Rates	2023/24 Total		2024/25 Council Tax	2024/25 Business Rates	2024/25 Total	Note Ref
£000	£000	£000		£000	£000	£000	
			Collection Fund Balance				
(5,976)	(2,758)	(8,734)	Balance brought forward	(667)	(3,698)	(4,365)	
5,309	(940)	4,369	(Surplus)/Deficit for the year	(2,837)	1,167	(1,670)	
(667)	**(3,698)**	**(4,365)**	**Balance Carried Forward**	**(3,504)**	**(2,531)**	**(6,035)**	5
			Allocated to:				
-	(1,849)	(1,849)	Central Government	-	(1,266)	(1,266)	
(483)	(333)	(816)	Essex County Council	(2,544)	(228)	(2,772)	
(27)	(37)	(64)	Essex Fire and Rescue	(140)	(25)	(165)	
(77)	-	(77)	Essex Police and Crime Commissioner	(415)	-	(415)	
(80)	(1,479)	(1,559)	Tendring District Council	(405)	(1,012)	(1,417)	
(667)	**(3,698)**	**(4,365)**		**(3,504)**	**(2,531)**	**(6,035)**	

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 2024/25 was £2,094.28 for a Band D dwelling. This rate of tax, which covers estimated net expenditure of the Council, Essex County Council, Essex Fire and Rescue, Essex Police and Crime Commissioner and the Parish and Town Councils, was assessed on the tax base set out below:

Calculation of the Tax Base for 2024/25

2023/24	Band	Valuation	Pro-portion	Full Charge	Paying 75%	Paying 50%	2nd Homes Empty	Empty Home Premiums	Exempt	Total Excluding LCTS	LCTS Scheme 100%	Total
11	*A	Up to £40,000	5/9	12	5	-	-	-	-	17	(4)	13
10,511	A	Up to £40,000	6/9	4,584	7,510	24	909	83	603	13,713	(3,067)	10,646
15,577	B	£40,001 to £52,000	7/9	9,647	7,325	35	593	65	320	17,985	(2,354)	15,631
19,601	C	£52,001 to £68,000	8/9	13,342	7,304	47	638	25	409	21,765	(1,873)	19,892
11,361	D	£68,001 to £88,000	9/9	8,353	3,165	45	345	24	172	12,104	(469)	11,635
5,514	E	£88,001 to £120,000	11/9	4,380	1,169	34	156	12	80	5,831	(109)	5,722
1,998	F	£120,001 to £160,000	13/9	1,608	338	31	83	-	19	2,079	(31)	2,048
892	G	£160,001 to £320,000	15/9	736	123	32	40	3	12	946	(9)	937
65	H	Over £320,000	18/9	45	3	6	6	4	-	64	-	64
65,530				42,707	26,942	254	2,770	216	1,615	74,504	(7,916)	66,588

52,629	Number of equivalent full charge Band D dwellings (unscaled tax base)	53,360
(1,579)	Less Provision for changes in valuation list, discounts and doubtful debts	(1,494)
51,050	Tax base for tax setting purposes	51,866

* Band A – entitled to Disabled Relief

Analysis of the Council Tax

Council Tax for a Band D Dwelling

2023/24 Average £		2024/25 Average £
	Tendring District Council:	
175.50	General Expenses	181.17
12.61	Special Expenses	12.56
46.58	Town and Parish Councils	48.98
1,450.17	Essex County Council	1,522.53
80.28	Essex Fire and Rescue	82.62
233.46	Essex Police and Crime Commissioner	246.42
1,998.60		2,094.28

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:

2023/24		2024/25
£92.336m	Rateable Value on 31 March	£92.991m
	Non-Domestic Rate per £	
49.9p	Small Businesses	49.9p
51.2p	Standard	54.6p

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

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

4 Precepts

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

5 Share of Collection Fund Balance

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

Council Tax	2023/24 Business Rates	Total		Council Tax	2024/25 Business Rates	Total
£000	£000	£000		£000	£000	£000
			Allocated to:			
-	383	383	Central Government	-	990	990
2,928	69	2,997	Essex County Council	982	178	1,160
157	8	165	Essex Fire and Rescue	54	20	74
457	-	457	Essex Police and Crime Commissioner	158	-	158
477	307	784	Tendring District Council	159	792	951
4,019	**767**	**4,786**		**1,353**	**1,980**	**3,333**

Therefore, the year end surplus of £3.504 million (£0.667 million in 2023/24) on Council Tax and the surplus of £2.531 million (£3.698 million in 2023/24) on Business Rates together with balances paid over to precepting authorities in 2025/26, will form part of the assessment made in January 2026.

6 Bad Debt and Other Provisions

Provision for Bad and Doubtful Debt

2023/24 Council Tax £000	2023/24 Business Rates £000	2023/24 Total £000		2024/25 Council Tax £000	2024/25 Business Rates £000	2024/25 Total £000
			Movements in Year:			
5,473	234	5,707	Contributions to provisions in year	589	195	784
(574)	(180)	(754)	Less: Amounts written off in the year	(232)	(184)	(416)
4,899	54	4,953	Net change in provisions	357	11	368
			Balances on provisions:			
6,485	951	7,436	Balance Brought Forward	11,384	1,005	12,389
4,899	54	4,953	Net change in provisions	357	11	368
11,384	1,005	12,389	Balance Carried Forward	11,741	1,016	12,757

Provisions for Appeals (Business Rates only)

2023/24 £000		2024/25 £000
2,086	Balance Brought Forward	1,488
(598)	Contributions to provisions in year	512
1,488	Balance Carried Forward	2,000

ACCOUNTING POLICIES

a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2024/25 financial year and its position at the year end of 31 March 2025. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 and the Service Reporting Code of Practice 2024/25, supported by International Financial Reporting Standards (IFRS).

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

b) Accruals of Income and Expenditure

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

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

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenditure in relation to services received (including services provided by employees) is recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. The only exceptions to this are with regard to certain revenue transactions where the accruals concept has not been applied (for example, non-housing rental income, electricity and similar regular quarterly/monthly payments) as the change from year to year is recurring in nature and the sums involved are not material compared with total expenditure and income, and where appropriate when expenditure is being funded by external grant, depending on the requirements specified in the conditions of grant. As this policy is applied consistently each year, it has no material effect on the year's accounts. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- While accrual and prepayment thresholds are applied during the preparation of the accounts, certain adjustments below those thresholds may be recorded when relevant to external funding grant claims.

c) Cash and Cash Equivalents

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

d) Charges to Revenue for Non-Current Assets

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

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

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

e) Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and Non-Domestic Rates

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

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

f) Employee Benefits

Benefits Payable During Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, for example, time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting period, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Post-Employment Benefits

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

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

The Local Government Pension Scheme

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

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

- Liabilities are discounted to their value at current prices, using a discount rate. The discount rate used is such that the net present value of the notional cash flows, discounted at this single rate, equates to the net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve.

- The assets of Essex County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

  - Quoted securities – current bid price;
  - Unquoted securities – professional estimate.
  - Unitised securities – current bid price;
  - Property – market value.

- The change in the net pensions liability is analysed into the following components:

  Service cost comprising:

  - **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

  - **Past service cost/gain** – the increase/decrease in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited/credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Finance and Corporate Resources.

  - **Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority** – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

  Remeasurements comprising:

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

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

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

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

Discretionary Benefits

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

g) Events after the Reporting Period

Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;

- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

h) Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

For all of the borrowings that the Authority has, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the investments that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Expected Credit Loss Model

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

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

i) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as current liabilities. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Grants to cover general expenditure (for example, Revenue Support Grant) are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

j) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

k) Leases

The authority as lessee

The authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the authority is reasonably certain to exercise
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated on a straight-line basis over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method.

The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the estimate of the amount expected to be payable under a residual value guarantee
- the authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

The authority excludes leases:

- for low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges 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.

The authority as lessor

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.

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 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. 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 other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease or where this is initiated by a service to the individual service, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

l) Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

m) Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

Where there is no market based evidence of current value because of the specialist nature of an asset depreciated replacement cost (DRC) is used as an estimate of current value.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (for example, freehold land and certain Community Assets) and assets that are not yet available for use (for example, assets under construction).

Depreciation is calculated on the following basis:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset.
- Infrastructure – straight-line allocation.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. All components were derecognised in 2022/23 as the difference in the depreciation charge was not significant.

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

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

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

n) Provisions

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

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

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

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

o) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

p) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

q) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income.

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

r) Fair Value Measurement of Non-Financial Assets

The Council measures some of its non-financial assets such as surplus assets and investment property at fair value at each reporting period date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liabilities takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

OTHER INFORMATION

The Statement of Accounts is one of a series of documents that the Council publishes in order to provide financial information about its activities.

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

These publications can be found on the Council's Web Site at *www.tendringdc.gov.uk*.

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

GLOSSARY OF TERMS USED IN THE STATEMENT OF ACCOUNTS

Accounting Period

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

Accumulated Absences Account

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

Accruals

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

Asset

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

Bad or Doubtful Debts

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

Balance Sheet

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

Billing Authority

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

Budget

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

Business Rates

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

Capital Expenditure

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

Capital Financing

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

Capital Programme

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

Capital Receipt

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

Capital Receipt Pooling

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

Cash Flow Statement

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

Collection Fund

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

Community Assets

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

Council Tax

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

Creditors

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

Current Assets

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

Current Liabilities

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

Debtors

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

Deferred Capital Receipts

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

Defined Benefit Scheme

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

Depreciation

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

Earmarked Reserve

A sum set aside to meet commitments in future years.

General Fund

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

Government Grants

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

Housing Revenue Account (HRA)

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

Impairment

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

Intangible Assets

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

Inventories

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

Leasing

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

- Operating leases where an annual payment is made to an external supplier for the use of an asset which is then returned at the end of the lease.

- Finance Lease where an annual payment is made as above although the payment comprises of a principal element and an interest element and a substantial part of the risks and rewards of ownership pass to the lessee.

Major Repairs Reserve (MRR)

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

Minimum Revenue Provision (MRP)

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

Non-Current Assets

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

Precept

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

Precepting Authority

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

Provisions

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

Prudential Code

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

Public Works Loan Board (PWLB)

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

Reserves

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

Revenue Support Grant (RSG)

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

Revenue Account

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

Revenue Expenditure Funded from Capital under Statute

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

Tendring District Council

Annual Governance Statement 2024-25

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8. CONCLUSION

1. ACKNOWLEDGEMENT OF RESPONSIBILITY FOR A SOUND SYSTEM OF GOVERNANCE

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

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

In discharging this overall responsibility, the Council acknowledges that it is responsible for:

- **putting in place proper arrangements for a sound system of governance and internal control;**
- **facilitating the effective exercise of its functions; and**
- **management of risk.**

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

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

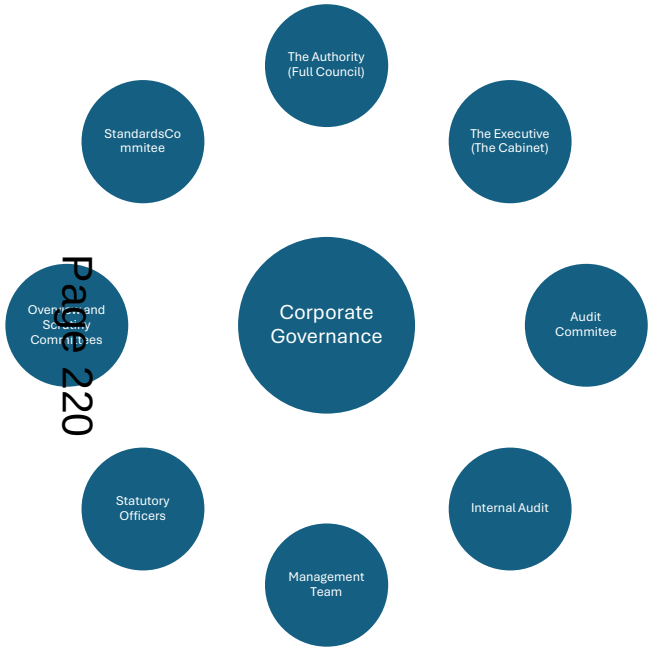
(a) conduct a review of the effectiveness of the system of internal control

(b) prepare an Annual Governance Statement

The context and background to this year's review acknowledges the Council's commitment and activities to a number of key projects and schemes, the ongoing impact of responding to Local Government Reorganisation proposals, along with the development of a complementary work programme that takes a pragmatic approach during the interim period before the establishment of a successor Unitary Council from as early as 01 April 2028. This review along with the action plan therefore aims to identify the right balance between the effective management and strengthening of governance arrangements with a proportionate and pragmatic action plan in 2025/26.

This Annual Governance Statement covers the period from 01 April 2024 up until its publication with the Council's Statement of Accounts on 30 June 2025.

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



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

The Authority (Full Council)	The Executive (The Cabinet)
• Approve Constitution and Policy Framework • Approve Council's overall budget • Approve matters reserved by law or by the Constitution to Full Council	• Undertake the Council's Executive functions • Making decisions within the Budget and Policy Framework
Standards Committee	**Overview and Scrutiny Committees**
• Promote and maintain high standards of • Develop culture of openness, transparency, trust and confidence • Embed a culture of strong ethical and corporate governance	• Review or scrutinise Executive decisions • Assist with policy formulation and review • Scrutinise performance in relation to the Council's Corporate Plan, Priorities and Projects and the Budget • Report to Council / Cabinet on council functions/ matters affecting the area or its inhabitants
Audit Committee	**Management Team**
• Approve the Council's Statement of Accounts • Independent assurance of adequacy of risk management framework • Consider Internal / External Audit work and recommendations arising	• Develop and maintain the Council's strategic direction • Ensure delivery of agreed targets within service areas • Review overall performance, both financial and non-financial, and change management
Internal Audit	**Included within Management Team the Statutory Officers**
• Provide an independent and objective assurance function • Improve effectiveness of risk management, control and governance processes	• **Head of Paid Service** – discharge of council functions • **Monitoring Officer** – lawfulness and fairness of decision making, including scope of powers • **Chief Financial Officer (S151)** – lawfulness of Council's financial prudence of decision making

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

Purpose of the Governance Framework

The governance framework comprises: -

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

It enables the authority to monitor: -

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

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

The Governance Framework compliments processes already in place but also provides a check and balance mechanism for the Authority.

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

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

The Governance Framework has been in place within the Council for the year ended 31 March 2023 and reviewed up to the date of approval of the statement of accounts.

The Governance Framework

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

1. The Council's Constitution, Budget and Policy Framework	2. Other Strategies, Policies and Procedures	3. Examples of Good Governance
• The **Council's Constitution,** which sets out the Council's decision making framework, enabling decisions to be taken efficiently and effectively; provides a means of holding decision makers to public account; a structure to deliver cost effective quality services to the community; and defines roles and responsibilities • A **Corporate Plan** which identifies the Council's vision, its aims, opportunities and values • **Budget and Policy Frameworks** covering key policies and plans that must be approved or adopted by full Council, including its Budget, Council Tax, Housing Investment Programme, Local Development Plans, Licensing Policies, Procurement Strategy and Information Governance.	• Clear **Codes of Conduct** which set behavioural expectations for all individuals representing the Council • **Human Resources Policies and Procedures** covering an extensive range of good employment practices • **Whistleblowing** and **Complaints Procedures** that provide individuals with opportunities to report issues within the Council • **Information** and **IT Policies and Procedures** protecting data held by the Council • A wide range of strategies, policies and procedures providing governance frameworks over functions and activities of the Council	• The identification of **Priorities and Projects** and their translation into clear goals enabling the targeting of work by departments • **Performance Management** and **Budget Monitoring Frameworks** providing a review of key activities against targets set, delivery of projects, and financial performance • The Publication of **Agendas, Reports, Minutes and Decisions** providing accurate and reliable information to the public • A **Corporate Risk Management Framework** providing a structure for risk management within the Council, and a **Corporate Risk Register** identifying the key risk that the Council is exposed to that is subject to regular review • **External Standards Compliance** including compliance with accounting and auditing codes and standards, and conformance of the Council's financial management arrangements with the governance requirements of the CIPFA Statement on "*The Role of the Chief Financial Officer in Local Government (2016)*" • Robust governance arrangements for working, engaging and consulting with the Council's stakeholders, partners and the public

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

As part of the Annual Review of the Council's Governance Framework, a number of activities and actions have been identified and undertaken during **2024/25** strengthening the Council's Governance Framework. The key activities and actions are set out below against the **Core Principles of Good Governance** identified in the Council's Code of Corporate Governance.

Principle A **Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law**		
Behaving with integrity	Demonstrating strong commitment to ethical values	Respecting the rule of law
Monitoring Officer's report to the Audit Committee in respect of the findings/orders/recommendations from the Local Government and Social Care Ombudsman, including compliance and learning.	Notes that the new Strategic Housing Land Availability Assessment demonstrates an up-to-date housing land supply position and an April 2024 baseline housing position for the purposes of reviewing the Local Plan.	Annual Review of the Council's Constitution amended and re-affirmed.
To promote the Nolan Principles with staff at all levels of the organisation.	Adopts the Waste Strategy for Essex 2024-2054.	Cabinet Adoption of a Film Classification Policy Decision.
Continued livestreaming of Committee Meetings.		

Cabinet reports now include a section for LGR considerations, along with Statutory Officer comments complying with the Council's Best Value Duty. LGR staff and member briefings conducted along with joint working with Braintree District Council and Colchester City Council.		New Housing Bill Regulation and ongoing review including such elements as Gas and Electrical Safety Policies.
Matters reported to the Standards Committee enforcing the Members' Code of Conduct. Reporting to Full Council as appropriate.	Cabinet approves the adoption of the Tenant Involvement Policy and of the Anti-Social Behaviour Policy.	Licensing Enforcement and Inspection Policy 2024-2028, Sex Establishment Policy, Pavement Licensing Policy, Gambling Licensing Policy Statement adopted.
		To approve amendments to the Housing Complaints Policy in order to meet the requirements of the Housing Ombudsman's revised Complaint Handling Code.
Regular discussions are held with the Leader, Portfolio Holders and Statutory Officers regarding potentially contentious matters within the governance framework.		Training sessions delivered to Senior Managers' Forum covering the Procurement Act 2023, Nolan Principles and Governance.
Appointment agreed by the Council of four Independent Persons to the Standards Committee.		
Planning Probity Protocol be adopted and incorporated into the Council's Constitution, the Planning Committee's Terms of Reference be amended to reflect that personal planning applications submitted by the proposed seniority level of Officers plus all Officers within Planning and Legal Services will be referred to the Planning Committee; and training on the Planning Probity Protocol	Best Value Review Self-Assessment has been conducted.	Human Resources and Council Tax Committee's Terms of Reference be amended to include the determination of Employment Appeals of Chief Officers, with these functions being delegated to a Chief Officer Employment Appeals Sub-Committee and Chief Officer Employment Appeals Sub-Committee is established with the Terms of Reference.

forms part of the Mandatory Training as required by Council Procedure Rule 33.3 for Members of the Planning Committee.		
Principle B **Ensuring openness and comprehensive stakeholder engagement**		
Openness	Engaging comprehensively with institutional stakeholders	Engaging with citizen stakeholders
That Article 9.05(2) of the Council's Constitution be amended to read as follows:- (2) Composition: • Three Members of the Standards Committee and three non-voting co-opted Town and Parish Council members to be nominated by the Tendring District Association of Local Councils.	The Planning Policy and Local Plan Committee recommends to the Portfolio Holder for Housing and Planning, that the draft response to the Local Plan Consultation be approved and be submitted to the Ministry of Housing, Communities and Local Government before the close of the consultation on 24th September 2024.	Tendring District Local Plan Review: Issues and Options Consultation Document, be published for public consultation.
The Planning Policy and Local Plan Committee approves the update Local Development Scheme (LDS) 2024-2027 for publication on the Council's website and for submission to the Ministry of Housing, Communities and Local Government.	The Planning Policy and Local Plan Committee notes the main implications of the new Government's proposed changes to the National Planning Policy Framework (NPPF), including the introduction of mandatory housebuilding targets, on the review of the Tendring Local Plan agrees to postpone any public consultation on Issues & Options pending the outcome of the Government's NPPF consultation following which a consultation document including revised spatial strategy options may need to be	To review the Community Engagement Strategy and ensure resident engagement is actively part of service development review. Extend the 'you said, we did' approach and more customer feedback data at corporate level.

	presented to the Committee for its consideration and approval before public consultation is resumed and to revisit the Local Development Scheme as a result.	
That the Planning Policy and Local Plan Committee notes that the Authority Monitoring Report (AMR) forms a baseline assessment of the key monitoring indicators set out in the Local Plan which will help inform the review of the Local Plan.	Cabinet consults on the annual highlight priorities in support of the Corporate Plan.	
The outcome of the consultation be reported to Cabinet on 21 February 2025 in order that Cabinet can formally adopt its finalised highlight priority actions for 2025/26 with relevant milestones during that year.	Members Working Groups continue when required including for the waste contract.	Local Plan Review: Vision and Objectives: Cabinet approves the vision and objectives for the review of the Local Plan, for public consultation purposes.
That the Housing Portfolio Holder authorises officers to publish both the outturn report relating to Housing Performance on the Council's website and to submit the Tenant Satisfaction Measures to the Regulator of Social Housing by 30 June 2024.	Tenants Panel continue to engage with the Council on associated housing matters.	
	The Clacton Town Board has continued to mature and develop bringing together business, health providers, education and community/voluntary sector representatives.	Council's Housing Allocations Policy be approved for consultation.
	Supports the content of the draft response to the Norwich to Tilbury Statutory Consultation subject to references to the location of the proposed East Anglian Connection Node.	That Cabinet approves the Health and Wellbeing Draft Strategy for public consultation.
That the milestones associated with the adopted Highlight Priorities 2024/25 be published, and uploaded to the TDC Website	Continued and thorough Community Leadership Overview and Scrutiny work programme.	Community Governance Review of Clacton-on-Sea, Holland-on-Sea and Jaywick.

in line with the Council's commitment to openness.	All Member briefings have continued, including internal/external speakers speaking on specialised subject areas. Chief Executive Members' update.	To formally agree the format and design of the Careline consultation. The outcome of the consultation was taken into account by Cabinet when it reviewed its decision on the future operation of the service.
To look at conducting a staff survey as we proceed along the LGR journey.	That the Portfolio Holder for Leisure and Public Realm agrees that £50,523 of the Sport and Activity Strategy budget is allocated to fund the Sport and Activity Strategy Feasibility Study.	To publish the Council's updated Statement of Community Involvement which includes those recommended amendments suggested by Members at the Planning Policy and Local Plan Committee.

Principle C **Defining outcomes in terms of sustainable economic, social and environmental benefits**	
Defining outcomes	Sustainable economic, social and environmental benefits
⇩	⇩
Tendring District Council acts as the Accountable Body for the Levelling Up Partnership.	The Leader, writes to the Chancellor of the Exchequer, Rachel Reeves MP, to highlight the Winter Fuel Payment challenge for our residents, especially as the uptake of Pension Credits are low.
Approves that the Council's new target for achieving Net Zero Carbon emissions be aligned with the UK Government's national objectives to achieve Net Zero, i.e. by 2050.	Council approves and formally adopts the Social Value Policy.
Tendring District Council to re-affirm the commitment that currently exists in the Council's Animal Welfare Charter to ban outright the giving of live animals as prizes, in any form, on land owned by Tendring District Council.	Cabinet notes the acceptance of the two funding agreements between TDC and ECC for the delivery of the ECC led schemes within the LUF and CRP projects respectively; and requests officers to investigate the opportunity to bring forward the Milton Road element of the Dovercourt scheme from the Capital Regeneration Project funding and report the outcome back Cabinet in the context of the wider scheme.
Planning Policy and Local Plan Committee agrees that the high-level spatial strategy options be included for public consultation in due	Grant award for Long Term Plan for Towns (now known as plan for neighbourhoods) Capacity in the sum of £200,000 and High Street

course as part of the 'Issues and Options' stage of the Local Plan review process.	Accelerator (HSA) Funding of £187,000 for Harwich and Dovercourt and £500,000 funding (£450,000 Capital, £50,000 Revenue) for the financial year 2024/25.
Cabinet approves the Freeport East annual business plan for 2024/25.	Cabinet approves the 'Subsidy Addressing Health Inequality – Mental Health Subsidy Scheme for 2024/25' and awards Citizen's Advice Tendring direct grant funding of £28,000 as a contribution to the provision of a Mental Health Hub for 2024/25.
Cabinet Adoption of the Jaywick Sands Place Plan.	Cabinet approves the continuation of the arrangement to part-fund a Police Community Support Officer (PCSO), deployed in the Harwich & Dovercourt area, for a period of 12 months from 1st April 2024 until 31st March 2025.
Cabinet formally adopts the Sport and Activity Strategy 2024-2028.	Adoption of First Seven Conservation Area Appraisals and Management Plans and Start of the Local List Project Decision.
Public consultation to the proposed variation of the Public Spaces Protection Order for Clacton Town Centre, approves the variation to the areas covered by the current Town Centre Public Spaces Protection Order.	Cabinet formally accepts the £19.79M CDEL and £100k RDEL funding offered by the Ministry for Housing, Communities and Local Government for the Community Regeneration Partnership (formerly the Levelling Up Partnership) programme. Allocates capital expenditure of £19.79M to the Capital Programme against the projects, and allocates £100,000 revenue to the delivery of a cultural masterplan for Clacton, to deliver the Partnership. Approves the scope and details of the 'first wave' projects and approves the scope and details of the 'second' and 'third' wave projects for Levelling Up Fund and Community Regeneration Project.
Policy on Biodiversity Net Gain (BNG) is adopted as the Council's interim corporate position pending the outcome of the Local Plan Review.	Cabinet notes and commends the 'Community Projects e-brochure' and the work within it, delivered by the Council or working in partnership, demonstrating community leadership across the District.
Adoption of the Elmstead Neighbourhood Plan and Ardleigh Neighbourhood Plan as a result of a referendum.	That the Portfolio Holder for Finance and Governance and Portfolio Holder for Leisure and Public Realm agree to include the refurbishment of the Leisure Centre entrance road into the existing contract with Marlborough Ltd and allocate an additional £24,000 to the Vista Road Car Park Capital budget from the annual revenue contribution to the Leisure Capital Projects Reserve.

Agrees that the requirements of the Anti-social Behaviour, Crime and Policing Act 2014, the Human Rights Act 1998 and the Equalities Act 2010 have been followed in the preparation for and drafting of the Public Spaces Protection Order (PSPO) in respect of dog control and dog fouling; agrees to the making, publishing and implementation of a Public Spaces Protection Order (PSPO) under section 59 of the Anti-Social Behaviour, Crime and Policing Act 2014 in respect of dog control and dog fouling, to be implemented in the Tendring District from August 2024; and agrees to the proposed signage design and locations for the signage to be displayed, and authorises Officers to determine locations for further signage as deemed necessary once the PSPO is in force.	To consent to the transfer of the Open Space Land directly from the Developer to the Council and receipt of the Contribution, in accordance with the intention as set out in Schedule 3 of the Section 106 Agreement as amended by the deed of variation dated 6 April 2023, relating to the Planning Application.
	The Leader of the Council, acting on behalf of the Portfolio Holder for Assets agrees the Social Value Themes, Outcomes and Measures (TOMs) which the social value aspects of the waste contract tender submissions will be considered.
To allocate £74,000 of the Long Term Plan for Towns (now known as the Plan for Neighbourhoods) Capacity Payment to various projects in accordance with the resolution of the independent Clacton Town Board.	To agree to be a part of the development of the Essex-wide Air Quality Strategy with the name and logo of the Council being included on the draft strategy documents for the public consultation exercise.
	To accept £54,000 and sign the associated Memorandum of Understanding provided by Essex County Council for a Public Health Practitioner Post (£20,000) and provision of a health grant (£34,000) to promote health and wellbeing priorities.
	To allocate £77,100 previously awarded by the Office of the Police, Fire and Crime Commissioner as part of a grant agreement provided to address our local Community Safety Partnership priorities of Reducing Serious Violence, Violence against Women and Girls and Tacking Anti-Social Behaviour and the root causes.
	To agree the extension of the North East Essex Health and Wellbeing Alliance Health Inequalities Memorandum of Understanding until 31 March 2025. To spend up to £160,000 from the health inequalities funding provided from the North East Essex Health and Wellbeing Alliance to contribute towards the continuation of the Fuel Poverty Officer role.
Outturn reports agreed by Cabinet reflecting key considerations including setting aside funding to support investment in priorities.	To procure a provider to commission a suite of training courses to be delivered to local businesses across 2024/25, and recorded to be

	retained by the Council as an ongoing resource for businesses to access beyond the life of the current UK Shared Prosperity Fund provision.
The Council agreed additional Council Tax Premiums.	To approve that a Local Retail, Hospitality and Leisure Business Rate Relief Scheme is adopted / administered in 2025/26 in accordance with the Government Guidance.
	The Council approved the Annual Capital and Treasury Strategy for 2024/25.
Accepted £563,028 from UK Shared Prosperity Fund.	Approves extending the scope of the £2,148,421 allocated by Cabinet to develop the Carnarvon Terrace (LUF) and Homes for Dovercourt (CRP) projects.
	Agreed to the procurement of such services for a contract period of three years commencing 1 October 2025, and agreed to a modular procurement approach to determine what a provider could offer for various levels of potential funding e.g. £50,000, £100,000 or £150,000 per year and to extend the current Service Level Agreement with Citizens Advice Tendring (CAT) from 1 April 2025 until 30 September 2025.

Principle D **Determining the interventions necessary to optimise the achievement of the intended outcomes**		
Determining interventions	Planning interventions	Optimising achievement of intended outcomes
Cabinet Adoption of a Housing Domestic Abuse Policy, Neighbourhood Management Policy and Rent Setting and Collection Policy Decision.	Quarterly reporting of the Performance against milestones for Highlight Priorities.	The existence of improvement plans across the organisation is a continuing piece of work.
Best Value Review.		Cabinet approves the final highlight priorities for 2025/26.

HSE Asbestos Review.	Cabinet approves and formally adopts the Reasonable Adjustments Policy, Vulnerability Policy and Unacceptable Customer Behaviour Policy.	Overview and Scrutiny Task and Finish Groups.
Fraud and Awareness Actions from Audit Report.		Implementation of a dedicated Project Delivery Unit.
The Council has internal governance arrangements to support the delivery of major projects.	Operational Enforcement Group to review the Council's enforcement activities.	To regularly review themes of complaints and dissatisfaction. To check the Essex Resident survey for any evidence of satisfaction levels with the Council from residents in Tendring.
Continued and thorough Resources and Overview and Scrutiny work programme.	Youth provision outside of school.	
	The Council continues to deliver a long term financial sustainability plan with the underlying key aim of protecting services.	Cabinet approved the update HRA business plan, and to adjust the forecast/budget and recommended to Council to approve a 2.7% increase in dwelling rents.
In the light of the ongoing delays and costs, as well as the significant risk of failing to conclude the disposal Option Agreement for the former Weeley Council Offices site, agrees to no longer pursue further negotiations with the current bidder, based on the existing Heads of Terms agreed in April 2023.	Approved the External Funding High Level Framework.	The Regulator for Social Housing has its own requirements in respect of consumer, governance and financial viability for social housing landlords such as the Council. The Council will need to deliver against those requirements.
		Design and build a Tendring4Growth Website to be funded by UKSPF and agreed to repurpose the Economic Growth Teams.
Principle E **Developing the Council's entity, including the capacity of its leadership and the individuals within it**		
Developing the Council's capacity		Developing the capability of the Council's leadership and other individuals
⇩		⇩
In March 2025 Cabinet agreed to enter into a Collaboration Agreement for Essex procurement Partnership together with a number of other		That the Human Resources and Council Tax Committee endorse the adoption of the people strategy 2024 – 2029.

local authorities, for a period of three years. At the same time, recommended a draft Procurement Strategy onto Full Council for adoption.	
Endorse and adopt the Council's updated Leave Arrangements for Employees Policy.	Recommends that Full Council considers the request from the Leader having been supported by the Human Resources and Council Tax Committee, to reinstate the Chief Executive's full time hours given the emerging/additional demands on the role due to the Government's Local Government Reorganisation agenda. The Council agreed an associated special dispensation to the Council's Flexible Retirement Policy and its application to the Chief Executive to support this request.
Approves and adopts the Council's updated Discretionary Market Forces Policy, noting the incorporated change in the approval process for future Market Forces requests.	Annual Development of Councillors through dedicated training sessions and material available with supporting material available, including TCBGC Joint Committee with Essex County Council and Colchester City Council.
The establishment of the Council's Project Delivery Unit includes dedicated legal resource with a matrix management approach to the Council's Monitoring Officer to provide assurance on compliance with the Council's Governance Framework. The Monitoring Officer is providing specific governance advice and training towards the delivery of the PDU's programme.	To keep the development and training programmes under review. Action wording from Committee Members and senior Officers to encourage all staff to work within the culture of openness and transparency in service delivery and decision making.
To further explore opportunities presented by the wider Essex Procurement Partnership incorporating opportunities arising from the Procurement Act 2023, the newly adopted Procurement Strategy and further officer training.	Topical learning and development activities and resources for staff continue to be delivered and available for individual topics and areas across the Council, alongside regular Senior Managers' Forum meetings and All Staff Briefings and communications, including the development of Local Government Reorganisation and Devolution.
Cabinet continues to support the Career Track function as a mechanism to contribute to the Council meeting its corporate priorities.	
Cabinet adopted Artificial Intelligence Best Practice Approach.	Keep under review the current and future demands on the organisation and expectations of the MO role to ensure there is sufficient resources to support and protect their Statutory
Allocation of £1.000m of funding a Project Delivery Unit is agreed to be established for an initial period of 24 months, accepts £90,000	

made available by the Government as capacity funding to support the Levelling Up Partnership Project, £86,000 made available by the Government as capacity funding to support the Levelling Up Capital Project in Clacton; transfers the funding to the Project Delivery Unit, bringing the total initial funding to £1.176m.	responsibilities. Statutory requirements of Head of Paid Service, MO and S151 Officer, need to be taken into account.
That the draft Pay Policy Statement 2025/26 be recommended onto Full Council for approval and adoption.	To continue to look at capacity of Senior Leadership to further refine the strategic direction process. To review the effectiveness of the proposed restructure. Senior Leadership has undergone restructure that is now implemented.
Cabinet approved and adopted the Council's new Fostering Friendly Policy and the organisations commitment to becoming a recognised Fostering Friendly employer.	
Principle F **Managing risks, performance and data**	
Managing risks, performance and data	Robust internal control and strong public financial management
⇩	⇩
Identify earlier and share more widely where weaknesses are known in a process which ultimately will become apparent through external challenge. E.g. Ombudsman findings.	That the Schedule of Fees and Charges 2025/26 for Housing & Environment – Housing General Fund be approved and Fees and Charges across the Council have been reviewed.
To further develop reviews of services in light of the long term forecast and savings plan alongside the development of actions plans associated with Devolution and Local Government Reorganisation.	Approval of fees for fees including monitoring fees for 30 years regarding any BNG plan scheme that needs monitoring.
Anti-Fraud and Corruption Strategy be approved.	To approve the individual budget allocations and programme for the major repair, improvement, enhancement and adaptation of the Council's housing stock in the 2024/25 Housing Improvement Programme.
Risk Based Verification Policy be approved.	Approves the originally unapproved Carry Forwards from 2023/24 totalling £41,850, and notes that the funding for items that remain unapproved, totalling £2.690m, will be transferred to the Corporate Investment Fund.

Regular financial performance reports to Management and Members setting out a snapshot of key financial information.	To agree the Council Tax Base for inclusion in the 2025/26 budget and for notification to the Major Preceptors.
Senior Officers (and Portfolio Holders if required) continue to attend the Council's Audit Committee when required in order to support them in their assurance work and in responding to significant governance issues.	To agree the National Non-Domestic Rates Return (NNDR1) for 2025/26.
The Internal Audit Team has an open dialogue with the Council's Senior Management Team on the organisation's risk and appetite.	That the Corporate Finance and Governance Portfolio Holder approves the financing of General Fund capital expenditure for 2023/24, approves the movement in uncommitted and earmarked General Fund reserves for 2023/24.
The Council promotes horizon scanning to manage risks and responds to them and will link in with departmental plans as necessary.	The precepts issued by ECC, Essex Fire and Essex Police be noted and the Amounts of Council Tax for 2025/26 for each of the categories of dwellings be confirmed.
	Council approves the LCTS scheme for 2025/26 with the maximum LCTS award being 80% for working age claimants, authorises the Director (Finance and IT), in consultation with the Housing & Planning Portfolio Holder, to undertake the necessary steps to implement the LCTS scheme from 1 April 2025, and approves the Annual Minimum Revenue Provision Policy Statement for 2025/26.
Separate monthly meetings of the Council's Management team work to a standard agenda that includes priorities, budgets, performance, delivery and governance issues. Dedicated Local Government Reorganisation and Devolution meetings are held in addition.	Council approves the 2025/26 budget proposals (based on a 2.99% (£5.79) Band D council tax increase for district services) and agrees that the General Fund capital programme be approved totalling £0.827m in 2025/26.
	Need to further develop the savings plan during 2025/26.
	Cabinet approves the proposed adjustments to the 2025/26 budget and Prudential and Treasury Indicators for 2025/26.
Key corporate risks reviewed by the Audit Committee in addition to independent/regular review by the Council's Senior Management Team which include following up against key risks where appropriate.	The review of cost pressures is undertaken on a regular basis to inform the financial forecast/in-year budget management.
	Term of office of future Independent Remuneration Panel members be for a period of up to 7 years, being staggered if appropriate, to cover

	the Review of Members' Allowances Scheme required for 2026/27 and into the next term of office for District Councillors
Re-tender both the waste and recycling collection and street sweeping services as a single contract, with detailed reports being presented to Cabinet on two occasions. In response to the prices emerging from the tender process and their unaffordability, Cabinet reviewed its options after receiving detailed legal advice, with an approach agreed that included shortening the contract term (that reflects the impact of LGR) and amending the core specification principles to ensure that the Council can continue to fulfil its statutory duties to provide a waste collection service beyond the current contract period that ends in March 2026.	Approves the proposed adjustments to the 2023/24 budget, the 2024/25 budget and the appointment of KPMG. Internal Audit Strategy and Operational Plan for 2025/26 be approved.

Principle G **Implementing good practices in transparency, reporting and audit to deliver effective accountability**		
Implementing good practices in transparency	Implementing good practices in reporting	Assurance and effective accountability
⇩	⇩	⇩
Work on encouraging officers at all levels to raise issues or concerns in line with the Whistleblowing Policy.	This Council expresses its concern with the failure to maintain control of the Council's expenditure during the delivery of the "Spendells Project", which has had a detrimental effect, not only on the Council's	The development of Highlight Priorities each year, to deliver the Corporate Plan, needs to be subject to the same critical challenge to ensure that priorities are realistic, affordable and can be achieved through the known capacity of the Council.

To undertake a self-assessment of the effectiveness of the Audit Committee and to seek the appointment of an Independent Person(s) to support the Committee. At its July 2024 meeting of the Audit Committee, it was agreed that the Committee endorsed the appointment of up to two Independent Persons.	finances but also on its reputation, locally and nationally. This Council notes the swift and exceptional actions taken by the Statutory Officers, as reported to Cabinet in May 2024, and subsequently considered by the Resources and Services Committee on Monday 22nd July 2024. This Council notes the statements given by the Leader of the Council to the Resources and Services Overview and Scrutiny Committee on 22 July 2024 about the monitoring of budgets, performance and risk through Cabinet (and by Portfolio Holders) and that the appropriate time to make a further statement on the previously unauthorised expenditure on the Spendells Project will be when Cabinet has all the information that will come out of the investigation by the Chief Executive that is currently ongoing.	The Internal Audit Charter be approved.
Report of the Monitoring Officer Housing Ombudsman Findings and other Incidental and Related matters the findings/orders/recommendations from the Housing Ombudsman in the two cases covered by this report and report to the Audit Committee in relation to the Local Government and Social Care Ombudsman's Annual Letter for 2023/24.	To further develop the use of service position statement/performance data and surface this to corporate level as necessary. This would include discussions with Portfolio Holders. Standardising decision language and descriptions. Impact of LGR – reviewed committee report templates.	Notes the Combined Auditor's Annual Report for the years ended 31 March 2020, 31 March 2021 and 31 March 2022, including the value for money commentary.

Regular meetings and discussion between the three Statutory Officers and (Internal Audit on individual cases where relevant), strengthening the efficiency of the ‘golden triangle’.	Standardising decision language and descriptions. Impact of LGR – reviewed committee report templates.	Approves for publication the audited Statement of Accounts for 2020/21, 2021/22, 2022/23 and 2023/24.
	"Freeport East - To develop the necessary internal reporting arrangements and policy reviews and finalise any outstanding policies (e.g. business rates sharing protocols). NEPP - Continue to provide robust challenge to the Partnership and support the necessary updates associated partnership agreements".	External Auditor’s Draft Audit Plan and Strategy for the year ending 31 March 2025 be noted.
The Chief Executive sends a bulletin most evenings to all Members and Management Team of key issues affecting the District and shares the Local Government bulletin with all Members highlighting national and local issues.	Meetings with the Group Leaders continue in order to discuss a range of topics across political groups, adopting a ‘one council’ approach.	Membership of the Audit Committee be increased to seven (from five).
	Regular reporting to the Management Team of key health and safety issues during the year.	Group Leaders can attend all Cabinet meetings as a matter of right and can question the Leader and Cabinet on any matters contained within the agenda.

4. Other Governance Issues:

On 24 May 2024 Cabinet were presented with an update on Spendells House, which included a review of budget and a reference under Section 5 of the Local Government and Housing Act 1989. This was accompanied by a report from the Section 151 Officer. The report considered by Cabinet set out a pragmatic approach to regularise the budget/unauthorised expenditure along with recommending the continuation of the project, based on a number of value for money considerations including the comparison with alternative options such as ceasing the project.

In-line with the Council's Annual Capital and Treasury Strategy, two further post project reviews were presented to Cabinet during the year as follows:

- On 21 February 2025 Cabinet were presented with the review of Orwell Place Car Park and Event Space.

- On 11 April 2025 Cabinet considered the review of the Sunspot Jaywick Sands Workspace, including a requirement to allocate up to £100,000 to meet additional costs emerging from the final account processes/negotiations with the associated contractor.

As a result of the associated reviews above, although it was felt that the Council's underlying/current governance arrangements and internal control processes are reasonably adequate, a number of key actions and learning have been identified with the aim of strengthening the Council's arrangements as follows:

- The scoping, management and adherence to the Council's Governance framework; ensuring all decisions are in place prior to any associated activity.
- Specifications must be robust, complete and clear. Specifications should be compiled by service area experts, and if these cannot be provided internally then services should be sought externally with an associated budget. Sufficient capacity should also be considered and allocated, with management oversight. A thoroughly prepared specification would negate the requirement for significant and numerous contract variations, although minor variations may still be expected.
- Contingency sums should not only be considered at the beginning of the project, but is should also be considered when tenders are returned as this may impact on the overall budget and therefore the level of contingency required. It is good practice to apportion between 10-20% of the overall budget dependant on the scale of the project.

- Project Management mechanisms within services need to be in place to ensure that senior management are made aware in the most timely way possible when significant issues arise.
- Large construction projects require services working together and experts to support the project.
- Costs should be revisited after lengthy periods between tender and construction taking into account any external impacts to expenditure.
- For future projects, all project leads keep under review and consider constitutional requirements at both the planning stage and during the implementation of the project, to ensure that any statutory requirements are followed in addition to the contract terms.
- The necessary training required by Officers should be reviewed and arranged before undertaking any project, including specification writing, project management and contract management, especially of this scale. Set against the training requirements above, the appropriate supervision and support should also be reviewed / identified and agreed as necessary at the inception of the project.
- As already highlighted within the current action plan, the proposed establishment of a Project Board will enable the provision of a consistent strategic approach to all projects going forward. All project managers are to report progress against targets including any potential issues that may occur. When providing financial information, this should also include amounts already committed. The minimum expectations of reporting standards should be agreed from the outset.
- Contract management and variation – the Council's interests must be prioritised when managing contracts. This includes using the Council's own processes and systems and not relying on contractor processes and direction. Control must always be retained by the Council with the correct financial approvals being sought in order to negate potential unauthorised spending.
- Managers should be aware of their constitutional responsibilities when authorising spend. Once Cabinet has approved an overall budget, managers should update and request additional funding if necessary from the Portfolio Holder/Cabinet, at the earliest opportunity prior to committing the Council to further expenditure.

The above are reflected within the action plan later on in this statement.

It was also reported to Cabinet that the Crime and Disorder Act 1998 imposed a duty on certain key public sector organisations to have an approved and adopted Crime and Disorder Reduction Strategy. The Monitoring Officer reported under Section 5A of the Local Government and Housing Act 1989 that the Council had omitted to comply with the legal requirement to approve and adopt a

Crime and Disorder Reduction Strategy. This was remedied as soon as possible with adoption of the Strategy agreed by Full Council on 20 May 2025.

The Housing Ombudsman determined that two complaints received against the Council had a finding of maladministration. The Monitoring Officer reported these to Cabinet under Section 5A of the Local Government and Housing Act 1989. In addition, other incidental and related matters concerning the Council's compliance with the Ombudsman's Code, complaints performance and service improvement in relation to the Local Government and Social Care Ombudsman's Annual Letter for 2023/24 was reported. The orders and recommended actions have been undertaken by the Council.

Best Value Responsibilities

Within 2024/25 the Council began the process of completing a Self-Assessment against the 7 Themes of Best Value Governance. Against each theme a set of characteristics of a well-functioning authority and indicators of a potential failure within an authority are set out, and so against each of these, an assessment will be undertaken as to whether it was felt there were any risks of failure. This forms an action within the proposed plan set out further on in this statement. Where necessary, against each characteristic or indicator actions will be identified to support the Council in working towards achieving against all 7 themes.

LOCAL GOVERNMENT REORGANISATION AND DEVOLUTION

The Government published its 'English Devolution' White Paper on 14 December 2024 with two pillars visible throughout; devolution – being the decentralisation of power from Whitehall to (preferably) Mayoral Combined Authorities and local government reorganisation – being the replacement of County and District Councils by new unitary authorities. The Mayoral Combined Authorities will be provided with powers and funding around transport, skills and employment support, housing and strategic planning and the environment.

In January 2025, Essex, Thurrock and Southend Councils (as the current upper tier authorities in the area) submitted an application to Government to join what would be its Devolution Priority Programme. The intention of the Programme was to deliver devolution for greater Essex to a timeline that would mean the Combined Authority would be in place for a Mayoral Election in 2026. In relation to local government reorganisation, the timeline would see new unitary authorities in place by 01 April 2028. Ahead of that date, a legislative instrument called a Structural Order would be required defining the new unitaries and the transfer of responsibilities from the current Councils to those unitaries. The Structural Order would set out the electoral arrangements for the unitaries and it is envisaged, a shadow unitary for each authority with elections to it in May 2027.

The development of the plans for unitarisation, and the support of those proposals for the development of devolution across greater Essex, saw an interim submission to Government from the 15 existing Councils here on 21 March 2025. The Councils are working towards the submission deadline of 26 September 2025 for the final plans to Government. The preparation of those plans will take account of the feedback from Government on the Interim Plan submitted and the criteria for the plans set by Government. Essex leaders and Chief Executives are considering the developing plans.

Ultimately, before the 26 September 2025 deadline, each Council in greater Essex will reach its own conclusion that area to be submitted to Government. Tendring District Council envisages taking an indicative decision at its full Council on 14 August 2025 based on the known plans to that point. There will then be a stand-alone Cabinet meeting on 12 September 2025 to take the final decision on the plan this Council supports.

In view of the workload and timescale being operated as part of the Devolution Priority Programme, the Government delayed the scheduled elections to Essex County Council and Thurrock Council from May 2025. Further decisions will be needed in respect of 2026 and further elections to existing Councils scheduled for 2027. These decisions are likely to be triggered by Government announcements around the decision reached by them on the final proposals for unitarisation across greater Essex following the 26 September 2025 deadline.

Of the options being pursued at the time of writing, key plans envisage that any new unitary for North East Essex will encompass the Districts of Braintree, Colchester and Tendring. On this basis joint working across the three Councils, with Essex County Council, has commenced. A Shadow Board has been established comprised of the Leaders and Chief Executives of those Councils.

5. Use of Council Resources

Each year, the External Auditor provides a commentary on the Council's use of resources / value for money.

The commentary covers the following areas:

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

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

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

The Cabinet report template includes these headings for additional governance / assurance.

The most recent commentary received by the Council's External Auditor, which was presented to the Audit Committee in February 2025, highlighted that in terms of two of the three associated strands of work (financial sustainability and improving economy, efficiency and effectiveness) they confirmed that they had not identified any significant weaknesses. In terms of the third strand of work (governance) they identified a weakness that primarily related to the issues concerning the Spendells House capital project discussed above. Along with the actions set out within the plan below, and responses to specific recommendations made by the External Auditor which are monitored via the Council's Audit Committee, the Council is satisfactorily and pragmatically addressing the issues raised.

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

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

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

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

In practice, review of effectiveness is an ongoing process throughout the year. Set against the backcloth of ongoing reductions in Government funding of the Council and associated savings targets, action has continued within the Council in **2024/25** to provide a sustainable and long term basis against which to deliver services. These changes present governance challenges and risks that have been recognised as part of the process of managing change.

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

- **Internal Audit:**

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

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

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

1. ***Senior Management and Departmental Leadership***
   Under the first line of defence, operational management has ownership, responsibility and accountability for directly assessing, controlling and mitigating risks.

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

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

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

Internal Audit Approach

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

The Internal Audit function undertakes a programme of audits each year to provide the Council and its Audit Committee with assurance on the adequacy of its system of internal control, governance and risk management arrangements. The audit programme was developed using a risk based approach that incorporates a number of independent reviews of the Councils activities to be able to give an overall opinion on the areas mentioned above.

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

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

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

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

The Internal Audit Manager has also taken on responsibilities for Fraud, Compliance and GDPR over the past two years. The work undertaken in these areas has also contributed to the annual assurance opinion as issues identified in these areas will inevitably

result in internal control and procedural reviews from Senior Management and Internal Audit. However future Internal Audit reviews will likely need to be undertaken external to maintain the independence of the Internal Audit Manager.

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

Internal Audit has continued to work with services on a consultancy basis to support the implementation of new processes, identify and analyse route cause if necessary and ensure that all relevant employees have the appropriate training to competently carry out their role.

This includes advising service areas transformation projects, procurement, ad-hoc investigations and any further advice on procedural changes.

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

The Spendells Project is a notable project worth mentioning which had a number of control and procedural issues which were reported to the Audit Committee and Cabinet. While it is important to include the outcomes from this project in the overall assurance opinion, it is also important to note the authorities response to the issues that arose. The Chief Executive and Senior Leadership reacted swiftly to investigate the issues and immediately set out to implement changes, be open and transparent and ensure sufficient budgets are allocated to ensure adequate resource and expertise is available for future capital projects. It was important that lessons were learnt from major capital projects and actions taken to mitigate risk before embarking on LUF and CRP projects in the future.

In 2024/25, only one audit from a total of 26 reviews undertaken received an overall audit opinion of “Improvement Required” where high severity issues were identified. The audit was Disabled Adaptations. The main issue within this audit specifically related to contract management which has previously been reported to the Audit Committee. Procurement rules are in place to ensure effective internal control is in place and value for money can be evident to our residents. It is therefore necessary to ensure that a robust framework is in place when commissioning building work on behalf of the Council.

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

The Head of Internal Audit Annual Opinion 2024/25

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

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

Limitations to the Annual Opinion

There are no limitations to report on the ability to deliver the Internal Audit Plan and provide an annual opinion on the effectiveness of governance, risk management and internal control. There were changes to the audit plan throughout the year due to emerging risks and changes to service provision. Any changes to the audit plan were in consultation with the Audit Committee and Management Team to fit with the resources available at the time.

Compliance with Global Internal Audit Standards

The Internal Audit function are currently non-compliant with the Global Internal Audit Standards. As previously discussed with the Audit Committee, we were waiting for CIPFA guidance on the GIAS which came into effect from April 2025. Our approach is to undertake a Quality Assurance Improvement Programme (QAIP) self-assessment which will be reported to the Audit Committee in September 2025 with a view to then commission an External Quality Assessment in 2026.

The Head of Internal Audit Annual Opinion

The majority of audits in the 2024/25 Internal Audit plan received a satisfactory level of assurance. There was a total of 25 moderate issues and one major issue identified throughout the year.

The key themes identified from the issues identified throughout the year can be broken down into the following categories;

- Policy Maintenance
- Strategic Planning
- Case Management and Complaint Recording

- Contract Management and Adaptation Works
- Operational Oversight and Managerial Controls

The Council has committed to a number major projects in the realm of £60m in total which could result in financial difficulties and significant reputational damage if not managed in a structured and effective way. The Council has funded a Project Delivery Unit to support and implement the projects and Internal Audit has attended a number of regeneration board meetings to keep up to date with progress and track key performance indicators.

Local Government Re-organisation (LGR) is also approaching in the near future and is already taking up considerable time of our Senior Leadership Team in preparation for future changes. It will therefore be very important in future years for Internal Audit to review core services during this transition as well as review work being undertaken during any future transformational / change process as there is a significant risk of Council staff being overstretched which could impact on service delivery. Therefore Internal Audit needs to be as supportive as possible during this time to help senior leadership provide the best possible outcome for Tendring residents.

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

The Internal Audit Manager has considered assurances obtained through:

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

All major actions due have been reported to the Audit Committee and all moderate actions are managed through the audit follow-up process with the service area.

The Internal Audit Manager is satisfied that sufficient work was completed in 2024/25 to draw a reasonable conclusion on the adequacy and effectiveness of the Council's activities. The internal control environment continues to remain stable with some significant changes in specific service areas which have been reported to the Audit Committee throughout the year as part of

the periodic reporting arrangements. An open dialogue with Senior Management on risk remains in place and a generally sound system of internal control has been assessed across the majority of the Councils operational areas.

After considering all of the above, an overall unqualified opinion of 'Adequate Assurance' can be provided for the 2024/25 financial year.

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

- **External Audit**

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

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

Recommendations from the External Auditor are reported to the regular meetings of the Council's Audit Committee until satisfactorily resolved / completed.

- **Other Review Agencies and Inspectorates**

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

The Health and Safety Executive (HSE) conducted an inspection on 12 February 2025 under the Health and Safety at Work Act 1974 (control of Asbestos Regulations 2012); the report of which included a number of recommendations which formed the basis on an associated improvement plan. Subsequently, the Council's Corporate Health and Safety Team are supporting services to achieve all of the HSE required improvements by agreed dates.

The Food Standards Agency (FSA) routinely monitors local authority performance through data submitted in twice yearly returns, with the Council submitting returns for October 2023, April 2024 and October 2024 as required. The October 2024

return highlighted that the Authority conducted 47.18% of the intervention programme. A shortfall in staffing capacity had contributed to the backlog of inspections. The Council's Food Safety Team has addressed the issues within Department Plans, along with remaining in open dialogue, with the FSA and they are satisfied with the progress that is being made towards improving the inspection numbers.

- **Senior Managers**
  In addition to the review work undertaken above to review and strengthen the Council's Governance Framework, the Council's senior managers (including the Head of the Paid Service, Monitoring Officer and S151 Officer) have participated in a review of the effectiveness of the system of internal control providing assurance regarding the governance / control environment for their areas of responsibility.

7. ISSUES RAISED IN THE PREVIOUS YEAR'S ANNUAL GOVERNANCE STATEMENT AND ON-GOING ACTIONS 2025/26

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

Governance Principle & Issue	Required Action(s)	Update / Additional Comments
Implementing good practices in transparency, reporting and audit to deliver effective accountability. Ensuring compliance of the Council's governance arrangements through project board reviews. Utilising the Council's systems to implement best practice for drafting, reporting and decision making.	• Review of project outcome being undertaken by the Project Board to support future decision making and delivery. • Continuation of the roll out of the functionality of Modern.Gov over a phased approach in 2022/23 – completed areas – training record for Councillors, TDC representatives on outside bodies, E petitions function, automated e mails, submission of final reports for Planning Committee, Cabinet, Council, Committee and Management Team dates published, Environmental Health licensing decisions published, report writing functionality. **<u>ADDITIONAL FOCUS FOR 2024/25</u>**	**COMPLETED -** To date reports have been presented to Members in respect of the Jaywick Flexible Workspaces, the Orwell Place car park and events space in Dovercourt and Spendells House. The outcome from these reviews has been brought together within the proposed actions for 2025/26 set out within this table below. **ON-GOING / CARRY FORWARD INTO 2025/26 -** Modern.Gov – the supplier completed the required server upgrade in November 2024. To progress this action requires that the use of (*.bat) file types by the Modern.Gov software and the identification of these file types as a security risk in the Council's IT network be overcome. A potential solution has been identified and will be further considered over the remainder of the year. In terms of the additional focus this remains ongoing and will continue into 2025/26.

	Performance monitoring within services and decision implementation and project management.	
Developing the Council's entity, including the capacity of its leadership and the individuals within it. Effectively manage the transition to a new Administration following the local elections in May 2023. **REVISED FOCUS FOR 2024/25: Capacity to deliver the Council's Corporate Plan and its Priorities, together with new emerging initiatives.**	• Continuation of the delivery of the Member Development Programme • Cabinet focus on new Corporate Plan, project prioritisation, financial sustainability and robust decision-making. **<u>REVISED FOCUS FOR 2024/25:</u>** Work is now underway to develop a number of milestones against the highlight priorities as part of delivering against the Corporate Plan themes. Departmental Plans within services will continue to be reviewed against the themes and highlight priorities during the year, with particular focus on governance issues, such as monitoring and implementing decisions, managing risks and budgets.	**COMPLETED -** An extensive Development Programme was implemented as part of the Induction arrangements for the newly elected/returning Councillors. This made use of written material, in-person and online events and the opportunity to interact directly with officers from a wide range of services across the Council. The Development Programme has continued and has included arrangements with mock hearings and similar, delivered in-house for both Planning and Licensing Committee Members and hearings based training for Members of the Standards Committee delivered by specialist external trainers. Use has been made of LGA in-person and online training and events to further enhance the development offer and this has included specific training for several Cabinet Members through a residential course provided by the LGA.

	Capacity requirements to be reviewed in light of the new range of competing capital project timescales, resources for projects and existing service provision.	A refresh of the skills audit undertaken at the start of the Municipal year in 2023 continues to inform Member Development for the coming year and beyond. In respect of the Project Delivery Unit highlighted earlier in the year work remains ongoing to secure the necessary skills and capacity to support the Council in terms of delivery of a number of schemes and projects. A revised Corporate Plan and Vision was approved by Full Council at its meeting on 28 November 2023, which included six themes, one of which was Financial Sustainability and Openness. Initial Highlight Priorities were agreed by Cabinet at its December 2024 meeting for consultation, with final proposals presented to Cabinet at its 17 March 2025 meeting. A new online training provider which offers a wider range of courses to develop individuals, including both mandatory and optional courses, has been introduced. **ON-GOING / CARRY FORWARD INTO 2025/26 -** In terms of the additional focus for 2024/25 this remains ongoing and is being revisited as part of the current annual governance review.

Determining the interventions necessary to optimise the achievement of the intended outcomes. Managing risks and performance through robust internal control and strong public financial management.	• Review of existing Risk Management / Business Continuity arrangements. • Conduct and audit review in relation to the effectiveness of the Council's response to COVID-19, including a review of the lessons learnt from the Council's response and longer-term consequences. • Review of the effectiveness of the Audit Committee. • Develop and implement a Corporate Policy and Strategy 'register' to ensure that these are reviewed and updated in a timely manner and to support decision making.	**ON-GOING / CARRY FORWARD INTO 2025/26 -** Due to a number of competing priorities it has not been possible to undertake this review in 2024/25 as originally planned. It is still recognised as an important governance issue and will continue to be prioritised going forward within the AGS. **COMPLETED -** In respect of the Council's response to COVID-19, this continues to form part of the ongoing work of Internal Audit, which will also reflect any learning points that may emerge from the national public inquiry currently underway. **ON-GOING / CARRY FORWARD INTO 2025/26** In respect of the review of the effectiveness of the Audit Committee, it is planned to conclude this work via consultation with Officers and Members shortly with any associated action plan to be presented to the Audit Committee during the second half of 2025/26. **WILL REMAIN ON-GOING WITHIN SERVICES -** The development of the register continues and is held on the Council's website as part of its commitment to transparency. It will be added to as strategies and policies are adopted and reviewed. Services have also been

		requested to reference the relevant strategy or policy within reports supporting decision making and has been evident in recent reports to Cabinet. Corporate Policy and Strategy Register progress to link in with Review of Local Code of Corporate Governance.
Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law. Maintaining an up to date Local Code of Corporate Governance along with key policies and procedures.	• Review and update the Local Code of Corporate Governance and key policies and procedure.	**ON-GOING / CARRY FORWARD INTO 2025/26 -** The commitment remains in place to undertake this review and work has now commenced with outcomes planned to be presented to the Audit Committee later in the year.
Implementing good practices in transparency, reporting and audit to deliver effective accountability. Delegated decision making.	• Awareness and further strengthening of good decision making incorporating the Council's policies and framework.	**ON-GOING / CARRY FORWARD INTO 2025/26 WITH REVISED FOCUS TO INCLUDE LEARNING FROM MAJOR PROJECT REVIEWS -** Work remains in progress to increase the understanding of key principles including consultation, business planning, budget, procurement and legal, with individual and bespoke guidance being provided, where requested, by the Monitoring Officer through report development. Concept papers and PIDs are encouraged to be completed comprehensively to ensure successful delivery within the governance framework.

		It is planned to undertake/continue a number of activities to increase the understanding of key principles including consultation, business planning, budget, procurement and legal requirements, this will be delivered through the Senior Management Forum. It is worth highlighting that a presentation on the impacts of the Procurement Act 2023 was presented to the Senior Management Forum on 15 January 25. Focus will be on embedding robust project management within the culture of the organisation, to provide oversight on financial and non-financial issues especially in key areas such as – Levelling Up Fund / Regeneration Project, waste contract renewal, new major contractual requirements and housing review recommendations. In respect of external funding guidance highlighted in the September 24 report, Cabinet agreed a high level framework at its 20 September 24 meeting. Cabinet also requested that an external funding policy be developed for approval by the Leader of the Council in his capacity as the Portfolio Holder for Finance and Governance to complement the high level framework

		mentioned above and that it be presented to a future meeting of the Audit Committee for their support and assurance on the governance processes. Once approved, the policy remains under development and will be reported to a future meeting of the Audit Committee.
Managing risks and performance through robust internal control and strong public financial management. In terms of business continuity this is especially important given the current global/economic climate.	• Departmental Plans to be subject to review to reflect any updated Council objectives and priorities including the associated management of risk. • Develop the financial planning process with the aim of strengthening the Council's long term financial sustainability. **<u>ADDITIONAL FOCUS FOR 2024/25</u>** • To implement/embed the necessary processes to support the identification of the required level of savings set out in the long term forecast.	**ON-GOING / CARRY FORWARD INTO 2025/26 -** As highlighted above, reviews of the Departmental Plans will be concluded alongside the Corporate Plan and highlight priorities during the year (this will include alignment with any new/revised risk management approach and peer reviews as relevant). **COMPLETED -** Review to incorporate resources/capacity to deliver priorities, projects and service provision. **COMPLETED -** Final budget proposals were approved by Full Council in February 2025. It remains important to highlight that the identification of savings and efficiencies forms part of Cabinet's key priorities for 2025/26, which references both the General Fund and HRA. *[further actions will remain on-going as part of the Council's wider financial planning and budgetary processes]*

		COMPLETED - The dedicated/regular Officer Management Team meetings remain ongoing with a focus on financial and non-financial issues along with performance and delivery.
Defining outcomes in terms of sustainable economic, social and environmental benefits. **Determining the interventions necessary to optimise the achievement of the intended outcomes.** To set out the Council's vision following the Council's Climate Emergency declaration of the Council's activities being 'carbon neutral' by 2030.	• Preparation/reporting updates against the Climate Change Action Plan for approval by both the Cabinet and Council to form part of the Council's Policy Framework.	**COMPLETED -** In terms of the adoption of the updated Climate Change Action Plan, this was considered by Cabinet on 15 November 2024 for adoption via a separate Executive Decision following Full Council's agreement to align the target for achieving net zero carbon emissions to the UK Government's objectives to achieve net zero i.e. by 2050. In terms of reporting against the plan this is a key item within Cabinet's Highlight Priorities for 2025/26.
New Items for 2024/25		
Ensuring openness and comprehensive stakeholder engagement Approach to Community Engagement, consultation and participation to be reviewed following adoption of the Corporate Plan and Communications Strategy.	• Officers be requested to review the Council's Community Engagement Strategy and its operation, taking into account the feedback received through the Corporate Plan consultation with the public, partners and businesses, with a view to the outcomes being presented to a future meeting of the Cabinet.	**COMPLETED -** The development of a renewed Community Engagement Strategy was agreed as a highlight priority for 2025/26 by Cabinet at their March 2025 meeting. *[the monitoring of this action will form part of the Cabinet's highlight priorities instead of via this action plan]* **WILL REMAIN ON-GOING WITHIN SERVICES -** Officers have been requested to review the various forums set out in

	• Review Article 10 of the Council's Constitution which sets out how the Council will promote Community Consultation and Participation through a range of opportunities.	Article 10 within their areas and responses will be collated to produce a revised version for approval. Article 10 updates have been received from relevant service areas and are currently being collated.
Managing risks and performance through robust internal control and strong public financial management. In response to the Section 5 of Local Government & Social Housing Act 1989 report from the Council's Monitoring Officer on Spendells House	The Chief Executive: a) Has instructed that a formal review be undertaken to provide further clarity on how the issue arose and developed (including the governance arrangements associated with issuing verbal orders), which in turn can inform any further actions along with informing decision making and project delivery in the future; b) has issued a directive to all Senior Managers relating to financial and budget management, which explains the consequences and expectations of them in their roles and will be supported by further collective meetings with Senior Officers over the coming weeks/months and:	**COMPLETED -** In respect of Item a) the outcome of the review was reported to the Audit Committee at its March 2025 meeting. As set out earlier these are being brought together with the outcome of other reviews as part of the Annual Governance Review 2025. **COMPLETED -**In respect of Item b) – the directive referred to has been issued and will continue to form part of collective meetings with senior officers as necessary. **ON-GOING / CARRY FORWARD INTO 2025/26 -** In respect of Item c) – arrangements remain ongoing and a further update will be provided to the Committee later in the year. In respect of the re-delivery of governance awareness, this was covered at a Senior Management Forum event during the year, with further training recently provided to the Project Delivery Unit to support them in their important role.

	c) has commenced arrangements for the implementation of a Senior Officer Project 'Board' that in turn will report directly to the Council's Senior Management Team on a regular basis. Statutory Officers to re-deliver governance awareness at the upcoming Senior Managers' Forum, where attendance is mandatory.	
Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law. *(Although this action is expected to cut across all seven of the key governance principles (A to G) set out above)*	• Review OFLOG requirements and revised Best Value Guidance, CIPFA Codes/guidance to identify areas of weakness and improvement and develop an action plan (including learning from external reviews, inspections and self-assessments).	**ON-GOING / CARRY FORWARD INTO 2025/26 -** The Government are no longer pursuing the establishing of OFLOG. However, key issues will continue to form part of the Council's wider Best Value responsibilities. Revised Best Value Statutory Guidance is specifically being referred to by the Monitoring Officer and Section 151 Officer, highlighting the relevant Best Value Themes, as detailed in the Guidance and the relevant indicators to the subject matter of reports. Further opportunities to address Best Value responsibilities will be considered during the year, which will include a self-

		assessment style approach and associated action plan as necessary.

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 which include on-going items from last year highlighted in the table above: -

Governance Principle & Issue	Required Action(s)	Update / Additional Comments
Items Carried Forward and Updated from 2024/25 from the table above		
Implementing good practices in transparency, reporting and audit to deliver effective accountability. Ensuring compliance of the Council's governance arrangements through project board reviews. Utilising the Council's systems to implement best practice for drafting, reporting and decision making.	Continuation of the roll out of the functionality of Modern.Gov over a phased approach in 2022/23 – completed areas – training record for Councillors, TDC representatives on outside bodies, E petitions function, automated e mails, submission of final reports for Planning Committee, Cabinet, Council, Committee and Management Team dates published, Environmental Health licensing decisions published, report writing functionality. Performance monitoring within services and decision implementation and project management.	Modern.Gov – the supplier completed the required server upgrade in November 2024. To progress this action requires that the use of (*.bat) file types by the Modern.Gov software and the identification of these file types as a security risk in the Council's IT network be overcome. A potential solution has been identified and will be further considered over the remainder of the year. This remains ongoing and will continue into 2025/26.

Developing the Council's entity, including the capacity of its leadership and the individuals within it. Effectively manage the transition to a new Administration following the local elections in May 2023.	Departmental Plans within services will continue to be reviewed against the themes and highlight priorities during the year, with particular focus on governance issues, such as monitoring and implementing decisions, managing risks and budgets. Capacity requirements to be reviewed in light of the new range of competing capital project timescales, resources for projects and existing service provision.	Services to complete departmental plans as early as possible in 2025/26, which will need to reflect the impact of Local Government Reorganisation.
Determining the interventions necessary to optimise the achievement of the intended outcomes. Managing risks and performance through robust internal control and strong public financial management.	• Review of existing Risk Management / Business Continuity arrangements. • Review of the effectiveness of the Audit Committee.	To undertake the associated review and present a report to the Audit Committee during 2025/26. To conclude this work via consultation with Officers and Members during 2025/26 and identify an associated action plan as necessary.
Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law. Maintaining an up to date Local Code of Corporate Governance	• Review and update the Local Code of Corporate Governance and key policies and procedure.	The commitment remains in place to undertake this review and work has now commenced with outcomes planned to be presented to the Audit Committee later in the year.

along with key policies and procedures.		
Implementing good practices in transparency, reporting and audit to deliver effective accountability.	• Awareness and further strengthening of good decision making incorporating the Council's policies and framework. • To continue with arrangements for the implementation of a Senior Officer Project 'Board' that in turn will report directly to the Council's Senior Management Team on a regular basis.	To continue to focus on embedding robust project management within the culture of the organisation, to provide oversight on financial and non-financial issues. To review the outcome / learning from major projects previously reported to Members and identify a robust, timely and pragmatic approach to embed the necessary changes within Services.
Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law. *(Although this action is expected to cut across all seven of the key governance principles (A to G) set out above)*	• Continue the review of Best Value Guidance, CIPFA Codes/guidance to identify areas of weakness and improvement and develop an action plan (including learning from external reviews, inspections and self-assessments).	Further opportunities to address Best Value responsibilities will be considered during the year, which will include the continuation of a self-assessment style approach and associated action plan as necessary.
NEW ITEMS FOR 2025/26		
Determining the interventions necessary to optimise the achievement of the intended outcomes.	• Strengthen / embed the work of the Project Delivery Unit. • Successfully take the necessary steps including governance and financial	To continue to implement a range of activities / actions to secure the necessary skills and capacity to support the Council in delivering the various major schemes and

Managing risks and performance through robust internal control and strong public financial management	management to deliver the various projects being managed by the PDU balancing risk and reputation of the Council in the short to long term.	projects and their long term impact / legacy on the Council.
Determining the interventions necessary to optimise the achievement of the intended outcomes.	Undertake the necessary actions / activities to support the delivery of Local Government Reorganisation including the management of associated risks across 3 broad phases that will include: ***Preparation:*** • Commitment to maintain ongoing service delivery • Build trusts and relationships with other councils. • Agree proposals for reorganisation and align to government priorities • Develop project plans and defined timelines and responsibilities, risk registers and project management structures • Review corporate and operational risk registers in light of LGR	To continue to work towards the implementation of the outcome of the current LGR process and the development of an associated action plan and identify the required capacity / resources as necessary.

	• Actively engage with the public and stakeholders to build a broad coalition for change ***Implementation:*** • Collate records of the outgoing authority's finances, assets, services, staff, IT & contracts and identify issues and options • Co-operate with incoming authorities to establish joint working groups and a joint secretariat etc and agree an overall project plan • Communicate and consult with the public, staff and key stakeholders ***Operation:*** • Close down outgoing authorities' accounts and resolve issues on an agreed timetable	

Progress regarding these governance issues will be monitored throughout the forthcoming year by the Council's Audit Committee. 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 which include on-going items from last year highlighted in the table above.

8. CONCLUSION

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

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

Signed:

Ian Davidson

Chief Executive

Signed:

Councillor Mark Stephenson

Leader of the Council

ATTACHMENT 5

External Auditor’s Opinion to be Included in the Published Version of the Statement of Accounts 2024/25

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TENDRING DISTRICT COUNCIL

REPORT ON THE AUDIT OF THE COUNCIL'S FINANCIAL STATEMENTS

Disclaimer of opinion

We were engaged to audit the financial statements of Tendring District Council ("the Council") for the year ended 31 March 2025 which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement, Collection Fund, Housing Revenue Account and the related notes, including the Expenditure and Funding Analysis and the accounting policies in note 2.

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

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (the "Amendment Regulations") require the Council to publish its financial statements and our opinion thereon for the year ended 31 March 2025 by 27 February 2026 (the "Backstop Date").

We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. These areas include, but were not limited to, the carrying amount of Other Land and Buildings and Infrastructure included within Property, Plant and Equipment, short term Creditors, and the balance of, and movements in, usable and unusable reserves for the year ended 31 March 2025.

In addition, we have been unable to obtain sufficient appropriate evidence over a number of areas of the financial statements in relation to the disclosed comparative figures for the Council for the year ended 31 March 2024 due to the Backstop Date. These areas include, but were not limited to, those listed above, and carrying amount of Council Dwellings included within property, plant and equipment, short term debtors and the net assets as at 1 April 2023.

As a result, we were unable to determine whether any adjustments were necessary to the amounts recorded in relation to these areas as at 31 March 2024, or whether there were any effects on the Council's income and expenditure for the years ended 31 March 2024 and 2025.

Any adjustments from the above matters would have a consequential effect on the Council's net assets and the split between usable reserves, including the Housing Revenue Account, and unusable reserves as at 31 March 2025 and 31 March 2024, the Collection Fund and on its income and expenditure and cash flows for the years then ended.

In addition, included within Other Land and Buildings are specialised buildings valued at depreciated replacement cost with a reported carrying amount of £66.472m as at 31 March 2025 and £64.602m as at 31 March 2024, that have been valued on the basis of the gross external areas of the assets concerned, rather than the gross internal areas. As a result, the valuation of these assets, and the associated amount recorded in the revaluation reserve, are overstated as at 31 March 2025 and 31 March 2024. The Council has not instructed the valuer to carry out a detailed analysis of the valuations to determine the amount by which the value of the relevant assets has been overstated at that date. As no detailed analysis has been performed, it is not practicable for us to quantify the effect of this matter or whether any adjustment would be material to the financial statements.

Fraud and breaches of laws and regulations – ability to detect

As stated in the Disclaimer of opinion section of our report, we do not express an opinion on the financial statements due to the reasons described in the Basis for disclaimer of opinion section of our report.

Other information

The Corporate Director of Finance and IT (the "Section 151 Officer") is responsible for the other information, which comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Any opinion on the financial statements would not cover the other information and we do not express an opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Due to the significance of the matters described in the *Basis for disclaimer of opinion* section of our report, and the possible consequential effect on the related disclosures in the other information, whilst in our opinion the other information included in the Statement of Accounts for the financial year is consistent with the financial statements, we are unable to determine whether there are material misstatements in the other information.

Section 151 Officer's and Audit Committee's responsibilities

As explained more fully in the statement set out on page 2, the Section 151 Officer is responsible for the preparation of financial statements in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 and that give a true and fair view. They are also responsible for: such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they have been informed by the government of the intention to either cease the services provided by the Council or dissolve the Council without the transfer of its services to another public sector entity.

The Audit Committee of the Council is responsible for overseeing the Council's financial reporting process.

Auditor's responsibilities

Our responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing (UK), and to issue an auditor's report. However, due to the significance of the matter described in the *Basis for disclaimer of opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

We have fulfilled our ethical responsibilities under, and are independent of the Council in accordance with, UK ethical requirements including the FRC Ethical Standard.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the "NAO Code of Audit Practice"), we are required to report to you if we identify any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency, and effectiveness in its use of resources.

We have nothing to report in this respect.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

The Council is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are required under section 20(1) of the Local Audit and Accountability Act 2014 to be satisfied that the Council has made 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively. We are also not required to satisfy ourselves that the Council has achieved value for money during the year.

We planned our work and undertook our review in accordance with the NAO Code of Audit Practice and related statutory guidance, having regard to whether the Council had proper arrangements in place to ensure financial sustainability, proper governance and to use information about costs and performance to improve the way it manages and delivers its services. Based on our risk assessment, we undertook such work as we considered necessary.

Statutory reporting matters

We are required by Schedule 2 to the NAO Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 and Schedule 7 of the Local Audit and Accountability Act 2014; or
- we make written recommendations to the Council under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in this respect.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the members of the Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

As at the date of this audit report, we are unable to confirm that we have completed our work in respect of the Council's Whole of Government Accounts consolidation pack for the year ended 31 March 2025 because we have not received confirmation from the NAO that the NAO's audit of the Whole of Government Accounts is complete.

Until we have completed this work, we are unable to certify that we have completed the audit of the Tendring District Council for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the NAO Code of Audit Practice.

Sarah McKean

for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square, London, E14 5GL

XX February 2025