



AUDIT COMMITTEE

DATE:	Monday, 9 December 2024
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 Morrison
Councillor Platt

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For further details and general enquiries about this meeting, contact Ian Ford Email: iford@tendringdc.gov.uk or Telephone on 01255 686584.

DATE OF PUBLICATION: FRIDAY, 29 NOVEMBER 2024

AGENDA

1 **Apologies for Absence and Substitutions**

The Committee is asked to note any apologies for absence and substitutions received from Members.

2 **Minutes of the Last Meeting (Pages 5 - 14)**

To confirm and sign as a correct record, the minutes of the last meeting of the Committee, held on 26 September 2024.

3 **Declarations of Interest**

Councillors are invited to declare any Disclosable Pecuniary Interests, Other Registerable Interests or Non-Registerable Interests, and the nature of it, in relation to any item on the agenda.

4 **Questions on Notice pursuant to Council Procedure Rule 38**

Subject to providing two working days' notice, a Member of the Committee may ask the Chairman of the Committee a question on any matter in relation to which the Council has powers or duties which affect the Tendring District **and** which falls within the terms of reference of the Committee.

5 **Report of the Director (Finance and IT) & Section 151 Officer - A.1 - External Auditor's Planning, Completion and Annual Reports relating to 2020/21, 2021/22 and 2022/23 (Pages 15 - 572)**

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

- The External Auditor's Updated Audit Completion Report relating to 2020/21.
- The External Auditor's Combined Audit Planning and Audit Completion Reports relating to 2021/22 and 2022/23.
- The External Auditor's Combined Annual Report for the years ended 31 March 2021, 31 March 2022 and 31 March 2023.
- The Council's Statement of Accounts (including the Annual Governance Statements) for 2020/21, 2021/22 and 2022/23 for consideration and approval for publication by the backstop date of 13 December 2024.

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, 30 January 2025.

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.

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Your calmness and assistance is greatly appreciated.

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**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE,
HELD ON THURSDAY, 26TH SEPTEMBER, 2024 AT 10.30 AM
IN THE COMMITTEE ROOM, AT THE TOWN HALL, STATION ROAD, CLACTON-
ON-SEA, CO15 1SE**

Present:	Councillors Sudra (Chairman), Fairley, Morrison and Platt (except items 41 – 44)
In Attendance:	Damian Williams (Corporate Director (Operations and Delivery)) (except item 47 (part)), Richard Barrett (Assistant Director (Finance and IT) & Section 151 Officer), Lisa Hastings (Assistant Director (Governance) & Monitoring Officer), Craig Clawson (Internal Audit Manager), Karen Hayes (Executive Projects Manager (Governance)), Ian Ford (Committee Services Manager) and Bethany Jones (Committee Services Officer)
Also Attending:	Emma Larcombe (representing KPMG – the Council’s External Auditor)

41. APOLOGIES FOR ABSENCE

An apology for absence was submitted on behalf of the Vice-Chairman (Councillor Steady), with no substitution.

42. MINUTES OF THE LAST MEETING

It was moved by Councillor Morrison, seconded by Councillor Fairley and:-

RESOLVED that the Minutes of the meeting of the Committee, held on 25 July 2024, be approved as a correct record and be signed by the Chairman.

43. DECLARATIONS OF INTEREST

There were no declarations of interest by Councillors in relation to any item on the agenda for this meeting.

44. QUESTIONS ON NOTICE PURSUANT TO COUNCIL PROCEDURE RULE 38

On this occasion no Councillor had submitted notice of a question pursuant to Council Procedure Rule 38.

45. REPORT OF THE INTERNAL AUDIT MANAGER - A.1 - PERIODIC REPORT ON INTERNAL AUDIT: JUNE 2024 TO AUGUST 2024

The Committee was provided with a periodic report on the Internal Audit function for the period June 2024 to August 2024. The Internal Audit Manager’s report also provided an update on the Internal Audit Charter for approval by the Audit Committee, as required by the professional standards.

That report was summarised as follows:-

- *Four audits had been completed since the last Audit Committee in July 2024. All four of the audits had received a satisfactory level of overall assurance of Adequate Assurance.*
- *A further 13 audits from the 2023/24 Internal Audit Plan had been allocated and six were currently at the fieldwork phase.*
- *The Internal Audit Charter needed to be reviewed and approved for the 2024/25 financial year. There had been no changes since the last update.*
- *The Internal Audit Manager continued to oversee the Fraud, Compliance, Risk and Health and Safety services whilst the Assurance and Resilience Manager was on secondment.*
- *Internal Audit were currently working with the Council's IT department to modernise the way its Fraud and Compliance Team worked, by introducing technology that could map out the most efficient routes when out on inspections as well as using data analytics to target the cases the Council inspected, in order to be able to work smarter within limited resources.*
- *Interviews for a new apprentice had been held and an appointment made.*

INTERNAL AUDIT PROGRESS 2024/25

It was reported that, in relation to the Internal Audit Progress of 2024/25, four audits had been completed since the previous update to the Audit Committee in July 2024, all of which had received a satisfactory overall opinion of 'Adequate Assurance'. No significant issues had been identified in this period. A further 13 audits from the 2023/24 Internal Audit Plan had been allocated and six audits were currently at the fieldwork phase.

Members were aware that the Internal Audit Manager and Executive Projects Manager (Governance) were currently undertaking a review of the Spendells Housing Project, as requested by Cabinet and the Chief Executive.

It was also reported that the Council's Audit Team were currently in the 'Key Systems' phase of the audit plan where all financial and core service systems and processes were reviewed. Each area was tried and tested as they were very important to the Council's day to day activities. It was not anticipated that any significant issues in this area would arise as historically they had been well managed. However, it was very important to ensure that those systems and processes continued to work as expected and remained well controlled.

Quality Assurance – The Internal Audit function issued satisfaction surveys for each audit completed. No unsatisfactory responses had been received in this period.

Resourcing

The Committee was reminded that Internal Audit currently had an establishment of 4 full time equivalent posts with access to a third party provider of Internal Audit Services for specialist audit days as and when required. The Team currently had a vacant post for an Audit Technician.

Team members had recently interviewed a number of candidates for a new apprenticeship and an appointment had now been made.

Members were aware that the Internal Audit Manager continued to manage the Fraud and Compliance teams whilst the Assurance and Resilience Manager was on secondment. The current arrangements were expected to last until December 2024 unless in the meantime the secondment was extended.

Officers were currently working with the IT department to modernise the way the Fraud and Compliance Team worked by introducing technology that could map out the most efficient routes when out on inspections as well as using data analytics to target the cases Officers inspected in order to be able to work smarter with limited resources.

Outcomes of Internal Audit Work

The Committee was aware that the Public Sector Internal Audit Standards (PSIAS) required the reporting of significant risk exposures and control issues. Since the last report four audits had been completed and the final report issued. No significant issues had been identified within the period.

Assurance	Colour	Number this Period	Total for 2024/25 Plan	
Substantial		0	0	
Adequate		4	4	
Improvement Required		0	0	
Significant Improvement Required		0	0	
No Opinion Required		2	2	Two consultative engagements in 2024/25 to date

For the purpose of the colour coding approach, both the substantial and adequate opinions were shown in green as both were within the acceptable tolerances.

Management Response to Internal Audit Findings – Members recalled that there were processes in place to track the action taken regarding findings raised in Internal Audit reports and to seek assurance that appropriate corrective action had been taken. Where appropriate, follow up audits had been arranged to revisit significant issues identified after an appropriate time.

The number of high severity issues outstanding was as follows: -

Status	Number	Comments
Overdue more than 3 months	4	
Overdue less than 3 months	0	
Not yet due	2	

The Audit Committee had previously requested more detail on the outstanding actions within the above table and on previous significant findings as a matter of context. Appendix B was to the Internal Audit Manager's report offered a summary of those findings and agreed actions as well as including the service response and an internal

audit status. This would become a regular appendix of the periodic progress reports going forward.

Update on previous significant issues reported

All previous significant issues were now provided within Appendix B of the aforementioned report.

INTERNAL AUDIT CHARTER

Members were aware that a requirement of the PSIAS was for this Committee to review and approve the Internal Audit Charter on an annual basis. The Charter had been last updated and approved in September 2023.

It had been previously reported that new Global Internal Audit Standards had been introduced in January 2024 with a view to becoming mandatory in January 2025. Officers had been awaiting CIPFA's response with a view on their impact on the public sector.

It was reported that CIPFA had now stated that it would be producing a revised edition of the PSIAS, providing an overlay to support the adoption of the global standards specifically in the context of UK public sector organisations. It was anticipated that the revised PSIAS would be available in time to support adoption by 1 April 2025.

With this in mind, the Internal Audit Manager had decided to continue as planned to undertake a self-assessment of the Council's internal audit provision and to include a review of the Internal Audit Charter within this. It was proposed to continue with the current audit charter until those assessments had been completed and CIPFA had published an updated version of the Public Sector Internal Audit Standards.

The Internal Audit Manager and the Corporate Director (Operations and Delivery) responded to the Committee's questions on this report.

After discussion it was moved by Councillor Sudra, seconded by Councillor Morrison and unanimously:-

RESOLVED that –

- (a) the contents of the Internal Audit Manager's report (A.1) be noted; and
- (b) the Internal Audit Charter be approved.

46. REPORT OF THE ASSISTANT DIRECTOR OF LEGAL & GOVERNANCE - A.2 - COMPLAINT PROCEDURE AND ANNUAL LETTER TO THE COUNCIL FROM THE LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN

The Committee considered a report of the Assistant Director (Governance) (A.2) which provided it with the most recent annual letter to the Council from the Local Government and Social Care Ombudsman (LGSCO). That letter related to complaints processed by the LGSCO in the financial year 2023/24. It was intended to establish a practice through which those annual letters were reported to this Committee in the future and,

thereby, to extend awareness of such complaints and the opportunity for learning by the Council from complaints.

Members were informed that the Annual Letter from the LGSCO was normally issued in mid-July, with this year's letter being issued on 17 July 2024. The letter set out a summary for the previous financial year of the numbers of complaints received by the LGSCO concerning this Council, which services they related to, the decisions reached in the year on complaints made to it and compliance with recommendations from it on upheld complaints. The 2024 Letter from the LGSCO (in respect of 2023/24) was set out at Appendix A to the report (A.2).

It was reported that the Annual Letter was sent by the LGSCO to the Chief Executive, the Leader of the Council and the Chairman of this Council's Resources and Services Overview and Scrutiny Committee. A brief summary of the statistics from the Annual Letter, and the upheld complaints identified in the Annual Letter for the year concerned, had been submitted to the Chief Executive's Officer Management Team, as part of developing learning across the various upheld complaints. From this year's Annual Letter, and by comparison with the same letters received in 2021, 2022 and 2023, a comparison had been produced which was set out in the 'Background' section of the report.

The Committee was made aware that, where an individual report on a particular complaint to the LGSCO had identified maladministration, the Monitoring Officer was under a duty to report to Cabinet (in respect of executive functions) or Council (in respect of non-executive functions). The Annual LGSCO letters had been referenced in reports on individual upheld complaints to Cabinet and Council. Currently, there was no established practice to report Annual Letters to a body of Councillors to consider. Through this report, it was proposed for this Committee to take on this role, as part of its terms of reference related to: *'assess external regulatory reports and monitoring any quality improvement programmes where required. Comments are provided to Cabinet as appropriate'*.

The Committee was also advised that there was an intention to review the Council's corporate complaints procedure, following a similar review of the Council's procedure for complaints made in respect of the Council's role as landlord (the Housing Complaints Procedure). Council Housing complaints generally fell within the scope of the Housing Ombudsman and not the LGSCO. However, this was not always the case (and this was relevant when looking at the summaries of cases referenced in the 'Background' section of this report). The LGSCO had recently adopted a new Complaint Handling Code and this broadly mirrored the Code used by the Housing Ombudsman. The Council's complaints procedure would be reviewed having had regard to the LGSCO's Complaint Handling Code and there might be a consequential need to review the Council's Housing Complaints Procedure too. This point had been approved by Cabinet at its meeting held on 24 May 2024 (Minute 12 referred).

In addition to the straight forward reporting of the numbers and outcomes of complaints to the Ombudsman, their Annual Letter to the Council for 2023/24 had included the following statement as to the timeliness of responses to its enquiries:-

"During the year, we made enquiries of your Council in five complaints. In four cases the responses were late. Concerningly, in one case we were required to remind the Council

of our power to issue a witness summons before we received the information we had requested.

I ask that you take action to improve the timeliness of responses to our enquiries. It is important we are provided with the information we have asked for promptly, and that, where you encounter delays, you keep us informed. If there is any support my office can provide to help improve the situation, please do let me know."

This issue of timeliness of responses was a matter that had been referenced by the Chief Executive to all Members of Management Team with a view to resolving the issues referenced above.

It was noted that overall numbers of upheld complaints referred to the Ombudsman about this Council's delivery of services remained relatively low. Some pointers from those complaints for Officers were:-

- *Be aware of reasonable timeframes for delivering services and find solutions to achieve these.*
- *If opportunities to review service delivery present themselves we should take them.*
- *Where we have a policy we should follow it.*
- *Keep records of decisions taken.*
- *Be thorough, whether that is matching payments to applications or considering all the various threads of a service requests.*
- *Do not stray from an impartial consideration of the matter you are dealing with.*
- *When there is a complaint, make sure we keep to timescales for responding, update the complainant if delays are likely and respond to all points raised.*

From the above upheld complaints by the Ombudsman since 2020/21, a summary of the service areas involved, reporting of the findings and of the cases was set out in the aforementioned 'Background' section of the Assistant Director (Governance)'s report (A.2).

The Assistant Director (Governance) & Monitoring Officer responded to Members' questions on her report.

After discussion it was moved by Councillor Sudra, seconded by Councillor Fairley and unanimously:-

RESOLVED that –

- (a) the Committee notes the report and approves a practice whereby Annual Letters from the Local Government and Social Care Ombudsman (LGSCO) are submitted to the Audit Committee for consideration in the future as part of its role in assessing external regulatory reports and monitoring any quality improvement programmes where required, with comments to be provided to Cabinet as appropriate; and
- (b) Cabinet be informed that the following matters highlighted from this Committee will be considered as part of the Officers' review of the Council's Complaints Procedure which will also have regard to the LGSCO's Complaint Handling Code:-
 - (1) the timeliness (or otherwise) of the Council's responses to the LGSCO's enquiries; and

- (2) the Committee's desire to have a standing item on the agenda for each of its formal meetings in relation to Complaints and that the designated Member with responsibility for Housing Complaints (currently the Portfolio Holder for Housing and Planning) and the Portfolio Holder for Corporate Finance and Governance be required to attend as appropriate.

47. REPORT OF THE ASSISTANT DIRECTOR OF FINANCE & IT - A.3 - TABLE OF OUTSTANDING ISSUES

The Committee had before it a report (A.3) that reported progress on the outstanding actions identified by the Committee along with general updates on other issues that fell within the responsibilities of the Committee.

Table of Outstanding Issues

It was reported that the Table of Outstanding Issues had been reviewed and updated since it had been last considered by the Committee in July 2024.

There were two main elements to this report as follows:-

- 1) Updates against general items raised by the Committee – Appendix A; and
- 2) Updates against the 2023/24 Annual Governance Statement Action Plan – Appendix B

In terms of item 1) above, there were no significant issues to raise, with actions remaining in progress or further details provided within the report.

The Committee was informed that, in respect of the 2023/24 Annual Governance Statement Action Plan, although this remained subject to the Committee's final approval later in the year once the work of the External Auditor was completed, for timely and practical reasons the version currently published at the end of May 2024 alongside the Unaudited Statement of Accounts presented the most up to date position for the Committee's consideration. This approach enabled the actions and associated updates to be considered as early as possible within the Committee's annual work programme. Appendix B therefore included outstanding items from last year's Annual Governance Statement alongside new items for the current year. There were no significant issues to highlight at the present time with actions and activities remaining on-going.

The Corporate Director (Operations and Delivery) gave a short oral update on the Governance Principle/Issue "*Determining the interventions necessary to optimise the achievement of the intended outcomes (Housing Review)*" and responded to a Member's question thereon.

Appointment of Independent Person(s) to the Audit Committee

The Committee recalled that, at its last meeting, it had endorsed the appointment of at least two Independent Persons to the Audit Committee and it had requested that Officers reviewed the associated arrangements and presented a plan to the next meeting of the Committee.

The necessary review had been undertaken with a proposed action plan and timetable presented within the 'Background' section of the report (A.3).

Continuing External Audit delays and an update on the External Auditor's work on the Council's Statement of Accounts 2020/21 – 2022/23

Members were advised that the outcomes from the Government's consultation exercise were being reviewed as they had only recently been published. However, the Government had stated that they intended to continue with the proposed statutory backstop approach, albeit with slightly amended dates as follows:-

For accounts up to and including 2022/23 – 13 December 2024

For the 2023/24 accounts – 28 February 2025

For the 2024/25 accounts – 27 February 2026

For the 2025/26 accounts – 31 January 2027

For the 2026/27 accounts – 30 November 2027

For the 2027/28 accounts – 30 November 2028

The Government had confirmed that they had laid in Parliament the necessary Regulations as well as a new Code of Audit Practice, which would give effect to their proposals. Any further updates would be provided to the Committee, either at their next meeting or separately within the interim period as necessary.

Members noted that Cabinet, at its meeting held on 20 September 2024, had decided that an external funding policy should be developed for approval by the Leader of the Council that would, in turn, be presented to a future meeting of the Audit Committee to seek its support and assurance on the associated governance processes. It was proposed that this item be included within the Committee's future work programme.

Emma Larcombe, representing KPMG the Council's External Auditors, attended the meeting. Councillor Platt referred to the revised statutory backdrop dates and pondered on how much confidence Councils could have in them. He also asked if KPMG were willing to pick up BDO's uncompleted audit work. Emma Larcombe responded along the following lines:-

- *the Government's proposals bring forward slightly the date for the 2023/24 accounts from May to the end of February 2025 and those would need to be signed off by KPMG;*
- *prior years' outstanding audits had until mid-December 2024 to be signed off or – 'disclaimed';*
- *communications had been held with BDO regarding a hand-over and her understanding was that BDO was expecting to make a disclaimer on the previous years' outstanding accounts;*
- *for the 2023/24 accounts, KPMG were a good way through their audit. Vast majority of the planning work had been completed and most of the year end work would be completed in the coming weeks;*
- *on the 2023/24 'closing position' her perspective was that KPMG would be a good way through that by the end of the year;*
- *still need some clarification on the 'opening balance' position and are awaiting some guidance from the National Audit Office as to what the work on that aspect will consist of;*

- *TDC should expect a modification to the audit opinion for 2023/24 in relation to the opening balance position and over time (next three years) that will be built up. This would be a consistent position across the audit sector nationally for all Opinions where there have been 'disclaimed' accounts;*
- *will work towards reducing the number of years with disclaimed 'opening balances' as much as possible so as much work that BDO can get done the better;*
- *on the Value for Money (VFM) requirement, BDO will give an Opinion on all the Accounts for which they have been appointed for. KPMG will do likewise and a great deal of work had already been done on this for the 2023/24 accounts;*
- *should therefore be in a position to bring the initial risk assessment on the VFM to the next meeting of the Committee.*

Corporate Risk Update

The Committee was aware that its Chairman had deferred this matter to the next meeting of the Committee. The delay was due to Officers' capacity and work commitments across other parts of the organisation. Although there were no major issues at the current time, it was highlighted that there had been an increase in the number of complaints being received regarding alleged breaches of the Members' Code of Conduct at Town and Parish Council level. The District Council's Monitoring Officer with support of the Executive Projects Manager – Governance, were under an obligation to deal with complaints in accordance with the Standards Framework, which was having an impact on capacity and resources internally. A number of Town and Parish Council Members' Code of Conduct training sessions had been delivered and were organised for the near future, which although delivered free of charge, the aim was to improve awareness of expected behaviours and ultimately to prevent unnecessary complaints being received. This issue would also be reported to the Standards Committee at its meeting during October 2024, as part of its Terms of Reference and oversight remit.

Members' attention was also drawn to the following matters:-

- *The recent replacement of the wireless access points across the Council's estate along with an increase in the frequency of immutable backups, both of which increased the Council's digital and data resilience.*
- *The Government had recently announced a number of additional flexibilities relating to Right to Buy receipts. This was currently being reviewed but it was expected to support the increase in Council homes.*
- *At its meeting on 30 July 2024, the Human Resources and Council Tax Committee had agreed a revised Market Forces Policy and People Strategy, both of which supported a number of positive actions relating to the recruitment and retention of staff.*
- *Work remained ongoing to develop the long term forecast with the next update planned to be presented to Cabinet in October 2024 and which was planned to include the first iteration of the Council's Saving Plan.*
- *Following the recent Government announcement relating to their intention to increase the supply of housing nationally, the impact on the Council's Local Plan remained under review.*

After discussion it was moved by Councillor Sudra, seconded by Councillor Platt and unanimously:-

RESOLVED that -

- a) the progress against the actions set out in Appendices A and B to the report (A.3) be noted;
- b) in respect of the appointment of an Independent Person(s) to the Audit Committee, the Committee:-
 - i) notes and agrees the actions set out in this report;
 - ii) requests Officers to finalise a draft role / person specification and to make the necessary arrangements to consult with members of the Audit Committee as highlighted in the plan; and
 - iii) that the outcome of the above be presented to the meeting of the Committee due to be held in January 2025.
- c) The Governance Principle/Issue “*Determining the interventions necessary to optimise the achievement of the intended outcomes (Housing Review)*” be added to the Committee’s Work Programme.

The meeting was declared closed at 11.44 am

Chairman

AUDIT COMMITTEE

9 DECEMBER 2024

REPORT OF DIRECTOR (FINANCE & IT)

A.1 EXTERNAL AUDITOR'S PLANNING, COMPLETION AND ANNUAL REPORTS RELATING TO 2020/21, 2021/22 AND 2022/23

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

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

- The External Auditor's Updated Audit Completion Report relating to 2020/21.
- The External Auditor's Combined Audit Planning and Audit Completion Reports relating to 2021/22 and 2022/23.
- The External Auditor's Combined Annual Report for the years ended 31 March 2021, 31 March 2022 and 31 March 2023.
- The Council's Statement of Accounts (including the Annual Governance Statements) for 2020/21, 2021/22 and 2022/23 for consideration and approval for publication by the backstop date of 13 December 2024.

EXECUTIVE SUMMARY

- In-line with the backstops dates previously discussed, the Council's External Auditor has substantially completed the necessary audit work associated with 2020/21, with their associated Audit Completion Report attached, which includes a management representation letter for approval by the Committee.
- Also, in-line with the backstop dates mentioned above, the Council's External Auditor has also issued their Audit Completion Reports relating to 2021/22 and 2022/23. These are included together with their audit planning responsibilities / activities, with combined completion and planning reports therefore provided for both these respective years.
- As set out elsewhere in this report, the External Auditor anticipates issuing a modified opinion for 2020/21 and a disclaimer opinion for both 2021/22 and 2022/23.
- As set out later in this report and within the attached External Auditor's reports, the reason for the disclaimer opinions in both 2021/22 and 2022/23 relate to the back stop dates.
- The back stops dates have also contributed to some extent to the modified opinion anticipated for 2020/21, as it has not been possible for the External Auditor to undertake any additional assurance work relating to two matters.
- The Council's Statement of Accounts for 2020/21, 2021/22 and 2022/23 are

attached, which reflect any necessary amendments agreed in consultation with the External Auditor.

- In respect of 2020/21, the External Auditor has highlighted a number of recommended adjustments. It is not proposed to make the associated changes as they are not deemed to be material.
- This report also sets out the External Auditors Combined Annual Audit Report, which summarises the above along with providing their value for money commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The outcome provides a very positive view on the Council's arrangements and provides welcomed independent assurance on related matters.
- Subject to the Committee's consideration of the various attached reports, and approval of the Statement of Accounts for 2020/21, 2021/22 and 2022/23 (including the Annual Governance Statements) it is proposed to publish the Accounts for all three years by the backstop date of 13 December 2024.

RECOMMENDATIONS

1. That in respect of the 2020/21 Statement of Accounts and the associated Updated External Auditor's Audit Completion Report for the year ended 31 March 2021, the Audit Committee:

(a) Considers and notes the contents of the report;

(b) subject to 1(a) above, approves the management representation letter set out on Pages 33 to 35 of the External Auditor's Updated Audit Completion Report for the year ended 31 March 21;

(c) subject to 1(b) above, authorises the Director Finance & IT and the Audit Committee Chairman to sign the management representation letter for forwarding to the External Auditor;

(d) subject to 1(b) and 1(c) above, approves for publication the audited Statement of Accounts for 2020/21 as attached, and approves for signing, the Annual Governance Statement set out in within Pages A1 to A18 of the same attachment.

2. That in respect of the 2021/22 Statement of Accounts and the associated External Auditor's Combined Audit Planning and Completion Report for the year ended 31 March 2022, the Audit Committee:

(a) Considers and notes the contents of the report;

(b) subject to 2(a) above, approves the management representation letter set out on Pages 23 to 25 of the External Auditor's Combined Audit Planning and Completion Report for the year ended 31 March 2022;

(c) subject to 2(b) above, authorises the Director Finance & IT and the Audit

Committee Chairman to sign the management representation letter for forwarding to the External Auditor;

(d) subject to 2(b) and 2(c) above, approves for publication the audited Statement of Accounts for 2021/22 as attached, and approves for signing, the Annual Governance Statement set out in within Pages A1 to A23 of the same attachment;

3. That in respect of the 2022/23 Statement of Accounts and the associated External Auditor's Combined Audit Planning and Completion Report for the year ended 31 March 2023, the Audit Committee:

(a) Considers and notes the contents of the report;

(b) subject to 3(a) above, approves the management representation letter set out on Pages 23 to 25 of the External Auditor's Combined Audit Planning and Completion Report 2022/23;

(c) subject to 3(b) above, authorises the Director Finance & IT and the Audit Committee Chairman to sign the management representation letter for forwarding to the External Auditor;

(d) subject to 3(b) and 3(c) above, approves for publication the audited Statement of Accounts for 2022/23 as attached, and approves for signing, the Annual Governance Statement set out in within Pages A1 to A25 of the same attachment;

4. That the Audit Committee considers and notes the contents of 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 set out on Pages 7 to 17 of that report.

REASON(S) FOR THE RECOMMENDATION(S)

To conclude the Statement of Accounts Process for 2020/21 and 2021/22 and 2022/23 and to enable the publication of the audited accounts for all three years by the backstop date of 13 December 2024.

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 now put arrangements in place to clear the backlog of outstanding historical audit opinions. Although these arrangements are referenced within the attached External Auditor's Reports where necessary, a detailed background is set out below for completeness.

On 30 July, 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 will, instead, be 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 annual deadlines covering 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	Qualified Opinion	Disclaimer Opinion

financial statements are materially misstated		
---	--	--

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. It is anticipated that many bodies that received disclaimers in 2022/23 will follow a similar cycle to that shown in the table below. However, this will depend on individual circumstances 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	<p>The auditor has begun limited work to rebuild assurance ahead of the 2023/24 backstop date.</p> <p>They have not obtained sufficient evidence to have reasonable assurance over closing balances.</p> <p>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</p>

		<p>not have assurance over the comparative prior year movements.</p> <p>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.</p>
2024/25	Disclaimer	<p>The auditor has obtained sufficient evidence to have assurance over closing balances in 2024/25.</p> <p>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.</p> <p>They also do not have assurance over the comparative prior year movements.</p> <p>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.</p>
2025/26	Qualified	<p>The auditor has assurance over the opening and closing balances plus in-year movements.</p> <p>The auditor does not have assurance over the comparative figures.</p> <p>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</p>
2026/27	Unmodified (unqualified)	<p>The auditor has assurance over opening balances, closing balances, in-year movements and prior year comparatives. The auditor can therefore issue an unmodified opinion.</p>

Based on the above approach, the 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 the next 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.

In early discussion with the Council's current Auditors KPMG, it is expected that they will set out their approach based on the above, which will include a clear and transparent pathway when they provide their own Audit Reports to the Committee in 2025.

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. However, as set out within the External Auditor's Combined Annual Report (Attachment 7) a reduced scope has been carried out to date as permitted for prior years. From 2024/25 onwards, auditors will be required to issue their annual auditor's report containing the VFM commentary each year by 30 November. 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.

FINANCE AND OTHER RESOURCE IMPLICATIONS

Finance and other resources
There are no direct financial implications with audit costs expected to be accommodated within existing budgets.

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 Annual Report.
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 2020/21 and 2021/22 and 2022/23 and to enable the publication of the audited accounts for all three years by the backstop date of 13 December 2024.

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 backdrop, 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

There is no requirement to seek consultation on this report. This is a public document to be presented to the Audit Committee.

EQUALITIES

The Table of Outstanding Issues aims to deliver fairness, transparency and consistency to all customers and stakeholders.

SOCIAL VALUE CONSIDERATIONS

There are no direct implications.

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
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Health Inequalities	Not applicable
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Area or Ward affected	Not applicable
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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 all three years (2020/21, 2021/22 and 2022/23) were previously approved for publication by the Council's S151 Officer (Director Finance & IT).

The pre-audited Annual Governance Statement for all three years (2020/21, 2021/22 and 2022/23) were previously approved for publication by the Leader and Chief Executive.

For each of the three years (2020/21, 2021/22 and 2022/23), the required periods of public inspection were undertaken.

The Council's External Auditors are required to prepare an Audit Completion Report 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 is required to consider the content of this annual report and approve for publication the final audited Statement of Accounts and Annual Governance Statement.

Due to the external audit delays, backstop dates have been agreed as highlighted earlier. With this in mind, this report therefore sets out the necessary reports for 2020/21, 2021/22 and 2022/23. For the latter two years, the reports are combined with the corresponding audit planning report, which would ordinarily have been presented to the Audit Committee

at the start of the year in question.

Draft management representation letters for each of the three outstanding years, which set out certain management representations are included within the External Auditor's Audit Completion Reports as follows:

For 2020/21 – Pages 33 to 35 of Attachment 1

For 2021/22 – Pages 23 to 25 of Attachment 3

For 2022/23 – Pages 23 to 25 of Attachment 5

The Audit Committee are required to separately approve these letters and authorise the Director Finance & IT and Audit Committee Chairman to sign them before they are forwarded onto the External Auditor.

In terms of the required Value for Money commentary from the External Auditor, this is set out in their combined Auditor's Annual Report set out as **Attachment 7**. As set out within the Auditor's report, the revised Code of Audit Practice 2024 allows auditors to issue a combined commentary on value for money arrangements for outstanding audits up to and including 2022/23 in a single report against a reduced set of criteria, focused on financial sustainability and governance arrangements.

Once the above tasks are completed the External Auditor can conclude the audit process for each of the three outstanding years by finalising and formally issuing their audit opinion along with the certification of the accounts.

The next section of the report deals with each outstanding year in turn.

AUDIT COMPLETION REPORTS 2020/21, 2021/22 and 2022/23

Updated Audit Completion Report for 2020/21

The External Auditor's report is set out as **Attachment 1**. This provides an update to the draft report that has previously been presented to the Audit Committee.

At the time of finalising this report, the External Auditor anticipated issuing a qualified audit opinion (also referred to as modified opinion). As set out on page 27, the reason for issuing this opinion is due to the limitation imposed by the backstop date, with further assurance still required in connection with other land and buildings along with infrastructure assets. Further details relating to these two issues are set out on page 24. These items remain under review in consultation with the Council's new External Auditor to provide the necessary assurances from 2023/24 onwards.

The opinion provided by the External Auditor is effectively stating that there were no other issues identified apart from those set out within the report. This is an important distinction to make as the modified / qualified opinion is not a wider reflection on the rest of the Statement of Accounts for the year and there are various assurances provided by the External Auditor within their attached report such as those associated with the Annual Governance Statement.

Pages 18 to 20 set out a small number of unadjusted differences. The associated

adjustments have not been made as their impact was not deemed to be material.

Page 25 of the External Auditor's report also highlights some other 'deficiencies'. These have broadly been addressed in the intervening years, and they will be subject to further review in consultation with the Council's new Auditors as part of the audit process associated with the Statement of Accounts from 2023/24 onwards.

The Statement of Accounts (including the Annual Governance Statement) for 2020/21 are set out as **Attachment 2**. These include any required changes made in consultation with the External Auditor, with no direct impact on the overall financial position of the Council.

Combined Audit Planning Report and Audit Completion Report for 2021/22

The External Auditor's combined report is set out as **Attachment 3**. As highlighted on page 3 of that report, the background to combining the planning element and completion report element is highlighted, with the report therefore setting out a number of matters that would ordinarily have been set out separately as part of the audit planning phase.

In-line with the approach set out within the legal section above (and further discussed within **Attachment 3**), the External Auditor anticipates issuing a disclaimer of opinion in respect of the 2021/22 Statement of Accounts. As highlighted on page 6 of **Attachment 3**, due to the backstop dates, the External Auditor has not been able to obtain all the necessary audit evidence upon which to form an opinion since there was insufficient time to perform all necessary audit procedures by the backstop date. As a result, they are unable to conclude that Tendring District Council's financial statements for the year ended 31 March 2022 as a whole are free from material misstatement.

The Statement of Accounts (including the Annual Governance Statement) for 2021/22 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.

Combined Audit Planning Report and Audit Completion Report for 2022/23

The External Auditor's combined report is set out as **Attachment 5**. Similarly to the points highlighted for 2021/22 above, this is also a combined report setting out the planning elements and completion report elements as necessary.

Similarly to 2021/22 and in-line with the approach set out within the legal section above (and further discussed within **Attachment 5**), the External Auditor anticipates issuing a disclaimer of opinion in respect of the 2022/23 Statement of Accounts for the same reasons highlighted for 2021/22 above.

The Statement of Accounts (including the Annual Governance Statement) for 2022/23 are set out as **Attachment 6**. These include any required changes made in consultation with the External Auditor, with no direct impact on the overall financial position of the Council.

As discussed earlier, the anticipated disclaimer of opinion for both 2021/22 and 2022/23 are not a reflection on the Council and it is hoped that this report along with that of the External Auditor and their associated opinion makes this point clear to the readers of the Council's Statement of Accounts.

It is also important to highlight that further assurance will be obtained from the work being undertaken by the Council's New External Auditor, with their necessary report on the Council's Statement of Accounts for 2023/24 planned to be presented early in 2025, ahead of the relevant backstop date of 28 February 2025. This will also include their commentary on the Council's value for money arrangements.

Auditor's Annual Report for years ended 31 March 2021, 31 March 2022 and 31 March 2023.

The External Auditor's combined report is set out as **Attachment 7**. As highlighted on pages 3 and 4 of the attached report, it provides a summary of the key issues arising from the work of the External Auditor for the years ended 31 March 2021, 31 March 2022 and 31 March 2023.

Although it broadly covers the issues identified separately within the reports referred to above, it also sets out the External Auditors Value for Money commentary on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the first detailed commentary within the context of a revised approach as previously reported to the Audit Committee. It replaces the historic 'opinion' based approach with a more detailed and helpful commentary.

As highlighted within the attached report, a reduced scope has been applied for 2021/22 and 2022/23 in-line with associated National Audit Office guidance, with the work undertaken for 2020/21 exceeding this revised requirement.

The detailed value for money commentary is set out on pages 7 to 17. It sets out a number of important areas of the Council's work and demonstrates a strong and continually improving picture across the various value for money themes.

This is a very welcome position and hopefully provides Members with assurances, especially around the two key themes of financial sustainability and governance, given no such independent commentary has been provided in recent years due to the external audit delays.

Although highlighted on page 17 of the attached report, it is worth highlighting the following statement by the External Auditor:

"Our VFM work for 2020/21 to 2022/23 has not identified any significant weaknesses in the Authority's arrangements. However, we have identified opportunities for the Authority to improve their arrangements and have made a recommendation accordingly"

In respect of the recommendation referred to in the above statement, this is also set out on page 17 of the attached report along with confirmation that the associated matter was addressed in 2023.

To conclude the Statement of Accounts process for 2020/21, 2021/22 and 2022/23, the Audit Committee is required to consider the:

- Updated Audit Completion Report for the year ending 31 March 2021, approve the

management representation letter and approve the final Statement of Accounts for 2020/21.

- Combined Planning Report and Audit Completion Report for the year ending 31 March 2022, approve the management representation letter and approve the final Statement of Accounts for 2021/22.
- Combined Planning Report and Audit Completion Report for the year ending 31 March 2023, approve the management representation letter and approve the final Statement of Accounts for 2021/22.
- The Auditor's Annual report for the years ended, 31 March 2021, 31 March 2022 and 31 March 2023.

The Annual Governance Statements are included within the Statement of Accounts referred to in the bullet points above, and their 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 2020/22, 2021/22 and 2022/23 will be published by the 13 December 2024 backstop deadline.

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

PREVIOUS RELEVANT DECISIONS TAKEN BY COUNCIL/CABINET/COMMITTEE ETC.
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Previous Draft Audit Completion Reports for 2020/21 have been presented to the Committee with the last one being in March 2023.

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

None

APPENDICES

Attachment 1	External Auditor's Updated Audit Completion Report: Year ended 31 March 2021
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Attachment 2	The Council's Statement of Accounts 2020/21 for Publication (Including the Annual Governance Statement)
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Attachment 3	External Auditor's Combined Audit Planning Report and Audit Completion Report: Year ended 31 March 2022
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Attachment 4	The Council's Statement of Accounts 2021/22 for Publication (Including the Annual Governance Statement)
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Attachment 5	External Auditor's Combined Audit Planning Report and Audit Completion Report: Year ended 31 March 2023
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Attachment 6	The Council's Statement of Accounts 2022/23 for Publication (Including the Annual Governance Statement)
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Attachment 7 External Auditor's Audit Annual Report (Covering 2020/21, 2021/22 and 2022/23)

REPORT CONTACT OFFICER(S)

Name	Richard Barrett
Job Title	Director (Finance & IT)
Email	<u>rbarrett@tendringdc.gov.uk</u>

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Attachment 1

External Auditor's Updated Audit Completion Report:

Year ended 31 March 2021



Report to the Audit Committee

TENDRING DISTRICT COUNCIL

Audit Completion Report: year ended 31 March 2021

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WELCOME

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We have the pleasure in presenting our draft Audit Completion Report to the Audit Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two-way communication throughout the audit process with those charged with governance.

It summarises the updates in the results of completing the planned audit approach for the year ended 31 March 2021 since our last update provided to the committee.

At the completion stage of the audit, we engage with the Audit Committee on the results of our audit of the financial statements comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements. **A draft version of this report was presented to the Audit Committee meeting on 12 January 2023 when fieldwork was still in progress; this updated report represents a revised position following the completion of our work for 2020/21.**

We look forward to discussing these matters with you at the Audit Committee meeting on 9 December 2024, and to receiving your input.

We would also like to take this opportunity to thank the management and staff of the Council for the co-operation and assistance provided during the audit.

Aphrodite Lefevre, Director
For and on behalf of **BDO LLP**, Appointed Auditor

2 December 2024



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Engagement lead

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. This report has been prepared solely for the use of the Audit Committee and Those Charged with Governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

OVERVIEW

Executive summary

This summary provides an overview of the audit matters that we believe are important to the Audit Committee in reviewing the results of the audit of the financial statements for the year ended 31 March 2021.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.



Overview

Our audit work on the financial statements is substantially complete. The results of our anticipated audit opinion is set out on page 27.

Outstanding matters are listed on page 31 in the appendices.

We presented our Audit Planning Report to the Audit Committee on 27 May 2021. There have been no significant changes to the planned audit approach and no additional significant audit risks have been identified.

Our work on the Council's value for money arrangements is complete and is reported in our draft Auditor's Annual Report

No restrictions were placed on our work, except for those affecting the anticipated audit opinion.

Audit report

We anticipate issuing a **qualified** audit opinion on the financial statements as set out on page 27.

We have no exceptions to report at this stage in respect of the Council's value for money arrangements.

Our audit certificate will be issued when we have completed our work on the Council's value for money arrangements.

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Executive summary

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Final materiality

Materiality was determined based on gross expenditure.

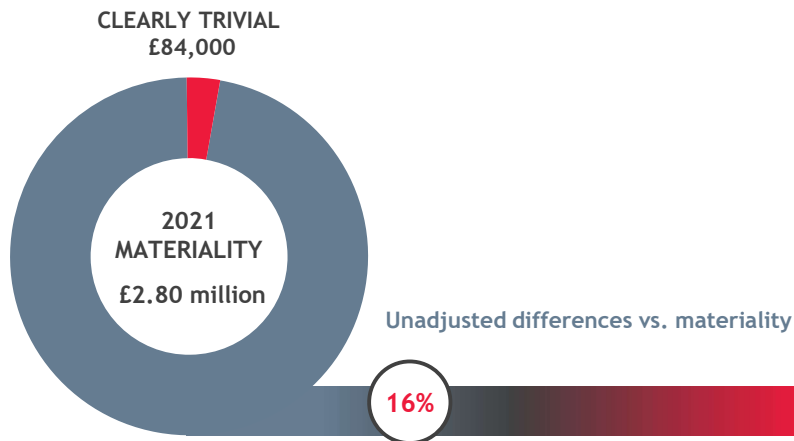
There were no changes to final materiality and triviality from that reported in our Audit Planning Report.

Material misstatements

We have not identified material misstatements based on the audit work performed to date.

Unadjusted audit differences

We have identified audit adjustments that, if posted, would not have an impact on the surplus/deficit on the provision of services for the year but would decrease net assets of £209k by £740k. These are set out on page 18



OTHER MATTERS

Executive summary

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Financial reporting

- We have not identified any non-compliance with accounting policies or the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
- No significant accounting policy changes have been identified impacting the current year.
- Going concern disclosures are deemed sufficient. The Narrative Report / Annual Report and other information included in the Statement of Accounts with the financial statements is consistent with the financial statements and our knowledge acquired in the course of the audit.
- The Annual Governance Statement complies with relevant guidance and is not inconsistent or misleading with other information we are aware of.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Council in accordance with the Financial Reporting Council's (FRC's) Ethical Standard.



AUDIT RISKS OVERVIEW

As identified in our Audit Planning Report dated 27 May 2021 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the engagement team.

No additional significant audit risks have been identified.

Audit Risk	Risk Rating	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported	Discussion points / Letter of Representation
Management Override of Controls	Significant	Yes	No	No	No	No
Valuation of Non-Current Assets	Significant	Yes	Yes	Yes	Yes	Yes
Valuation of Pension Liability	Significant	Yes	Yes	No	No	Yes
Expenditure Cut Off	Significant	No	No	No	No	No

Areas requiring your attention



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MANAGEMENT OVERRIDE OF CONTROLS

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ISA (UK) 240 notes that management is in a unique position to perpetrate fraud.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we are required to consider this as a significant risk of material misstatement due to fraud.

Work performed

We carried out the following planned audit procedures:

- We determined key risk characteristics to filter the population of journals and used our IT team to assist with the journal extraction; and
- Reviewed and verified journal entries made in the year, by agreeing the journals to supporting documentation. Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias.

Results

We used our data analytics tool, BDO Advantage, to analyse journals processed throughout the year and as part of the financial reporting.

We selected items for testing in accordance with specified characteristics. For all items selected for testing, we gathered supporting evidence and documented results. There were no instances of missing documentation, or any issues with the testing performed.

Our review noted that all journals were adequately supported and related to transactions in the normal course of business. No evidence of management override has been identified.

Our work on the review of management estimates has not identified the existence of any systemic bias.

There were no unadjusted audit differences which could indicate bias or deliberate misstatement.

Conclusion

Based on the work we have completed; we have no matters to bring to your attention.

EXPENDITURE CUT OFF

For public sector bodies the risk of fraud is relevant to expenditure recognition.

Risk description

In the public sector the risk of fraud in revenue recognition is modified by Practice Note 10 issued by the Financial Reporting Council. This states that auditors should also consider the risk that material misstatements may occur through the manipulation of expenditure recognition. For the Council, we consider the risk of fraud to be in respect of the cut-off of expenditure at year-end.

Work performed

- We confirmed that expenditure was recognised in the correct accounting period by substantively testing a sample of expenditure items around year-end.
- A financial threshold was set to determine the samples to be selected for this testing. A lower threshold was used to reflect our assessment as a significant risk.

Results

Our audit work on expenditure cut off has tested a sample of items around the year-end, by agreeing them to supporting documentation, determining which financial period the expenditure was related to and confirming that the expenditure has been recognised in the correct year, with accruals/creditors or prepayments recognised where necessary.

Our initial testing is complete, on which we have raised a number of queries for resolution with management.

Conclusion

Based on the work we have completed, we have no matters to bring to your attention.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
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VALUATION OF NON-CURRENT ASSETS

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The valuation of non-current assets is a significant risk as it involves a high degree of estimation uncertainty.

Significant risk
Normal risk
Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant control findings to be reported
Letter of representation point

Risk description

Local authorities are required to ensure that the carrying value of land, buildings and dwellings is not materially different to the current value (operational assets) or fair value (investment properties) at the balance sheet date.

The Council applies an annual revaluation process under which the assets that had significant change in value during the year are subject to full revaluation and all other assets are revalued on a desktop basis. All assets are subject to full revaluation at least every 5 years.

Due to the significant value of the Council’s land, buildings, dwellings and investment properties and the high degree of estimation uncertainty, there is a risk over the valuation of these assets where valuations are based on assumptions.

Work performed

We carried out the following planned audit procedures:

- Reviewed the instructions provided to the valuer and the valuer’s skills and expertise in order to determine if we could rely on the management expert
- Verified that the basis of valuation for assets valued in year was appropriate based on their usage;
- Reviewed assumptions used by the valuer and movements against relevant indices for similar classes of assets
- Critically assessed valuation movements that appeared unusual
- Verified the accuracy and completeness of information provided to the valuer, such as rental agreements and sizes.

Results

Instructions provided to professional valuers were in line with expectation, considering the nature of the valuations to be undertaken, the year’s capital programme and the valuers’ experience with the Council. The valuers are sufficiently qualified to provide the valuations.

Our audit procedures relating to assumptions and valuation inputs used by the valuer have been completed except for Gross Internal Areas (GIAs) that could not be substantiated with floor plans for other Land and Buildings valued at Depreciated Replacement Cost (DRC).

We have further discussed our work on the non-current asset value estimates on the subsequent slides.

Professional valuations were dated as at 30 September 2020. We noted that management did have a formal process by which they gained assurance that there was no material movement between 30 September 2020 and the year end.

We are undertaking an assessment, with reference to relevant market indices, on the expected change in valuation between the valuation date and the year end to gain assurance that all material movements have been accounted for within the financial statements.

Conclusion

Based on the work we have completed we were unable to conclude on any potential misstatements in the valuation of Land and Buildings that have led to the need for a qualification in our audit opinion. This is further detailed in the on page 13 of the slides.

VALUATION OF NON-CURRENT ASSETS

Significant accounting estimates: Valuation of PPE and Investment properties and assumptions used therein

Overview

The Council's valuation process in 2020/21 comprised the following:

- Land and buildings are valued cyclically, at least every five years, with high-value assets being valued more frequently;
- Revaluations are completed on types of assets thought to have moved significantly due to market factors or indications of impairment;
- Revaluations are completed on assets subject to significant capital works or alterations in the year;
- All assets held at fair value (investment properties and surplus assets) are revalued annually;

Valuations are completed by an external professional valuer as follows:

- Council dwellings are valued by Bruton Knowles on an existing use basis with a social housing adjustment (EUV-SH), using beacon assets and applying the outcome to comparable assets.
- Property, plant and equipment (PPE) - Land and buildings - are valued by Bruton Knowles at current value in existing use. This amounts to existing use value (EUV) valuations, or when there is no market for assets due to their specialist nature those assets are valued at depreciated replacement cost (DRC).
- The Council has one investment property which was valued by Bruton Knowles at market value (MV).
- Professional valuations were dated as at 30 September 2020. Management formally engage with Bruton Knowles to gain assurance over any material movement between 30 September 2020 and the year end. For General Fund assets, the movements for both specialised and non-specialised assets were deemed to be immaterial at £1.2m. For HRA assets, the movement of £3.1m was considered material and adjusted for within the financial statements.

We have analysed the valuation approach, audit work done and any findings for each of these categories in the subsequent slides.

VALUATION OF NON CURRENT ASSETS

Significant accounting estimates: Valuation of PPE and Investment properties and assumptions used therein

Council dwellings valued at Existing Use Value - Social Housing (EUV - SH)

Council dwellings are valued by Bruton Knowles on an existing use basis with a social housing adjustment (EUV-SH), using beacon assets and applying the outcome to comparable assets. We undertook the following work in relation to this class of asset:

- We have assessed that the beacon properties used possess the characteristics required and therefore could be used as archetypes;
- Inspected comparable recent sales for a sample of beacon properties and confirmed that the value of the beacon properties did not deviate significantly from market data;
- Compared that the movement in the value of beacon properties against other UK house prices indices (including land registry data).

Based on the work we have completed; we have no matters to bring to your attention.

Investment Properties measured at Fair Value

Investment properties are valued at fair value (highest and best use) usually based on the current and future potential rent yields. The Council owns one retail unit which is used solely to earn rental revenue and has no Local Authority service delivery from within it and therefore has been correctly recognised as an investment property. The valuer has adopted an investment approach, and the audit work performed was as follows:

- There was a decrease in the valuation of the property of £170k. This was driven by the decrease in the lease term and the overall weak retail market, mostly determined by the impact of the pandemic.
- We have substantively tested the valuer's calculations and explanations, including corroboration of inputs used such as rent passing and Gross Internal Areas and a reasonableness check of assumptions such as yield to market data from Knight Frank.

Based on the work we have completed; we have no matters to bring to your attention.

Impact of assumptions on the estimate/judgement

< lower

higher >



VALUATION OF NON-CURRENT ASSETS

Significant accounting estimates: Valuation of PPE and Investment properties and assumptions used therein

Other Land and Buildings valued at Depreciated Replacement Cost (DRC)

Leisure centres, crematorium, public conveniences and seafront shelters are valued at depreciated replacement cost using the existing gross internal area, estimated rebuild costs and the land value. This valuation is then reduced to reflect the age and remaining useful economic life of the building and accounts for professional fees. We undertook the following work in relation to this class of asset:

- Verification of build costs to source BCIS data is in progress;
- Land value used have been based on recent sales on comparable properties. The land rates from comparable sales have been adapted to suit the specificities of the council's assets being valued. Our verification of comparable sales data is in progress;
- The instant build approach is applied, thus eliminating finance costs and reducing professional fees from the normal 12% - 15% to 6%, thus excluding planning fees, design fees and survey fees. The only fees allowed are professional fees incurred during the course of constructing the asset. The fee rates assumed to apply to the Council's valuations are not materially different to rates assumed by other valuers in the sector.
- We have the following matter to bring to your attention:
 - For buildings revalued using the DRC method, the council could not provide the floor plans to substantiate the GIAs used in arriving at the value of the buildings. The existing floor plans were not retained by the Council post-valuation. The GIAs are key inputs to the valuation and without any evidence, the value of the assets could be materially misstated.
 - Furthermore, we were unable to satisfy ourselves by performing alternative procedures, that the value of the assets were free from any potential misstatements.
 - Due to the backstop deadline imposing a limitation on the time available to perform any further procedures to resolve the differences, we are unable to form a reliable conclusion on this matter and therefore, have to limit the scope of our opinion on this area.

Impact of assumptions on the estimate/judgement

< lower

higher >



VALUATION OF NON-CURRENT ASSETS

Significant accounting estimates: Valuation of PPE and Investment properties and assumptions used therein

Infrastructure assets

Infrastructure assets with a gross book value of £56.3m and a corresponding net book value of £36.9m, the bulk of which consist of coastal protection schemes. This gross book value is reduced over a 20-year useful economic life of the. We undertook the following work in relation to this class of asset:

- Verification of build costs to source for additions made in 2015 ;
- Assessment of the accounting policy applied for depreciating the assets
- We have the following matter to bring to your attention:
 - The council has applied a blanket wide 20 years useful life for seafront defences which is not based on expert advice but instead a judgement exercised by management without relevant substantive evidence.
 - During the course of the audit, management sought expert advice from the project manager who was involved in the Clacton & Holland Sea project in 2014 and 2015.
 - We have been unable to obtain advice from an auditor's expert due to the backstop deadline imposing a limitation on the time available to seek external expert advice. As such, we are unable to conclude on the reasonableness of judgements made by management's expert on the useful economic life and therefore, have to limit the scope of our opinion on this area.

Impact of assumptions on the estimate/judgement

< lower

higher >



VALUATION OF PENSION LIABILITY

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The valuation of the pension assets and liability is a significant risk as it involves a high degree of estimation uncertainty.

Significant risk
Normal risk
Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant control findings to be reported
Letter of representation point

Risk description

The valuation of the defined benefit obligation is a complex calculation involving a number of significant judgements and assumptions. The actuarial estimate of the pension fund liability uses information on current, deferred and retired member data and applies various actuarial assumptions over pension increases, salary increases, mortality, commutation take up and discount rates to calculate the net present value of the liability.

There is a risk that the membership data and cash flows provided to the actuary at year end may not be accurate, and that the actuary uses inappropriate assumptions to value the liability. Due to significance of these valuations, a small change in assumptions and estimates could have a material impact on the council's share of the scheme liability.

Work performed

We carried out the following planned audit procedures:

- Agreed the disclosures to the information provided by the pension fund actuary
- Assessed the competence of management's expert (the actuary)
- Assessed the controls in place for providing accurate membership data to the actuary
- Checked that any significant changes in membership data have been communicated to the actuary

- Checked the reasonableness of the assumptions used in the calculation of the pension fund liability completed, local government actuaries and other observable data
- Contacted the pension fund auditor and requested confirmation of the controls in place for providing accurate membership data to the actuary and testing of that data.

Results

No issues were found in assessing the competency of managements experts, or in the agreement of disclosures to information provided by the actuary.

The assumptions on which the Council has based its disclosure are consistent with those used by the actuary, which are in line with the expectations set out in PwC's consulting actuary report.

Our consideration of the assumptions used in the valuation are detailed on the following pages.

Conclusion

Based on the work we have completed, we have no matters to bring to your attention.

VALUATION OF PENSION LIABILITY

Significant accounting estimates: Pension Liability

The Council's net pension liability has increased from £39.602 million to £42.283 million and its share of the scheme assets increased from £124.603 million to £161.441 million. The increase in the liability has been mainly driven by the decrease of the discount rate used to 2% (2.35% in prior year) and 0.9% increases in both the pension and salary rate.

The key estimates are the following financial and mortality assumptions. We have compared the key financial and demographic assumptions used to an acceptable range provided by our a consulting actuary.

	Actual used	Acceptable range	Comments
Financials:			
- RPI increase	3.20%	3.15 - 3.35%	Reasonable
- CPI increase	2.80%	2.8% - 2.85%	Reasonable
- Pension increase	2.80%	2.8% - 2.85%	Reasonable
- Salary increase	3.80%	3.8 - 3.85%	Reasonable
- Discount rate	2.00%	1.95 - 2.05%	Reasonable

Mortality:

Assumed longevity retiring at current dates

- Male	21.6 years	20.5 - 23.1	Reasonable
- Female	23.6 years	23.3 - 25.0	Reasonable

Assumed longevity retiring in 20 years

- Male	22.9 years	21.9 - 24.4	Reasonable
- Female	25.1 years	24.8 - 26.4	Reasonable

We consider that the assumptions and methodology used by the Council's actuary are appropriate, and result in an estimate of the pension liability which falls within a reasonable range.

Impact of assumptions on the estimate/judgement

< lower

higher >



MATTERS REQUIRING ADDITIONAL CONSIDERATION

Fraud

While officers have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures to date did not identify any fraud. We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Planning Report.

Laws and regulations

The most significant considerations for your organisation are the:

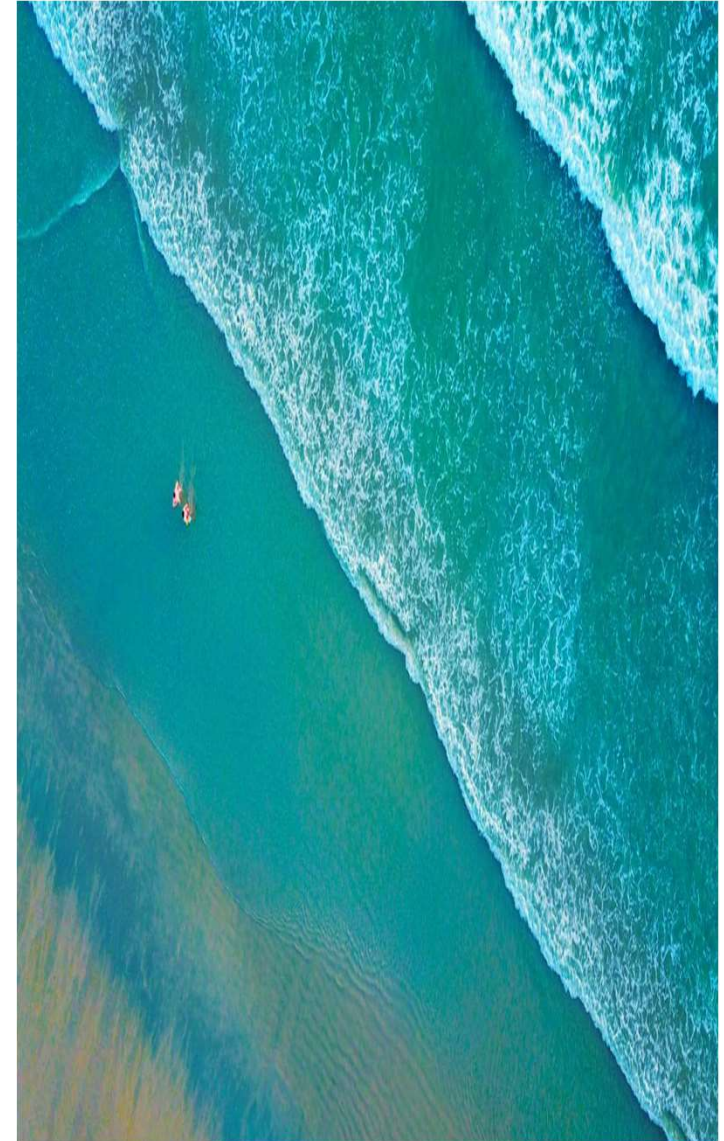
- Local Government Acts of 1972 and 2003
- Local Government Finance Acts of 1988, 1992 and 2012
- Local Government and Housing Act 1989
- International accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
- Local Audit and Accountability Act 2014
- Accounts and Audit Regulations 2015
- VAT legislation
- PAYE legislation.

To date, we did not identify, any non-compliance with laws and regulations that could have a material impact on the financial statements.

Related parties

While you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud.

From the work undertaken to date, we identified significant internal control deficiencies in connection with related parties. Further detail is provided on page 25.



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UNADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year



We are required to bring to your attention unadjusted differences and we request that you correct them.

There are 5 unadjusted audit differences identified by our audit work which would decrease net assets of £209k by £740k.

There would be no impact on the general fund balance.

Following discussion, none of the following differences were to be processed. You consider the remaining differences to be immaterial in the context of the financial statements as a whole.

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UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Income and expenditure			Balance Sheet	
	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Unadjusted audit differences					
Deficit on the provision of services for the year before adjustments	2,608				
Adjustment 1: Reclassification Collection of Fund Income					
Testing of Local council tax support scheme expenditure identified six variances between recorded transaction amount and recalculated award					
DR Collection Fund Expenditure (Council Tax Relief)		372			
CR Collection Fund Income			(372)		
Adjustment 2: Movement in council dwellings					
Testing of council dwellings identified that the uplift of council dwellings' value based on the house price index was only applied till February 2021. The difference arises due to the movement in the index from February 2021 to March 2021 which was not accounted for by the council.					
DR HRA Reserves				476	
CR Council Dwellings					(476)
Adjustment 3: PPE Additions adjustments					
Testing of acquisitions for council dwellings identified an error with the recorded amount due to a significant difference between the accrual amount and actual invoice.					
DR PPE additions (Main contractor Costs)				204	
CR Accruals (Capital Sundry Creditors)					(204)

UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Income and expenditure			Balance Sheet	
	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Unadjusted audit differences					
Adjustment 4: Reclassification Collection of Fund Income					
Testing of small business rate relief identified ten variances between recorded transaction amount and recalculated award.					
DR Collection Fund Expenditure (NDR discount rates and relief)		1,818			
CR Collection Fund Income			(1,818)		
Adjustment 5: Low value Assets that could not be verified					
Two low value assets could not be verified.					
DR Equity				264	
CR Property, plant and equipment					(264)
Total	-	2,190	(2,190)	944	(944)
Deficit on the provision of services for the year after adjustments	2,608				

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REPORTING ON OTHER INFORMATION

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

Matter	Comment
We are required to report on whether the financial and non-financial information in the Narrative Report within the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	Based on the work we have completed to date, we have no matters to bring to your attention.
We are required to report by exception if the Annual Governance Statement is inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Council's review of effectiveness and our knowledge of the Council.	We have no matters to report in relation to the consistency of the Annual Governance Statement with the financial statements, and our knowledge of the Council.

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WHOLE OF GOVERNMENT ACCOUNTS

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The Council is required to prepare a Data Collection Tool (DCT) return for use by the Department for Levelling Up, Housing and Communities (DLUHC) for the consolidation of local government accounts, and by HM Treasury at Whole of Government Accounts level.

Auditors are required to review Whole of Government Accounts (WGA) information prepared by component bodies that are over a prescribed threshold in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure.

In the prior year, the threshold was £500 million and the Council fell below the threshold for review, which remains true for the current year as the threshold has been increased to £2bn.

[Update November 2024 - this is no longer required for 2020/21 audits.](#)



USE OF RESOURCES OVERVIEW

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New Code of Audit Practice (“Code”)

The Comptroller & Auditor General has determined through a new Code and guidance that the key output from local audit work in respect of value for money (VFM) arrangements is a commentary as reported in the Auditor’s Annual Report, not a VFM arrangements ‘conclusion’ or ‘opinion’. There may be matters referred to in the auditor’s commentary that do not represent significant weaknesses in arrangements and where significant weaknesses are reported we are required to also report recommendations.

As auditors we need to gather sufficient evidence and document our evaluation of arrangements to enable us to draft our commentary under three reporting criteria. These criteria are:

- **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** (‘Improving 3Es’) - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

November 2024 update: while our work was originally initiated in line with the scope above, changes brought about by the revised Code of Audit Practice (2024), which became effective on 14 November 2024 but applies retrospectively for local government audits for 2020/21, reduces the scope of work on which auditors are required to perform work and report. This reduces the overall number of arrangements we review from fourteen to seven. In line with this scope reduction, as part of our Auditor’s Annual Report, we have only reported commentary in relation to financial sustainability and governance, and included commentary for the two subsequent years (2021/22 and 2022/23), also performed to this reduced scope, in the same report.

Risk of Significant Weakness

We have not identified any risks of significant weakness. Our draft Auditor’s Annual Report, which includes our commentary on VFM arrangements, is presented alongside this report.

SIGNIFICANT DEFICIENCIES

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Audit Committee.

As the purpose of the audit is for us to express an opinion on the Council's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

Area	Observation & implication	Recommendation
Other land & buildings valued at DRC - Loss of data	<p>For buildings revalued using the DRC method, The council could not provide the floor plans to substantiate the GIAs used in arriving at the value of the buildings. The existing floor plans were not retained by the Council post-valuation</p> <p>The GIAs are key inputs and without any evidence, the value of the assets could be materially misstated.</p>	The council should ensure that an appropriate Business Disaster Recovery Plan is in place. This will make certain that all updated floor plans are stored and retained adequately for all the areas of buildings measured professionally.
Accounting policy on infrastructure assets	<p>The accounting policy does not specifically address the componentisation of infrastructure assets or provide details on the useful life for each type of infrastructure asset. Instead, it broadly states that the useful life for infrastructure assets is 20 years and discusses the basis used for calculating depreciation without getting into specifics of individual infrastructure categories.</p> <p>Furthermore, the accounting policy does not provide specific information on how infrastructure assets are derecognized. Instead, it includes disclosures that apply generally to the PPE class.</p>	The council should amend their accounting policy to state the useful life on each component of infrastructure assets after each annual review and it should include the manner in which those assets are derecognised when there are costs to replace components of the infrastructure assets.
Infrastructure assets - Coastal defences Inadequate assessment of UEL	<p>The council applied a blanket wide 20 years useful life for seafront defences is not based on expert advice but instead a judgement exercised by management without relevant substantive evidence. During the audit, management obtained an expert to provide advice on the estimated useful life of the infrastructure assets. Due to the time limitation imposed by the backstop date, this could not be reflected in the 2020-21 accounts.</p> <p>There is a risk that an incorrect UEL would result in misstatements in the amortisation charge and the net book value of the infrastructure assets.</p>	We recommend that the council obtain an evaluation of experts such as engineers to ascertain an adequate useful life which would reflect the pattern of consumption of economic benefits and service potential. A prior period adjustment should be processed where necessary.

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Area	Observation & implication	Recommendation
Related Parties - Out of date declarations	Two (2) councillors had out of date declarations and updates were not obtained in March 2021. This was then subsequently raised to the client and up to date declarations were obtained post-year end.	We recommend that management should monitor the declaration process regularly to ensure that up to date declarations are obtained by year end.
	There is a risk that transactions between related parties are not identified, disclosed and are not arm's length.	
Related parties - Undisclosed directorship	There were instances of undisclosed directorships identified for some councillors and senior officers, which suggest that this is a control weakness.	We recommend management should implement a process where they undertake an independent check on Companies House to ensure that any undisclosed directorships have been identified and disclosed by councillors and senior officers.
	There is a risk that transactions between related parties are not disclosed and are not arm's length.	
Review of user access right - Northgate	According to the audited entity there are quarterly reviews of user lists. However there is no review of user access levels once added on the system. We could not obtain information to verify the design and implementation of the quarterly user list reviews.	We recommend that management retain evidence of quarterly review performed to ensure that no users has access incompatible to their roles.
	This is a weakness as users retain access to the system when it is no longer necessary for their roles.	

FOLLOW UP OF PRIOR YEAR DEFICIENCIES

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Area	Issue and impact	Original recommendation	Progress
Logical access controls - number of super users	Our review of the Council's IT systems identified that there are a large number of super users (users with privileged access rights) on a number of IT systems. There were 28 super users for the Capita system, 10 super users for the Northgate system and 6 super users for the Agresso system. We consider that 2-3 super users per system would provide a robust level of IT security, and having a large number of super users could jeopardise system security.	Assess the number of super user access rights granted in each of the IT systems and take necessary actions to reduce the number of super users to an acceptable low level.	<p>During our view of the IT general control environment, confirmed that the number of super users per system has been reduced as follows:</p> <p>Capita from 28 to 8. This demonstrated the Council's efforts to implement recommendations.</p> <p>Northgate from 10 to 9. It is commendable that there was a reduction, even though minimal.</p> <p>Agresso remained at 6.</p>
Use of Resources	As set out on page 28, we identified some significant amount of carry forward each year from the planned projects of revenue and capital items, which indicates an issue of deliverability of planned projects. As set out on page 28-29, there is a risk that reserves are not being held at the optimum level, given that number of them have not moved notably in recent years.	<p>Assess the ongoing viability of planned projects and take actions such that they can be delivered within a reasonable time and minimise the carry forward.</p> <p>Assess, at least once every two years, the appropriateness of the levels of individual reserves and their continued validity based on factors such as historic utilisation rates, associated risk / sensitivity analysis and their underlying purpose and release any excess reserves.</p>	Projects remain on-going and are tracked through Project Boards. These are reported as on-going in the Annual Governance Statement.

AUDIT REPORT OVERVIEW

Opinion on financial statements

We anticipate issuing a modified opinion on the financial statements on the PPE valuations and infrastructure assets due to the limitation imposed by the backstop date.

There are no matters that we wish to draw attention to by way of 'emphasis of matter'.

Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the Council's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

There are no material uncertainties in relation to going concern disclosed in the financial statements of which we are aware that we need to draw attention to in our report.

Irregularities, including fraud

Our report will contain an explanation as to what extent the audit was considered capable of detecting irregularities, including fraud. Irregularities in this context means non-compliance with laws or regulations.

Other information

To date, we have not identified any material inconsistencies that would need to be referred to in our report.

Annual Governance Statement

We have no matters to report in relation to the Annual Governance Statement as it is not inconsistent or misleading with other information, we are aware of.

Use se of resources

We have no significant weaknesses to report.

We have no matters to report at this stage in relation to the Council's value for money arrangements.

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INDEPENDENCE

Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2021.

Details of services, other than audit, provided by us to the Council during the period and up to the date of this report are set out on the following page and were provided in our Audit Planning Report. We understand that the provision of these services was approved by the Audit Committee in advance in accordance with the Council's policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Planning Report.

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Council.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Council.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

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OUR RESPONSIBILITIES

Responsibilities and reporting

Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to those charged with governance of the Council.

We read and consider the ‘other information’ contained in the Statement of Accounts such as the Narrative Report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information, and our knowledge obtained during the audit.

We report by exception any significant weaknesses identified by our work on the Council’s value for money arrangements and a summary of associated recommendations made.

What we don’t report

Our audit is not designed to identify all matters that may be relevant to the Audit Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



OUTSTANDING MATTERS

We have substantially completed our audit work in respect of the financial statements for the year ended 31 March 2021.

The following matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their status at the Audit Committee meeting at which this report is considered:

- Final review of accounts for agreed changes
- Final subsequent events confirmation
- Receipt of management representation letter



COMMUNICATION WITH YOU

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Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit Committee.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have liaised with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date (to be) communicated	To whom
Audit Planning Report	27 May 2021	Audit Committee
Audit Progress Report	15 December 2022	Audit Committee
Audit Completion Report	30 March 2023 (Draft) 9 December 2024 (Revised)	Audit Committee
Status Update	24 April 2024	Audit Committee
Status Update	25 July 2024	Audit Committee
Communication of Backstop arrangements	22 October 2024	Audit Committee
Auditor's Annual Report	9 December 2024	Audit Committee

MANAGEMENT REPRESENTATION LETTER

[Entity name and Letter headed paper]

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BDO LLP
2nd Floor
Yare House
62-64 Thorpe Road
Norwich
NR1 1RY

Financial statements of Tendring District Council for the year ended 31 March 2021

We confirm that the following representations given to you in connection with your audit of Tendring District Council's financial statements (the 'financial statements') for the year ended 31 March 2021 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of Tendring District Council.

The Director Finance and IT has fulfilled their responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of Tendring District Council as of 31 March 2021 and of its income and expenditure and cash flows for the year then ended 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).

We have fulfilled our responsibilities on behalf of Tendring District Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of Tendring District Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of Tendring District Council have been made available to you for the purpose of your audit and all the transactions undertaken by Tendring District Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council, Cabinet, management and other meetings have been made available to you.

Going concern

We have made an assessment of Tendring District Council's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on Tendring District Council's ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which Tendring District Council's business is conducted, and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which I am aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

MANAGEMENT REPRESENTATION LETTER 1

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Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge, we are not aware of any fraud or suspected fraud involving management or employees that could have a material effect on the financial statements. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge, we are not aware of any allegations of fraud or suspected fraud that have been communicated by employees, former employees, analysts, regulators or any other party that could materially affect the financial statements.

Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below.

In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

Other than as disclosed in note 23 to the financial statements, there were no loans, transactions or arrangements between Tendring District Council and members of Tendring District Council or their connected persons at any time in the financial period which were required to be disclosed.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the financial statements.

Accounting estimates

Significant assumptions made in relation to any accounting estimates are as follows:

a) Valuation of land and buildings

We are satisfied that the useful economic lives of land and buildings, and their constituent components, used in the valuation of land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

b) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

- CPI increase 2.80%
- Salary increase 3.80%
- Pension increase 2.80%
- Discount rate 2%
- Mortality: Current pensioners - male 21.6 years and female 23.6 years/Future pensioners - male 22.9 years and female 25.1 years

We consider these assumptions to be appropriate for the purposes of estimating the pension liability in accordance with the Code and IAS 19.

c) Allowance for non-collection of receivables

We are satisfied that the impairment allowances for non-domestic rates, housing rent and sundry debt arrears are reasonable, based on collection rate data.

MANAGEMENT REPRESENTATION LETTER 2

Accounting estimates (continued)

d) Non domestic rates appeals provision

We are satisfied that the provision recognised for non-domestic rates appeals is materially correct, and the calculation of historical appeals are consistent with those advised by the Valuation Office Agency. We confirm that the successful rates applied to outstanding appeals as at 31 March 2021 are consistent with our knowledge of the business.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each member has taken all the steps that they ought to have taken as a member of Tendring District Council in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Richard Barrett

Director Finance and IT and Section 151 Officer

10 December 2024

Geeta Sudra

Chair of the Audit Committee

10 December 2024

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FOR MORE INFORMATION:

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the audited body and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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Attachment 2

The Council's Statement of Accounts 2020/21 for Publication
(Including the Annual Governance Statement)

Tendring
District Council



STATEMENT OF ACCOUNTS

2020/21

TENDRING DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2020/21

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R C Barrett
Director Finance and IT
Town Hall
Clacton on Sea
Essex CO15 1SE
9 December 2024

NARRATIVE REPORT 2020/21

INTRODUCTION

During each year the Leader of the Council makes a number of key announcements such as the introduction to the Council's annual budget and the 'Annual State of the Tendring District' Statement, which provide a helpful summary on a range of subjects, with some key highlights included in his announcements to Full Council earlier in 2021 as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Organisational Overview and External Environment

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

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

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

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

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

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

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

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

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

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

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

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

Our Vision

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



Our Values

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

Tendring
District Council



Governance and Operational Model

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

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

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

Along with the Council's performance management framework which is discussed further on, the Council's budget and Long Term Financial Plan articulate the use of resources with the position for 2021/22 and beyond summarised within the Chief Finance Officer's (S151 Officer) report to Council in February 2021 as part of the budget process for 2021/22 as follows:

Robustness of the Estimates

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

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

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

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

As discussed during the development of the long term approach, cost pressures continue to present one of the more significant risks to the forecast, especially given the amount of unavoidable cost pressures included in both 2020/21 and 2021/22. Although on-going revenue items remain the most difficult items to respond to, one-off items, such as those associated with repairing / refurbishing assets could also have a significant impact on the forecast. However in respect of the latter, one-off funding has been made available elsewhere in the budget to support these costs which 'protects' the underlying revenue budget from the associated risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Adequacy of the Reserves

An integral part of the Council's overall strategy is that the level of reserves is sufficient to support identified risks along with supporting a sustainable budget position in the longer term. The level of uncommitted reserves forecast at 31 March 2021 is £4.000 million. All of the reserves are regarded as adequate / prudent and recognise significant risks such as from potential business rates volatility, the on-going impact from COVID 19 and to support the mitigation of cost pressures relating to the Council's assets.

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

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

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

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

The commentary will cover the following 3 headings:

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

This is expected to cover areas such as:

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

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

This is expected to cover areas such as:

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

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

This is expected to cover areas such as:

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

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

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

Risks and Opportunities

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

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

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

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

Within the risk register items have been grouped together under the following themes:

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

Mitigating actions have reduced the residual risk against each risk item within the categories above to at or below the Council's acceptable risk tolerance level apart from the following two items as follows:

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

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

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

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

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

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

Strategy and Resource Allocation

During 2017/18 the Council adopted a long term financial sustainability plan with the primary aim of protecting services, as far as is reasonably possible, that the Council provides to its residents, businesses and visitors in the wake of the on-going and significant reductions in government funding. A summary of the thinking behind this new approach was set out in the report to Cabinet on 5 September 2017, which is available on the Council's website.

The updated long term forecast presented to Full Council on 16 February 2021 included revised annual forecasts over the remaining years of the 10 year plan which are set out in the table below:

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

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

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

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

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

Council Performance 2020/21

Non-Financial Performance

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

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

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

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

Financial Performance

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

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

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

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

Summary of General Fund Revenue Financial Performance 2020/21

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

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

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

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

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

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

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

Summary of General Fund Capital Programme 2020/21

Expenditure is capitalised when it is spent on the acquisition, creation or enhancement of assets that have a value to the Council or the community for more than one year. Examples of capital expenditure incurred by the Council during the year were disabled facilities grants and major repairs/enhancements to assets. As capital schemes span financial years, amounts have been carried forward to continue the schemes and projects in 2021/22, with significant items as follows:

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

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

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

Funding of Capital Expenditure	Budget 2020/21	Outturn 2020/21	To Fund C/fwds	Variance
	£m	£m	£m	£m
External Sources of Finance	0.043	-	0.043	-
S106	0.109	0.103	0.006	-
Government Grants	5.986	0.994	4.992	-
Capital Receipts	0.825	0.010	0.815	-
Revenue Contributions	0.335	0.024	0.311	-
Use of Earmarked Reserves	3.592	0.789	2.803	-
Total	10.890	1.920	8.970	0.000

General Fund Reserves

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

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

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

Housing Revenue Account 2020/21

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

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

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

Housing Revenue Account 2020/21 – Capital Expenditure

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

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

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

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

The Council's Overall Balance Sheet

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

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

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

➤ **Long Term Borrowing**

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

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

Outlook

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

General Fund

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

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

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

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

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

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

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

Housing Revenue Account

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

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

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

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

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

- Following on from purchases in previous years, the Council continues to explore further opportunities in Jaywick Sands as part of the early phases of providing housing/regeneration improvements. To correct historic market failure within the Jaywick area the Council purchased land at a price in excess of what a private developer may wish to pay for it. The difference in values is charged to the Housing Revenue Account as impairment. The Council is in a position to take such an approach as it can view its investments over a longer term than the private sector. However the Council's actions in Jaywick Sands continue to build confidence in the market which has seen an increase in land values. This has resulted in the previous impairment charges being reversed out with a total credit of £0.299 million being made to the HRA up to and including 2020/21. Although the impairment charge remaining in the HRA of £1.303 million at the end of 2020/21 will inevitably limit the scale and speed of future

investment in Jaywick Sands, it is not expected to have a direct impact on the underlying HRA position which remains in good health to enable the Council to continue to provide quality housing and associated services to its tenants.

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

The Impact of COVID-19

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

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

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

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

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

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

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

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

Basis of Preparation and Presentation

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

FINANCIAL STATEMENTS

The main elements of the financial statements are explained below and comprise of information in respect of accounting concepts and estimation techniques, the responsibilities for the statement of accounts along with the report of the auditors and the detailed financial statements and notes. The format and information in the Accounts has been prepared in line with International Financial Reporting Standards (IFRS) and the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (The Code). The detailed financial statements that are required are explained below; these are split into 'core statements' and 'supplementary statements'.

ACCOUNTING AND RESPONSIBILITY STATEMENTS

- **Accounting Concepts and Estimation Techniques** - This briefly sets out the three main concepts that are applicable along with estimation methods used in preparing the accounts.
- **Statement of Responsibilities for the Statement of Accounts** - This statement sets out the respective responsibilities required of the Council and the Director Finance and IT for the Authority's accounts and financial affairs.
- **Report of the Auditors** - The Auditor certifies that an audit of the Statement of Accounts has been concluded and gives an opinion on their presentation and content.

CORE FINANCIAL STATEMENTS

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

- **Comprehensive Income and Expenditure Statement** - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **Movement in Reserves Statement (MIRS)** - This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. This statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax and rents for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

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

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

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

SUPPLEMENTARY FINANCIAL STATEMENTS

- **Housing Revenue Account Income and Expenditure Statement** - The Housing Revenue Account (HRA) reflects a statutory obligation (Local Government and Housing Act 1989) to maintain a separate account for local authority housing provision such as those revenue transactions relating to the Council's housing stock and its other housing assets. The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement. The Account is also consolidated into the Comprehensive Income and Expenditure Statement previously mentioned.
- **Movement on the Housing Revenue Account Statement** - Similarly to the Movement in Reserves Statement, amounts that need to be included in the HRA to arrive at an overall position for the year include those in accordance with statute and are either added or removed from the figures in the Income and Expenditure Statement. Accordingly, this statement reconciles the income and expenditure statement with the other items in the HRA to arrive at the overall HRA balance for the year.
- **Collection Fund Income and Expenditure Statement** - The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and business rates. Transactions relating to Tendring District Council are included in the Comprehensive Income and Expenditure Statement.

OTHER INFORMATION

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

ADDITIONAL STATEMENTS

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

ACCOUNTING CONCEPTS AND ESTIMATION TECHNIQUES

Accounting Concepts

The accounting policies are detailed in a separate section (see page 67). These are consistent with the fundamental accounting concepts of:

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

Estimation Techniques

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the 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 Director Finance and IT's Responsibilities

The 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 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 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.

Director Finance and IT's Certificate

I certify that the accounts set out in this document give a true and fair view of the financial position of the Authority at the 31 March 2021 and the income and expenditure for the year then ended.

R C Barrett
Director Finance and IT
Date: 9 December 2024

Chair of the Audit Committee' Certificate

I can confirm that the Audit Committee at the meeting held on the 9 December 2024 approved these accounts

Councillor G Sudra on behalf of Tendring District Council
Chair of the meeting approving the accounts
Date: 9 December 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TENDRING DISTRICT COUNCIL YEAR ENDED 31 MARCH 2021

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the financial position of Tendring District Council as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We have audited the financial statements of Tendring District Council ("the Authority") for the year ended 31 March 2021 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Income and Expenditure Statement and notes to the financial statements including material accounting information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for qualified opinion

The Accounts and Audit (Amendment) Regulations 2024 require the Authority to publish audited financial statements for the year ended 31 March 2021 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. The conditions created by backstop arrangements have resulted in us not being able to obtain all the necessary audit evidence in respect of the following matters since there was insufficient time to perform all necessary audit procedures by the backstop date.

Other land and buildings valued at depreciated replacement cost

The Authority's other land and buildings are carried at £53.2 million on the balance sheet as at 31 March 2021. Within this figure and disclosed within note 13 to the Core Financial Statements are other land and buildings valued at depreciated replacement cost (DRC), which are carried at £18.7 million on the balance sheet as at this date. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Authority's other land and buildings valued at DRC as at 31 March 2021 and related accounting entries because we were unable to perform all necessary audit procedures by the backstop date. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Infrastructure assets

The Authority's infrastructure assets are carried at £36.9 million on the balance sheet as at 31 March 2021 and are disclosed in Note 13 to the Core Financial Statements, alongside the useful economic lives of these assets that have been used in the calculation of depreciation. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Authority's infrastructure assets as at 31 March 2021, related accounting entries and their useful economic lives because we were unable to perform all necessary audit procedures by the backstop date. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2024 ("Code of Audit Practice") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director Finance and IT's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at

least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the Director Finance and IT with respect to going concern are described in the relevant sections of this report.

Other information

The Director Finance and IT is responsible for the other information. The other information includes all other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the carrying amount of other land and buildings valued at DRC and infrastructure assets. We have concluded that where the other information refers to the carrying amount of other land and buildings valued at DRC and infrastructure assets, or related accounting entries and the useful economic lives of infrastructure assets, it may be materially misstated for the same reason.

Matters on which we are required to report by exception

Use of resources

We are required to report to you if, in our opinion, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in this regard.

Other matters on which we report by exception

We are required to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit;
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014;
- 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;
- 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 respect of these matters.

Responsibilities of the Director Finance and IT and the Authority

As explained more fully in the Statement of Responsibilities, the Director Finance and IT is responsible for the preparation of the financial statements and for being satisfied that the financial statements give a true and fair view and for such internal control as the Director Finance and IT determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director Finance and IT is responsible for assessing the Authority's 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 relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the audit of the financial statements

In respect of our audit of the financial statements our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Authority and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Authority's policies and procedures regarding compliance with laws and regulations

we considered the significant laws and regulations to be the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2024, the Local Government Act 2003, the Local Government Act 1972, the Local Government and Housing Act 1989 and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012).

The Authority is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations.

We identified such laws and regulations to be the General Data Protection Regulation and UK health and safety legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Authority's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be:

- Management override of controls
- Valuation of land and buildings
- Valuation of net pension liability
- Expenditure recognition in respect of cut off at year end

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias by considering the reasonableness of the useful economic lives of land and buildings and actuarial assumptions underlying the valuation of Local Government Pension Scheme liabilities; and
- Testing payments before and after year end to assess whether they had been recognised in the correct financial year

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it. In addition, the extent to which the audit was capable of detecting irregularities, including fraud was limited by the matter described in the basis for qualified opinion section of our report.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

Auditor's other responsibilities

As set out in the Other matters on which we are required to report by exception section of our report there are certain other matters which we are required to report by exception.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of Tendring District 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 Authority 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 Authority and the Authority members, as a body, for our audit work, for this report, or for the opinions we have formed.

Aphrodite Lefevre, Key Audit Partner
For and on behalf of BDO LLP, Local Auditor
Norwich, UK

10 December 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

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

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

MOVEMENT IN RESERVES STATEMENT

	General Fund Balances	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied Reserve	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Note Ref
	£000	£000	£000	£000	£000	£000	£000	£000	
Balance at 1 April 2019 brought forward	31,207	8,783	4,811	166	6,278	51,245	128,659	179,904	
Movement in reserves during the year									
Total comprehensive expenditure and income	(2,089)	993	-	-	-	(1,096)	19,619	18,523	
Adjustments between accounting basis and funding basis under regulations	3,774	(2,812)	(476)	1,724	1,391	3,601	(3,601)	-	7
Increase/(Decrease) in Year	1,685	(1,819)	(476)	1,724	1,391	2,505	16,018	18,523	
Balance at 31 March 2020 carried forward	32,892	6,964	4,335	1,890	7,669	53,750	144,677	198,427	8,10
Balance at 1 April 2020 brought forward	32,892	6,964	4,335	1,890	7,669	53,750	144,677	198,427	
Movement in reserves during the year									
Total comprehensive expenditure and income	(953)	(1,655)	-	-	-	(2,608)	14,097	11,489	
Adjustments between accounting basis and funding basis under regulations	11,365	1	1,113	(363)	(83)	12,033	(12,033)	-	7
Increase/(Decrease) in Year	10,412	(1,654)	1,113	(363)	(83)	9,425	2,064	11,489	
Balance at 31 March 2021 carried forward	43,304	5,310	5,448	1,527	7,586	63,175	146,741	209,916	8,10

BALANCE SHEET

AS AT 31 MARCH 2021

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

R C Barrett
 Director Finance and IT
 9 December 2024

CASH FLOW STATEMENT

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

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

NOTES TO CORE FINANCIAL STATEMENTS

1 Expenditure and Funding Analysis

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

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

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

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

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

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

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

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

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

2 Accounting Policies

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

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

3 Critical judgements in applying accounting policies

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

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

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

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

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

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

a) COVID-19

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

b) Property, Plant and Equipment Valuations

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

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

c) Pensions Liability

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

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

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

6 Events after the Reporting Period

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

7 Adjustments between Accounting Basis and Funding Basis Under Regulations

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

2019/20					2020/21				
General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
3,182	240	-	-	-	358	207	-	-	-
(594)	-	-	-	-	7,946	-	-	-	-
-	-	-	-	-	187	10	-	-	-
4,705	5,887	-	-	-	3,638	6,661	-	-	-
145	-	-	-	-	170	-	-	-	-
68	21	-	-	-	42	2	-	-	-
7,506	6,148	-	-	-	12,341	6,880	-	-	-

Adjustments to the Revenue Resources

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

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

Total Adjustments to Revenue Resources

2019/20					2020/21				
General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments between Revenue and Capital Resources									
(734)	(1,384)	-	-	2,118	(95)	(878)	-	-	973
504	942	-	-	-	33	532	-	-	-
-	18	-	-	(18)	-	14	-	-	(14)
(3,215)	(2,499)	-	3,605	-	(891)	(595)	-	106	-
315	-	-	-	(315)	308	-	-	-	(308)
-	(3,176)	3,176	-	-	-	(3,176)	3,176	-	-
(227)	(1,664)	-	-	-	(218)	(1,664)	-	-	-
6	-	-	-	(6)	7	-	-	-	(7)
1,547	-	-	-	-	796	-	-	-	-
(1,928)	(1,197)	-	-	-	(916)	(1,112)	-	-	-
(3,732)	(8,960)	3,176	3,605	1,779	(976)	(6,879)	3,176	106	644
Adjustments to Capital Resources									
-	-	-	-	(396)	-	-	-	-	(735)
-	-	(3,652)	-	-	-	-	(2,063)	-	-
-	-	-	(1,881)	-	-	-	-	(469)	-
-	-	-	-	8	-	-	-	-	8
-	-	(3,652)	(1,881)	(388)	-	-	(2,063)	(469)	(727)
3,774	(2,812)	(476)	1,724	1,391	11,365	1	1,113	(363)	(83)

8 Transfers to/from General Fund and HRA Balances

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

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

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

9 Usable Reserves

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

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

a) General Fund Balance

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

b) Capital Receipts

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

c) Capital Grants Unapplied

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

d) Earmarked Reserves

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

i) Revenue Commitments Reserve

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

ii) Capital Commitments Reserve

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

iii) Forecast Risk Fund

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

iv) Asset Refurbishment/Replacement Reserve

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

v) Beach Recharge Reserve

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

vi) Benefit Reserve

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

vii) Building for the Future Reserve

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

viii) Business Rates Resilience Reserve

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

ix) Careline System Replacement Reserve

To finance future equipment/investment. The balance on this reserve was fully utilised in 2019/20.

x) Commuted Sums Reserve

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

xi) Crematorium Reserve

To finance future replacement and improvement works to the crematorium plant and equipment at Weeley.

xii) Election Reserve

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

xiii) Haven Gateway Partnership Reserve

To support the costs associated with the Haven Gateway Partnership.

xiv) Leisure Capital Projects Reserve

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

xv) Planning Inquiries and Enforcement Reserve

To meet associated costs relating to planning services.

xvi) Residents Free Parking Reserve

To support the continuation of the residents' free parking initiative in the District. This reserve was fully utilised in 2020/21

xvii) Section 106 Agreements Reserve

This reserve holds income received from developers under Section 106 of the Town and Country Planning Act 1990 to be spent on specific projects over a number of years in accordance with the terms of the agreements.

xviii) Specific Revenue Grants Reserve - Homelessness

This reserve holds the grants received from the Government for which a restriction on their use has been placed by the Government. The balance on this reserve was fully utilised in 2019/20.

e) Housing Revenue Account

i) General Reserve

Resources available to meet future running costs for council houses.

ii) Housing Repairs Reserve

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

iii) Housing Revenue Account Commitments Reserve

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

10 Unusable Reserves

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

a) Revaluation Reserve

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

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

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

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

b) Capital Adjustment Account

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

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

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

2019/20			2020/21	
£000	£000		£000	£000
	134,360	Balance at 1 April		134,922
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
		Charges for depreciation, revaluation and impairment of non-current assets	(10,592)	(10,299)
		Movement in Investment Property Values	(145)	(170)
		Amortisation of Intangible Assets	(89)	(44)
		Revenue expenditure funded from capital under statute	(1,547)	(796)
		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	(1,446)	(565)
			<u>(13,819)</u>	<u>(11,874)</u>
		Adjusting amounts written out of the Revaluation Reserve	1,327	1,593
		Net written out amount of the cost of non-current assets consumed in the year	<u>(12,492)</u>	<u>(10,281)</u>
		Capital financing applied in the year:		
		Use of the Capital Receipts Reserve to finance new capital expenditure	396	735
		Use of the Major Repairs Reserve to finance new capital expenditure	3,652	2,063
		Application of grants, donated assets and contributions to capital financing	3,990	1,849
		Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances	1,891	1,882
		Capital expenditure charged against General Fund or HRA	3,125	2,028
		Total amount of capital financing applied in the year	<u>13,054</u>	<u>8,557</u>
		Balance at 31 March	<u><u>134,922</u></u>	<u><u>133,198</u></u>

c) Pensions Reserve

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

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

d) Deferred Capital Receipts Reserve

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

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

e) Collection Fund Adjustment Account

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

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

f) Accumulated Absences Account

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

11 Financing and Investment Income and Expenditure

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

12 Taxation and Non-Specific Grant Income and Expenditure

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

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

13 Property, Plant and Equipment

a) Movement on Balances

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

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

Movements in 2019/20

	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equipment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construc-tion	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2019	122,860	54,887	5,956	50,806	514	35	3,573	238,631
Additions	4,327	559	1,257	95	20	-	3,358	9,616
Accumulated depreciation and impairment written off to Gross Carrying Amount	(2,439)	(3,945)	-	-	-	-	-	(6,384)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	9,377	2,958	-	-	-	5	-	12,340
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,289)	(1,020)	-	-	-	-	-	(4,309)
Derecognition - Disposals	(841)	(113)	(897)	-	-	-	-	(1,851)
Assets reclassified (to)/from Assets Under Construction	-	62	-	-	-	-	(62)	-
At 31 March 2020	129,995	53,388	6,316	50,901	534	40	6,869	248,043

Movements in 2019/20	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equip- ment	Infra- structure	Comm- unity Assets	Surplus Assets	Assets Under Construc- tion	Total Property, Plant and Equip- ment
	£000	£000	£000	£000	£000	£000	£000	£000
Depreciation and impairments								
At 1 April 2019	(1,593)	(3,296)	(4,329)	(15,403)	(33)	-	-	(24,654)
Depreciation Charge for 2019/20	(2,494)	(1,356)	(399)	(1,977)	(1)	-	-	(6,227)
Accumulated depreciation written off to Gross Carrying Amount	2,416	3,945	-	-	-	-	-	6,361
Accumulated impairment written off to Gross Carrying Amount	23	-	-	-	-	-	-	23
Impairment losses/(reversals) recognised in the Revaluation Reserve	(17)	-	-	-	-	-	-	(17)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(53)	-	-	-	-	-	-	(53)
Derecognition - Disposals	10	2	897	-	-	-	-	909
At 31 March 2020	<u>(1,708)</u>	<u>(705)</u>	<u>(3,831)</u>	<u>(17,380)</u>	<u>(34)</u>	<u>-</u>	<u>-</u>	<u>(23,658)</u>
Net Book Value								
at 31 March 2020	128,287	52,683	2,485	33,521	500	40	6,869	224,385
at 1 April 2019	121,267	51,591	1,627	35,403	481	35	3,573	213,977

b) Depreciation

An annual charge for depreciation is required to be made on all non-current assets with the exception of non-depreciable land and assets held for sale. There is also a requirement to undertake an annual test for 'impairment' which is caused by either a consumption of economic benefits or a general fall in prices.

In accordance with these requirements, depreciation has been provided in 2020/21 on a straight-line basis over the expected life of the Council's non-current assets after allowing for residual values, based on information provided by the Council's valuer.

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

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

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

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

c) Capital Commitments

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

d) Revaluations

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

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

14 Investment Properties

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

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

There are no restrictions on the authority's ability to realise the value inherent in its investment property or on the authority's right to the remittance of income and the proceeds of disposal. The authority has no contractual obligations to purchase, construct or develop investment property, or repairs, maintenance or enhancement.

The movement in the fair value of investment property over the year is as follows:

2019/20		2020/21
£000		£000
2,300	Balance at start of year	2,155
(145)	Net Gains/(losses) from fair value adjustments	(170)
<u>2,155</u>	Balance at end of the year	<u>1,985</u>

a) Fair Value hierarchy

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

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

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

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

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

b) Highest and best use of investment properties

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

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

15 Financial Instruments

a) Categories of Financial Instruments

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

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

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

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

b) Reclassifications

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

c) Income, Expense, Gains and Losses

2019/20				2020/21		
Financial Liabilities measured at amortised cost	Financial Assets measured at amortised cost	Total		Financial Liabilities measured at amortised cost	Financial Assets measured at amortised cost	Total
£000	£000	£000		£000	£000	£000
1,423	-	1,423	Interest expense	1,375	-	1,375
-	1	1	Fee expense	-	-	-
1,423	1	1,424	Total expense in Surplus or Deficit on the Provision of Services	1,375	-	1,375
-	(628)	(628)	Interest income	-	(371)	(371)
-	(628)	(628)	Total income in Surplus or Deficit on the Provision of Services	-	(371)	(371)
1,423	(627)	796	Net (gain)/loss for the year	1,375	(371)	1,004

d) Fair Values of Assets and Liabilities

All of the financial liabilities and financial assets are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the Public Works Loans Board (PWLB) payable, premature redemption rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables and payables is taken to be the invoiced or billed amount as this is a fair approximation of fair value.

The fair values calculated are as follows:

31 March 2020			31 March 2021	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
40,621	61,864	PWLB borrowing	38,889	54,384
259	259	Long term Section 106 agreements	312	312
3,511	3,511	Trade and other payables	3,974	3,974

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

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

16 Nature and Extent of Risks arising from Financial Instruments

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

a) Credit Risk

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

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

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

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

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

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

b) Liquidity Risk

The Council manages its liquidity position through its cash flow management procedures. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that the Council will be unable to raise finance to meet its commitments.

Instead, the risk is that the Authority will have to replace its borrowings at a time of unfavourable interest rates. This is addressed by monitoring the maturity structure of its debt and the limits placed on investments of more than one year in duration.

The maturity analysis of financial liabilities in respect of the PWLB debt at 31 March was as follows:

2019/20				2020/21		
Principal	Interest	Total		Principal	Interest	Total
£000	£000	£000		£000	£000	£000
1,720	1,375	3,095	Less than one year	1,671	1,926	3,597
1,671	1,333	3,004	Between one and two years	2,222	1,272	3,494
6,267	3,636	9,903	Between two and five years	6,467	3,420	9,887
8,113	4,671	12,784	Between five and ten years	6,782	4,436	11,218
4,299	3,845	8,144	Between ten and fifteen years	3,914	3,727	7,641
18,242	11,550	29,792	More than fifteen years	17,536	10,847	28,383
<u>40,312</u>	<u>26,410</u>	<u>66,722</u>		<u>38,592</u>	<u>25,628</u>	<u>64,220</u>

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

c) Market Risk

➤ Interest Rate Risk

At 31 March 2021 the Council's borrowing for more than one year was all at fixed rates of interest with the PWLB. The Annual Treasury Strategy draws together the Council's Prudential Indicators and its expected treasury operations, including an expectation of interest rate movements. The effects of movements in interest rates on investments are immaterial as the sums invested are at fixed interest rates for short periods.

At 31 March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been:

	£000
Increase in interest payable on variable rate borrowings	394
Increase in interest receivable on variable rate investments	(1,037)
	<u>(643)</u>
Impact on Surplus or Deficit on the Provision of Services	<u>323</u>
Share of overall impact relating to the HRA	<u>323</u>

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

➤ Price Risk

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

➤ Foreign Exchange Risk

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

17 Assets Held for Sale

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

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

18 Debtors

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

19 Cash and Cash Equivalents

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

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

20 Creditors

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

21 Expenditure and Income Analysed by Nature

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

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

22 Grant Income

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

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

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

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

23 Related Parties

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

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

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

24 Members' Allowances

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

25 Officers' Remuneration

a) Analysis of "senior employees" remuneration

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

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

Notes

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

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

Notes

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

b) Analysis of ‘non-senior employees’

The Authority’s other employees receiving more than £50,000 remuneration for the year (excluding pension contributions but including compensation for loss of office) are set out below:

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

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

Where the £5,000 bands included no officers in both 2019/20 and 2020/21, they have been excluded from the note.

c) Exit Packages

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

Exit package cost band (including special payments)	2020/21			
	Number of compulsory redundancies	Number of other departures agreed	Total Number of exit packages by cost band	Total cost of exit packages in each band £
£0 - £20,000	-	2	2	13,430
Total cost included in Comprehensive Income and Expenditure Statement				13,430

Exit package cost band (including special payments)	2019/20			
	Number of compulsory redundancies	Number of other departures agreed	Total Number of exit packages by cost band	Total cost of exit packages in each band £
£0 - £20,000	2	7	9	60,170
£20,001 - £40,000	1	1	2	43,202
£60,001-£80,000	-	1	1	76,026
Total cost included in Comprehensive Income and Expenditure Statement				179,398

The compulsory redundancies were due to a service restructure.

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

26 Termination Benefits

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

27 Defined Benefit Pension Schemes

a) Participation in Pension Schemes

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

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

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

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

b) Transactions Relating to Post-Employment Benefits

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

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

c) Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

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

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

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

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

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

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

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

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

g) Basis for Estimating Assets and Liabilities

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

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

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

The significant assumptions used by the actuary have been:

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

The demographic assumptions used are consistent with those used for the most recent fund valuation, which was carried out as at 31 March 2019, except for the CMI projection model. This has been updated to the latest version of the model, CMI_2020 which was released in March 2021. The update has been made in light of the coronavirus pandemic and introduces a “2020 weight parameter” for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. It is the actuary’s view that placing too much weight on the 2020 mortality experience would not be appropriate given the abnormality of the 2020 data, however, the overall outlook for best-estimate future mortality improvements looks less positive as a result of the pandemic. Therefore they have updated to use the CMI_2020 Model with a 2020 weight parameter of 25%. The impact of updating the demographic assumptions base table projections is reflected in the Change in Demographic Assumptions figure.

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

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

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

i) Impact on the Authority's Cash Flows

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

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

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

28 External Audit Costs

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

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

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

29 Capital Expenditure and Capital Financing

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

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

30 Operating Leases - Authority as Lessor

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

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

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

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

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

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

31 Subsidiary Companies

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

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

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

HOUSING REVENUE ACCOUNT – MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

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

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

1 Housing Revenue Account Balances

HOUSING REVENUE ACCOUNT RESERVES

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

2 Housing Assets

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

01/04/2019					31/03/2020					01/04/2020					31/03/2021				
Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value
					£000										£000				
Dwellings																			
1,462	-	4	1,458	46,748	Flats	1,458	5	6	1,457	50,963									
1,003	2	10	995	56,912	Houses	995	14	4	1,005	62,824									
335	1	-	336	17,028	Bungalows	336	4	1	339	19,087									
321	-	-	321	6,853	Sheltered Accommodation	321	-	31	290	7,867									
15	-	3	12	745	Do-It-Yourself Shared Ownership (DIYSO)	12	-	3	9	698									
3,136	3	17	3,122	128,286		3,122	23	45	3,100	141,439									
Other Land and Buildings																			
62	-	-	62	1,240	Shared Equity Plots of Land	62	-	-	62	1,395									
418	-	58	360	1,407	Garages	360	-	-	360	1,583									
415	2	-	417	83	Ground Rents re: sold council flats	417	5	-	422	84									
1	-	-	1	440	Community Centre	1	-	-	1	193									
4	-	-	4	398	Other non-domestic properties	4	1	-	5	375									
12	-	-	12	1,203	Land	12	-	-	12	1,248									
4,048	5	75	3,978	133,057	Totals	3,978	29	45	3,962	146,317									

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

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

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

A desktop revaluation of all HRA assets was undertaken by the external valuer during the year with resulting changes and other adjustments being reflected in the Balance Sheet value as at 31 March 2021.

3 Capital Expenditure and Financing

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

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

4 Housing Capital Receipts Reserve

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

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

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

5 Depreciation

Depreciation has been provided on HRA assets on a straight-line basis over their expected lives, after allowing for residual and freehold land values, based on information provided by the Valuer. The depreciation charge in respect of the dwellings is a real charge on the HRA and it is credited to the Major Repairs Reserve. The depreciation charge in respect of other HRA property is shown in 'Total Expenditure' within the Income and Expenditure Account.

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

6 Impairment Charges

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

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

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

7 Rent Arrears and the Provision for Bad and Doubtful Debts

The rent arrears at 31 March 2021 were £0.359 million (2019/20 - £0.368 million), which equates to 2.70% (2.76% for 2019/20) of the rent roll due for the year, excluding rents foregone on empty properties and housing benefit overpayments, but inclusive of service charges.

The HRA Provision for Bad and Doubtful Debts at 31 March 2021 is £0.175 million after the following movements on the account during 2020/21:

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

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

Council Tax	2019/20 Business Rates	£000	£000	£000	Council Tax	2020/21 Business Rates	£000	£000	Total	Note Ref
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	Ref
INCOME										
(86,553)	-	(86,553)			(90,867)	-	(90,867)			2
-	(28,765)	(28,765)			-	(12,240)	(12,240)			3
(86,553)	(28,765)	(115,318)			(90,867)	(12,240)	(103,107)			
EXPENDITURE										
Precepts:										
60,289	-	60,289			63,931	-	63,931			4
3,438	-	3,438			3,576	-	3,576			
9,157	-	9,157			9,612	-	9,612			
9,829	-	9,829			10,400	-	10,400			
Shares of Business Rates Income:										
-	12,831	12,831			-	13,628	13,628			3
-	2,310	2,310			-	2,453	2,453			
-	257	257			-	272	272			
-	10,265	10,265			-	10,903	10,903			
2,208	1,114	3,322			3,364	2,402	5,766			5
Other Business Rates Payments:										
-	289	289			-	287	287			
-	(239)	(239)			-	140	140			
-	248	248			-	364	364			
Bad Debt and Other Provisions:										
627	112	739			1,337	582	1,919			6
142	49	191			52	6	58			
-	296	296			-	657	657			
85,690	27,532	113,222			92,272	31,694	123,966			
(863)	(1,233)	(2,096)			1,405	19,454	20,859			

Council Tax	2019/20 Business Rates	
£000	£000	£000
(2,470)	(2,127)	(4,597)
(863)	(1,233)	(2,096)
(3,333)	(3,360)	(6,693)

Collection Fund Balance

Balance brought forward
(Surplus)/Deficit for the year

Balance Carried Forward

-	(1,680)	(1,680)
(2,429)	(302)	(2,731)
(139)	(34)	(173)
(369)	-	(369)
(396)	(1,344)	(1,740)
(3,333)	(3,360)	(6,693)

Allocated to:

Central Government
Essex County Council
Essex Fire and Rescue
Essex Police and Crime Commissioner
Tendring District Council

Council Tax	2020/21 Business Rates	Total	Note Ref
£000	£000	£000	
(3,333)	(3,360)	(6,693)	
1,405	19,454	20,859	
(1,928)	16,094	14,166	5
-	8,047	8,047	
(1,402)	1,448	46	
(78)	161	83	
(217)	-	(217)	
(231)	6,438	6,207	
(1,928)	16,094	14,166	

1 General

The Collection Fund reflects the statutory requirement for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and business rates. There is no requirement for a separate Collection Fund Balance Sheet. Instead, Collection Fund balances are distributed across the Balance Sheets of the billing authority, the Government and precepting authorities according to the provisions of the Code.

2 Council Tax

The average Council Tax levy for 2020/21 was £1,808.54 for a Band D dwelling. This rate of tax, which covers estimated net expenditure of the Council, Essex County Council, Essex Fire and Rescue, Essex Police and Crime Commissioner and the Parish and Town Councils, was assessed on the tax base set out below:

Calculation of the Tax Base for 2020/21

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

* Band A – entitled to Disabled Relief

Analysis of the Council Tax

Council Tax for a Band D Dwelling

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

3 Business Rates

The Council collects Business Rates for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government:

2019/20		2020/21
£80,830m	Rateable Value on 31 March	£81,110m
	Non-Domestic Rate per £	
49.1p	Small Businesses	49.9p
50.4p	Standard	51.2p

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

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

4 Precepts

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

5 Share of Collection Fund Balance

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

Council Tax	2019/20 Business Rates			Council Tax	2020/21 Business Rates	Total
£000	£000	£000		£000	£000	£000
-	557	557	Allocated to:	-	1,201	1,201
1,625	100	1,725	Central Government	2,452	216	2,668
94	11	105	Essex County Council	140	24	164
			Essex Fire and Rescue			
			Essex Police and Crime			
225	-	225	Commissioner	372	-	372
264	446	710	Tendring District Council	400	961	1,361
2,208	1,114	3,322		3,364	2,402	5,766

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

ACCOUNTING POLICIES

a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and the Service Reporting Code of Practice 2020/21, supported by International Financial Reporting Standards (IFRS).

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

b) Accruals of Income and Expenditure

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

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

c) Cash and Cash Equivalents

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

d) Charges to Revenue for Non-Current Assets

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

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

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

e) Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and Non-Domestic Rates

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

f) Employee Benefits

Benefits Payable During Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, for example, time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting period, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Post-Employment Benefits

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

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

The Local Government Pension Scheme

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

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

Service cost comprising:

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

Remeasurements comprising:

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

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

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

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

Discretionary Benefits

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

g) Events after the Reporting Period

Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

h) Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

For all of the borrowings that the Authority has, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Authority's business model is to hold investments to collect contractual cash flows, which only comprise principal and interest. Financial assets are therefore classified at amortised cost.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the investments that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Expected Credit Loss Model

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or a lifetime basis. The expected credit loss model also applies to lease receivables. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

i) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as current liabilities. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Grants to cover general expenditure (for example, Revenue Support Grant) are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

j) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

k) Leases

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

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

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

The Authority as Lessor – Operating Leases

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

l) Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

m) Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

Where there is no market based evidence of current value because of the specialist nature of an asset depreciated replacement cost (DRC) is used as an estimate of current value.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (for example, freehold land and certain Community Assets) and assets that are not yet available for use (for example, assets under construction).

Depreciation is calculated on the following basis:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset.
- Infrastructure – straight-line allocation.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

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

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

n) Provisions

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

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

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

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

o) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

p) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

q) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

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

r) Fair Value Measurement of Non-Financial Assets

The Council measures some of its non-financial assets such as surplus assets and investment property at fair value at each reporting period date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liabilities takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

OTHER INFORMATION

The Statement of Accounts is one of a series of documents that the Council publishes in order to provide financial information about its activities.

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

These publications can be found on the Council's Web Site at www.tendringdc.gov.uk.

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

GLOSSARY OF TERMS USED IN THE STATEMENT OF ACCOUNTS

Accounting Period

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

Accumulated Absences Account

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

Accruals

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

Asset

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

Bad or Doubtful Debts

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

Balance Sheet

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

Billing Authority

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

Budget

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

Business Rates

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

Capital Expenditure

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

Capital Financing

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

Capital Programme

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

Capital Receipt

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

Capital Receipt Pooling

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

Cash Flow Statement

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

Collection Fund

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

Community Assets

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

Council Tax

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

Creditors

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

Current Assets

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

Current Liabilities

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

Debtors

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

Deferred Capital Receipts

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

Defined Benefit Scheme

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

Depreciation

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

Earmarked Reserve

A sum set aside to meet commitments in future years.

General Fund

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

Government Grants

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

Housing Revenue Account (HRA)

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

Impairment

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

Intangible Assets

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

Inventories

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

Leasing

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

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

Major Repairs Reserve (MRR)

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

Minimum Revenue Provision (MRP)

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

Non-Current Assets

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

Precept

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

Precepting Authority

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

Provisions

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

Prudential Code

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

Public Works Loan Board (PWLB)

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

Reserves

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

Revenue Support Grant (RSG)

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

Revenue Account

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

Revenue Expenditure Funded from Capital under Statute

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

TENDRING DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2020-21

1. ACKNOWLEDGEMENT OF RESPONSIBILITY FOR A SOUND SYSTEM OF GOVERNANCE

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

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

In discharging this overall responsibility, the Council acknowledges that it is responsible for: -

- **putting in place proper arrangements for a sound system of governance and internal control;**
- **facilitating the effective exercise of its functions; and**
- **management of risk.**

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the **CIPFA / SOLACE *Delivering Good Governance in Local Government Framework (2016 Edition)***. A copy of the Council's Code is available to be viewed or downloaded from the website www.tendringdc.gov.uk or can be obtained by contacting the Head of Governance and Legal Services.

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

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

This Annual Governance Statement covers the period from 01 April 2020 up until its publication with the Council's Statement of Accounts on 30 July 2021.

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



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

The Authority (Full Council)	The Executive (The Cabinet)
<ul style="list-style-type: none"> • Approve Constitution and Policy Framework • Approve Council's overall budget • Approve matters reserved by law or by the Constitution to Full Council 	<ul style="list-style-type: none"> • Undertake the Council's Executive functions • Making decisions within the Budget and Policy Framework
Standards Committee	Overview and Scrutiny Committees
<ul style="list-style-type: none"> • Promote and maintain high standards of conduct • Develop culture of openness, transparency, trust and confidence • Embed a culture of strong ethical and corporate governance 	<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • Approve the Council's Statement of Accounts • Independent assurance of adequacy of risk management framework • Consider Internal / External Audit work and recommendations arising 	<ul style="list-style-type: none"> • 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
Statutory Officers	Internal Audit
<ul style="list-style-type: none"> • 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 affairs and financial prudence of decision making 	<ul style="list-style-type: none"> • Provide an independent and objective assurance function • Improve effectiveness of risk management, control and governance processes

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

Purpose of the Governance Framework

The governance framework comprises: -

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

It enables the authority to monitor: -

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

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

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

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

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

The Governance Framework

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

1. The Council's Constitution, Budget and Policy Framework

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

2. Other Strategies, Policies and Procedures

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

3. Examples of Good Governance

- The identification of **Priorities and Projects** and their translation into clear goals enabling the targeting of work by departments
- **Performance Management and Budget Monitoring Frameworks** providing a review of key activities against targets set, delivery of projects, and financial performance
- The Publication of **Agendas, Reports, Minutes and Decisions** providing accurate and reliable information to the public

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

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

As part of the Annual Review of the Council's Governance Framework, a number of activities and actions have been identified and undertaken during **2020/21** strengthening the Council's Governance Framework. The key activities and actions are set out below against the **Core Principles of Good Governance** identified in the Council's Code of Corporate Governance.

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

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

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

B. Ensuring openness and comprehensive stakeholder engagement

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

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

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

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

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

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

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

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

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

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

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

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

4. Other Governance Issues:

Impact of Coronavirus 19

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

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

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

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

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

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

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

Use of Council Resources

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

The commentary will cover the following 3 headings:

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

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

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

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

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

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

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

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

- **Internal Audit**

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

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

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

1. Senior Management and Departmental Leadership

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

2. Internal Governance

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

3. Internal Audit

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

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

Internal Audit Approach

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

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

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

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

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

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

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

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

Independent investigatory work has also been undertaken throughout the year as and when required to support Senior Management when internal control issues arise within service areas.

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

Annual Opinion 2020/21

The Head of Internal Audit annual assurance opinion is based on the following:

- Internal Audit work completed during the course of the year
- Observations from consultancy / advisory support
- Results of any follow up exercises undertaken in respect of previous years' internal audit work
- A review of assurance from other providers including those from first and second lines of defence, independent regulators and peer reviews
- The extent of resources available to deliver the internal audit work
- The quality and performance of the Internal Audit service and the extent of compliance with the Public Sector Internal Audit Standards

Limitations to the Annual Opinion

Although we were and still are in the middle of a pandemic there have not been any limitations to report on the ability to deliver the Internal Audit Plan and provide an annual opinion on the effectiveness of governance, risk management and internal control. There were changes to the audit plan throughout the year due to emerging risks leading to some audits relating to governance, data protection and business grants being included. The changes to the audit plan were in consultation with the Audit Committee and Management Team, furthermore the additional reviews only added to the overall assurance opinion provided by the Internal Audit Team.

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

The Head of Internal Audit Opinion

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

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

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

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

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

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

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

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

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

The Internal Audit Manager is satisfied that sufficient work was completed in 2020/21 to draw a reasonable conclusion on the adequacy and effectiveness of the Council's activities. The internal control environment continues to remain stable with no significant changes from 2019/20 other than those reported to the Audit Committee throughout the year as part of the periodic reporting arrangements. An open dialogue with Senior Management on risk remains in place and a generally sound system of internal control has been assessed across the majority of the Council's operational areas. Therefore, an overall unqualified opinion of 'Adequate Assurance' can be provided.

- **External Audit**

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

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

- **Other Review Agencies and Inspectorates**

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

- **Senior Managers**

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

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

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

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

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

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

<p>Determining the interventions necessary to optimise the achievement of the intended outcomes.</p> <p>To set out the Council’s vision following the Council’s Climate Emergency declaration of the Council’s activities being ‘carbon neutral’ by 2030.</p>	<p>Council to form part of the Council’s Policy Framework.</p>	<p>included within its priority actions for 2021/22, which forms the background against which performance is being formally reported via the revised monitoring arrangements.</p>
<p>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.</p> <p>Ensure the Local Code of Corporate Governance and key policies and procedures are up to date.</p> <p>Ensuring openness and comprehensive stakeholder engagement.</p> <p>Establishing a corporate framework to support community engagement.</p>	<ul style="list-style-type: none"> • Review of the Council’s Equality and Diversity strategy, policies and procedures • Developing the Council’s approach and adopting principles for community engagement 	<p>ON-GOING in 2021/22 - Both of these actions will be considered as part of the respective Service’s key priorities and actions during 2021/22 and are included within the revised performance monitoring arrangements, with updates being reported to Management team during the year.</p>
<p>Implementing good practices in transparency, reporting and audit to deliver effective accountability.</p> <p>Delegated decision making</p>	<ul style="list-style-type: none"> • Awareness and further strengthen good decision making incorporating the Council’s policies and framework. 	<p>ON-GOING in 2021/22 - Increase the understanding of key principles including consultation, business planning, budget, and procurement, legal. Concept paper and PIDs to completed comprehensively to ensure successful delivery within the governance framework.</p>

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

7. CONCLUSION

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

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

Chief Executive

Leader of the Council

Date: 9 December 2024

Date: 9 December 2024

Attachment 3

External Auditor's Combined Audit Planning Report and Audit Completion Report:

Year ended 31 March 2022

Tendring District Council

Combined Audit Planning Report and Audit Completion Report: Year ended 31 March 2022
Report to the Audit Committee

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Welcome

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This is our combined Audit Planning Report and Audit Completion Report to the Audit Committee of Tendring District Council. The National Audit Office has issued Local Audit Reset and Recovery Implementation Guidance (LARRIGs) to support the reset and recovery of local audit in England. LARRIG 02 states that the frequency with which matters are communicated to Those Charged With Governance may be less in the circumstances created by backstop arrangements and that it may therefore be appropriate to include all communications relevant to an audit within a single document. In line with this guidance, we have prepared a combined Audit Planning Report and Audit Completion Report.

This combined report is an integral part of our communication strategy with you. It summarises the overall audit strategy for the year ended 31 March 2022 in respect of our audit of the financial statements and use of resources; comprising materiality and key audit risks. It also summarises the results of our audit of Tendring District Council for the year ended 31 March 2022, including areas requiring further discussion and/or the attention of the Audit Committee. We look forward to discussing these matters with you at the Audit Committee meeting on 9 December 2024, and to receiving your input. In the meantime, if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

This report contains matters which should properly be considered by Tendring District Council. We expect that the Audit Committee will refer such matters to Full Council together with any recommendations, as it considers appropriate.

We would also like to take this opportunity to thank management and staff of Tendring District Council for the co-operation and assistance provided during the audit.

Aphrodite Lefevre, Audit Director
For and on behalf of **BDO LLP**

2 December 2024



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Audit Director

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Overview

Audit scope and objectives

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Reporting	Objectives
Auditing standards	We will perform our audit in accordance with International Standards on Auditing UK (ISAs (UK)) and relevant guidance published by the National Audit Office.
Local Audit Reset and Recovery Implementation Guidance (LARRIGs) and Code of Audit Practice	We will perform our audit in accordance with LARRIGs and the Code of Audit Practice 2024 published by the National Audit Office.
Financial statements	We will express an opinion on Tendring District Council's financial statements, prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2021/22 and other directions.
Additional powers and duties	Where necessary we may be required to: issue of a report in the public interest; make a written recommendation Tendring District Council; allow local electors to raise questions and objections on the accounts; or exercise legal powers to apply to the courts for a declaration that an item of account is contrary to law, issue an advisory notice or an application for a judicial review.
Use of resources and Auditor's Annual Report	We will provide a commentary on Tendring District Council 's arrangements to secure economy, efficiency and effectiveness in its use of resources. The commentary will explain the work that we have undertaken and highlight any significant weaknesses identified, along with any recommendations for improvement. The commentary will also draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from Tendring District Council. The Auditor's Annual Report is required to be published by Tendring District Council.

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This summary provides an overview of the audit matters that we believe are important to the audit of the financial statements for Tendring District Council for the year ended 31 March 2022.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.

Responsible financial officer (RFO)

The Accounts and Audit Regulations 2015 require the Director Finance and IT, as RFO, to sign and date the statement of accounts, and confirm that they are satisfied that it presents a true and fair view of:

- the financial position of the authority at the end of the financial year to which it relates; and
- that authority's income and expenditure for that financial year.

Our audit of the financial statements does not relieve the RFO nor those charged with governance of their responsibilities for the preparation of the statement of accounts.

Overview

Our audit work is complete and subject to the successful resolution of outstanding matters we anticipate issuing our audit opinion on the Tendring District Council's financial statements for the year ended 31 March 2022.

No restrictions were placed on our work by management.

Circumstances that affect the form and content of the auditor's report

There has been a deterioration in the timeliness of local audit in recent years leading to a persistent and significant backlog of audit opinions. Across England, the backlog of outstanding audit opinions stood at 771 at 31 December 2023 and is estimated to increase to around 1,000 later this year. In February 2024, the Department for Levelling Up, Housing and Communities published '*Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit*'. This joint statement confirmed that:

"The issues facing local audit are widely recognised as multi-faceted and complex with no single cause or solution".

The factors contributing to the delay in issuing an audit opinion on the financial statements of Tendring District Council for the year ended 31 March 2022 include, but are not limited to:

- increased regulator expectations on auditors
- difficulties in attracting, developing and retaining staff to perform local audit work
- the impact of the Covid-19 pandemic

Over the last year, organisations involved in the regulation and oversight of local body financial reporting and audit have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return.

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To clear the backlog of historical accounts and ‘reset’ the system, the Accounts and Audit (Amendment) Regulations 2024 require local bodies to publish audited financial statements for all outstanding years up to and including 2022/23 by 13 December 2024 (‘the backstop date’). In addition, the National Audit Office has made changes to the Code of Audit Practice to require local auditors to comply with backstop dates by giving their opinions in time for audited accounts to be published.

The backstop date has created time constraints that have impeded us from completing all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil the objectives of all relevant ISAs (UK). Consequently, this prevents us from meeting the overall objectives of an audit as set out in ISA (UK) 200 ‘*Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*’. Therefore, the backstop date has created circumstances which require us to consider modifying our opinion on Tendring District Council’s financial statements.

Significant difficulties encountered during the audit

ISAs (UK) require us to report to you any significant difficulties we have encountered during the audit. As previously outlined, the backstop date has created time constraints that have impeded us from completing all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil the objectives of all relevant ISAs (UK). Therefore, the backstop date represents a significant difficulty that we have encountered during the audit.

Audit report

The Accounts and Audit (Amendment) Regulations 2024 require Tendring District Council to publish audited financial statements for the year ended 31 March 2022 by 13 December 2024. We have not been able to obtain all the necessary audit evidence upon which to form an opinion since there was insufficient time to perform all necessary audit procedures by this date.

As a result, we are unable to conclude that Tendring District Council’s financial statements for the year ended 31 March 2022 as a whole are free from material misstatement. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

Therefore, we anticipate issuing a disclaimer of opinion on the financial statements for the year ended 31 March 2022.

Use of resources

We have no significant weaknesses to report at this stage in respect of Tendring District Council’s value for money arrangements.

Independence

We confirm that the firm and its partners and staff involved in the audit are independent of Tendring District Council in accordance with the Financial Reporting Council’s (FRC’s) Ethical Standard.

The numbers

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This summary provides an overview of the audit scope and materiality for the year ended 31 March 2022.

Audit scope

The scope of the audit is determined by the National Audit Office's Code of Audit Practice that sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. This includes: auditing the financial statements; reviewing the arrangements to secure value for money through the economic, efficient and effective use of its resources; and, where appropriate, exercising the auditor's wider reporting powers and duties. Our approach is designed to ensure we obtain the requisite level of assurance in accordance with applicable laws, appropriate standards and guidance issued by the National Audit Office.

Materiality

Materiality has been set at 2% of gross expenditure for the period (prior year 2%) and is outlined in the adjacent chart. For reporting purposes, we consider misstatements of less than £39,000 (2021: £84,000) to be trivial unless the misstatement is indicative of fraud.

Council's responsibilities

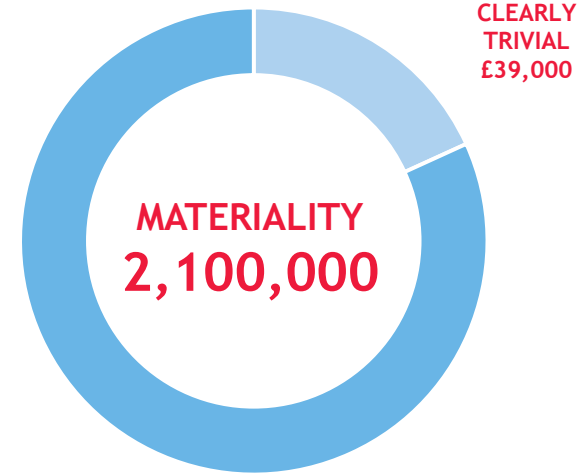
The Section 151 Officer (Director Finance and IT) is responsible for the preparation of the Statement of Accounts and for being satisfied that these show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2021/22, applicable accounting standards or other direction under the circumstances. Our audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

Material misstatements

We did not identify any material misstatements.

Unadjusted audit differences

We did not identify any audit differences that have not been adjusted for.



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We assessed the following matters as being the most significant risks of material misstatement in the financial statements, or those where we consider there to be an elevated risk of material misstatement. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the directing of the efforts of the engagement team.

The backstop date has created time constraints that have impeded us from completing all necessary risk assessment procedures. Therefore, we have not been able to meet the objective of ISA (UK) 315 *Identifying and Assessing the Risks of Material Misstatement*, which is to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels thereby providing a basis for designing and implementing responses to the assessed risks of material misstatement. Had we met the objective of ISA (UK) 315, we may have identified additional risks to those listed below.

#	Audit Risk	Significant or Elevated Risk	Fraud risk present	Significant management estimates & judgements	Specific Letter of Representation Point
1	Management override of controls	Significant	Yes	Yes	No
2	Specific revenue grants	Significant	Yes	Yes	No
3	Expenditure cut-off	Significant	Yes	Yes	No
4	Valuation of land and buildings	Significant	No	Yes	Yes
5	Valuation of net pension asset/liability	Significant	No	Yes	Yes

Risk 2

Fraud in revenue recognition

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	C	E	A	V	P	2021/22	2020/21
Specific revenue grants		✓	✓			£66.3 million	£65.5 million

Risk description

- ▶ Auditing standards note that there is a presumed significant risk resulting from the intentional misstatement of revenue
- ▶ The amounts reported in relation to revenue represent information of significant interest to many users of the financial statements. This puts revenue at a greater risk of manipulation, bias and misstatement.
- ▶ For Tendring District Council, we consider the risk of fraudulent revenue recognition (primarily through manipulation of financial reporting) to be in respect of the existence and accuracy of revenue grants subject to specific performance conditions.

Work performed and results

- ▶ The backstop date has created time constraints that have impeded us from completing all necessary procedures in response to the risk identified. We were therefore unable to obtain sufficient, appropriate audit evidence in respect of this risk.

Key to audit assertions

C - Completeness A - Accuracy P - Presentation
 E - Existence V - Valuation

● Significant risk
Elevated risk
Moderate risk
● Fraud risk
● Significant management estimates & judgements



Risk 5

Valuation of net pension asset/liability

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	C	E	A	V	P	2021/22	2020/21
Net pension liability/asset (before application of asset ceiling)				✓		£18.4 million	£42.3 million

Risk description

- ▶ There are risks around both the gross pension asset and the gross pension obligation, which together determine the net defined benefit pension asset/liability recognised in Tendring District Council 's balance sheet.
 - ▶ The gross pension asset comprises a variety of investments, including those which we consider to be 'harder to value' because there are no observable inputs (such as an active market for the investment). This increases the estimation uncertainty associated with the value of these investments, which include property, private equity and other managed funds.
 - ▶ The valuation of the pension liability is a complex calculation involving significant judgements and assumptions. The actuarial estimate of the pension fund liability uses information on current, deferred and retired members and applies actuarial assumptions over pension increases, salary increases, mortality, commutation take up and discount rates to calculate the net present value of the liability.
- ▶ There is a risk that the membership data and cash flows provided to the actuary at year end may not be accurate, and that the actuary uses inappropriate assumptions to value the liability. Relatively small adjustments to assumptions used can have a material impact on the Tendring District Council 's share of the scheme net/asset liability.

Work performed and results

- ▶ The backstop date has created time constraints that have impeded us from completing all necessary procedures in response to the risk identified. We were therefore unable to obtain sufficient, appropriate audit evidence in respect of this risk.

Key to audit assertions

C - Completeness

A - Accuracy

P - Presentation

E - Existence

V - Valuation

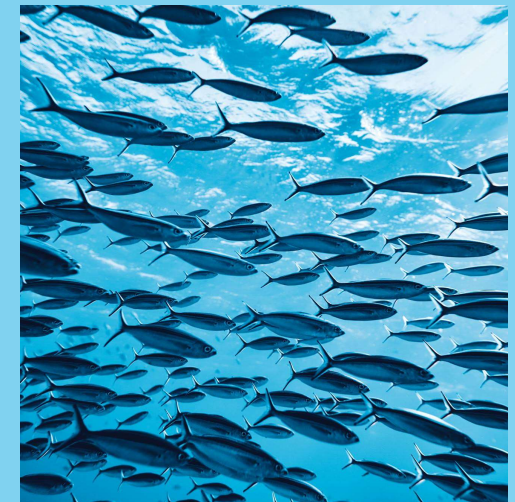
● Significant risk

Elevated risk

Moderate risk

Fraud risk

● Significant management estimates & judgements



Matters requiring additional consideration

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Laws and regulations, including fraud

LARRIG 04 '*Auditor reporting requirements under ISA(UK) 250A (Consideration of Laws and Regulations in an Audit of Financial Statements) and reporting in the public interest*' confirms that irrespective of backstop arrangements, if as part of the audit, the auditor identifies actual or suspected non-compliance with laws and regulations, the auditor is required by the ISAs (UK) to investigate and report on these matters.

Our ability to identify non-compliance with laws and regulation that may have a material effect on the financial statements is based on procedures performed during the course of the audit, which have been curtailed as a consequence of backstop arrangements. Therefore, the backstop date has created time constraints that have impeded us from performing procedures which may identify such non-compliance.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

Significant matters in connection with related parties

We are required to report to you significant matters arising during the audit in connection with Tendring District Council's related parties. The backstop date has created time constraints that have impeded us from performing procedures which may identify such matters.

We did not identify any significant matters in connection with Tendring District Council 's related parties

Financial reporting

We are required to communicate to you our views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. The backstop date has created time constraints that have impeded us from considering significant qualitative aspects of Tendring District Council's accounting practices. We therefore have no views to communicate to you in this regard.

Significant deficiencies in internal control

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. The backstop date has created time constraints that have impeded us from performing procedures which may identify such deficiencies. In any event, as the purpose of the audit is for us to express an opinion on Tendring District Council's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

We did not identify any significant deficiencies in internal control.

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Matter	Comment
<p>We are required to report if:</p> <ul style="list-style-type: none"> • we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22; • we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; • we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014; • 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; • 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. 	<p>We have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 because the backstop date has created time constraints that have impeded us from completing all necessary procedures in response to this reporting requirement.</p> <p>We have nothing to report in respect of the other matters.</p>



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Requirements of the 2024 Code of Audit Practice and Auditor Guidance Note 3 (AGN 03) Auditors' Work on Value for Money (VFM) Arrangements

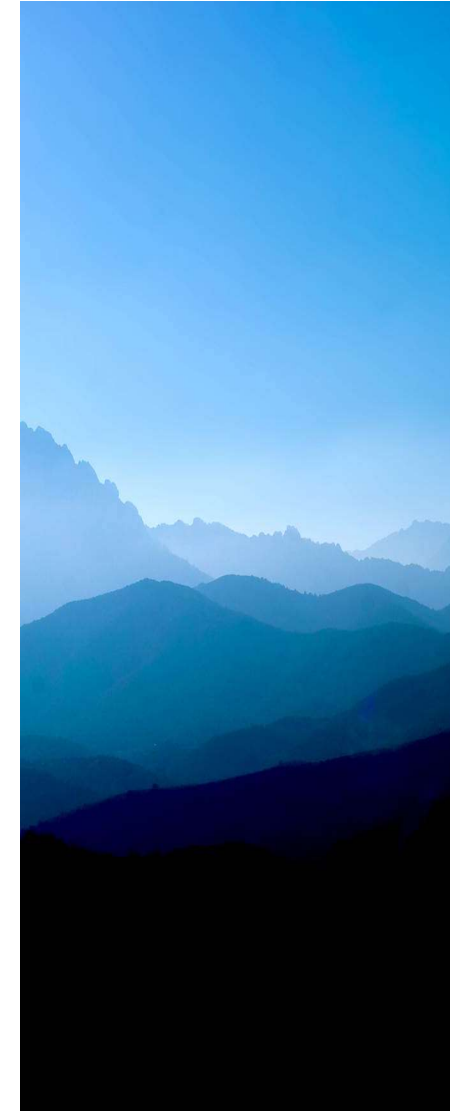
We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money arrangements) and report to you any identified significant weaknesses.

Following the Code of Audit Practice 2024 coming into force 14 November 2024, this is based on the following two reporting criteria for incomplete audits for 2020/21, 2021/22 and 2022/23:

- ▶ **Financial sustainability** - How Tendring District Council plans and manages its resources to ensure it can continue to deliver its services, and
- ▶ **Governance** - How Tendring District Council ensures that it makes informed decisions and properly manages its risks.

The key output from our audit work in respect of VFM arrangements is a commentary as reported in the Auditor's Annual Report, not a VFM arrangements 'conclusion' or 'opinion'. The Code of Audit Practice 2024 enables auditors to issue a combined commentary as part of a single auditor's annual report for incomplete audits up to and including 2022/23.

Where we are aware of significant weaknesses at the time of issuing our audit report on the financial statements, the nature of the significant weakness and the associated recommendation are required to be referred to by exception in our report on the financial statements.



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Opinion on financial statements

We anticipate issuing a disclaimer of opinion on the financial statements, for the reasons detailed in the 'Executive summary' section of this report.

Use of resources

We have no matters to report in relation to Tendring District Council's value for money arrangements.

Other matters on which we are required to report by exception

We have no matters to report, other than we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, for the reasons detailed in the 'Special reporting powers and duties' section of this report.

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Independence

We confirm that the firm, and the engagement team including other BDO network firms conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard and the IESBA Code of Ethics and are independent of Tendring District Council.

Details of services, other than audit, provided by us to Tendring District Council during the period and up to the date of this report are set out in the table below. We have not identified any threats to our independence arising from the provision of these services.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

Fee summary

The disclosed audit fees of £67k in the submitted draft statement of accounts reflect additional work we had planned to deliver. Actual audit fees are in line with our planned fees

	Fees (£)		Independence safeguards	Impact on independence
	Year ended March 2022	Year ended March 2021		
Audit fees	£45,000	£45,000	None required	N/A
Non-audit services:				
Housing Benefit Subsidy and Pooling of Housing Capital Receipts	£41,000	£21,000	None required	N/A
Total fees	£86,000	£66,000		



Partner rotation

Independence

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These tables indicate the rotation periods normally permitted under Public Sector Audit Appointments' (PSAA) rules on rotation of key staff, as set out in the PSAA Terms of Appointment.

It is PSAA's policy that:

- engagement leads should act for an initial period of five years. PSAA may approve engagement leads for an additional period of up to no more than two years, if it is provided with assurance that there are no considerations such that an objective, reasonable and informed third party would conclude that an auditor's integrity, objectivity or independence was or could be perceived to be compromised together with details of any mitigations
- other than in exceptional circumstances, the audit manager at an audited body should be changed at least once every seven years. PSAA will approve the appointment of an audit manager for an additional period of up to three years, provided that there are no considerations such that an objective, reasonable and informed third party would conclude that an auditor's integrity, objectivity or independence was or could be perceived to be compromised
- it is not expected that an individual should act as an engagement quality control reviewer at an audited body for a period longer than seven years.

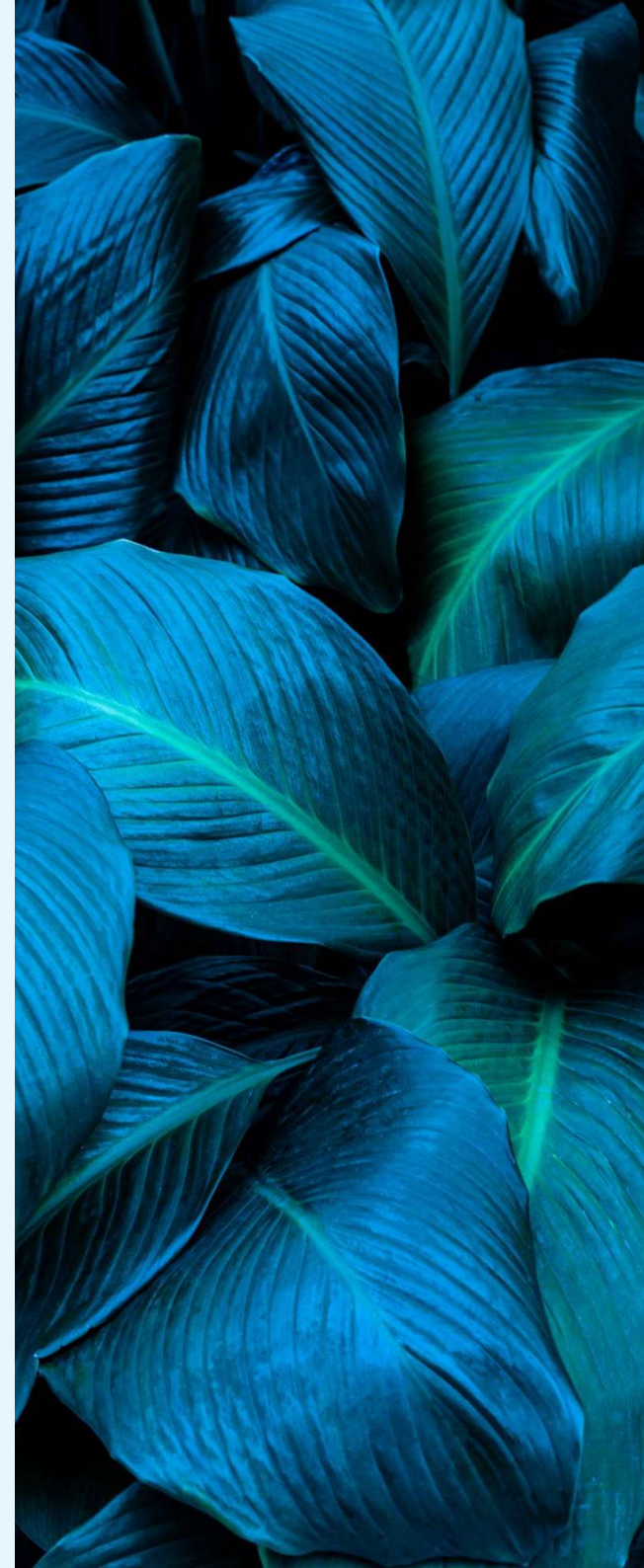
In order to safeguard audit quality, we will employ a policy of gradual rotation covering the team members below as well as other senior members of the engagement team to ensure a certain level of continuity from year to year.

Independence - engagement team rotation

Senior team members	Number of years involved	Rotation to take place after
Aphrodite Lefevre Engagement Lead	3	5 years
Gerald Chanduru Audit Manager	1	7 years

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Communication with you

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Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to Tendring District Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit Committee.

Communication

The National Audit Office has issued Local Audit Reset and Recovery Implementation Guidance (LARRIGs) to support the reset and recovery of local audit in England. LARRIG 02 states that the frequency with which matters are communicated to Those Charged With Governance may be less in the circumstances created by backstop arrangements and that it may therefore be appropriate to include all communications relevant to an audit within a single document. In line with this guidance, we have prepared a combined Audit Planning Report and Audit Completion Report.

Auditor's Annual Report

We will provide a commentary on Tendring District Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The commentary will explain the work that we have undertaken and highlight any significant weaknesses identified, along with any recommendations for improvement. The commentary will also draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from Tendring District Council. The Auditor's Annual Report is required to be published by Tendring District Council .

The Code of Audit Practice 2024 confirms that for incomplete audits up to and including 2022-23, the auditor may issue a combined commentary as part of a single Auditor's Annual Report. We have therefore decided to issue a combined commentary as part of a single Auditor's Annual Report for Tendring District Council.

Communication required	Date (to be) communicated	To whom	Communication method
Audit Planning Report	9 December 2024	Audit Committee	Combined Audit Planning Report and Audit Completion Report
Audit Completion Report	9 December 2024	Audit Committee	Combined Audit Planning Report and Audit Completion Report
Auditor's Annual Report	9 December 2024	Audit Committee	Auditor's Annual Report

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We have substantially completed our audit work in respect of the financial statements for the period ended 31 March 2022.

The following matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Audit Committee meeting at which this report is considered:

- ▶ Subsequent events
- ▶ Audit fees adjustment in the final accounts
- ▶ Completion of senior review and clearance





Management representation letter

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BDO LLP
2nd Floor
Yare House
62-64 Thorpe Road
Norwich
NR1 1RY

Dear Sirs

Financial statements of Tendring District Council for the year ended 31 March 2022

We confirm that the following representations given to you in connection with your audit of Tendring District Council's financial statements (the 'financial statements') for the year ended 31 March 2022 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of Tendring District Council.

The Chief Finance Officer has fulfilled their responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of Tendring District Council as of 31 March 2022 and of its income and expenditure and cash flows for the year then ended 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).

We have fulfilled our responsibilities on behalf of Tendring District Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of Tendring District Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of Tendring District Council have been made available to you for the purpose of your audit and all the transactions undertaken by Tendring District Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all e.g. Council, management and other meetings have been made available to you.

Going concern

We have made an assessment of Tendring District Council's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on Tendring District Council's ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which Tendring District Council's business is conducted, and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which I am aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.



Management representation letter 2

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Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have made the results available to you.

To the best of our knowledge, we are not aware of any fraud or suspected fraud involving management or employees that could have a material effect on the financial statements. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge, we are not aware of any allegations of fraud or suspected fraud that have been communicated by employees, former employees, analysts, regulators or any other party that could materially affect the financial statements.

Misstatements

You have not advised us of any unadjusted misstatements in the financial statements or other information in the Statement of Accounts.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

There were no loans, transactions or arrangements between Tendring District Council and members of Tendring District Council or their connected persons at any time in the period which were required to be disclosed.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the financial statements.

Accounting estimates

Significant assumptions made in relation to any accounting estimates are as follows:

a) Valuation of land and buildings

We are satisfied that the useful economic lives of land and buildings, and their constituent components, used in the valuation of land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.



Management representation letter 3

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b) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

- CPI increase 3.2%
- Salary increase 4.2%
- Pension increase 3.2%
- Discount rate 2.6%
- Mortality: Current pensioners - male 21 years and female 23.5 years / future pensioners - male 22.3 years and female 24.9 years

We consider these assumptions to be appropriate for the purposes of estimating the pension liability in accordance with the Code and IAS 19.

c) Allowance for non-collection of receivables

We are satisfied that the impairment allowances for non-domestic rates, housing rent and sundry debt arrears are reasonable, based on collection rate data.

d) Non domestic rates appeals provision

We are satisfied that the provision recognised for non-domestic rates appeals is materially correct, and the calculation of historical appeals are consistent with those advised by the Valuation Office Agency. We confirm that the successful rates applied to outstanding appeals as at 31 March 2022 are consistent with our knowledge of the business.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each member has taken all the steps that they ought to have taken as a member of Tendring District Council in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Richard Barrett

Director Finance and IT (Section 151 Officer)

10 December 2024

Geeta Sudra

Chair of the Audit Committee

10 December 2024

FRC Ethical Standard

Issued in December 2019

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It is now around four years since the FRC's Revised Ethical Standard 2019 ('ES') came into force. It aimed to further strengthen auditor independence and enhance confidence in the profession and was, in many ways, a precursor to the Corporate Governance and Audit Reform debate

that is still ongoing. Although the ES is now well-established it is worth taking time to reconsider some of its most important changes and ensure your internal policies and procedures are effective.

Key headlines	Impact
The objective, reasonable & informed third party test	Reinforcement that ethical principles take priority over rules. A need to take care where particular facts and circumstances are either not addressed directly by the rules or might appear to 'work around' the rules or result in an outcome that is inconsistent with the general principles and the public interest.
Contingent fees	Non-audit services with contingent or success-based fee arrangements will be prohibited for audited entities.
Secondments	All secondments/loan staff to audited entities are prohibited with the exception of secondments to public sector entities.
Recruitment and remuneration services	Prohibition on providing remuneration services to audited entities such as advising on the quantum of the remuneration package or the measurement criteria for calculation of the package. In addition, the prohibition on providing recruitment services to an audited entity that would involve the firm taking responsibility for, or advising on the appointment of, any director or employee of the entity.

FRC Practice Aid for Audit Committees

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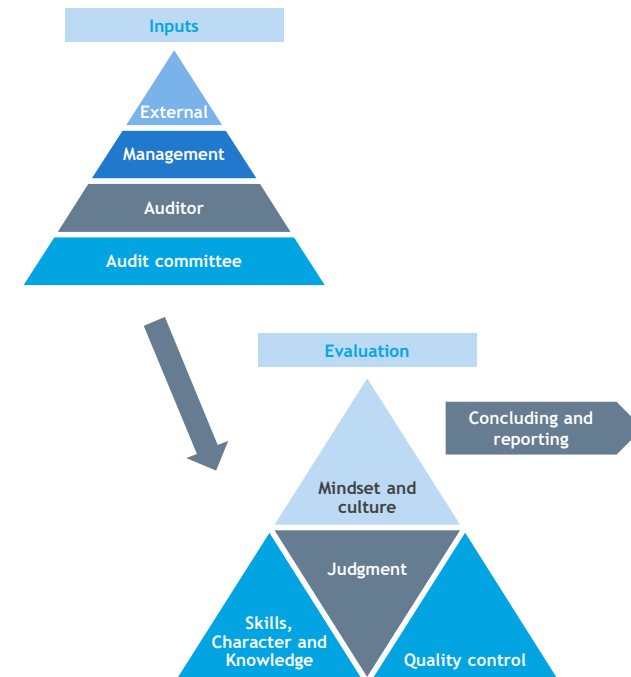
The Financial Reporting Council (FRC) issued an updated practice aid for audit committees in December 2019 and a full copy can be found on the [FRC website](#). In their practice aid the FRC note: 'The directors of a Company (the Board as a whole) are responsible for ensuring its financial statements are prepared in accordance with the applicable financial reporting framework and for overseeing the Company's internal control framework. A high-quality audit provides investors and other stakeholders with a high level of assurance that the financial statements of an entity give a true and fair view and provide a reliable and trustworthy basis for taking decisions.'

The practice aid then discusses how the role of audit committees in serving the interests of investors and other stakeholders is through their independent oversight of the annual corporate reporting process including the audit. The FRC highlight that the responsibility for appointing the external auditor, approving their remuneration and any non-audit services work, ensuring their independence and challenging them over the quality of their work falls to the audit committee and can play a key role in facilitating a high-quality audit (see note across).

It gives guidance for Audit Committees in the following areas:

- ▶ Audit tenders and the tender process including audit fee negotiations and auditor independence
- ▶ A model for use by audit committees in making an overall assessment of an external auditor including inputs, evaluations and concluding
- ▶ Transparency - reporting to the Board on how the audit committee has discharged these responsibilities
- ▶ Some guidance on key areas of audit judgement

The provision of high-quality audits are a key focus of FRC and the new Executive Director of Supervision, David Rule, sent a letter to all audit firms in November 2019 explaining the factors he would expect to see in place in order to facilitate the delivery of high-quality audits. A copy of the letter can be found on the [FRC website](#)



Audit quality

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BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk



Our culture of challenge

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“The Right people, supported to do the Right Work, in the Right place at the Right time. In short doing the Right thing. Always.”

A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. While the ICAEW Code of Ethics provides guidance on how a professional accountant fulfils their duty, the focus of our firm, and auditors individually is to discharge our obligation to serve the public interest by consistently performing quality audit engagements.

Our work as auditors is fundamental to the success of the business world, enabling decisions based on transparent financial reporting that is trusted. The purpose of an audit is to help establish and maintain deserved confidence in a company, in its directors and in the information which they have responsibility to report, including the financial statements.

Quality is represented in our strategic framework in two important and distinct ways:

- The first is that we are committed to serving the public interest by consistently performing quality engagements - this is particularly important for two reasons: firstly, that it is the right thing to do and secondly, that it's required of by the international standards on quality management.
- The second commitment is to high quality, independence and ethics, which is broader than just our performance on individual audit and non-audit engagements and recognises the importance of high quality in everything we do.

Our Audit Specific Behaviours provide guidance and set consistent expectations for our auditor teams to ensure our day-to-day interactions and decision making come together to create High Performing Teams, that do the right thing. Always.

Read our latest Transparency Report on the BDO website.



Our system of quality management

ISQM (UK) 1 - Communication with you

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We recognise that a System of Quality Management (SoQM) designed in line with the requirements of ISQM(UK)1 is the bedrock on which consistent high-quality auditing is built. During FY24, we rigorously assessed our SoQM and reported to the FRC that the design of our SoQM had a number of weaknesses and did not meet the objectives of ISQM(UK)1. As a result and led by BDO's Leadership Team (LT), we commenced a thorough remediation programme, in Autumn 2023, to redesign our SoQM in accordance with ISQM(UK)1. This has been the top strategic priority for the firm throughout FY24 and progress on the programme has been scrutinised at every LT meeting. Collective accountability for our SoQM is recognised by LT. All LT members and members of our Audit leadership set personal objectives relating to their individual responsibility for ISQM(UK)1 which they were measured against in their 2024 performance reviews.

Our programme began with a review of the quality objectives that form part of our SoQM, followed by revisiting our risk assessment to identify the risks to meeting these quality objectives. We have documented every significant process which forms part of our SoQM and assessed the design to determine whether it appropriately mitigates the relevant quality risks. This has resulted in enhancements and improvements to our processes and controls which we believe will improve how we manage audit quality. We have also identified the need for additional processes which we believe will have a significant impact on managing audit quality and designed and implemented these during the programme. The remediation programme was rapid, intense and detailed and the pace and volume of change we implemented over the course of FY24 has been huge. A SoQM takes time to embed and mature and we know that we have more work to do over the next year and into the future. This will include further implementation of controls to enhance our SoQM, as well as allowing time for some of the new processes and controls implemented in FY24 to deliver on their design objectives, providing enough evidence for us to be able to test them fully. Our new SoQM will provide us with better data, thereby driving more targeted actions to deliver consistently high-quality audits.

The LT, who have ultimate responsibility and accountability for the SoQM under ISQM(UK)1, carried out an evaluation of the SoQM as at 30 June 2024. The LT concluded in line with paragraph 54(b) of ISQM(UK)1 that, except for matters related to identified deficiencies that have a severe but not pervasive effect on the design, implementation and operation of the SoQM, the SoQM provides the firm with reasonable assurance that the objectives of the SoQM are being achieved. Further details are available in our 2024 Transparency Report, which is available on the firm's website.

Tendring District Council local authority's responsibilities

Tendring District Council local authority's Responsibilities and Reporting

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Financial reporting

Tendring District Council is expected to have effective governance arrangements to deliver its objectives. To this end, the publication of the financial statements is an essential means by which Tendring District Council accounts for its stewardship and use of the public money at its disposal.

The form and content Tendring District Council's financial statements, and any additional schedules or returns for consolidation purposes, should reflect the requirements of the relevant accounting and reporting framework in place and any applicable accounting standards or other direction under the circumstances.

The Section 151 Officer is responsible for preparing and filing a Statement of Accounts and financial statements which show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 20xx/xx, applicable accounting standards or other direction under the circumstances.

Our audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of materially accurate financial statements.

Use of resources

Local authorities are required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at their disposal.

As part of the material published with its financial statements, Tendring District Council is required to bring together commentary on its governance framework and how this has operated during the period in a Governance Statement.

In preparing its Governance Statement, Tendring District Council will tailor the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on their arrangements for securing value for money from their use of resources.



Our responsibilities

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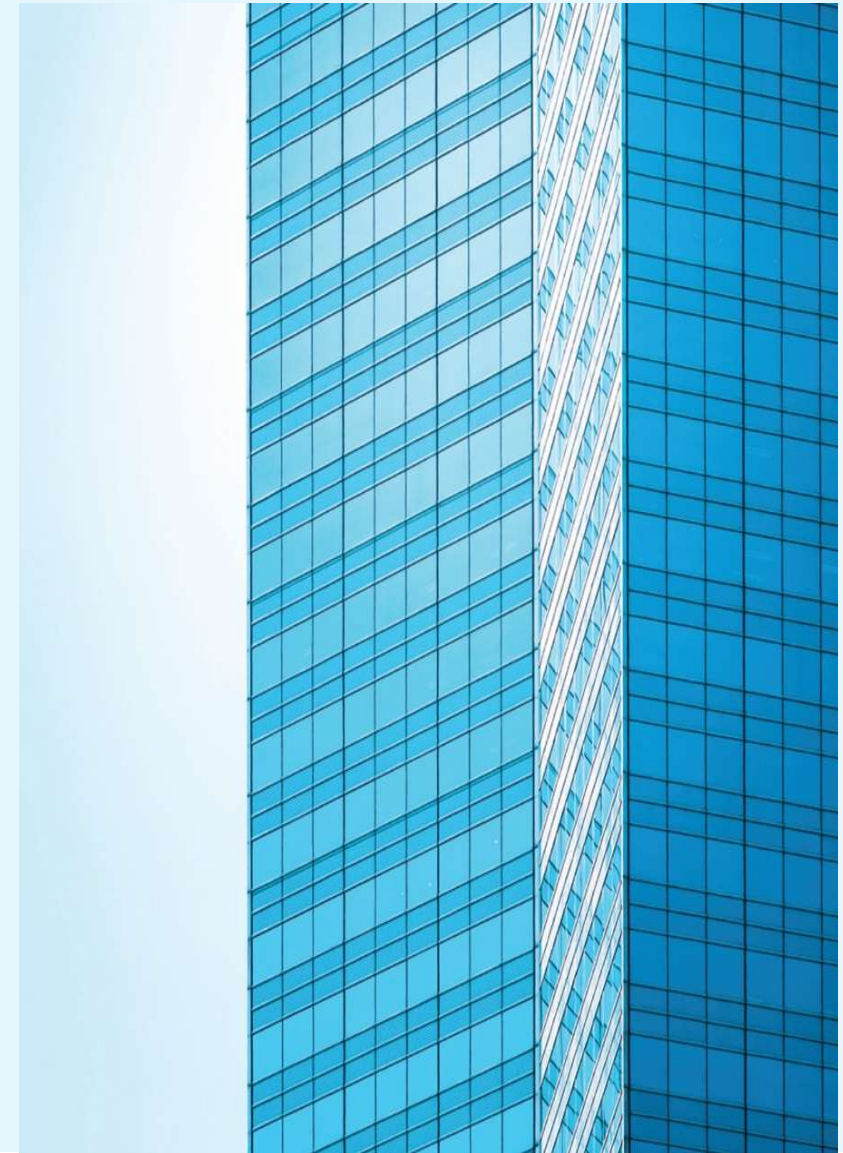
Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to the members of Tendring District Council.

We are required to satisfy ourselves that Tendring District Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This means that we have regard to relevant guidance issued by the National Audit Office and undertake sufficient work to be able to satisfy ourselves as to whether Tendring District Council has put arrangements in place that support the achievement of value for money and to provide an annual commentary on arrangements in the Auditor's Annual Report.

What we don't report

Our audit is not designed to identify all matters that may be relevant to Tendring District Council and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist





For more information:

Aphrodite Lefevre

e: Aphrodite.Lefevre@bdo.co.uk

m: 01603 756909

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of Tendring District Council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

BDO is an award-winning UK member firm of BDO International, the world's fifth largest accountancy network, with more than 1,500 offices in over 160 countries.

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www.bdo.co.uk



Attachment 4

The Council's Statement of Accounts 2021/22 for Publication
(Including the Annual Governance Statement)

Tendring
District Council



STATEMENT OF ACCOUNTS

2021/22

TENDRING DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2021/22

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R C Barrett
Director Finance and IT
Town Hall
Clacton on Sea
Essex CO15 1SE
9 December 2024

NARRATIVE REPORT 2021/22

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 2022 as follows:

I spoke last year about how, almost instinctively, we all came together to ensure we were there for our residents and businesses, and this has been the case again over the past 12 months, and just like last year, we have continued to respond to COVID 19 issues but also seamlessly continued with the provision of our day-to-day services.

At the heart of an effective Council and its ability to provide quality services, deliver on its objectives, and respond to the challenges and the expectations of residents and businesses, is a strong financial position. This is what enables us to keep the Council evolving and moving forward progressively. This is usually in a planned and programmed way but sometimes it may be in a reactionary way, as in Local Government the world around us is always shifting. You could say that is what makes our roles even more exciting, as I cannot think of such diverse organisations in the private sector. When you stop and think, we are effectively running a significant number of individual businesses, each of which are wildly diverse and varied, which would be a huge challenge for any private sector organisation.

These not only require us to think about issues such as social value, health and inequality, climate change and social inclusion, which highlights only a few examples, but all of this has to be built on and captured in the budget and financial forecast - a complex jigsaw puzzle I think it is fair to say.

Delivery is important against our existing 'cash backed' promises and the following list details some examples of key projects that we will be able to get underway very soon:

- *The provision of a covered market and managed workspaces in Jaywick;*
- *The development of the former Starlings site in Harwich;*
- *Various projects set out within the Back to Business action plan;*
- *Supporting the development of the major Freeport project, centred on Harwich;*
- *Replacing the all-weather pitch at Clacton Leisure Centre along with wider investment in the centre;*
- *Supporting celebratory events such as Clacton 150th and Mayflower 400 in Harwich;*
- *The replacement of our cremators at Weeley;*
- *Supporting our heritage assets such as the Treadwheel Crane in Harwich;*
- *Undertaking cliff stabilisation work along Clacton and Holland seafronts;*
- *Demolition of a multi-storey car park in Harwich, to be replaced with housing; and*
- *Disposal of the former Weeley Council office site, which will not only provide us with additional housing, but will also enable us to secure the full savings from disposing of the site.*

It is essential that the Council has a clear set of priorities, and that those priorities are properly budgeted for. So, looking ahead, we are aiming to implement a Corporate Investment Plan, a framework in which we can consider all the things we have to do, or would like to do, to support our ambitions and to further our priorities. This approach will also start to see our existing Back to Business Plan merge with this new plan as we head into 2022/23.

We have already seen a change in the timing and reporting of our corporate priorities. This year we have brought them together to strengthen that all important link to the budget. The Corporate Investment Plan therefore aims to build on this approach.

During the course of the year, we often see ideas, projects and schemes come forward, and long may that continue, as this is a much better way of thinking than promoting a culture where people are hesitant to put things forward by self-editing their hopes and aspirations or where raising expectations are feared. There is nothing wrong with raising expectations and confidently promoting what we would like to do, as long as we balance that with the long-term financial sustainability of the Council, and I am sure that is an approach we can all embrace.

We now also have the Government's 'levelling up' agenda to consider going forward. Although the devil will be in the detail, it is likely that we will need to have some funding headroom within the Corporate Investment Plan as there will hopefully be opportunities to lever in Government funding on the back of us also committing money to schemes and projects that support this major Government agenda.

In terms of prioritisation of the Corporate Investment Plan, further details will be set out within the report to Cabinet but it needs to take into account a number of key priority 'drivers' such as financial viability and sustainability, non-financial consequences such as reputation or health and safety, the outcome from external assessment and regulatory reviews along with being outcome-driven. This approach, therefore, aims to form the basis of a consensus of what we can fund.

It also needs to be done in a holistic way looking across the whole of the District. Let us not forget, supporting one area of the District often has a knock-on impact elsewhere in the District, such as the local economy, so we must remain alert to this as part of our decision making.

The Corporate Investment Plan approach will also guide us in terms of chasing external funding, as we will have a ready-made, properly thought through list that we can use to go out and make a coherent case to our partners and potential funders.

During the budget cycle for 2022/23, a review of reserves was undertaken which was set out within the report to Cabinet back in December. Hopefully, this adequately responded to the simplistic but dangerous view that could have been taken, that we have money just sitting around doing nothing. All our reserves serve a vital purpose and are crucial in supporting the Council's overall financial standing. Our reserves will play an important role going forward, such as helping us look after our assets and to help us deliver our climate change ambitions.

Having talked about the need to find savings, let us not forget one of the main principles behind the long-term approach – and that is providing time for our underlying income from business rates and council tax to grow. We all see growth in these two areas of the budget when we are out and about within the District, especially with new commercial units popping up, like those on Brook Park. Although there are no guarantees that I can give, growth in these two areas of the budget may provide us with the ability to consider the level of savings going forward, or alternatively reflect the scale and speed that we can deliver against our priorities – that was one of the main flexibilities behind the long-term approach we have adopted.

Through our approach to financial management and planning, priority setting, sound stewardship and ambition we can continue to make a difference for our residents and businesses as well as looking after the District and its natural environment.

As Councillors, we have embraced new ways of working, with each other, with our residents and with partners. Our workforce has shown fantastic resilience, flexibility and a determination to deliver, with teams being required to react swiftly to the closure, re-opening and further closures and also to step up to take on entirely new responsibilities, providing essential services that have supported the safety, health and wellbeing of our residents. Not only have they been undertaking additional duties to support the response to the pandemic, but they have also been continuing with their day jobs across the organisation, ensuring that services continued to operate as near as possible to 'business as usual'.

As part of our ongoing COVID-19 response, Council staff rose to the call for mutual support from the NHS. Many staff were deployed to the vaccination centres and supported the emergency response. We also had staff working as Covid Ambassadors across the District, supporting businesses and residents.

On the subject of the environment, I am pleased to let you know that as a Council we have cut our carbon emissions by over a quarter over the past three years. The Authority's emissions have dropped from 5,083 tonnes in 2018/19 to 3,881 tonnes in 2020/21. The Council has added insulation to offices and installed LED lighting, and we plan to accelerate as we embed climate change considerations into everything we do across the Council. That is a fantastic achievement, and we also urge partners, businesses and residents to join us on this journey.

One of our key projects this year is to transform the derelict Starlings site in Harwich into a new carpark which will double as an events space. Starlings will accommodate 51 car parking spaces, including four disabled parking bays and at least four electric charging points. The development will include new public toilets and landscaping. The site will be made level so that it can accommodate one-off events such as markets, travelling fairgrounds and open-air theatres, encouraging footfall and supporting the town's economic recovery. I look forward to seeing this exciting regeneration project finally come to fruition over the next few months.

In November, the Council secured almost £2m of funding from the South East Local Enterprise Partnership in support of our ambitious plans to further improve and deliver a 9,500 sq. ft. managed workspace facility, with a market and community garden. Build inflation pushed the project costs up when we went out to tender in November, but I was pleased to be with Essex County Council last month when they announced they will meet the additional costs, so the contractors can get on site to start building. Whilst it is based in Jaywick Sands, this eye-catching new building will provide high quality, reasonably priced office space for small firms from across Tendring to set up shop, with advice on hand from experienced professionals. This is a great example of us helping businesses in Tendring to build back from the pandemic.

Section Two of the Local Plan has finally been agreed; we now have in place a robust planning policy that allow us to be masters of our own destiny in respect of what gets built where, at least as far as the current planning system allows. And our plans to increase our stock of council homes is progressing extremely well. The Council has retained ownership of its housing stock, which currently comprises well over 3,000 homes that our Housing and Surveying Teams manage and maintain. Work on these dwellings continues, including the upgrading of heating systems, reassessing fire precautions in the light of the Grenfell tragedy and of course thousands of daily repairs and routine maintenance jobs. Detailed assessments of prospective development sites and potential acquisitions are ongoing, and the Cabinet is committed to completing these assessments and achieving its target of 100 additional homes. Adding additional homes to our stock is a key part of the Housing Strategy 2020-25. The document, entitled “Delivering Homes to Meet the Needs of Local People”, identifies four key strategic housing priorities as follows:

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

I firmly believe these provide us with a strong foundation to work from.

We continue to champion work in the areas of Education, Health and Community Safety working with many partners to ensure the best outcomes for Tendring residents. We have developed a Tendring Education Strategic Board, which includes District Headteachers, ECC, Academy leads and the Department for Education.

We also work closely with Health colleagues through the Alliance Board and this work has influenced the creation and development of the diagnostics hub at Clacton Hospital. The diagnostics hub has just this month been recognised as the best in the country – and Tendring District Council has been congratulated for our role in its delivery. Partnership work includes influencing, facilitating and in some cases delivering through partners across the District.

I am extremely proud of the role this Council has played, working closely with the Port and with other public sector partners on the submission of the successful Freeport East bid to Government. The Freeport's tax sites are now designated in law and going forward, Freeport East will become a legal entity in its own right as a company limited by guarantee with directors being appointed from the key partners, including this Council and Essex County Council, with the detail on the Company functions and structure being discussed with my Working Party prior to Tendring formally signing up. [In terms of Planning consent] the Secretary of State formally notified us of his assent confirming he is satisfied that the proposed conditions and legal agreements will ensure compliance and the safeguarding of the natural environment.

It is truly remarkable to me that we have been able to achieve so much together throughout the past twelve months and I know that next year will see even more tremendous achievements by this Council, for and on behalf of our residents and businesses.

[The above statements were made by the Leader of the Council during February/March 2022. Further details relating to on-going challenges and impact of the COVID 19 Pandemic are set out further on in this statement.]

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

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

Organisational Overview and External Environment

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

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

- People live in five main areas of settlement and villages across the District with differing community needs and aspirations.
- The Council has a workforce of over 400 (full time equivalents) of which many are Tendring residents.

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

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

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

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

Community Leadership remains as the predominant cross cutting theme within the Corporate Plan along with various economic growth initiatives which also cuts across a wide range of the Council's service activities and projects. The Council launched a Back to Business plan during 2021 which set out how it would work across its range of services and portfolios to support the local economy and Tendring businesses and residents in recovering from the Covid-19 pandemic. As highlighted earlier, this has now merged with the new Corporate Investment Plan approach adopted earlier in 2022 where investment will be prioritised across the Council's priorities and objectives, including front line services as necessary.

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

Our Vision

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

Delivering High Quality Services

- Modern, high quality buildings and facilities for customers and staff
- 24 hour a day digital services – My Tendring
- Minimise waste; Maximise recycling
- Proactive Planning Service
- Public spaces to be proud of
- Effective regulation and enforcement
- Carbon Neutral by 2030

Tendring District Council Corporate Plan 2020-2024



Community Leadership Through Partnerships

- Health and wellbeing - for effective services and improved public health
- Education - for improved outcomes
- Law and Order - for a safer community
- Sport England and Active Essex- for physical activity and wellbeing
- Joined up public services for the benefit of our residents and businesses
- Influence and lobby - for Tendring's future

Community Leadership Tendring4Growth

Building Sustainable Communities for the Future

- North Essex Garden Communities
- Jaywick Sands - more and better housing; supporting the community
- Vibrant Town Centres
- Building and managing our own homes
- Effective planning policies

Strong Finances and Governance

- Balanced annual budget
- 10 year financial plan
- Effective and positive Governance
- Strong and focused leadership
- Use assets to support priorities

A Growing and Inclusive Economy

- Develop and attract new businesses
- Support existing businesses
- More and better jobs
- Promote Tendring's tourism, cultural and heritage offers
- Maximise our coastal and seafront opportunities

Our Values

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

Tendring
District Council



Governance and Operational Model

The outcome from the annual review of the Council's governance framework is set out within the Annual Governance Statement (an annex to this Statement of Accounts) with many activities undertaken during the year to strengthen/enhance all areas of the framework. The statement has been subject to review in terms of its format and presentation to aid the accessibility to the key activities that the Council has undertaken during the year.

The Annual Governance Statement continues to include references to the impact of the COVID-19 crisis on the Council and how it responded to the changes in how it operates. The Annual Governance Statement highlights a number of key actions and planned activities in 2022/23.

Along with the Council's performance management framework which is discussed further on, the Council's budget and Long Term Financial Plan articulate the use of resources with the position for 2022/23 and beyond summarised within the Chief Finance Officer's (S151 Officer) report to Council in February 2022 as part of the budget process for 2022/23 as follows:

Robustness of the Estimates

Financial Management / Governance Arrangements

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

The long term forecast and budget setting processes continue to be 'built' on the following 5 key strands:

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

Although annual budget deficits are forecast across the remaining years of the plan, this is primarily due to relatively cautious estimates, especially those in respect of increases to underlying income. However, the overall financial forecast risks are underwritten by the use of a dedicated forecast risk fund, which is estimated to remain in a surplus position over the life of the current 10-year plan.

Another important element of the long term forecast is the delivery of on-going savings, which act as a 'safety valve' in terms of offsetting increases in cost pressures or other unavoidable increases in expenditure. Although the savings target of £450k was not met in 2022/23 (savings identified totalled £223k), this largely reflects the fact that 2021/22 was seen a transitional year for services as the economy continued its recovery from the COVID 19 pandemic. With the above in mind, a key priority for the Council going into 2022/23 is the development of a zero based approach to budgeting with the aim of identifying the necessary level of savings across years to deliver a long term sustainable position going forward.

The need to continue to deliver against the 10-year forecast is clearly recognised within the Council and remains a key focus in 2022/23 and beyond to enable it to continue to provide quality services and invest in its priorities. Self-sufficiency continues to underpin the Council's 10-year forecast along with maximising opportunities through investment and maximising savings opportunities over a longer time period. Taking a longer-term view of the forecast also enables the Council to respond to any significant financial impacts over several years rather than as part of an annual budget cycle, which strengthens financial resilience in the long term.

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

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

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

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

The Council developed a Back to Business Plan in response to the COVID 19 crisis, which has seen a number of key activities being undertaken to support businesses and residents within the district to successfully recover from the very challenging environment that the COVID 19 crisis introduced. This in turn supports the overall health of the local economy and its resilience and helps 'protect' key income strands of the forecast such as business rates.

Clear actions in respect of financial resilience also continue to form part of the Council's Annual Governance Statement that includes amongst other things the development of a Corporate Investment Plan linked to the Council's budget, priorities and evolving financial position. Given the pressures on the on-going 'base' revenue budget, it is very unlikely that the long term forecast can generate significant 'surpluses' that can be used to invest in all of its priorities. However, they will still be considered but this will be done outside of the annual 'base' budget setting cycle.

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

Regular and comprehensive monitoring of the budget will continue to be undertaken during 2022/23 as part of the well-established and comprehensive financial performance reporting process, so issues can be identified and action taken at the earliest opportunity if and when appropriate. In addition, any savings identified during the year will continue to be transferred to the Forecast Risk Fund where possible, to further strengthen the approach taken in 'underwriting' the risks associated with a 10 year forecasting period.

In terms of capital investment and treasury management, the Council has adopted the various prudential and treasury management codes and practices with robust actions taken within an overall risk aware approach. This approach also aims to ensure that the Council can successfully respond to changes in such codes and practices, such as those recently announced by the Government, which could see a number of Local Authorities faced with significant increases in costs arising from changes to the calculation of the minimum revenue provision.

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

As part of the most recent Audit Completion Report (for the period to 31 March 2020) submitted by the Council's External Auditor, an unqualified opinion on the Statement of Accounts was confirmed. The External Auditor also concluded that the Council had adequate arrangements in place for both budget setting and financial management. While they recognised that there was a funding gap in the long term plan, they were satisfied that the Council is making appropriate arrangements to manage this in a way that will ensure it continues to remain financially sustainable.

Budget Assumptions

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

The detailed budget for 2022/23 has been prepared within the above context and clear rationale has been stated in respect of the formulation of the financial forecast and how it has been translated into the detailed budgets. This has been supported by a risk assessment of each line of the forecast.

As discussed during the development of the long term approach, cost pressures continue to present one of the more significant risks to the forecast, especially given the amount of unavoidable cost pressures 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.

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

To support the management of risks, the Council continues to resist using one-off money, such as the New Homes Bonus, to support the on-going base budget. The cost pressure allowance was increased during the development of the 2021/22 budget to reflect the level of cost pressures emerging to date and to recognise that items may reappear in future years if the mitigating action that has been taken to date does not provide a permanent solution.

In terms of the wider impact from the COVID 19 crisis, there was a significant impact in 2020/21, with 2021/22 seen as being a transitional year where the wider economy started to recover and key elements of the budget start to return to pre-COVID 19 levels. There is still uncertainty around the speed and scale of this return and on-going impact. However, the Government have provided significant financial support to Councils, including general grant funding but also specific funding related to the loss of income in areas such as leisure fees and charges.

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

Notwithstanding the above, these 'cash backed' items will be revisited as part of developing the Corporate Investment Plan mentioned earlier, as funding required to invest in priorities may come from areas such as external income, money receivable from the government as part of the financial settlement e.g. New Homes Bonus or other new burdens funding, but it could also come from the reprioritisation of existing budgets.

The Corporate Investment Plan approach will also provide a solid platform to consider additional use of the 'accelerated delivery budget' to further build on the capacity already identified.

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. The forecast also aims to reflect the outturn position from the previous year along with emerging issues, which allow it to also remain alert to potential changes to its financial position.

Financial Risks

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

One of the other primary risks to the forecast are those introduced by the COVID 19 pandemic, especially the potential medium to longer- term impact to key income streams for the Council such as from council tax, business rates and general fees and charges.

Although income from council tax and business rates is seeing the continuing trend of recovering back to pre-COVID 19 levels, there remains a secondary impact in areas of the budget such as court costs and money receivable under the terms of the council tax sharing agreement with the major preceptors. In addition, the timing and trajectory of the recovery in fees and charges within leisure centres remains a key financial risk. Although it is expected that the above will continue to recover going into 2022/23, they will remain under review as part of the on-going monitoring of the budget.

The Financial Performance report for the second quarter of 2021/22 set out more details around these secondary risks, where it was also highlighted that the general COVID 19 support grants from the Government were expected to be able to offset the impact on the overall budget in 2021/22.

However, with the above in mind and the potential for these secondary impacts to continue into 2022/23, the budget report to Cabinet in December also set out the proposal to underwrite such risks via re-focusing the existing Building for the Future Reserve. The estimated balance in this reserve at the end of March 2022 is £1.654m, which is therefore available to underwrite the identified risks during 2022/23.

As part of developing the budget, it was also recognised that there would be an on-going loss of income in the early months of 2022/23, whilst new cremators were purchased and installed at the Weeley Crematorium. The budget report to Cabinet on 28 January 2022 provided a timely update and highlighted that this financially adverse position was expected to be managed within the 2021/22 in-year budgets rather than having to include a specific adjustment within the 2022/23 estimates.

The long term approach to the forecast therefore still provides flexibility to respond to the various risks to the forecast. However, it must be highlighted that the savings targets set out in the forecast will still need to be delivered in the longer term but they need to remain flexible and react as a counterbalance to other emerging issues and it is therefore accepted that this figure may need to be revised up or down over the life of the forecast.

The various risks to the forecast will be monitored via the quarterly financial performance reports during 2022/23, supported by the development of a zero based budgeting approach.

Adequacy of the Reserves / Financial Standing

An integral part of the Council's overall strategy is that the level of reserves is sufficient to support identified risks along with supporting a sustainable budget position in the longer term.

The report to Cabinet in December 2021 set out a review of reserves, which will be undertaken annually as part of each year's budget setting cycle.

Although there were various earmarked reserves included in the above review, the following sets out a number of key reserves that support the Council's underlying financial resilience:

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

- *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;*
- *£1.269m has been set side to mitigate cost pressures associated with the repair and maintenance of Council assets along with supporting the Council's commitment to carbon neutrality; and*
- *£1.654m held in the Building for the Future Reserve, which remains available to underwrite risks associated with the secondary impacts from the COVID 19 pandemic along with other potential cost pressures not included within the budget for 2022/23 as highlighted earlier.*

In addition to the above, the level of uncommitted reserves forecast at 31 March 2022 is £4.000m.

The above along with the on-going / annual review of reserves continue 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 2022/23 that weaken the overall long term approach to the forecast.

The proposed budget for 2022/23 resulting from the above processes and governance arrangements is therefore robust / deliverable, and underwritten / supported by reserves.

Following the above statement that was made in February 2022, a number of global / economic challenges have emerged which will have a significant impact on the Council's financial position in 2022/23 and beyond. These issues are discussed in more detail further on within this narrative statement.

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

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

Although the Council awaits its first such report, the commentary will cover the following 3 headings:

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

This is expected to cover areas such as:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- how the Council plans to bridge its funding gaps and identifies achievable savings;
- how the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;

- how the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- how the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

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

This is expected to cover areas such as:

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

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

This is expected to cover areas such as:

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

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

Risks and Opportunities

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

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

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

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

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 three items as follows:

Risk	How the Risk is Controlled/Mitigated
<p>Ineffective Cyber Security Physical and Application (software) Based Protection Management</p>	<p>Tendring District Council has robust cyber-security including; physical devices (Firewalls), network segregation, protective software applications to protect the Council from the daily occurrences of external Cyber-attack. Our Cloud migration strategy has enabled us to implement further layers of Cloud cyber-security and this action will continue during 2022 due to additional investments by Microsoft around this topic. Cyber-security is an essential part of our induction training. In addition phishing awareness campaigns are also planned for 2022. The last Local Government Association cyber-security self-assessments achieved a robust Amber-green (score 65-79% Essex top-quartile) but with areas of improvement identified. We have undertaken improvements in areas the assessment highlighted. With council cyberattacks growing exponentially in both volume and complexity we are proposing a number of cybersecurity strengthening initiatives during 2022. We are working with the Department for Levelling Up Housing and Communities (DLUHC) and have received significant funding to assist us in our cybersecurity improvements.</p>
<p>Financial Strategy - The impact of achieving a balanced budget in an ever-tightening financial environment on service delivery objectives.</p>	<p>Long Term Financial Plan updated on an ongoing basis.</p> <ul style="list-style-type: none"> • 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 financial performance monitoring. • Engagement with key stakeholders, members and senior management as early as possible. • Responding to and implementing recommendations and advice issued by the Council's External Auditor. • Material savings options to be individually risk assessed <p>In the event that the long term approach does not deliver the intended outcomes then the Council can revert to the more traditional / short term approach to setting the budget. In addition to the above a zero based approach to budget setting will continue to be developed in 2022/23 along with a corporate investment plan approach to prioritise resource allocation.</p>
<p>Loss of sensitive and/or personal data through malicious actions, loss, theft and/or hacking</p>	<p>Multi-firewall network segregation implemented with role-based access to systems necessary for work. Governance procedures/ policies/ responsibilities quarterly reviewed by the Information Governance Policy Unit. All remote working is protectively 'tunnelled' utilising Microsoft VPN technology. All officer mobile devices (laptops, tablets and phones) are encrypted with complex passwords and are managed using Microsoft Mobile device Management (MDM) to further protect data. Enhanced monitoring of the Council's internal network data flows focusses on early detection/ isolation of cyber-attack. The Council maintains an ongoing campaign to educate staff and members as to a range of cyber-attacks/ techniques. However, cyber-attacks have significantly increased during the COVID-19 global pandemic</p>

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

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

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

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

In addition to the above, risks and opportunities are reviewed, considered and reported to the Council's Senior Management Team and Members as part of the Council's decision making processes when projects are identified and developed during the year. Given the global economic challenges emerging in 2022, the Council's Senior Management Team have requested that Officers review their business continuity, especially in the light of commodity prices and supply chain issues.

Strategy and Resource Allocation

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

The updated long term forecast presented to Full Council on 15 February 2022 included revised annual forecasts over the remaining years of the 10 year plan which are set out in the table below (including estimated balances on the Forecast Risk Fund that supports the delivery of a balanced budget year on year):

Year	Net Budget Position (including adjusting for prior use of reserves to balance the budget)	Forecast Risk Fund - Estimated Surplus Balance at the end of each year
2023/24	£1.348 million (Deficit)	£2.425 million
2024/25	£1.312 million (Deficit)	£1.613 million
2025/26	£1.205 million (Deficit)	£0.908 million
2026/27	£1.103 million (Deficit)	£0.306 million

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

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

In addition to the above, the Council has introduced a 'zero' based approach to budget setting which will be further developed as part of the 2023/24 budget setting process.

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

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

As highlighted earlier, the Council has now adopted a new Corporate Investment Plan approach to the allocation of resources. A summary of the background and key points that were considered by in February 2022 is as follows:

- The key aim of the Corporate Investment Plan is to establish a corporate framework to prioritise how, when and where the Council spends / deploys its available resources.
- The Corporate Investment Plan will strengthen the Council's capacity to focus on delivery, and will enable the Council to make balanced judgements on investment against the corporate priorities.
- It is important to highlight that it aims to complement rather than replace the key investment criteria set out in the Council's Capital Strategy.
- All organisations have finite funding and staff capacity, and need to choose where best to spend and invest their limited resources to achieve the goals they have set.
- The Corporate Investment Plan will bring together a 'pipeline' of opportunities to be funded, which enables the various competing priorities to be considered in a consistent way.
- The aim is to give maximum visibility to decision makers on the options for investment, so that prioritisation can be made knowing the alternative calls on Council's resources.
- In comparison with the criteria included within the Capital Strategy mentioned above, the criteria proposed to be included within the Corporate Investment Plan include key priority 'drivers' such as financial viability / sustainability, non-financial consequences such as reputation / health and safety, the outcome from external assessment / regulatory reviews along with being outcome driven.

The Corporate Investment Plan and associated project 'pipeline' will be further developed in 2022/23.

Council Performance 2021/22

Non-Financial Performance

A comprehensive performance report is presented to Management Team and Members on a quarterly basis, which includes a number of key projects / priorities. The following sets out a summarised outturn position at the end of March 2022:

(The full/detailed outturn report can be found by following this link - [Transparency - making public information available to everyone | Tendring District Council \(tendringdc.gov.uk\)](https://www.tendringdc.gov.uk/Transparency-making-public-information-available-to-everyone))

Highlight Action	Year End Status
Carbon neutral by 2030	On its Way
Effective Regulation and Enforcement	Delivered
Effective Planning Policies	Delivered
Building and Managing our Own Homes	Delivered
Vibrant Town Centres	On its Way
Balanced Annual Budget	Delivered
Develop and Attract New Businesses	On its Way
Support Existing Businesses	Delivered
Promote Tendring's Tourism, Cultural and Heritage Offers	Delivered
Sport England and Active Essex – for Physical Activity and Well Being	Delivered

In respect of the above, as set out in the detailed outturn report highlighted earlier, a number of achievements were delivered in 2021/22, with work continuing into 2022/23 and beyond as necessary.

Financial Performance

Continuing from previous years, the various strands representing the overall financial performance of the Council have been brought together in one report that is reported to members based on a quarterly basis. This approach follows the commitment made to provide regular updates on the long term financial forecast and to bring the reporting of key financial performance and budget monitoring together in one report. The report therefore sets out the overall financial position of the Council in one place and includes a risk assessed approach to each strand of the forecast. Two such financial performance reports were presented to Members during 2021/22 and are available on the Council's website.

The Council is meeting its long term forecasted position with a limited use of the forecast risk fund that was set up to 'underwrite' the risks associated with the new long term approach. In respect of 2022/23, there is an estimated use of the forecast risk fund of £0.431 million, with £3.205 million in the fund at the end of March 2022 to continue to support the long term plan in 2023/24 and beyond.

Financial Performance 2021/22 including comparison with the 2021/22 Budget

A comprehensive outturn report was presented to the Council's Cabinet on 15 July 2022, which is available on the Council's website, with a summary set out below that follows a similar format of the Expenditure and Funding analysis within the Statement of Accounts:

Summary of General Fund Revenue Financial Performance 2021/22

	Budget £m	Outturn £m	Variance £m
Net Cost of Services *	30.320	18.528	(11.792)
Other Income and Expenditure			
<i>Revenue Support for Capital Investment</i>	6.754	3.037	(3.717)
<i>Financing Items</i>	(5.745)	(8.372)	(2.627)
<i>Business Rates (including Tariff and Levy)</i>	(4.599)	(4.943)	(0.344)
<i>Revenue Support Grant</i>	(0.431)	(0.431)	-
<i>Collection Fund Surplus/Deficit</i>	6.018	6.018	-
<i>Income from Council Tax Payers</i>	(8.604)	(8.604)	-
Total Other Income and Expenditure	(6.607)	(13.295)	(6.688)
(Surplus) or Deficit on Provision of Services **	23.713	5.233	(18.480)
Opening General Fund Balances	(43.304)	(43.304)	-
(Surplus) or Deficit on General Fund in Year	23.713	5.233	(18.480)
Closing General Fund Balances at 31 March	(19.591)	(38.071)	(18.480)

* the budget of £30.320 million included in the table above is £10.983 million more than the figure (£19.337 million) presented to Full Council in February 2021 when the original budget was agreed, which is primarily due to the amounts carried forward from 2020/21 into 2021/22.

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

- Garden Communities Project - £1.300 million
- Clacton Town Centre Projects - £2.291 million
- Business Investment and Growth - £0.747 million
- Rural and Urban Infrastructure Fund - £1.184 million

The above figures relate to the General Fund only which explains the difference with the figures set out in the Expenditure and Funding Analysis which include the Housing Revenue Account. The Expenditure and Funding analysis set out within the Statement of Accounts shows a Net Cost of Services figure for 2021/22 of £18.634 million. When the HRA is excluded (£0.108 million), the outturn position relating to the Net Cost of Services is £18.528 million as included in the table above.

Within the £18.480 million variance on the (Surplus) or Deficit on Provision of Services above, a general contribution of £0.252 million was made to reserves representing the overall outturn variance for the year. The main reasons behind the overall outturn variance for the year are summarised below:

- Net Income from Business Rates £0.533 million
- Reduced Housing Benefit and Rent Rebates Net Costs- £0.281 million
- Reduced income from the Council operated Crematorium - £0.917 million

Summary of General Fund Capital Programme 2021/22

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 2022/23, with significant items as follows:

- Disabled Facilities Grants - £7.333 million
- Starlings and Milton Road Development - £1.163 million
- Weeley Crematorium Works - £1.539 million

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

	Budget 2021/22 £m	Outturn 2021/22 £m	C/fwds £m	Variance £m
Capital Expenditure	16.509	4.308	12.440	0.239
<hr/>				
Funding of Capital Expenditure	Budget 2021/22 £m	Outturn 2021/22 £m	To Fund C/fwds £m	Variance £m
External Sources of Finance	(0.852)	(0.141)	(0.711)	-
S106	(0.006)	(0.001)	(0.005)	-
Government Grants	(8.082)	(1.130)	(7.043)	(0.091)
Capital Receipts	(0.815)	-	(0.815)	-
Revenue Contributions	(2.243)	(0.222)	(2.171)	(0.150)
Use of Earmarked Reserves	(4.511)	(2.814)	(1.695)	0.002
Total	(16.509)	(4.308)	(12.440)	(0.239)

General Fund Reserves

The overall level of reserves at the end of 2021/22 is £38.071 million, made up of £18.623 million for earmarked commitment reserves, £15.448 million for other earmarked reserves and £4.000 million for uncommitted reserves.

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

The level of earmarked commitments reserve is lower than at the end of 2020/21 primarily due to the impact from COVID 19 in areas such as Government Grant funding and the associated accounting treatment of business rates via the collection fund.

Housing Revenue Account 2021/22

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	Outturn	Variance
	£m	£m	£m
Net Cost of Services	0.985	0.108	(0.877)
Other Income and Expenditure	-	-	-
(Surplus) or Deficit on Provision of Services *	0.985	0.108	(0.877)
Opening HRA Revenue Reserves	(5.310)	(5.310)	-
(Surplus) or Deficit on HRA in Year	0.985	0.108	(0.877)
Closing HRA General Balance at 31 March	(4.325)	(5.202)	(0.877)

* the difference between budget and actuals is primarily due to an additional call on the HRA General Balances of £0.079 million along with carry forwards of £0.956 million.

Housing Revenue Account 2021/22 – Capital Expenditure

	Budget	Outturn	C/fwds	Variance
	2021/22	2021/22		
	£m	£m	£m	£m
HRA Capital Expenditure	10.256	4.317	5.870	(0.069)

A summary of how this capital expenditure was financed in 2021/22 is set out below:

	Budget 2021/22 £m	Outturn 2021/22 £m	To Fund C/fwds £m	Variance £m
Major Repairs Reserve	(3.957)	(3.089)	(0.802)	0.066
S106	(1.110)	(0.774)	(0.334)	0.002
Capital Receipts	(0.068)	(0.068)	-	-
External Contributions	(3.977)	(0.199)	(3.778)	-
Revenue funding from the HRA	(1.144)	(0.187)	(0.956)	0.001
Total	(10.256)	(4.317)	(5.870)	0.069

The overall variance of £0.069 million is largely due to the timing and programme of works which will continue in 2022/23 and beyond supported by the various funding sources highlighted in the table above.

The Council's Overall Balance Sheet

The Council's balance sheet as at the end of March 2022 is set out within the Statement of Accounts. Some significant matters to highlight are as follows:

➤ New or Significant Changes in Liabilities/Assets

- Property, Plant and Equipment** - The net book value of Property, Plant and Equipment at 31 March 2022 has increased by £26.880 million to £261.539 million compared to the balance at 31 March 2021. The main factor in this increase is the revaluation movements on the Council's assets. The Council appointed a new firm of Valuers for 2021/22 and they applied different assumptions in reaching their valuations, combined with the ongoing nationwide increases in house purchase prices, which drives the valuation of council dwellings.
- Pensions** - At the end of 2021/22 there is an overall pension deficit attributable to the Council of £18.370 million (£42.283 million for 2020/21) which has been included in the Balance Sheet as at 31 March 2022. This reflects the calculations carried out in accordance with IAS19 based on actuarial assumptions which were subject to a comprehensive triennial review as at 31 March 2019. The next triennial review is due in 2022. The deficit reported for 2021/22 highlights that to date the current benefit obligations of the fund are greater than the current value of the assets of the fund although it is important to note that the figures calculated under IAS19 differ from those calculated as part of the triennial actuarial review. Statutory arrangements for funding the deficit calculated via the triennial actuarial review mean that the deficit on the local government scheme will be made good by contributions over the remaining working life of employees, as assessed by the scheme actuary.

The decrease in the liability is mainly as a result of increases in the value of the fund assets.

The scheme's actuary has applied a discount rate of 2.6% compared to a rate of 2.0% used last year in determining the liabilities for retirement benefits

Although the thinking and philosophy behind the long term financial sustainability plan has been referred to earlier on in this report, the detailed budget for 2022/23 that was 'built' on this approach is set out below:

General Fund

The Council's overall net General Fund revenue budget for 2022/23 (excluding amounts carried forward from 2021/22) is £9.398 million with a summary below, including how it is financed:

	2022/23 Original £m
Net Cost of Services	20.107
Revenue Support for capital investment	0.082
Financing items	(7.389)
Net Expenditure	12.800
Net Use of Earmarked Reserves	(3.402)
Total Net Budget	9.398
Financed by:	
Business Rates (excl. S31 Govt. Grant funding)	(3.033)
Revenue Support Grant	(0.444)
Collection Fund (Surplus)/Deficit	3.191
Council Tax Requirement (for Tendring District Council)	9.112

A summary of planned Capital Expenditure in 2022/23 (excluding amounts carried forward from 2021/22) and how it is financed is as follows:

	2022/23 Original Budget £m
Expenditure	0.839
Financing	
Government Grants	(0.757)
Capital Receipts	-
Earmarked Reserves	(0.012)
Direct Revenue Contributions	(0.070)
Total Financing	(0.839)

The current long term forecast going into 2023/24 and beyond reflects items such as the on-going impact from the reduction in government funding and the potential for income growth from council tax and business rates, including amounts from property growth. The proposed changes to business rates nationally remains as a significant risk to Councils and will continue to be monitored and reflected in the forecast accordingly. On the expenditure side of the forecast, inflation such as salaries and the living wage are also included along with an estimate of cost pressures and potential savings. As highlighted later on, there are a number of other emerging financial issues that are expected to have an impact on the Council in 2022/23 and beyond.

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

In terms of the COVID-19 pandemic, the speed and scale of the economic recovery nationally remains unclear, especially in light of the global financial challenges mentioned later. However this will be kept under review and reflected in the long term forecast that will be updated on an on-going basis during 2022/23.

Housing Revenue Account

A summary of the HRA Revenue Budget for 2022/23 is summarised below:

	2022/23 Original Budget £m
Direct Expenditure	7.072
Direct Income	(14.312)
Indirect Income/Expenditure including Financing Costs	7.240
Net (Surplus)/Deficit	<hr/> - <hr/>
Contribution to/(from) Reserves	<hr/> - <hr/> <hr/>

A summary of the HRA Capital Programme for 2022/23 is set out below:

	2022/23 Original Budget £m
Expenditure	<hr/> 3.790 <hr/>
Financing	
Major Repairs Reserve	3.176
Revenue funding from the HRA	0.614
Total Financing	<hr/> 3.790 <hr/> <hr/>

The Council continues to take forward and develop a number of projects and priorities, with a summary of some key items set out below:

Corporate Plan Priority	Key Actions
Minimise Waste; Maximise Recycling	The Council implemented a substantially different waste and recycling collection service in 2019. The new service brought with it a number of challenges and opportunities that saw recycling rates increase. The objective through the course of this year is to further develop and consolidate the service to ensure it continues to deliver a good recycling rate whilst providing a good level of satisfaction for residents.
Carbon Neutral by 2030	The Council has pledged to become carbon neutral by 2030 from the Council's own activities and from the electricity it uses. The Council has an Action Plan 2020-2023 to help it make progress towards this goal, and it will continue to deliver actions within the Action Plan. In particular, the Council will focus on improving the

	<p>efficiency of the Council's estate, and engaging externally with partners with common interests in climate action.</p>
<p>Building and Managing our own homes</p>	<p>Working in partnership with procurement specialists at Essex County Council in order to run a tender exercise for the design and construction of single storey homes suitable for older and disabled persons. The procurement exercise will result in a high profile redevelopment of around 20 bungalows at the Honeycroft site in Lawford.</p> <p>The redevelopment will seek to provide homes achieving appropriate energy efficiency and lifetime homes standards along with meeting other industry benchmarks for quality and design. Options for the use of Modern Methods of Construction will be included along with offering the opportunity to Small & Medium size Enterprise (SME) developers. The overall design is to recognise current landscape constraints and provide a secure yet welcoming micro community that supports independent living and quality lifestyle.</p> <p>Further to the redevelopment of Honeycroft site, two further sites held within the Housing Revenue Account (HRA) will be progressed to design and tender phase such that construction can follow on once Honeycroft is completed, or in parallel if funding permits. These sites could deliver a total of ten additional council homes for rent.</p> <p>Discussions with Councillors will be facilitated on a range of further potential development sites identified within the HRA and General Fund estates. Proposals around a range of disposal or development options will touch on a spectrum of priority themes and balance financial and service considerations.</p> <p>All of the above will be subject to appropriate (further) Cabinet and Full Council level decisions on scheme design, cost and funding.</p>
<p>Use assets to support priorities</p>	<p>Appropriately disposing of land at the redundant Weeley Office Site in support of priorities.</p> <p>To facilitate member decision on a range of potential development sites identified within the Housing Revenue Account and General Fund estates. Propose a range of disposal or development options that touch on a spectrum of priority themes and balance financial and service considerations.</p> <p>To ensure that the Council's general fund assets support in the delivery of the Council's key priorities including the provision of modern high quality buildings for customers and staff along with a commitment to carbon neutrality.</p>
<p>Develop and attract new businesses</p>	<p>Partners have submitted a successful Outline Business Case for Freeport East, with the potential to bring investment and jobs to the Port at Harwich. On 7 December 2021 the Government formally designated the Freeport tax sites within Freeport East (including at Harwich). The Council will be an effective partner in the Freeport East programme, working with other local authorities and the Port to support efforts to bring forward Bathside Bay. The Council will work with Essex County Council and other partners to develop future proposals for the regeneration benefits that Freeport East could bring to the District of Tendring.</p>
<p>Support existing businesses</p>	<p>The Council has the opportunity to seek government funding to invest in its major town centres in Clacton and Harwich through the Levelling Up Fund. The Council will develop a pipeline of projects to support the District's town centres, working with partners, and seek funding for them.</p>

In addition to the above, the Outturn Report for 2021/22 that was presented to the Council's Cabinet on 15 July 2022 highlighted a number of significant financial challenges that are currently emerging that are expected to have an impact in 2022/23 and beyond with an extract from that report set out below:

Global factors are continuing to have a major impact on the economy and in turn the financial position of the Council. A number of challenges lay ahead including local issues, some of which are likely to not only have an impact in 2022/23, but are also likely to continue into 2023/24 and beyond. Some examples of the financial pressures faced by the Council include:

- On-going impact from the closure of the Council operated crematorium
- Utility / Fuel costs
- General Inflation
- Increases in the cost of delivering capital projects – key issues relating to supply chain / commodity price pressures. This may also have an impact on ‘usual’ operational costs of the Council.
- Increases in salary costs

Although there are likely to be additional financial pressures over and above the items listed, this relatively limited list of items could alone see additional costs in excess of **£2.000m** over current budgets. This could have a significant impact on not only day to day service delivery but also on the scale and speed that the Council can invest in its priorities.

It is important to highlight that our suppliers and contractors are also likely to experience similar cost pressures, which could have a ‘knock on’ impact on their ability to continue to fulfil contractual obligations. With this in mind, Departments are being asked to review their business continuity plans to ensure that they are robust and effective if faced with such events.

In light of the above, work will be undertaken during 2022/23 to gain a clearer position on the potential financial impacts faced by the Council, with updates presented to Members as part of the regular financial performance reports.

The Impact of COVID-19

The COVID-19 pandemic has had a considerable impact on the Council, our businesses and our residents with significant financial impacts in both 2020/21 and 2021/22.

Although the Council continued to see losses in income in areas such as leisure along with increases in costs associated with the Council’s on-going response to the crisis, this has been supported via various Government grants.

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

Grant from ECC	Scheme Supported
£0.145 million	Additional Restrictions Business Grants
£0.950 million	Business Adaptations Grants
£0.100 million	Various compliance activities

In terms of the longer term impact of the COVID 19 pandemic, updated financial analysis and forecasts will continue to take account of such issues as necessary during 2022/23 and beyond.

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 follows. The financial statements are based on the going concern basis which means that the Council will continue in operational existence for the foreseeable future.

FINANCIAL STATEMENTS

The main elements of the financial statements are explained below and comprise of information in respect of accounting concepts and estimation techniques, the responsibilities for the statement of accounts along with the report of the auditors and the detailed financial statements and notes. The format and information in the Accounts has been prepared in line with International Financial Reporting Standards (IFRS) and the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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 Director Finance and IT for the Authority's accounts and financial affairs.
- **Report of the Auditors** - The Auditor certifies that an audit of the Statement of Accounts has been concluded and gives an opinion on their presentation and content.

CORE FINANCIAL STATEMENTS

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

- **Comprehensive Income and Expenditure Statement** - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **Movement in Reserves Statement (MIRS)** - This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. This statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax and rents for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

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

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

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

SUPPLEMENTARY FINANCIAL STATEMENTS

- **Housing Revenue Account Income and Expenditure Statement** - The Housing Revenue Account (HRA) reflects a statutory obligation (Local Government and Housing Act 1989) to maintain a separate account for local authority housing provision such as those revenue transactions relating to the Council's housing stock and its other housing assets. The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement. The Account is also consolidated into the Comprehensive Income and Expenditure Statement previously mentioned.
- **Movement on the Housing Revenue Account Statement** - Similarly to the Movement in Reserves Statement, amounts that need to be included in the HRA to arrive at an overall position for the year include those in accordance with statute and are either added or removed from the figures in the Income and Expenditure Statement. Accordingly, this statement reconciles the income and expenditure statement with the other items in the HRA to arrive at the overall HRA balance for the year.
- **Collection Fund Income and Expenditure Statement** - The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and business rates. Transactions relating to Tendring District Council are included in the Comprehensive Income and Expenditure Statement.

OTHER INFORMATION

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

ADDITIONAL STATEMENTS

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

ACCOUNTING CONCEPTS AND ESTIMATION TECHNIQUES

Accounting Concepts

The accounting policies are detailed in a separate section (see page 67). These are consistent with the fundamental accounting concepts of:

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

Estimation Techniques

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the 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 Director Finance and IT's Responsibilities

The 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 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 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.

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 2022 and the income and expenditure for the year then ended.

R C Barrett
Director Finance and IT
Date: 9 December 2024

Chair of the Audit Committee' Certificate

I can confirm that the Audit Committee at the meeting held on the 9 December 2024 approved these accounts.

Councillor G Sudra on behalf of the Tendring District Council
Chair of the meeting approving the accounts
Date: 9 December 2024

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

TENDRING DISTRICT COUNCIL

YEAR ENDED 31 MARCH 2022

Disclaimer of opinion

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matter 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 on these financial statements.

We were engaged to audit the financial statements of Tendring District Council ("the Authority") for the year ended 31 March 2022 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Income and Expenditure Statement and notes to the financial statements including material accounting information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2022 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. The conditions created by backstop arrangements have resulted in us not being able to obtain all the necessary audit evidence upon which to form an opinion since there was insufficient time to perform all necessary audit procedures by the backstop date. Consequently, we have not performed any work in respect of any audit area. As a result, we are unable to conclude that the Authority's financial statements for the year ended 31 March 2022 as a whole are free from material misstatement. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

Other information

The Director Finance and IT is responsible for the other information. The other information includes all other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Code of Audit Practice 2024 requires auditors to report on whether other information published together with the financial statements is consistent with the financial statements. Because of the significance of the matter described in the Basis for disclaimer of opinion section of our report, we have been unable to form an opinion on whether the other information published together with the financial statements is consistent with the financial statements.

Matters on which we are required to report by exception

Use of resources

We are required to report to you if, in our opinion, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in this regard.

Other matters on which we report by exception

We are required to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit;
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014;
- 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;
- 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 respect of these matters, except that because of the significance of the matter described in the Basis for disclaimer of opinion section of our report, we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Responsibilities of the Director Finance and IT and the Authority

As explained more fully in the Statement of Responsibilities, the Director Finance and IT is responsible for the preparation of the financial statements and for being satisfied that the financial statements give a true and fair view and for such internal control as the Director Finance and IT determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director Finance and IT is responsible for assessing the Authority's 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 relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matters 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 these financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

Auditor's other responsibilities

As set out in the Other matters on which we report by exception section of our report there are certain other matters which we are required to report by exception.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of Tendring District 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 Authority 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 Authority and the Authority members, as a body, for our audit work, for this report, or for the opinions we have formed.

Aphrodite Lefevre, Key Audit Partner

For and on behalf of BDO LLP, Local Auditor
Norwich, UK

10 December 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

Expenditure	2020/21			2021/22		Note	
	Income	Net		Expenditure	Income		Net
£000	£000	£000		£000	£000	Ref	
EXPENDITURE ON SERVICES							
3,941	(1,720)	2,221	Leader	4,514	(1,805)	2,709	
6,891	(4,417)	2,474	Corporate Finance and Governance	8,330	(4,985)	3,345	
12,310	(4,845)	7,465	Environment and Public Space	14,096	(4,395)	9,701	
65,966	(62,313)	3,653	Housing	59,792	(57,498)	2,294	
648	(363)	285	Partnerships	893	(80)	813	
722	(202)	520	Business and Economic Growth	3,064	(2,446)	618	
9,464	(3,101)	6,363	Leisure and Tourism	11,449	(3,478)	7,971	
1,039	(350)	689	Budgets Relating to Non Executive Functions	1,132	(519)	613	
100,981	(77,311)	23,670	Net Cost of Services	103,270	(75,206)	28,064	
2,900	(940)	1,960	Other Operating Income and Expenditure	3,590	(1,292)	2,298	
2,556	(551)	2,005	Financing and Investment Income and Expenditure	1,946	(466)	1,480	11
6,009	(31,036)	(25,027)	Taxation and Non-Specific Grant Income and Expenditure	6,416	(31,956)	(25,540)	12
		2,608	(Surplus) or Deficit on Provision of Services			6,302	
	(16,213)		(Surplus) or deficit on revaluation of non-current assets			(30,627)	10(a)
	2,116		Remeasurements of the net defined benefit liability (asset)			(28,823)	10(c)
	(14,097)		Other Comprehensive Income and Expenditure			(59,450)	
	(11,489)		Total Comprehensive Income and Expenditure			(53,148)	

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 2020 brought forward	32,892	6,964	4,335	1,890	7,669	53,750	144,677	198,427	
Movement in reserves during the year									
Total comprehensive expenditure and income	(953)	(1,655)	-	-	-	(2,608)	14,097	11,489	
Adjustments between accounting basis and funding basis under regulations	11,365	1	1,113	(363)	(83)	12,033	(12,033)	-	7
Increase/(Decrease) in Year	10,412	(1,654)	1,113	(363)	(83)	9,425	2,064	11,489	
Balance at 31 March 2021 carried forward	43,304	5,310	5,448	1,527	7,586	63,175	146,741	209,916	8,10
Balance at 1 April 2021 brought forward	43,304	5,310	5,448	1,527	7,586	63,175	146,741	209,916	
Movement in reserves during the year									
Total comprehensive expenditure and income	(7,271)	969	-	-	-	(6,302)	59,450	53,148	
Adjustments between accounting basis and funding basis under regulations	2,038	(1,077)	88	(147)	1,630	2,532	(2,532)	-	7
Increase/(Decrease) in Year	(5,233)	(108)	88	(147)	1,630	(3,770)	56,918	53,148	
Balance at 31 March 2022 carried forward	38,071	5,202	5,536	1,380	9,216	59,405	203,659	263,064	8,10

BALANCE SHEET

AS AT 31 MARCH 2022

31/03/2021		31/03/2022	Note
£000		£000	Ref
	Long Term Assets		
234,659	- Property Plant and Equipment	261,539	13
-	- Heritage Assets	157	
1,985	- Investment Property	2,108	14
26	- Intangible Assets	10	
467	- Long Term Debtors	273	15
237,137	Total Long Term Assets	264,087	
	Current Assets		
65,611	- Short Term Investments	69,016	15
1,000	- Assets Held for Sale	1,000	17
40	- Inventories	107	
15,947	- Short Term Debtors	16,505	18
11,295	- Cash and Cash Equivalents	10,040	19
93,893	Total Current Assets	96,668	
	Current Liabilities		
(1,968)	- Short Term Borrowing	(2,506)	15
(36,178)	- Short Term Creditors	(40,249)	20
(1,816)	- Provisions	(1,049)	
(1,636)	- Capital Grants Receipts in Advance	(240)	22
(41,598)	Total Current Liabilities	(44,044)	
	Long Term Liabilities		
(312)	- Long Term Creditors	(578)	
(36,921)	- Long Term Borrowing	(34,699)	15
(42,283)	- Other Long Term Liabilities - Pensions	(18,370)	27
(79,516)	Total Long Term Liabilities	(53,647)	
209,916	Total Net Assets	263,064	
	Financed by:		
63,175	Usable Reserves	59,405	9
146,741	Unusable Reserves	203,659	10
209,916	Total Reserves	263,064	

R C Barrett
 Director Finance and IT
 9 December 2024

CASH FLOW STATEMENT

2020/21 £000		2021/22 £000	£000
(2,608)	Net surplus or (deficit) on the provision of services		(6,302)
	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements:		
10,285	Depreciation, revaluation and impairment of non-current assets	10,670	
170	Movement in Investment Property Values	(123)	
44	Amortisation of Intangible Assets	16	
14,709	Increase/decrease in creditors	(4,415)	
(1,085)	Increase/decrease in debtors	(5,189)	
565	Movement in pension liability	4,910	
313	Contributions to/(from) provisions	(767)	
565	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	1,893	
(9)	Other items	(66)	6,929
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:		
(892)	Capital Grants credited to surplus or deficit on the provision of services	(2,097)	
(972)	Proceeds from the sale of property, plant and equipment	(2,029)	(4,126)
21,085	Net cash flows from Operating Activities*		(3,499)
	Investing Activities:		
(5,931)	Purchase of property, plant and equipment, investment property and intangible assets		(8,864)
(5,079,900)	Purchase of short term investments		(857,800)
980	Proceeds from the sale of property, plant and equipment		2,056
5,077,200	Proceeds from short term investments		854,403
-	Other payments for investing activities		(963)
1,792	Other receipts from investing activities		1,639
(5,859)	Net cash flows from investing activities		(9,529)
	Financing Activities:		
(1,720)	Repayments of short and long term borrowing		(1,671)
(15,941)	Other payments for financing activities		4,615
10,500	Other receipts from financing activities		8,829
(7,161)	Net cash flows from financing activities		11,773
8,065	Net increase or (decrease) in cash and cash equivalents		(1,255)
3,230	Cash and cash equivalents at the beginning of the reporting period		11,295
11,295	Cash and cash equivalents at the end of the reporting period		10,040

*The cash flows for operating activities include Interest Received of £0.389 million (£0.484 million in 2020/21) and Interest paid of £1.346 million (£1.387 million in 2020/21).

NOTES TO CORE FINANCIAL STATEMENTS

1 Expenditure and Funding Analysis

2020/21			2021/22			Note Ref
Expenditure Chargeable to GF and HRA Balances	Adjustment between Funding and Accounting basis	Net Expenditure in the CIES	Expenditure Chargeable to GF and HRA Balances	Adjustment between Funding and Accounting basis	Net Expenditure in the CIES	
£000	£000	£000	£000	£000	£000	
EXPENDITURE ON SERVICES						
2,221	-	2,221	2,709	-	2,709	
(12,458)	14,932	2,474	(6,264)	9,609	3,345	
7,465	-	7,465	9,701	-	9,701	
4,066	(413)	3,653	2,474	(180)	2,294	
285	-	285	813	-	813	
520	-	520	618	-	618	
6,363	-	6,363	7,971	-	7,971	
689	-	689	613	-	613	
9,151	14,519	23,670	18,635	9,429	28,064	
(17,909)	(3,153)	(21,062)	(13,294)	(8,468)	(21,762)	
(8,758)	11,366	2,608	5,341	961	6,302	
(39,856)			(48,614)			
(8,758)			5,341			
(48,614)			(43,273)			8

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

2020/21				2021/22				
Adjustments for Capital Purposes (see a below)	Pensions Adjustments (see b below)	Other Differences (see c below)	Total Adjustments		Adjustments for Capital Purposes (see a below)	Pensions Adjustments (see b below)	Other Differences (see c below)	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
				EXPENDITURE ON SERVICES				
106	-	14,826	14,932	Corporate Finance and Governance	607	-	9,002	9,609
711	207	(1,331)	(413)	Housing	673	462	(1,315)	(180)
817	207	13,495	14,519	Net Cost of Services	1,280	462	7,687	9,429
1,841	358	(5,352)	(3,153)	Other Income and Expenditure	(1,011)	4,448	(11,905)	(8,468)
2,658	565	8,143	11,366	(Surplus) or Deficit on Provision of Services	269	4,910	(4,218)	961

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 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

3 Critical judgements in applying accounting policies

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

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

The accounting standards introduced by the 2022/23 Code (which has yet to be issued) are expected to be as follows:

- IFRS16 Leases, but the requirement to adopt this has been deferred again by CIPFA and Tendring District Council has decided not to adopt it voluntarily as the changes this will introduce are not expected to materially change the statement of accounts due to the low values and short lives of assets leased by the Council.
- IFRS1 First time adoption, an amendment relating to foreign operations of acquired subsidiaries transitioning to IFRS which is not relevant to Tendring District Council.
- IAS37 Onerous contracts which clarifies the intention of the standard and has no impact for Tendring District Council.
- IAS41 Agriculture which is not relevant to Tendring District Council.
- IAS16 Property, Plant and Equipment proceeds before intended use, which again is not expected to have an impact for Tendring District Council.

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

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

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

a) COVID-19

The COVID-19 pandemic has continued to have a major impact on the Council's resources and cash flows during the year, which have been outlined elsewhere in this report, most notably in the narrative statement at pages xxvii to xxviii. The impact in 2022/23 is not expected to be significant, beyond repayment of unspent COVID-19 support funding. However, the level of arrears owing to the Council has continued to rise as a result of the suspense of recovery action during the pandemic. The level of impairment of doubtful debts has been re-assessed, but it is not certain this will be sufficient as historic collection rates may not be achievable going forwards. The Valuer has not referred to material valuation uncertainty in valuing the Council's assets at 30 September 2021 in relation to COVID-19.

b) Property, Plant and Equipment Valuations

As set out in note 13 on Property Plant and Equipment, the Council uses the services of an external professional valuer in valuing assets. In accordance with the Code council dwellings are valued on a beacon basis by grouping similar houses together and applying the social housing discount factor set by central government. Land and buildings are valued either at existing use value (EUUV), which is based on market evidence and the Valuer's professional judgement assuming they remain in existing use; or for specialised assets at Depreciated Replacement Cost (DRC), which includes assumptions made by the Valuer for relevant build costs, obsolescence and professional fees costs.

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

c) Pensions Liability

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

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £3.598 million.

However, the assumptions interact in complex ways. During 2021/22, the Authority's actuaries advised that the net pensions liability had decreased by £15.243 million primarily as a result of increases in the value of the fund assets.

6 Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Director Finance and IT on 28 July 2022. Consideration for events arising after the Balance Sheet date is given up to the date the accounts are authorised for issue.

In 2015 Tendring District Council entered into an agreement with the Homes and Communities Agency (now Homes England) to build 10 Starter Homes in Lotus Way Jaywick, 5 of which were to be retained as Council Dwellings by Tendring District Council and 5 of which were to be held for sale to local residents. The build project completed in March 2021 and 5 properties were recognised as assets held for sale as at 31 March 2021 with a value of £200,000 per property. As at 31 March 2022, the properties were still being actively marketed by a local Estate Agent, and therefore continued to be recognised as current assets held for sale. On the 17 June 2022 Tendring District Council's Cabinet resolved to retain these 5 properties within the Council's Housing stock as Council Dwellings. This is a non-adjusting event for 2021/22 reporting period as the decision took place after 31 March 2022. The impact of this decision will be recognised in the 2022/23 financial year, with a transfer from 'Current Assets Held for Sale' to 'Council Dwellings', which means that the assets will be revalued at EUV-SH as part of the overall housing stock.

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.

2020/21					2021/22				
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
358	207	-	-	-	4,448	462	-	-	-
7,946	-	-	-	-	(4,218)	-	-	-	-
187	10	-	-	-	-	-	-	-	-
3,638	6,661	-	-	-	4,987	5,699	-	-	-
170	-	-	-	-	(123)	-	-	-	-
42	2	-	-	-	15	1	-	-	-
12,341	6,880	-	-	-	5,109	6,162	-	-	-

Adjustments to the Revenue Resources

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

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

Total Adjustments to Revenue Resources

2020/21					2021/22				
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									
(95)	(878)	-	-	973	(288)	(1,741)	-	-	2,029
33	532	-	-	-	737	1,156	-	-	-
-	14	-	-	(14)	-	25	-	-	(25)
(891)	(595)	-	106	-	(1,285)	(1,652)	-	1,418	-
308	-	-	-	(308)	309	-	-	-	(309)
-	(3,176)	3,176	-	-	-	(3,176)	3,176	-	-
(218)	(1,664)	-	-	-	(210)	(1,664)	-	-	-
7	-	-	-	(7)	24	-	-	-	(24)
796	-	-	-	-	679	-	-	-	-
(916)	(1,112)	-	-	-	(3,037)	(187)	-	-	-
(976)	(6,879)	3,176	106	644	(3,071)	(7,239)	3,176	1,418	1,671
Adjustments to Capital Resources									
-	-	-	-	(735)	-	-	-	-	(68)
-	-	(2,063)	-	-	-	-	(3,088)	-	-
-	-	-	(469)	-	-	-	-	(1,565)	-
-	-	-	-	8	-	-	-	-	27
-	-	(2,063)	(469)	(727)	-	-	(3,088)	(1,565)	(41)
11,365	1	1,113	(363)	(83)	2,038	(1,077)	88	(147)	1,630

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 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000
General Fund:							
Revenue Commitments Reserve	11,423	(11,202)	16,517	16,738	(16,427)	14,434	14,745
Capital Commitments Reserve	3,793	(3,792)	3,128	3,129	(3,118)	3,866	3,877
Forecast Risk Fund	3,088	(393)	1,058	3,753	(1,048)	500	3,205
Asset Refurbishment/Replacement Reserve	1,269	-	-	1,269	-	-	1,269
Beach Recharge Reserve	1,500	-	-	1,500	(1,500)	-	-
Benefit Reserve	1,000	-	-	1,000	-	-	1,000
Building for the Future Reserve	2,610	(1,371)	-	1,239	(270)	685	1,654
Business Rate Resilience Reserve	1,758	-	6,468	8,226	(6,045)	2,817	4,998
Commuted Sums Reserve	389	(28)	66	427	(20)	100	507
Crematorium Reserve	154	-	-	154	-	-	154
Election Reserve	-	-	30	30	-	30	60
Haven Gateway Partnership Reserve	75	-	-	75	-	-	75
Leisure Capital Projects Reserve	124	(92)	50	82	(81)	50	51
Planning Inquiries and Enforcement Reserve	99	(20)	-	79	(20)	-	59
Residents Free Parking Reserve	221	(221)	-	-	-	-	-
Section 106 Agreements Reserve	1,389	(268)	482	1,603	(71)	885	2,417
Total General Fund Earmarked Reserves	28,892	(17,387)	27,799	39,304	(28,600)	23,367	34,071
General Fund Balance	4,000	-	-	4,000	-	-	4,000
Total General Fund	32,892	(17,387)	27,799	43,304	(28,600)	23,367	38,071

	Balance at 1 April 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000
Housing Revenue Account:							
General Reserve	5,270	(823)	-	4,447	(201)	-	4,246
Housing Revenue Account Commitments Reserve	1,694	(1,694)	863	863	(863)	956	956
Total Housing Revenue Account	6,964	(2,517)	863	5,310	(1,064)	956	5,202

9 Usable Reserves

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

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

a) General Fund Balance

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

b) Capital Receipts

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

c) Capital Grants Unapplied

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

d) Earmarked Reserves

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

i) Revenue Commitments Reserve

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

ii) Capital Commitments Reserve

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

iii) Forecast Risk Fund

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

iv) Asset Refurbishment/Replacement Reserve

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

v) Beach Recharge Reserve

Established to fund future costs of replenishing the beaches with sand along the Clacton to Holland coastline. This reserve was fully utilised during 2021/22 to fund Cliff Stabilisation works, which was subject to a separate decision by Cabinet on 23 April 2021.

vi) Benefit Reserve

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

vii) Building for the Future Reserve

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

- viii) Business Rates Resilience Reserve**

To support the Council in reacting to potential future changes in Business Rate appeals and income.
- ix) Commuted Sums Reserve**

Established from commuted sums paid to the Council to cover such items as maintenance costs of Open Spaces and CCTV.
- x) Crematorium Reserve**

To finance future replacement and improvement works to the crematorium plant and equipment at Weeley.
- xi) Election Reserve**

To finance future costs associated with holding District Elections on a periodic basis.
- xii) Haven Gateway Partnership Reserve**

To support the costs associated with the Haven Gateway Partnership.
- xiii) Leisure Capital Projects Reserve**

This reserve has been established to fund ongoing investment in Leisure Facilities.
- xiv) Planning Inquiries and Enforcement Reserve**

To meet associated costs relating to planning services.
- xv) Residents Free Parking Reserve**

To support the continuation of the residents' free parking initiative in the District. This reserve was fully utilised in 2020/21
- xvi) 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

2020/21		2021/22
£000		£000
62,104	Revaluation Reserve	90,230
133,198	Capital Adjustment Account	134,073
(42,283)	Pensions Reserve	(18,370)
(6,206)	Collection Fund Adjustment Account	(1,988)
(72)	Other Unusable Reserves	(286)
<u>146,741</u>		<u>203,659</u>

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.

2020/21			2021/22	
£000	£000		£000	£000
	47,484	Balance at 1 April		62,104
16,653		Upward revaluation of assets	37,073	
(440)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(6,446)	
	16,213	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		30,627
(1,464)		Difference between fair value depreciation and historical cost depreciation	(1,740)	
(129)		Accumulated gains on assets sold or scrapped	(761)	
	(1,593)	Amount written off to the Capital Adjustment Account		(2,501)
	<u>62,104</u>	Balance at 31 March		<u>90,230</u>

b) Capital Adjustment Account

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

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

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

2020/21			2021/22	
£000	£000		£000	£000
	134,922	Balance at 1 April		133,198
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
		Charges for depreciation, revaluation and impairment of non-current assets	(10,299)	(10,686)
		Movement in Investment Property Values	(170)	123
		Amortisation of Intangible Assets	(44)	(16)
		Revenue expenditure funded from capital under statute	(796)	(679)
		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	(565)	(1,893)
			<u>(11,874)</u>	<u>(13,151)</u>
		Adjusting amounts written out of the Revaluation Reserve	1,593	2,501
	(10,281)	Net written out amount of the cost of non-current assets consumed in the year		<u>(10,650)</u>
	-	Termination of Finance Lease Transfer from Deferred Capital Receipts		188
		Capital financing applied in the year:		
		Use of the Capital Receipts Reserve to finance new capital expenditure	735	68
		Use of the Major Repairs Reserve to finance new capital expenditure	2,063	3,088
		Application of grants, donated assets and contributions to capital financing	1,849	3,084
		Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances	1,882	1,873
		Capital expenditure charged against General Fund or HRA	2,028	3,224
	8,557	Total amount of capital financing applied in the year	<u></u>	<u>11,337</u>
	<u>133,198</u>	Balance at 31 March	<u></u>	<u>134,073</u>

c) Pensions Reserve

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

2020/21			2021/22	
£000	£000		£000	£000
	(39,602)	Balance at 1 April		(42,283)
	(2,116)	Remeasurements of the net defined benefit liability (asset)		28,823
(5,339)		Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(7,751)	
4,774		Employer's pensions contributions and direct payments to pensioners payable in the year	2,841	
	(565)	Total adjustments to revenue resources		(4,910)
	<u>(42,283)</u>	Balance at 31 March		<u>(18,370)</u>

d) Collection Fund Adjustment Account

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

	Council Tax	Business Rates	Total
	£000	£000	£000
Balance at 1 April 2020	396	1,344	1,740
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(165)	(7,781)	(7,946)
Balance at 31 March 2021	231	(6,437)	(6,206)
Balance at 1 April 2021	231	(6,437)	(6,206)
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	363	3,855	4,218
Balance at 31 March 2022	594	(2,582)	(1,988)

11 Financing and Investment Income and Expenditure

2020/21		2021/22
£000		£000
1,512	Interest payable and similar charges	1,251
874	Net interest on the defined benefit liability (asset)	818
(372)	Interest receivable and similar income	(210)
170	Movement in Investment Property Values	(123)
(179)	Rental Income from Investment Property	(256)
<u>2,005</u>	Total	<u>1,480</u>

12 Taxation and Non-Specific Grant Income and Expenditure

2020/21		2021/22
£000		£000
10,635	Council tax income	11,095
4,446	Retained Business Rates Income	9,170
(6,009)	Business Rates Tariff and Levy	(6,416)
15,254	Non-Ringfenced Government Grants	9,433
701	Capital Grants, Contributions and Donated Assets	2,258
<u>25,027</u>	Total	<u>25,540</u>

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

13 Property, Plant and Equipment

a) Movement on Balances

Movements in 2021/22	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equipment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construc-tion	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000
	Cost or valuation							
At 1 April 2021	142,024	54,123	6,395	56,259	540	45	336	259,722
Additions	4,631	1,281	163	2,404	10	1	327	8,817
Accumulated depreciation and impairment written off to Gross Carrying Amount	(3,045)	(1,713)	-	-	-	(15)	-	(4,773)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	22,516	8,097	-	-	-	15	-	30,628
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,895)	(810)	-	-	-	-	-	(3,705)
Derecognition - Disposals	(1,163)	(681)	-	-	-	-	(46)	(1,890)
Derecognition - Other	-	(44)	-	-	-	-	-	(44)
Assets reclassified (to)/from Surplus Assets	-	(2,369)	-	-	-	2,369	-	-
Assets reclassified (to)/from Assets Under Construction	-	25	-	210	-	-	(235)	-
Other Movements in cost or valuation	(297)	297	-	-	-	-	-	-
At 31 March 2022	161,771	58,206	6,558	58,873	550	2,415	382	288,755

Movements in 2021/22	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equipment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construc-tion	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000
Depreciation and impairments								
At 1 April 2021	(585)	(894)	(4,188)	(19,361)	(35)	-	-	(25,063)
Depreciation Charge for 2021/22	(2,904)	(1,344)	(475)	(2,230)	-	(13)	-	(6,966)
Accumulated depreciation written off to Gross Carrying Amount	3,045	1,478	-	-	-	15	-	4,538
Accumulated impairment written off to Gross Carrying Amount	-	235	-	-	-	-	-	235
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - Disposals	6	6	-	-	-	-	-	12
Derecognition - Other	-	28	-	-	-	-	-	28
Other Movements in depreciation and impairment	-	2	-	-	-	(2)	-	-
At 31 March 2022	(438)	(489)	(4,663)	(21,591)	(35)	-	-	(27,216)
Net Book Value								
at 31 March 2022	161,333	57,717	1,895	37,282	515	2,415	382	261,539
at 1 April 2021	141,439	53,229	2,207	36,898	505	45	336	234,659

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

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

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 2021/22 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 56 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
51-54 years	Beach changing kiosks, beach huts, chapels, crematorium, deck chair kiosks, depots and industrial properties, garages, investment property, kiosks, Princes Theatre, pavilions, miscellaneous properties, museums, offices, public halls, squash courts, swimming pools
49 years	Public conveniences, former public conveniences
41-51 years	Historic buildings, bandstand
39 years	Seafront shelters
26 years	All weather pitch, roller skating rink
48 years	Clacton Leisure Centre

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

c) Capital Commitments

At 31 March 2022, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment with 2022/23 and future years budgeted to cost £1.241 million. Similar commitments as 31 March 2021 were £0.228 million.

d) Revaluations

Full revaluation of all General Fund and Housing Revenue Account (HRA) Properties was undertaken in 2021/22 as at 30 September 2021 by P C Smith, BSc (Hons) MRICS, IRRV (Hons) RICS Registered Valuer of Wilks Head and Eve LLP in accordance with the following guidance:

- CIPFA Code 2021/22
- 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 2021 to 31 March 2022 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 7.5% for flats and 10% for houses were modelled through the portfolio and resulted in a material increase so they are reflected in the Balance Sheet. The Supplementary Financial Statement for the HRA sets out additional valuation details relating to the Council's housing stock.

14 Investment Properties

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

2020/21		2021/22
£000		£000
(179)	Rental Income from Investment Property	(256)
<u>(179)</u>	Net gain/loss	<u>(256)</u>

There are no restrictions on the authority's ability to realise the value inherent in its investment property or on the authority's right to the remittance of income and the proceeds of disposal. The authority has no contractual obligations to purchase, construct or develop investment property, or repairs, maintenance or enhancement.

The movement in the fair value of investment property over the year is as follows:

2020/21		2021/22
£000		£000
2,155	Balance at start of year	1,985
(170)	Net Gains/(losses) from fair value adjustments	123
<u>1,985</u>	Balance at end of the year	<u>2,108</u>

a) Fair Value hierarchy

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

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

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

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

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

b) Highest and best use of investment properties

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

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

15 Financial Instruments

a) Categories of Financial Instruments

Long Term 31 March 2021 £000	Current 31 March 2021 £000		Long Term 31 March 2022 £000	Current 31 March 2022 £000
		Financial assets at amortised cost		
-	65,611	Investments	-	69,016
467	2,710	Trade and other receivables	273	2,364
-	11,295	Cash and Cash Equivalents	-	10,040
<u>467</u>	<u>79,616</u>	Total Financial Assets at amortised cost	<u>273</u>	<u>81,420</u>
		Financial liabilities at amortised cost		
36,921	1,968	Borrowing from Public Works Loan Board (PWLB)	34,699	2,506
312	-	Section 106 agreements	578	-
-	3,974	Trade and other payables	-	4,116
<u>37,233</u>	<u>5,942</u>	Total Financial Liabilities at amortised cost	<u>35,277</u>	<u>6,622</u>

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

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

b) Reclassifications

There have been no reclassifications of financial assets or liabilities in 2021/22.

c) Income, Expense, Gains and Losses

2020/21			2021/22		
Financial Liabilities measured at amortised cost	Financial Assets measured at amortised cost	Total	Financial Liabilities measured at amortised cost	Financial Assets measured at amortised cost	Total
£000	£000	£000	£000	£000	£000
1,375	-	1,375	1,333	-	1,333
-	-	-	-	6	6
1,375	-	1,375	1,333	6	1,339
-	(371)	(371)	-	(210)	(210)
-	(371)	(371)	-	(210)	(210)
1,375	(371)	1,004	1,333	(204)	1,129

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 2021			31 March 2022		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000	£000		£000	£000	
38,889	54,384	PWLB borrowing	37,205	48,456	
312	312	Long term Section 106 agreements	578	578	
3,974	3,974	Trade and other payables	4,116	4,116	

The fair value of PWLB loans of £48.456 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 2021			31 March 2022		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000	£000		£000	£000	
65,611	65,611	Investments	69,016	69,016	
467	467	Long term trade and other receivables	273	273	
2,710	2,710	Short term trade and other receivables	2,364	2,364	

16 Nature and Extent of Risks arising from Financial Instruments

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

a) Credit Risk

Credit risk arises from deposits with banks and other financial institutions and from credit advanced to the Council's customers. The Balance Sheet figures for financial assets are not representative of the normal level of exposure at any particular time. Positive cash flows in the early part of each financial year can lead to a considerably higher level of total investments. The maximum exposure during 2021/22 was £94.098 million.

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

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

The Authority allows credit for some customers where payment in advance of service provision is not practicable. £0.429 million of the £2.200 million sundry debtor balance is past its due date for payment. The past due, but not impaired, amount can be analysed by age as follows;

2020/21		2021/22
£000		£000
187	Less than three months	12
112	Three to six months	40
76	Six months to one year	48
331	More than one year	329
<hr style="border-top: 1px solid black;"/>		<hr style="border-top: 1px solid black;"/>
706		429
<hr style="border-top: 3px double black;"/>		<hr style="border-top: 3px double black;"/>

Impairments of Sundry Debtors at 31 March 2022 totalled £0.604 million (£0.685 million at 31 March 2021).

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:

2020/21				2021/22		
Principal	Interest	Total		Principal	Interest	Total
£000	£000	£000		£000	£000	£000
1,671	1,926	3,597	Less than one year	2,222	1,272	3,494
2,222	1,272	3,494	Between one and two years	1,422	1,217	2,639
6,467	3,420	9,887	Between two and five years	7,466	3,173	10,639
6,782	4,436	11,218	Between five and ten years	5,449	4,257	9,706
3,914	3,727	7,641	Between ten and fifteen years	3,532	3,619	7,151
17,536	10,847	28,383	More than fifteen years	16,830	10,164	26,994
<u>38,592</u>	<u>25,628</u>	<u>64,220</u>		<u>36,921</u>	<u>23,702</u>	<u>60,623</u>

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

c) Market Risk

➤ Interest Rate Risk

At 31 March 2022 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 2022, 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	377
Increase in interest receivable on variable rate investments	(844)
	<u>(467)</u>
Impact on Surplus or Deficit on the Provision of Services	<u>(467)</u>
Share of overall impact relating to the HRA	<u>282</u>

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

➤ Price Risk

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

➤ Foreign Exchange Risk

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

17 Assets Held for Sale

During 2020/21 the Council completed the construction of 10 new homes at Lotus Point in Jaywick. It was decided that five of these should be sold as affordable housing and were being actively marketed, so the spend on these five homes was transferred to Assets Held for Sale in 2020/21. None have been sold during 2021/22 and in June 2022 Cabinet changed the decision to sell these assets, see note 6 for further information.

2020/21		2021/22
£000		£000
33	Balance Brought Forward	1,000
1,008	Assets reclassified to held for sale in year	-
752	Additions in year	-
(760)	Revaluation losses	-
(33)	Assets sold in year	-
<u>1,000</u>	Balance carried forward	<u>1,000</u>

18 Debtors

2020/21				2021/22		
Gross Amount	Impairment Allowance	Net		Gross Amount	Impairment Allowance	Net
£000	£000	£000		£000	£000	£000
359	(175)	184	Council tenants arrears	374	(226)	148
2,632	(699)	1,933	Trade debtors	2,259	(618)	1,641
1,980	(1,387)	593	Housing benefit overpayments	1,919	(1,344)	575
3,011	(1,429)	1,582	Business rates and Council Tax Payers	3,891	(1,760)	2,131
10,780	-	10,780	Amounts due from government and preceptors for Business Rates and Council Tax	5,921	-	5,921
852	-	852	Other amounts due from government	6,085	-	6,085
23	-	23	Other	4	-	4
<u>19,637</u>	<u>(3,690)</u>	<u>15,947</u>	Balance at 31 March	<u>20,453</u>	<u>(3,948)</u>	<u>16,505</u>

19 Cash and Cash Equivalents

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

2020/21		2021/22
£000		£000
	Current Assets:	
(113)	Bank current accounts	1,327
11,398	Call accounts	8,703
10	Petty cash	10
<u>11,295</u>		<u>10,040</u>

20 Creditors

2020/21		2021/22
£000		£000
3,518	Trade creditors	3,784
456	Capital creditors	334
	Amounts due to government and preceptors for Business Rates and Council	
9,980	Tax	8,620
14,267	COVID-19 grant funding	19,805
7,360	Other amounts due to government and preceptors	6,976
591	Receipts in Advance for Council Tax and Business Rates	729
6	Other	1
<u>36,178</u>	Balance at 31 March	<u>40,249</u>

21 Expenditure and Income Analysed by Nature

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

2020/21		2021/22
£000		£000
	Expenditure	
19,990	Employee Expenses	23,549
76,671	Other Services Expenses	75,451
10,329	Depreciation, Amortisation, Impairment	10,686
170	Movement in Investment Property Values	(123)
1,512	Interest Payable and Similar Charges	1,251
874	Pension Interest and Return on Pension Assets	818
2,046	Precepts and Levies	2,100
308	Payments to Housing Capital Receipts Pool	309
546	Loss on the Disposal of Non-Current Assets	1,181
<u>112,446</u>	Total Expenditure	<u>115,222</u>
	Income	
(26,936)	Fees and Charges and Other Service Income	(31,093)
(940)	Gain on Disposal of Non-Current Assets	(1,292)
(551)	Interest and Investment Income	(466)
(10,635)	Income from Council Tax	(11,095)
(4,446)	Income from Business Rates	(9,170)
(66,330)	Government Grants and Contributions	(55,804)
<u>(109,838)</u>	Total Income	<u>(108,920)</u>
<u>2,608</u>	(Surplus) or Deficit on the Provision of Services	<u>6,302</u>

22 Grant Income

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

2020/21 £000		2021/22 £000
Credited to Taxation and Non-Specific Grant Income		
<i>Non-Ringfenced Grants:</i>		
429	Revenue Support Grant	431
-	Lower Tier Services Grant	403
1,514	New Homes Bonus Grant	644
340	New Burdens Grant	131
8,899	NDR Section 31 Business Rate Grants	5,372
150	EU Exit/Transition Funding	-
482	Section 106 Agreements	885
3,413	COVID-19 Support Grants	1,397
27	Other Government Grants	170
15,254		9,433
<i>Capital Grants, Contributions and Donated Assets</i>		
<i>Government Funding</i>		
79	- Environment Agency	451
	- Historic England	140
-	- South East Local Enterprise Partnership	199
-	Local Authority - Essex County Council	13
<i>Other Capital Contributions</i>		
-	- Section 106	613
27	- Walton Flood Wall	2
595	Donated Assets	840
701		2,258
Other Significant Grants Credited to Services		
62	Apprenticeship Training Grant	64
43,869	Benefits	39,790
125	Big Lottery Funding	-
323	Health Partner Initiatives Grants	42
193	Collection Investment/Hardship Administration Grant	196
6,618	COVID-19 Grants	6,891
786	Disabled Facilities Grant	666
289	Essex County Council - Technical Agreement Contribution	441
111	Historic England Grants	12
498	Homelessness Grants	1,052
85	Individual Electoral Registration	-
-	Levelling Up Fund	125
52,959		49,279

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:

2020/21			2021/22	
£000			£000	
Capital Grants Receipts in Advance				
Government Funding:				
975		Business, Energy and Industrial Strategy		-
451		The Environment Agency		-
152		Home and Communities Agency		152
55		Local Authority Funding		88
3		Other capital contributions		-
<hr/>			<hr/>	
1,636				240
<hr/>			<hr/>	

23 Related Parties

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

2020/21			2021/22	
Receipts	Payments		Receipts	Payments
£000	£000		£000	£000
2,903	175	Essex County Council	2,503	759
212	325	Other local authorities	252	507
Transactions with organisations related by a declared interest of Council Members or Senior Officers:				
-	2	Association of Retained Council Housing	-	-
-	-	Teen Talk	-	30
2	3	Other	5	2
<hr/>			<hr/>	
3,117	505	Total Related Party Transactions	2,760	1,298
<hr/>			<hr/>	

24 Members' Allowances

The Authority paid £0.429 million to members of the Council during the year (£0.458 million in 2020/21). Full details are available on the Transparency page of the Council's website.

25 Officers' Remuneration

a) Analysis of "senior employees" remuneration

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

Post Title	note	2021/22			Total Remuneration
		Salary, Fees and Allowances	Total remuneration excluding Pension Contributions	Employer's Contributions to Pension	
		£	£	£	£
Chief Executive		137,772	137,772	27,692	165,464
Corporate Director - Operations and Delivery		86,688	86,688	17,424	104,112
Assistant Director - Governance		80,874	80,874	16,255	97,129
Assistant Director - Finance and IT		75,886	75,886	15,253	91,139
Assistant Director - Partnerships	1	78,731	78,731	13,413	92,144
Assistant Director - Strategic Planning and Place	2	55,186	55,186	11,093	66,279

Notes

1. Post became a Senior Post on 1 April 2021 following Senior Management Restructure.
2. Post became a Senior Post on 1 July 2021 following Senior Management Restructure.

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

Notes

1. Left on 10 May 2020.
2. Post created by Senior Management Restructure and appointed to on 1 August 2020 on an Acting Up basis, the post was made substantive on 1 October 2020.

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:

2020/21 Number of Total	Remuneration Band	2021/22 Number of Total
6	£50,000 - £54,999	4
2	£55,000 - £59,999	4
4	£60,000 - £64,999	2
2	£65,000 - £69,999	3
-	£120,000 - £125,000 **	1

** This band includes the £72,120 exit package in note c) below.

Where the £5,000 bands included no officers in both 2020/21 and 2021/22, they have been excluded from the note.

c) Exit Packages

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

Exit package cost band (including special payments)	2021/22		Total Number of exit packages by cost band	Total cost of exit packages in each band £
	Number of compulsory redundancies	Number of other departures agreed		
£0 - £20,000	-	4	4	23,652
£20,001-40,000	-	2	2	45,037
£60,001-80,000	-	1	1	72,120
Total cost included in Comprehensive Income and Expenditure Statement				140,809

Exit package cost band (including special payments)	2020/21		Total Number of exit packages by cost band	Total cost of exit packages in each band £
	Number of compulsory redundancies	Number of other departures agreed		
£0 - £20,000	-	2	2	13,430
Total cost included in Comprehensive Income and Expenditure Statement				13,430

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

26 Termination Benefits

The contracts of 6 employees ceased in 2021/22. A further termination was agreed in 2021/22 with the contract ceasing in 2022/23. This incurred total liabilities of £140,809 (there were 4 contracts for employees that ceased in 2020/21 of which 2 were accounted for in 2020/21 incurring total liabilities of £13,430 with the remaining 2 recorded in 2019/20 as they were agreed in that year). Of the total paid of £140,809, £97,279 was compensation for loss of office. Further details can be found in Note 25(c).

27 Defined Benefit Pension Schemes

a) Participation in Pension Schemes

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

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

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

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

b) Transactions Relating to Post-Employment Benefits

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

2020/21 Local Government Pension Scheme £000		2021/22 Local Government Pension Scheme £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
	<i>Service cost comprising:</i>	
4,359	Current service cost	6,745
-	Past service costs	110
12	(gain)/loss from settlements	-
94	Administration Expenses	78
	<i>Financing and Investment Income and Expenditure</i>	
874	Net interest expense	818
5,339	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	7,751
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	<i>Remeasurement of the net defined benefit liability comprising:</i>	
(33,803)	Return on plan assets (excluding the amount included in the net interest expense)	(11,983)
(1,917)	Actuarial gains and losses arising on changes in demographic assumptions	(4,917)
39,989	Actuarial gains and losses arising on changes in financial assumptions	(7,779)
(2,153)	Experience gains and losses on defined benefit obligation	(2,768)
-	Other Actuarial gains and losses on assets	(1,376)
7,455	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(21,072)
	Movement in Reserves Statement	
(5,339)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(7,751)
	Actual amount charged against the General Fund Balance for pensions in the year:	
4,774	Employer's contributions payable to scheme	2,841

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:

2020/21 Local Government Pension Scheme £000		2021/22 Local Government Pension Scheme £000
203,724	Present value of the defined benefit obligation	193,828
(161,441)	Fair Value of plan assets	(175,458)
<u>42,283</u>	Net liability arising from defined benefits obligation	<u>18,370</u>

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

2020/21 Local Government Pension Scheme £000		2021/22 Local Government Pension Scheme £000
124,603	Opening fair value of scheme assets	161,441
2,931	Interest income	3,204
	<i>Remeasurement gain/(loss):</i>	
33,803	The return of plan assets, excluding the amount included in the net interest expense	11,983
-	Other actuarial gains/(losses)	1,376
4,774	Contributions from employers	2,841
820	Contributions from employees into the scheme	848
(5,461)	Benefits paid	(6,157)
65	Other - Settlement prices received / (paid)	-
(94)	Other - Administration	(78)
<u>161,441</u>	Closing fair value of scheme assets	<u>175,458</u>

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

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

2020/21			2021/22	
Local			Local	
Government			Government	
Pension			Pension	
Scheme			Scheme	
£000			£000	
164,205	Opening Balance at 1 April		203,724	
4,359	Current service cost		6,745	
3,805	Interest cost		4,022	
820	Contributions from scheme participants		848	
	<i>Remeasurement (gain)/loss:</i>			
(1,917)	Actuarial gains/losses arising from changes in demographic assumptions		(4,917)	
39,989	Actuarial gains/losses arising from changes in financial assumptions		(7,779)	
(2,153)	Experience gains and losses on defined benefit obligation		(2,768)	
-	Past service cost		110	
(5,461)	Benefits paid		(6,157)	
77	Liabilities extinguished on settlements		-	
203,724	Closing Balance at 31 March		193,828	

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

2020/21				2021/22		
Quoted	Unquoted			Quoted	Unquoted	
Prices in	Prices (not	Total		Prices in	Prices (not	Total
Active	in Active			Active	in Active	
Markets	Markets)			Markets	Markets)	
£000	£000	£000		£000	£000	£000
			Fair Value of Scheme Assets			
-	4,067	4,067	Cash and cash equivalents	-	4,966	4,966
7,905	-	7,905	Equities - UK	9,131	-	9,131
86,636	-	86,636	Equities - Overseas	86,215	-	86,215
			Gilts UK index Linked Government			
4,113	-	4,113	Securities	4,246	-	4,246
7,853	-	7,853	Bonds - Corporate (UK)	7,619	-	7,619
3,365	8,012	11,377	Property	4,182	10,804	14,986
-	7,583	7,583	Private Equity	-	8,780	8,780
-	11,231	11,231	Infrastructure	-	15,150	15,150
-	4,557	4,557	Timber	-	5,050	5,050
-	2,767	2,767	Private Debt	-	1,915	1,915
-	13,352	13,352	Other Managed Funds	-	17,400	17,400
109,872	51,569	161,441		111,393	64,065	175,458

g) Basis for Estimating Assets and Liabilities

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

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

Remedial regulations are expected in 2022 arising from the Court of Appeal Judgement in respect of the McCloud and Sargent cases which relate to age discrimination within the Judicial and Fire Pension Schemes. An allowance has been made in previous reporting periods for the potential impact therefore no further explicit adjustments have been made in this period. The McCloud remedy is expected to only apply to benefits accrued up to 31 March 2022 and therefore an adjustment is required to the Projected Service Cost from 1 April 2022 so that no further allowance for the McCloud remedy is made. This will be reflected in the Current Service Cost in the next accounting period.

The significant assumptions used by the actuary have been:

2020/21 Local Government Pension Scheme		2021/22 Local Government Pension Scheme
	<i>Mortality assumptions:</i>	
	Longevity at 65 for current pensioners:	
21.6	Men	21.0
23.6	Women	23.5
	Longevity at 65 for future pensioners:	
22.9	Men	22.3
25.1	Women	24.9
2.8%	Rate of inflation - CPI Increases	3.20%
3.8%	Rate of increase in salaries	4.20%
2.8%	Rate of increase in pensions	3.20%
2.0%	Rate for discounting scheme liabilities	2.60%

The demographic assumptions used are in line with those used for the most recent fund valuation, which was carried out as at 31 March 2019. For the assumptions as at 31 March 2022 the CMI_2021 model has been used, this is consistent with the previous accounting period.

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

	Increase in Assumption £000	Decrease in Assumption £000
Impact on the Defined Benefit Obligation in the Scheme		
Longevity (increase or decrease in 1 year - mortality age rating)	203,434	184,081
Rate of inflation (increase or decrease by 0.1%)	196,938	190,153
Rate of increase in salaries (increase or decrease by 0.1%)	193,794	193,196
Rate of increase in pensions (increase or decrease by 0.1%)	196,938	190,153
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	189,838	197,264

h) Impact on the Authority's Cash Flows

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

The authority expects to pay contributions totalling £2.675 million to the scheme in 2022/23.

The weighted average duration of the defined benefit obligation for scheme members is 19 years, 2021/22 (19 years 2020/21).

28 External Audit Costs

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

2020/21		2021/22
£000		£000
45	Fees payable with regard to external audit services carried out by the appointed auditor for the year	45
21	Fees payable in respect of other services provided by the external auditor during the year - certification of Housing Benefit Subsidy and Pooling of Housing Capital Receipts **	41
66	Total Audit Fees Payable	86

** For 2021/22 this includes £3,700 that relates to additional fees associated with claims certification work for 2019/20, with the balance relating to the estimated accrued amount for claims certification work for 2020/21.

29 Capital Expenditure and Capital Financing

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

2020/21		2021/22
£000		£000
45,554	Opening Capital Financing Requirement	43,672
	Capital Investment:	
5,283	Property, Plant and Equipment	7,946
2	Intangible Assets	-
796	Revenue expenditure funded from capital under statute	679
	Sources of Finance:	
(735)	Capital receipts	(68)
(1,255)	Government grants and other contributions	(2,245)
(2,063)	Major Repairs Reserve	(3,089)
	Sums set aside from revenue:	
(2,028)	Direct revenue contributions	(3,224)
(218)	MRP/loans fund principal	(209)
(1,664)	Voluntary MRP - HRA	(1,664)
43,672	Closing Capital Financing Requirement	41,798
	Explanation of movements in year	
(1,882)	Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	(1,874)
(1,882)	Increase/(Decrease) in Capital Financing Requirement	(1,874)

30 Operating Leases - Authority as Lessor

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

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

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

2020/21		2021/22
£000		£000
426	Not later than one year	424
1,364	Later than one year and not later than five years	1,349
3,756	Later than five years	3,670
<hr/>		<hr/>
5,546		5,443
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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 2022

2020/21 £000		2021/22 £000	£000	Note Ref
EXPENDITURE				
4,416	Repairs and Maintenance	4,283		
2,979	Supervision and Management	2,893		
240	Rents, Rates, Taxes and Other Charges	227		
6,646	Depreciation and Impairments of Non-Current Assets	5,685		5,6
66	Debt Management Costs	66		
27	Movement in the allowance for bad debts	63		
2	Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	1		
14,376	Total Expenditure		13,218	
INCOME				
(12,636)	Dwelling rents	(12,813)		
(230)	Non dwelling rents	(234)		
(518)	Charges for Services and Facilities	(472)		
(28)	Contributions towards expenditure	(46)		
(13,412)	Total Income		(13,565)	
964	Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		(347)	
276	HRA Share of Corporate and Democratic Core		276	
1,240	Net Expenditure / (Income) for HRA Services		(71)	
HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:				
(332)	(Gain) or loss on sale of HRA Non-current Assets		(561)	
1,362	Interest Payable and Similar Charges		1,322	
(595)	Capital Grants and Contributions Receivable		(1,652)	
(20)	Interest and Investment Income		(7)	
1,655	(Surplus) / Deficit for the year on HRA Services		(969)	

HOUSING REVENUE ACCOUNT – MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2020/21		2021/22	
£000		£000	£000
5,270	Balance on the HRA as at the end of the previous year		4,447
(1,655)	Surplus or (Deficit) on the HRA Income and Expenditure Statement	969	
	Adjustments between accounting basis and funding basis under regulations:		
3,948	Reversal of Revaluation Changes and Impairment	2,739	
2	Reversal of Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	1	
(332)	Reversal of (Gain) or Loss on sale of HRA Non-current assets	(561)	
(595)	Reversal of Capital Grants and Contributions Receivable	(1,652)	
10	Reversal of Short Term Accumulating Compensated Absences	-	
(1,112)	Capital Expenditure Funded by the HRA	(187)	
(1,664)	Debt Repayment & Credit arrangements	(1,664)	
208	HRA share of contributions to or from the Pension Reserve	462	
(1,190)	Net increase or (decrease) before transfer to or from Reserves	107	
	Transfer (to) or from Reserves:		
(464)	Transfer (to)/from Major Repairs Reserves	(215)	
831	Transfers (to)/from Earmarked Reserves	(93)	
(823)	Increase or (decrease) in year on the HRA		(201)
<u>4,447</u>	Balance on the HRA as at the end of the current year		<u>4,246</u>

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

1 Housing Revenue Account Balances

HOUSING REVENUE ACCOUNT RESERVES

2020/21				2021/22		
Housing Revenue Account £000	Housing Commitments Reserve £000	Total £000		Housing Revenue Account £000	Housing Commitments Reserve £000	Total £000
5,270	1,694	6,964	Balances as at 1 April	4,447	863	5,310
(823)	(831)	(1,654)	Surplus/(deficit) for year	(201)	93	(108)
<u>4,447</u>	<u>863</u>	<u>5,310</u>	Balances as at 31 March	<u>4,246</u>	<u>956</u>	<u>5,202</u>

2 Housing Assets

As at 31 March 2022, the Council was responsible for managing the following council housing assets:

01/04/2020					31/03/2021					01/04/2021					31/03/2022					
Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	
										£000										
										Dwellings										
1,458	5	6	1,457	50,963	Flats	1,457	-	8	1,449	57,129	1,457	-	8	1,449	57,129	1,457	-	8	1,449	57,129
995	14	4	1,005	62,824	Houses	1,005	2	12	995	72,861	1,005	2	12	995	72,861	1,005	2	12	995	72,861
336	4	1	339	19,087	Bungalows	339	7	1	345	22,518	339	7	1	345	22,518	339	7	1	345	22,518
321	-	31	290	7,867	Sheltered Accommodation	290	-	-	290	8,033	290	-	-	290	8,033	290	-	-	290	8,033
12	-	3	9	698	Do-It-Yourself Shared Ownership (DIYSO)	9	-	-	9	792	9	-	-	9	792	9	-	-	9	792
3,122	23	45	3,100	141,439		3,100	9	21	3,088	161,333	3,100	9	21	3,088	161,333	3,100	9	21	3,088	161,333
										Other Land and Buildings										
62	-	-	62	1,395	Shared Equity Plots of Land	62	-	-	62	1,741	62	-	-	62	1,741	62	-	-	62	1,741
360	-	-	360	1,583	Garages	360	1	-	361	1,422	360	1	-	361	1,422	360	1	-	361	1,422
417	5	-	422	84	Ground Rents re: sold council flats	422	7	-	429	86	422	7	-	429	86	422	7	-	429	86
1	-	-	1	193	Community Centre	1	-	-	1	444	1	-	-	1	444	1	-	-	1	444
4	1	-	5	375	Other non-domestic properties	5	-	-	5	415	5	-	-	5	415	5	-	-	5	415
12	-	-	12	1,248	Land	12	2	-	14	1,468	12	2	-	14	1,468	12	2	-	14	1,468
3,978	29	45	3,962	146,317	Totals	3,962	19	21	3,960	166,909	3,962	19	21	3,960	166,909	3,962	19	21	3,960	166,909

In addition to the above table, the Council also held assets under construction with a balance sheet value of £0.382 million as at 31 March 2022 (2020/21 £0.056 million). There were also assets held for sale with a balance sheet value of £1.000 million as at 31 March 2022 (please see note 17 for further details).

2020/21		2021/22
£000		£000
367,280	Vacant Possession Value *	426,146
(140,649)	Less: Existing Use Values (Social Housing)	(161,423)
<u>226,631</u>	Economic Cost of Providing Social Housing	<u>264,723</u>

* This is the market value of dwellings as at 31 March 2022.

A full revaluation of all HRA assets was undertaken by the external valuer during the year with resulting changes and other adjustments being reflected in the Balance Sheet value as at 31 March 2022.

3 Capital Expenditure and Financing

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

2020/21		2021/22
£000		£000
	Capital Investment:	
2,063	Operational Assets	3,088
2,098	Property Acquisition and New Build	1,228
<u>4,161</u>		<u>4,316</u>
	Sources of Finance:	
2,063	Major Repairs Reserve	3,088
1,112	Direct Revenue Financing	187
261	Section 106 Funding	774
-	External Funding	199
725	Capital Receipts	68
<u>4,161</u>		<u>4,316</u>

4 Housing Capital Receipts Reserve

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

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

2020/21		2021/22
£000		£000
5,360	Balance as at 1 April	5,192
	Capital Receipts in the year:	
772	Council house sales (net of administration costs)	1,395
-	Repayment of Discount on Shared Equity Sales	3
92	DIYSO property sales	
-	Other Land Sales	320
1	Mortgage principal repayments	2
<u>6,225</u>		<u>6,912</u>
	Less:	
(308)	Capital receipts pooling contribution payable to the Government	(309)
(725)	Capital receipts used for financing capital expenditure	(68)
<u>5,192</u>	Balance as at 31 March	<u>6,535</u>

5 Depreciation

Depreciation has been provided on HRA assets on a straight-line basis over their expected lives, after allowing for residual and freehold land values, based on information provided by the Valuer. The depreciation charge in respect of the dwellings is a real charge on the HRA and it is credited to the Major Repairs Reserve. The depreciation charge in respect of other HRA property is shown in 'Total Expenditure' within the Income and Expenditure Account.

2020/21		2021/22
£000		£000
2,628	Dwellings	2,889
14	Do-It-Yourself Shared Ownership (DIYSO)	15
29	Garages	29
7	Community Centre	4
4	Other Non-Domestic Properties	8
30	Equipment	17
<u>2,712</u>	Depreciation Charged to the HRA I & E Account for the Year	<u>2,962</u>

6 Impairment Charges

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

2020/21		2021/22
£000		£000
4,944	Impairment charge for works to the Council's dwelling stock	4,544
(1,010)	Reversal of previous Impairment Losses due to increase in asset values	(1,821)
<u>3,934</u>	Impairment charge for the year	<u>2,723</u>

Tendring District Council has elected to recover all losses on non-dwellings from the period 2012-2017 to the HRA Reserve. In 2021/22 there were gains of £0.016 million returned to the HRA Reserve (in 2020/21 there were gains of £0.014 million). The balance currently left to recover is £1.287 million.

7 Rent Arrears and the Provision for Bad and Doubtful Debts

The rent arrears at 31 March 2022 were £0.375 million (2020/21 - £0.359 million), which equates to 2.80% (2.70% for 2020/21) 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 2022 is £0.226 million after the following movements on the account during 2021/22:

2020/21		2021/22
£000		£000
159	Balance as at 1 April	175
27	Provision for year	64
(11)	Arrears written off	(13)
<u>175</u>	Balance as at 31 March	<u>226</u>

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

2020/21			2021/22			
Council Tax	Business Rates	Total	Council Tax	Business Rates	Total	Note Ref
£000	£000	£000	£000	£000	£000	
INCOME						
(90,867)	-	(90,867)	(94,665)	-	(94,665)	2
-	(12,240)	(12,240)	-	(21,328)	(21,328)	3
(90,867)	(12,240)	(103,107)	(94,665)	(21,328)	(115,993)	
EXPENDITURE						
Precepts:						
63,931	-	63,931	64,948	-	64,948	4
3,576	-	3,576	3,579	-	3,579	
9,612	-	9,612	10,100	-	10,100	
10,400	-	10,400	10,705	-	10,705	
Shares of Business Rates Income:						
-	13,628	13,628	-	13,753	13,753	3
-	2,453	2,453	-	2,476	2,476	
-	272	272	-	275	275	
-	10,903	10,903	-	11,002	11,002	
3,364	2,402	5,766	228	(15,112)	(14,884)	5
Other Business Rates Payments:						
-	287	287	-	288	288	
-	140	140	-	(226)	(226)	
-	364	364	-	357	357	
Bad Debt and Other Provisions:						
1,337	582	1,919	1,532	570	2,102	6
52	6	58	520	100	620	
-	657	657	-	(1,793)	(1,793)	
92,272	31,694	123,966	91,612	11,690	103,302	
1,405	19,454	20,859	(3,053)	(9,638)	(12,691)	
Total Income			Total Expenditure			
(Surplus)/Deficit for the Year			(Surplus)/Deficit for the Year			

Council Tax	2020/21 Business Rates	Total		Council Tax	2021/22 Business Rates	Total	Note Ref
£000	£000	£000		£000	£000	£000	
(3,333)	(3,360)	(6,693)	Collection Fund Balance	(1,928)	16,094	14,166	
1,405	19,454	20,859	Balance brought forward	(3,053)	(9,638)	(12,691)	
			(Surplus)/Deficit for the year				
(1,928)	16,094	14,166	Balance Carried Forward	(4,981)	6,456	1,475	5
			Allocated to:				
-	8,047	8,047	Central Government	-	3,228	3,228	
(1,402)	1,448	46	Essex County Council	(3,625)	581	(3,044)	
(78)	161	83	Essex Fire and Rescue	(198)	65	(133)	
(217)	-	(217)	Essex Police and Crime Commissioner	(564)	-	(564)	
(231)	6,438	6,207	Tendring District Council	(594)	2,582	1,988	
(1,928)	16,094	14,166		(4,981)	6,456	1,475	

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 2021/22 was £1,844.34 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 2021/22

2020/21 Band	Valuation	Pro-portion	Full Charge	Paying 75%	Paying 50%	2nd Homes	Empty Properties	Exempt	Total Excluding LCTS	LCTS Scheme 100%	Total
8	*A Up to £40,000	5/9	9	4	-	-	-	-	13	(4)	9
10,178	A Up to £40,000	6/9	4,603	7,194	25	493	662	449	13,426	(3,181)	10,245
15,263	B £40,001 to £52,000	7/9	9,894	6,950	30	277	449	278	17,878	(2,559)	15,319
18,940	C £52,001 to £68,000	8/9	13,250	6,729	47	388	352	371	21,137	(2,033)	19,104
10,443	D £68,001 to £88,000	9/9	7,790	2,778	46	227	208	181	11,230	(523)	10,707
5,011	E £88,001 to £120,000	11/9	3,949	1,021	30	89	105	63	5,257	(119)	5,138
1,814	F £120,001 to £160,000	13/9	1,467	298	32	39	44	22	1,902	(32)	1,870
839	G £160,001 to £320,000	15/9	645	119	36	31	20	8	859	(10)	849
61	H Over £320,000	18/9	42	3	10	4	4	1	64	-	64
<u>62,557</u>			<u>41,649</u>	<u>25,096</u>	<u>256</u>	<u>1,548</u>	<u>1,844</u>	<u>1,373</u>	<u>71,766</u>	<u>(8,461)</u>	<u>63,305</u>
49,889	Number of equivalent full charge Band D dwellings (unscaled tax base)										50,454
(1,497)	Less Provision for changes in valuation list, discounts and doubtful debts										(2,018)
<u>48,392</u>	Tax base for tax setting purposes										<u>48,436</u>

* Band A – entitled to Disabled Relief

Analysis of the Council Tax

Council Tax for a Band D Dwelling

2020/21 Average £		2021/22 Average £
	Tendring District Council:	
160.47	General Expenses	166.05
12.17	Special Expenses	11.59
42.27	Town and Parish Councils	43.37
1,321.11	Essex County Council	1,340.91
73.89	Essex Fire and Rescue	73.89
198.63	Essex Police and Crime Commissioner	208.53
<hr/>		<hr/>
1,808.54		1,844.34
<hr/>		<hr/>

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:

2020/21		2021/22
£81,110m	Rateable Value on 31 March	£80,448m
	Non-Domestic Rate per £	
49.9p	Small Businesses	49.9p
51.2p	Standard	51.2p

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

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

4 Precepts

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

5 Share of Collection Fund Balance

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

Council Tax	2020/21 Business Rates	Total		Council Tax	2021/22 Business Rates	Total
£000	£000	£000		£000	£000	£000
-	1,201	1,201	Allocated to:	-	(7,556)	(7,556)
2,452	216	2,668	Central Government	167	(1,360)	(1,193)
140	24	164	Essex County Council	9	(151)	(142)
			Essex Fire and Rescue			
			Essex Police and Crime			
372	-	372	Commissioner	25	-	25
400	961	1,361	Tendring District Council	27	(6,045)	(6,018)
3,364	2,402	5,766		228	(15,112)	(14,884)

Therefore, the year end surplus of £4.981 million (£1.928 million in 2020/21) on Council Tax and deficit of £6.456 million (£16.094 million deficit in 2020/21) on Business Rates together with balances paid over to precepting authorities in 2022/23, will form part of the assessment made in January 2023. The change on these balances between 2020/21 and 2021/22 is due to the effect of Covid-19. This is particularly significant with regard to business rates as in 2020/21 the government scheme to support business through the pandemic significantly reduced the rates receipts in the Collection Fund. The Government funding for this scheme was received in the General Fund which created a large deficit on the Collection Fund. In 2021/22 the government scheme continued but at a reduced level as Covid restrictions eased, therefore resulting in a lower deficit in 2021/22.

6 Bad Debt and Other Provisions

Provision for Bad and Doubtful Debt

2020/21			2021/22		
Council Tax £000	Business Rates £000	Total £000	Council Tax £000	Business Rates £000	Total £000
1,389	588	1,977	2,052	670	2,722
(52)	(6)	(58)	(520)	(100)	(620)
<u>1,337</u>	<u>582</u>	<u>1,919</u>	<u>1,532</u>	<u>570</u>	<u>2,102</u>
			Movements in Year:		
			Contributions to provisions in year		
			Less: Amounts written off in the year		
			Net change in provisions		
			Balances on provisions:		
			Balance Brought Forward		
			Net change in provisions		
<u>4,338</u>	<u>1,040</u>	<u>5,378</u>	<u>5,870</u>	<u>1,610</u>	<u>7,480</u>
			Balance Carried Forward		

Provisions for Appeals (Business Rates only)

2020/21		2021/22	
£000		£000	
3,630	Balance Brought Forward	4,287	
657	Contributions to provisions in year	(1,793)	
<u>4,287</u>	Balance Carried Forward	<u>2,494</u>	

ACCOUNTING POLICIES

a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022. 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 2021/22 and the Service Reporting Code of Practice 2021/22, supported by International Financial Reporting Standards (IFRS).

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

b) Accruals of Income and Expenditure

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

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

c) Cash and Cash Equivalents

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

d) Charges to Revenue for Non-Current Assets

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

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

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

e) Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and Non-Domestic Rates

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

f) Employee Benefits

Benefits Payable During Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, for example, time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting period, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Post-Employment Benefits

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

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

The Local Government Pension Scheme

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

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

Service cost comprising:

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

Remeasurements comprising:

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

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

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

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

Discretionary Benefits

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

g) Events after the Reporting Period

Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

h) Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

For all of the borrowings that the Authority has, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Authority's business model is to hold investments to collect contractual cash flows, which only comprise principal and interest. Financial assets are therefore classified at amortised cost.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the investments that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Expected Credit Loss Model

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or a lifetime basis. The expected credit loss model also applies to lease receivables. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

i) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as current liabilities. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Grants to cover general expenditure (for example, Revenue Support Grant) are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

j) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

k) Leases

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

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

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

The Authority as Lessor – Operating Leases

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

l) Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

m) Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

Where there is no market based evidence of current value because of the specialist nature of an asset depreciated replacement cost (DRC) is used as an estimate of current value.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (for example, freehold land and certain Community Assets) and assets that are not yet available for use (for example, assets under construction).

Depreciation is calculated on the following basis:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset.
- Infrastructure – straight-line allocation.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

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

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

n) Provisions

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

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

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

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

o) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

p) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

q) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from 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), 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
2021-22

TENDRING DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2021-22

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 Assistant Director - Governance.

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

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

This Annual Governance Statement covers the period from 01 April 2021 up until its publication with the Council's Statement of Accounts on 29 July 2022.

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: -

The Authority (Full Council)	The Executive (The Cabinet)
<ul style="list-style-type: none"> • Approve Constitution and Policy Framework • Approve Council's overall budget • Approve matters reserved by law or by the Constitution to Full Council 	<ul style="list-style-type: none"> • Undertake the Council's Executive functions • Making decisions within the Budget and Policy Framework
Standards Committee	Overview and Scrutiny Committees
<ul style="list-style-type: none"> • Promote and maintain high standards of • Develop culture of openness, transparency, trust and confidence • Embed a culture of strong ethical and corporate governance 	<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • Approve the Council's Statement of Accounts • Independent assurance of adequacy of risk management framework • Consider Internal / External Audit work and recommendations arising 	<ul style="list-style-type: none"> • 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
Statutory Officers	Internal Audit
<ul style="list-style-type: none"> • Head of Paid Service – discharge of council functions • Monitoring Officer – lawfulness and fairness of decision making, including scope of powers 	<ul style="list-style-type: none"> • Provide an independent and objective assurance function • Improve effectiveness of risk management, control and governance processes
<ul style="list-style-type: none"> • 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 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 2022 and reviewed up to the date of approval of the statement of accounts.

The Governance Framework

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

1. The Council's Constitution, Budget and Policy Framework

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

2. Other Strategies, Policies and Procedures

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

3. Examples of Good Governance

- The identification of **Priorities and Projects** and their translation into clear goals enabling the targeting of work by departments
- **Performance Management** and **Budget Monitoring Frameworks** providing a review of key activities against targets set, delivery of projects, and financial performance
- The Publication of **Agendas, Reports, Minutes and Decisions** providing accurate and reliable information to the public
- A **Corporate Risk Management Framework** providing a structure for risk management within the Council, and a **Corporate Risk Register** identifying the key risk that the Council is exposed to that is subject to regular review
- **External Standards Compliance** including compliance with accounting and auditing codes and standards, and conformance of the Council's financial management arrangements with the governance requirements of the CIPFA Statement on "*The Role of the Chief Financial Officer in Local Government (2016)*"
- Robust governance arrangements for working, engaging and consulting with the Council's stakeholders, partners and the public

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

As part of the Annual Review of the Council's Governance Framework, a number of activities and actions have been identified and undertaken during **2021/22** 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



Officer decision training has been conducted with the Senior Managers and other departments, along with a dedicated Governance training session during each Senior Managers' Forum

A Member Development Working Group with cross party representation was launched creating a dedicated work programme

The Centre for Governance and Scrutiny undertook a review of the Council's governance and scrutiny arrangements. A number of recommendations were received which were reported to Full Council on 12 Jul 22 and are referenced within the Cabinet's Priority Highlight Actions for 2022/23

Annual declaration of interests by Members reported to the Standards Committee

Full Council agreed to the continued opt in to Public Sector Audit Appointments (PSAA) for the appointment of external auditors for a period of 5 years commencing 2023/24

Demonstrating strong commitment to ethical values



Forthcoming refresher Members' Code of Conduct for all Members of the Council and sessions are available to Town and Parish Councils

Specialist committee training has been delivered to the Planning Committee, Licensing and Registration Committee and ongoing training for the Audit Committee

The Standards Committee have been considering the recommendation to Full Council for the adoption of the Local Government Association Model Code of Conduct

The Council has continued to live stream all meetings of Committees to enhance access and reach a wider audience to public meetings

Quarterly updates concerning Members' standards matters are provide to the Standards Committee

Full Council unreservedly condemns the unprovoked aggression of Russia in invading Ukraine

Respecting the rule of law



RIPA and Social Media Policy have been updated and published

A review of the Constitution was conducted including Council Procedure Rules, Property Dealing Procedure, Procurement Procedure Rules, size of committees and the protocol for live webcasting of meetings; to maintain the efficiency, effectiveness and consistency of the Constitution

The Council is re-introducing to all departments the governance quarterly checklist to be reviewed by the Management Team

Officer training has been delivered included acting within the Council's legal powers

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

Full Council adopted the Pay Policy Statement 2022/23, Gambling Policy (Statement of Licensing Principles) and Section 2 of the Local Plan

Principle B Ensuring openness and comprehensive stakeholder engagement

Openness



The continued live streaming of all meetings of Committees remains possible due to the investment in new broadcasting equipment

A 6 month exercise to be undertaken to invite suggestions from the community and other interested parties for structures to include on the Local Heritage List of non-designated heritage assets

Stakeholder engagement was undertaken to assist with drafting the Community Engagement Strategy

Members have agreed for the Equality Strategy to be a priority over this year

Memorandum of Understanding with education partners through the Tendring Strategic Education Board

Engagement has continued with Members through all stages of key priorities, actions and initiatives; along with the involvement with partners

Engaging comprehensively with institutional stakeholders



All Member Briefings have continued with remote access remaining an option, resulting in a far higher attendance from Members compared with solely in person attendance. External speakers have presented covering specialised subject areas

Informal resolution process has been provided by an external provider to a town council following a Standards matter

DPD consultation for Tendring Colchester Border has concluded with outcomes to be produced at the newly formed joint committee

Memorandum of Understanding with Tendring Colchester Border on working relationships to benefit the practice between the Council and Colchester Borough Council.

Cabinet endorses the continued involvement with the North East Essex CCG

The organisation continues to chair the police scrutiny group, Independent Advisory Group (IAG)

Engaging with citizen stakeholders



Consultation was undertaken with the Chair of the Tenants' Panel with regard to the HRA budget.

Public consultation undertaken on the joint use facility proposal

Cabinet agree that rents due from clubs or groups that are part of the CAROS (Community Assets Rent Offsetting Scheme) be waived for the 12 month period 21-22

£2.060m be allocated to support the recent bid to the government's 'Levelling Up Fund', funded by the use of amounts identified within the 21/22 budget

Funding from the CCG and the East Suffolk and North East Essex Foundation Trust for addressing inequalities at place project

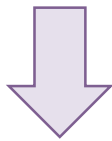
Community projects have been presented to Cabinet and the Council has renewed its service level agreement with Citizens Advice Tendring

Public consultation was undertaken on the work programme for Overview and Scrutiny Committees

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

Defining outcomes

Sustainable economic, social and environmental benefits



Further development of performance reporting for 2021/22 with Cabinet's priorities being agreed

The Corporate Investment Plan has been implemented and aligned with the Corporate Priorities reflecting upon the Back to Business report of the previous year

Outturn reports produced and agreed by Cabinet

The outcome of the Digital Transformation Project was presented to Cabinet which highlighted the need for the transformation to be completed, which highlighted further opportunities for investment

Letter of support provided for the principles in regard to Retained Business Rates generated within the Freeport East Tax Site to accompany the Outline Business Case

Cabinet's priorities have been adopted and are reported on throughout the year

Officers have continued to work on key decision making areas such as full project development and monitoring arrangements along with proportionate due diligence requirements

The Council and its departments have been striving to prioritise the Corporate Plan

The budget has been agreed by Cabinet

Investment into a Contract and Procurement Manager post in which the Procurement Strategy will be reviewed

The Council continues to work towards its goal to reduce carbon emissions to net zero by 2030 providing updates to Cabinet, Overview and Scrutiny Committees and Full Council

It has been determined that the purpose for the Council within its role in Freeport East is to see an increase in skills, promote transport improvements and careers advice within the District

The Honeycroft Site to be redeveloped with bungalows for older persons, to provide more modern independent living, and retained within the Council's housing stock

Cabinet approves the refurbishment of the artificial grass pitch at Clacton Leisure Centre

£1.539m allocated for the necessary remedial works to Weeley Crematorium from the General Fund Outturn Variance

Full Council approved the Annual Capital and Treasury Strategy for 2022/23

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

Determining interventions

Planning interventions

Optimising achievement of intended outcomes



Cabinet has approved the Corporate Investment Plan approach for 2022/23

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

The Council is part of the Essex Anchors Network, a programme to provide a platform for members to work collaboratively on shared strategic priorities. Information and best practices are disseminated into the wider system to facilitate and promote engagement across Essex

The Council's Chief Executive is Chair of the Essex Anchors Network

The Procurement Forward Plan is being developed across all service areas in order to be able to allocate appropriate resources

The Council has undertaken a key partner role with Ukraine resettlements and continues its work with refugees from Afghanistan

The Council has issued discretionary relief grants to assist with the relocating of Ukrainian nationals into the District

The Council has been responsible for issuing the £150 energy rebate as directed by Central Government to applicable residents across the District

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

The Accelerated Delivery Programme continues across services

The services of external consultants have been engaged to work with the organisation on its bids for the Levelling Up Fund

A Memorandum of Understanding has been produced and associated funding has been received from the CCG in order to address health inequalities

The Council managed an adaptation grant scheme to support businesses recovering from COVID-19 national restrictions allocating £1.8 million in grants

The Jaywick Market project raised nearly £2 million from Essex County Council to support delivery of the project and developed the relationship with the service provider

The Starlings project has developed including a funding package and planning permission for regeneration of Harwich and Dovercourt

Adoption of the Alresford Neighbourhood Plan

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



An additional seat to the Cabinet has been implemented with the addition of the role of Portfolio Holder for Planning

The Council entered a Service Level Agreement with Essex County Council to enable the Council to buy in various procurement services to support its day to day operational activities and the delivery of one-off projects

The officer structure of the Council has continued to be subject to revision to facilitate service delivery within the resources available responding to evolving priorities and projects in line with the Council's Corporate Plan and Priorities also to adapt to meet the demands of local government

The Corporate Director, Projects Delivery, is an addition to the Council's Management Team

The HR and Council Tax Committee approved the Redundancy Policy and Remote Working Policy

Three senior officers have been enrolled and are actively participating on the Leading Greater Essex programme

A Member Development Working Group with cross party representation was launched creating a dedicated work programme

Dedicated training for Members and officers on the Overview and Scrutiny function

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

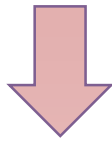
The creation of the Corporate Contracts and Procurement Manager Post and Corporate Finance post to provide specialist support

Gold award received as part of the Ministry of Defence Employer Recognition Scheme

Principle F
Managing risks and performance through robust internal control and strong public financial management

Managing risks, performance and data

Robust internal control and strong public financial management



A review of the Corporate Risk Register has been conducted by the Fraud and Risk Manager

Reviews of the performance of the Careline Service and Career Track have been conducted by the Audit Committee

The continuation of a regular comprehensive financial performance report to Management Team and Members setting out a snapshot of key financial information in one place

Senior officers 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

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

The Council continually conducts horizon scanning to manage risks and responds to them and will link in with departmental plans for the future 22/23 period

Resource management will be strengthened via the introduction of the Corporate Investment Plan

The financial forecast/budget was updated and regularly reported to senior managers and Members during the year and included separate and detailed reviews by the Corporate Finance and Governance Portfolio Holder in consultation with the Sect 151 Officer

Review of Social Media Guidance for Members

A number of key cyber security actions were taken including data protection hardware and Members utilizing Council e mail addresses only

Revised Cabinet report template in order to better explain and demonstrate governance matters

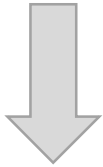
Cabinet approves the realignment of particular milestones for key priority actions for 21/22

Separate monthly meetings of the Council's Management Team have focused on priorities, budgets and performance, where risks have been managed to produce better outcomes

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

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

Implementing good practices in transparency



Section 5 Monitoring Officer's report presented to Cabinet and in response Cabinet endorses the reduction in Leisure Centre fees during 20/21 to support the transitional period during COVID-19 restrictions being lifted and the refurbishment of Clacton Leisure Centre

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

The key priority actions for 2022/23 include milestones against each quarter, performance against to be available to the public and Overview and Scrutiny Committees

The Council's Leader and Members are appraised of key challenges and actions being taken by the Council

Implementing good practices in reporting



A revised Cabinet reporting template has been introduced placing emphasis on governance requirements

Fortnightly meetings take place between the Monitoring Officer, Sect 151 Officer, Internal Audit Manager and Executive Projects Manager – Governance

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

Internal Audit continue to attend key project boards and working parties through the development of schemes and initiatives rather than just at the end of the process

Regular reporting to the Management Team of key health and safety issues during the year

Focus groups of key officers have been instigated for service areas requiring a particular focus and improvement plans have included the Council's voids rates, Careline service and Career Track

Assurance and effective accountability



The Monitoring Officer has issued two Section 5 reports resulting in detailed assurances of enhanced control measures

Cabinet reports have highlighted effective governance across the organization

Local Government Ombudsman decisions were presented to Cabinet and appropriate assurances given

Council resolved that the appointments of the Committees and Sub Committees, along with the Chair and Vice Chair of the Council. The Chair and Vice Chair of the Resources and Services Overview and Scrutiny Committee, are Members from political groups which do not form part of the Administration were appointed for the 2022/2023 municipal year

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

4. Other Governance Issues:

Impact of Coronavirus 19

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

During the first part of 2021, certain COVID-19 control measures implemented by central government were still in place. As these measured eased, the Emergency Planning structure for the pandemic was stood down as the authority made a 'return to normal'. Internal audits have a focus element of the effect of COVID-19 on services, as detailed within the Head of Internal Audit's annual opinion.

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

ISSUE	RESPONSE
IT network resilience	Resilience is built into the Council's IT Investment Strategies including 'mirrored' data storage at two external sites. This supports increased resilience and much speedier 'disaster recovery' capability.
Effective communication / management of information	Laptops were upgraded to support home working arrangements along with the roll out of the necessary applications to enable remote meetings at an officer and member level. Additional hardware cyber security has been implemented and was briefed to Members at an All Members' Briefing. The Chief Executive compiles a daily All Members bulletin containing the last government information and a snap shot of the Council's activities.
Effective Cyber Security	The IT team have remained alert to these attacks and continue to carry out work in this area including increasing staff awareness on these issues while working remotely.
Comply with legislative requirements	The Council has remained alert to new legislative requirements such as the changes associated with holding remote meetings etc. The necessary decision making processes and practical arrangements were put in place where necessary.
Fraud and Corruption	The Council has remained alert to such issues and where controls have had to be changed or implemented to accommodate new working

	<p>practices (such as remote working), these changes have been made in consultation with Internal Audit and will form part of their follow up work later in the year.</p> <p>A significant amount of assurance work has also been undertaken by the Revenues and Benefits Team in connection with the payment of various business grants to ensure money is paid out correctly to those eligible.</p>
<p>Key Staff and Capacity to Deliver Core Services</p>	<p>The Council remains alert to the pressures it currently faces, not only responding to COVID-19 issues which have been varied and challenging to resource, but also to other emerging activities both locally and nationally.</p> <p>Council staff have risen to the challenge in terms of being flexible, positive and willing to support different areas of the Council.</p> <p>However with continuing changes in the Local Government sector, such as those emerging from the Government, the level of capacity to not only deliver against these emerging issues but also the day to day operations of the Council may become more challenging over time.</p>
<p>Financial Strategy / Resilience</p>	<p>There has been a significant impact on business rates and council tax collection during the pandemic along with losses of income from areas such as leisure facilities. The Government have provided financial support to the Council to underwrite some risks and financial updates have been reported to Senior Managers and members throughout the year.</p> <p>It is very difficult to predict the longer term impact on the Council's financial strategy at the present time. However an underlying strength in the financial resilience of the Council is the flexibility that the long term approach provides, which will enable any adverse impact to be managed over a longer period of time.</p>
<p>Health and Safety, Effective Emergency Planning and Business Continuity Planning</p>	<p>At the beginning of the pandemic earlier in 2020, the Council invoked its emergency planning and business continuity processes. Usually this response would be over a very short period of time dealing with a one-off major event such as coastal flooding, so they have never been tested in a long term scenario such as COVID-19. However the plans that have been put in place have enabled the Council to maintain business as usual over a major part of its normal operations. Arrangements have also continued to evolve over the period of the pandemic in delivering a successful response to the longer term nature of the COVID-19 crisis. There will</p>

	inevitably be lessons learnt that need to be reflected in any necessary revisions to emergency planning and business continuity arrangements which will form part of future updates.
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Use of Council Resources

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

The commentary will cover the following 3 headings:

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

The Cabinet report template has been updated to include governance assurance, the use of resources and the Corporate Investment Plan approach.

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

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

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

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

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

In practice, review of effectiveness is an ongoing process throughout the year. Set against the backcloth of ongoing reductions in Government funding of the Council and associated savings targets, action has continued within the Council in **2021/22** to provide a sustainable and long term basis against which to deliver services. These changes present governance challenges and risks that have been recognised as part of the process of managing change.

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

- **Internal Audit**

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

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

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

1. **Senior Management and Departmental Leadership**

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

2. **Internal Governance**

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

3. **Internal Audit**

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

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

Internal Audit Approach

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

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

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

- Planning adequate assurance to support the annual opinion

- Engagement between the leadership team, Audit Committee and HIA
- Making effective use of internal audit resources
- Early identification of a limitation of scope

Communication between Internal Audit, Leadership and the Audit Committee continues to remain effective and frequent, especially during the last phase of exiting the pandemic. All of the key areas identified by CIPFA above had been addressed at the beginning of the financial year and continue to be assessed to date.

Internal Audit has continued to work with services on a consultancy basis to support the implementation of new processes, identify and analyse root cause if necessary and ensure that all relevant employees have the appropriate training to competently carry out their role. This includes advising service areas on their response to the COVID 19 pandemic and ensuring that the best possible service can be provided to the public when there has been a change to working practices or a shift in priorities due to the pandemic and the transition to exiting the pandemic.

Independent investigatory work has also been undertaken throughout the year as and when required to support Senior Management when internal control issues arise within service areas.

In 2021/22, only two audits from a total of 27 reviews undertaken received an overall audit opinion of 'Improvement Required' where high severity issues were identified. The audits were Careline and Housing Repairs and Maintenance. It has been difficult to reach an overall unqualified opinion this year as there has been other activity that must be taken into account when forming an opinion. Examples include the fact that two statutory 'Section 5' reports have been issued in order to correct decisions that have contravened law / constitutional requirements. As well as there being early indications from the outturn process suggesting that there is significant unauthorised overspends of the Council's budgets. With all of the above to be considered, the balancing factors are that all significant issues identified are addressed instantly which includes setting up working groups when needed and that overall the Council's internal control environment is sound, it just needs to be followed.

Improvement actions are in place 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 Council's control environment, governance arrangements and material issues identified.

Annual Opinion 2021/22

The Head of Internal Audit annual assurance opinion is based on the following:

- Internal Audit work completed during the course of the year;
- observations from consultancy/ advisory support;
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- a review of assurance from other providers including those from first and second lines of defence, independent regulators and peer reviews;
- the extent of resources available to deliver the internal audit work; and
- the quality and performance of the Internal Audit service and the extent of compliance with the Public Sector Internal Audit Standards

Limitations to the Annual Opinion

There are no limitations to report on the ability to deliver the Internal Audit Plan and provide an annual opinion on the effectiveness of governance, risk management and internal control. There were changes to the audit plan throughout the year due to emerging risks and changes to service provision which meant some audits were merged once we received further information and some elements were amended within individual audits. The changes to the audit plan were in consultation with the Audit Committee and Management Team, furthermore the amendments to the plan only added to the overall assurance opinion provided by the Internal Audit Team.

The Head of Internal Audit Opinion

The overall direction of travel regarding the internal control environment since 2020/21 has remained the same as all but two audits received a satisfactory level of assurance throughout the 2021/22 financial year. We are unable to state that the control environment has improved overall as the majority of audits received an 'Adequate Assurance' opinion meaning that although there were no significant issues identified within those audits there was still some work to be done to develop the control environment at an operational level. A total of 39 moderate issues and 6 major issues were identified with actions agreed with operational management throughout the year. All major actions due have been reported to the Audit Committee and all moderate actions are managed through the audit follow-up process with the service area.

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

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

The Internal Audit function updated the annual Quality Assurance and Improvement Programme (QAIP) which is a self-assessment questionnaire against the Public Sector Internal Audit Standards. The (QAIP) was completed and presented to and agreed by the Audit Committee in April 2022.

The Internal Audit Manager is satisfied that sufficient work was completed in 2021/22 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. Therefore, an overall unqualified opinion of 'Adequate Assurance' can be provided.

There are risks to being able to provide an unqualified opinion in 2022/23 given the wider governance issues identified and the difficulties reaching an overall opinion for 2021/22 highlighted earlier. This will form a key element of the AGS to ensure that adequate progress can be made to resolve historical issues and avoid a potentially unfavourable opinion in the future. As part of an immediate and direct response, the Chief Executive has established a regular cycle of Budget, Performance and Delivery Review meetings with Management Team and other senior officers across the Council. It is recommended that these meetings cover the following key issues:

- High level review of the in-year budget position for each Directorate / Department, which needs to aim to draw out any potential financial issues ahead of the associated impact on the budget e.g. potential overspends, underspends and/or other financial issues / pressures
 - Following on from the point above, to promote and oversee any associated decision making / governance processes
 - To identify financial pressures that may impact on the Council's long term financial plan
 - To promote connections / linkages with the recently implemented Corporate Investment Plan
 - To review the in-year performance against the Council's key aims and objectives and other key delivery targets
 - To identify and oversee any other key governance issues
 - Set against all of the above, keep under on-going review the level of resources / capacity to meet the various demands on the Council's departments and services
-
- **External Audit**
The Council is subject to an annual programme of external audit work associated with the Council's Statement of Accounts and value for money arrangements.

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

- **Other Review Agencies and Inspectorates**

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

- **Senior Managers**

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

6. ISSUES RAISED IN THE PREVIOUS YEAR'S ANNUAL GOVERNANCE STATEMENT AND ON-GOING ACTIONS 2022/23

In respect of the governance issues identified as part of last year's Annual Governance Statement, the most up to date position against the identified actions is set out below. Given the impact from COVID-19 on the delivery of these actions during 2021/2022, they largely remain on-going and therefore form the basis of the proposed actions in 2022/2023, along with newly identified items as necessary.

Governance Issue	Required Action(s)	Update / Proposed Action(s) 2021/22
<p>Implementing good practices in transparency, reporting and audit to deliver effective accountability.</p> <p>Ensuring compliance of the Council's governance arrangements through project board reviews.</p> <p>Utilising the Council's systems to implement best practice for drafting, reporting and decision making.</p>	<ul style="list-style-type: none"> • Review of project outcomes 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 2021/22. 	<p>ON-GOING in 2022/23 - The outcome from key projects will be reported to the Project Board / Members following completion of the associated project.</p> <p>ON-GOING in 2022/23 - Modern.gov remains an on-going and live project with additional functionality planned to be rolled out during 2022/23. The delivery team have received updated training to support the future roll out of this system.</p>
<p>Developing the entity's capacity, including the</p>	<p>Finalise the operational</p>	<p>ON-GOING in 2022/23 - This action is included as</p>

<p>capacity of its leadership and the individuals within it. Ensuring the Council has the appropriate structures in place to support delivery of the Corporate Plan following the Senior Management restructure.</p>	<p>capacity review and implement any recommended and approved staffing structures.</p>	<p>a standing agenda item on the regular Assistant Director meetings with actions underway in collaboration with HR, to continue to deliver a prioritised/phased approach to this key activity during 2022/23.</p>
<p>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. By strengthening the linkages between the Corporate Plan priorities and the Council's investment plans along with review of the longer term impact of COVID-19.</p>	<p>As part of the Back to Business and Recovery Plan:</p> <ul style="list-style-type: none"> • Undertake a corporate review of the Council's operational assets to prioritise spending from an associated reserve over the next few years; • To develop an investment plan during 2020/21 which will be directly linked to the Council's budget and evolving financial position and supported by the reprioritisation of budgets / existing funding and / or as part of the long term forecast; • Conduct an audit review in relation to the effectiveness of the Council's response to COVID-19, including a 	<p>Completed – associated actions now form part of alternative processes underway in the Council.</p>

	<p><i>review of the lessons learnt from the Council's response and longer term consequences.</i></p>	
<p>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.</p>	<ul style="list-style-type: none"> • Prepare an Action Plan for approval by both the Cabinet and Council to form part of the Council's Policy Framework. 	<p>COMPETED - A Climate Change Action Plan was agreed by Full Council on 24 November 2020 and included within its priority actions from 2021/22, which forms the background against which performance is being formally reported via the revised monitoring arrangements.</p>
<p>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law. Ensure the Local Code of Corporate Governance and key policies and procedures are up to date. Ensuring openness and comprehensive stakeholder engagement. Establishing a corporate framework to support community engagement.</p>	<ul style="list-style-type: none"> • Review of the Council's Equality and Diversity strategy, policies and procedures • Developing the Council's approach and adopting principles for community engagement 	<p>ON-GOING in 2022/23 - Both of these actions will be considered as part of the respective Service's key priorities and actions during 2022/23 and are included within the revised performance monitoring arrangements, with updates being reported to Management team during the year.</p>
<p>Implementing good practices in transparency, reporting and audit to deliver effective accountability. Delegated decision making</p>	<ul style="list-style-type: none"> • Awareness and further strengthen good decision making incorporating the Council's policies and framework. 	<p>ON-GOING in 2022/23 - Increase the understanding of key principles including consultation, business planning, budget, and procurement, legal. Concept paper and PIDs to completed comprehensively to ensure successful delivery within</p>

		the governance framework.
<p>Managing risks and performance through robust internal control and strong public financial management</p> <p>In terms of business continuity this is especially important given the current global/economic climate</p>	<ul style="list-style-type: none"> The relaunch of the Governance Checklist monitored quarterly and development of service area plans for 2023, both of these will cover risks and business continuity, these should cover the 3 headings under Use of Resources, to include project based risks 	New for 2022/23
<p>Defining outcomes in terms of sustainable economic, social and environmental benefits.</p> <p>Determining the interventions necessary to optimise the achievement of the intended outcomes.</p>	<p>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</p>	New for 2022/23

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

7. CONCLUSION

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

We propose over the coming year to take steps to address the significant governance issues identified in this statement, and to further enhance our governance arrangements. We are satisfied

that these steps will address the needs for improvements that were identified in our review of effectiveness and will monitor their implementation as part of our next annual review.

Chief Executive

Date: 9 December 2024

Leader of the Council

Date: 9 December 2024

Attachment 5

External Auditor's Combined Audit Planning Report and Audit Completion Report:

Year ended 31 March 2023

Tendring District Council

Combined Audit Planning Report and Audit Completion Report: Year ended 31 March 2023
Report to the Audit Committee

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Welcome

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This is our combined Audit Planning Report and Audit Completion Report to the Audit Committee of Tendring District Council. The National Audit Office has issued Local Audit Reset and Recovery Implementation Guidance (LARRIGs) to support the reset and recovery of local audit in England. LARRIG 02 states that the frequency with which matters are communicated to Those Charged With Governance may be less in the circumstances created by backstop arrangements and that it may therefore be appropriate to include all communications relevant to an audit within a single document. In line with this guidance, we have prepared a combined Audit Planning Report and Audit Completion Report.

This combined report is an integral part of our communication strategy with you. It summarises the overall audit strategy for the year ended 31 March 2023 in respect of our audit of the financial statements and use of resources; comprising materiality and key audit risks. It also summarises the results of our audit of Tendring District Council for the year ended 31 March 2023, including areas requiring further discussion and/or the attention of the Audit Committee. We look forward to discussing these matters with you at the Audit Committee meeting on 9 December 2024, and to receiving your input. In the meantime, if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

This report contains matters which should properly be considered by Tendring District Council. We expect that the Audit Committee will refer such matters to Full Council together with any recommendations, as it considers appropriate.

We would also like to take this opportunity to thank management and staff of Tendring district Council for the co-operation and assistance provided during the audit.

Aphrodite Lefevre, Audit Director
For and on behalf of **BDO LLP**

2 December 2024



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Overview

Audit scope and objectives

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Reporting	Objectives
Auditing standards	We will perform our audit in accordance with International Standards on Auditing UK (ISAs (UK)) and relevant guidance published by the National Audit Office.
Local Audit Reset and Recovery Implementation Guidance (LARRIGs) and Code of Audit Practice	We will perform our audit in accordance with LARRIGs and the Code of Audit Practice 2024 published by the National Audit Office.
Financial statements	We will express an opinion on Tendring district Council's financial statements, prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2021/22 and other directions.
Additional powers and duties	Where necessary we may be required to: issue of a report in the public interest; make a written recommendation Tendring district Council ; allow local electors to raise questions and objections on the accounts; or exercise legal powers to apply to the courts for a declaration that an item of account is contrary to law, issue an advisory notice or an application for a judicial review.
Use of resources and Auditor's Annual Report	We will provide a commentary on Tendring district Council 's arrangements to secure economy, efficiency and effectiveness in its use of resources. The commentary will explain the work that we have undertaken and highlight any significant weaknesses identified, along with any recommendations for improvement. The commentary will also draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from Tendring district Council. The Auditor's Annual Report is required to be published by Tendring district Council.

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This summary provides an overview of the audit matters that we believe are important to the audit of the financial statements for Tendring district Council for the year ended 31 March 2023.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.

Responsible financial officer (RFO)

The Accounts and Audit Regulations 2015 require the Director Finance and IT, as RFO, to sign and date the statement of accounts, and confirm that they are satisfied that it presents a true and fair view of:

- the financial position of the authority at the end of the financial year to which it relates; and
- that authority's income and expenditure for that financial year.

Our audit of the financial statements does not relieve the RFO nor those charged with governance of their responsibilities for the preparation of the statement of accounts.

Overview

Our audit work is complete and subject to the successful resolution of outstanding matters we anticipate issuing our audit opinion on the Tendring district Council's financial statements for the year ended 31 March 2023.

No restrictions were placed on our work by management.

Circumstances that affect the form and content of the auditor's report

There has been a deterioration in the timeliness of local audit in recent years leading to a persistent and significant backlog of audit opinions. Across England, the backlog of outstanding audit opinions stood at 771 at 31 December 2023 and is estimated to increase to around 1,000 later this year. In February 2024, the Department for Levelling Up, Housing and Communities published 'Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit'. This joint statement confirmed that:

"The issues facing local audit are widely recognised as multi-faceted and complex with no single cause or solution".

The factors contributing to the delay in issuing an audit opinion on the financial statements of Tendring district Council for the year ended 31 March 2023 include, but are not limited to:

- increased regulator expectations on auditors
- difficulties in attracting, developing and retaining staff to perform local audit work
- the impact of the Covid-19 pandemic

Over the last year, organisations involved in the regulation and oversight of local body financial reporting and audit have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return.

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To clear the backlog of historical accounts and ‘reset’ the system, the Accounts and Audit (Amendment) Regulations 2024 require local bodies to publish audited financial statements for all outstanding years up to and including 2022/23 by 13 December 2024 (‘the backstop date’). In addition, the National Audit Office has made changes to the Code of Audit Practice to require local auditors to comply with backstop dates by giving their opinions in time for audited accounts to be published.

The backstop date has created time constraints that have impeded us from completing all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil the objectives of all relevant ISAs (UK). Consequently, this prevents us from meeting the overall objectives of an audit as set out in ISA (UK) 200 ‘*Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*’. Therefore, the backstop date has created circumstances which require us to consider modifying our opinion on Tendring District Council’s financial statements.

Significant difficulties encountered during the audit

ISAs (UK) require us to report to you any significant difficulties we have encountered during the audit. As previously outlined, the backstop date has created time constraints that have impeded us from completing all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil the objectives of all relevant ISAs (UK). Therefore, the backstop date represents a significant difficulty that we have encountered during the audit.

Audit report

The Accounts and Audit (Amendment) Regulations 2024 require Tendring district Council to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024. We have not able to obtain all the necessary audit evidence upon which to form an opinion since there was insufficient time to perform all necessary audit procedures by this date. As a result, we are unable to conclude that Tendring district Council’s financial statements for the year ended 31 March 2023 as a whole are free from material misstatement. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

Therefore, we anticipate issuing a disclaimer of opinion on the financial statements the year ended 31 March 2023.

Use of resources

We have no significant weaknesses to report at this stage in respect of Tendring district Council’s value for money arrangements.

Independence

We confirm that the firm and its partners and staff involved in the audit are independent of Tendring district Council in accordance with the Financial Reporting Council’s (FRC’s) Ethical Standard.

The numbers

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This summary provides an overview of the audit scope and materiality for the year ended 31 March 2023.

Audit scope

The scope of the audit is determined by the National Audit Office's Code of Audit Practice that sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. This includes: auditing the financial statements; reviewing the arrangements to secure value for money through the economic, efficient and effective use of its resources; and, where appropriate, exercising the auditor's wider reporting powers and duties. Our approach is designed to ensure we obtain the requisite level of assurance in accordance with applicable laws, appropriate standards and guidance issued by the National Audit Office.

Materiality

Materiality for the Group has been set at 2% of gross expenditure for the period (prior year 2%) and is outlined in the adjacent chart. For reporting purposes, we consider misstatements of less than £42,000 (2021: £84,000, 2022: £39,000) to be trivial unless the misstatement is indicative of fraud.

Council's responsibilities

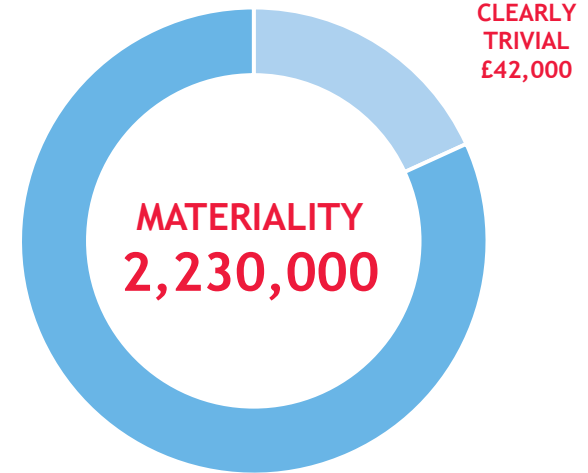
The Section 151 Officer (Director Finance and IT) is responsible for the preparation of the Statement of Accounts and for being satisfied that these show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2021/22, applicable accounting standards or other direction under the circumstances. Our audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

Material misstatements

We did not identify any material misstatements.

Unadjusted audit differences

We did not identify any audit differences that have not been adjusted for.



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We assessed the following matters as being the most significant risks of material misstatement in the financial statements, or those where we consider there to be an elevated risk of material misstatement. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the directing of the efforts of the engagement team.

The backstop date has created time constraints that have impeded us from completing all necessary risk assessment procedures. Therefore, we have not been able to meet the objective of ISA (UK) 315 *Identifying and Assessing the Risks of Material Misstatement*, which is to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels thereby providing a basis for designing and implementing responses to the assessed risks of material misstatement. Had we met the objective of ISA (UK) 315, we may have identified additional risks to those listed below.

#	Audit Risk	Significant or Elevated Risk	Fraud risk present	Significant management estimates & judgements	Specific Letter of Representation Point
1	Management override of controls	Significant	Yes	Yes	No
2	Specific revenue grants	Significant	Yes	Yes	No
3	Expenditure cut-off	Significant	Yes	Yes	No
4	Valuation of land and buildings	Significant	No	Yes	Yes
5	Valuation of net pension asset/liability	Significant	No	Yes	Yes

Risk 4

Valuation of land and buildings

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	C	E	A	V	P	2022/23	2021/22
Land and buildings				✓		£227.8 million	£221.2 million

Risk description

- ▶ Local authorities are required to ensure that the carrying value of land and buildings is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties) at the balance sheet date.
- ▶ Tendring district Council applies a five-year rolling revaluation programme to its land and buildings, with surplus assets and investment properties revalued annually. A market review is performed at the end of the financial year to determine whether material movements may have occurred since the valuation date. Property revaluations and the market review are undertaken by Tendring district Council's external property advisors.
- ▶ Due to the significant value of Tendring district Council's land and buildings, there is a risk over the valuation of these assets due to the high degree of estimation uncertainty and where updated valuations have not been provided for a class of assets at the year-end.

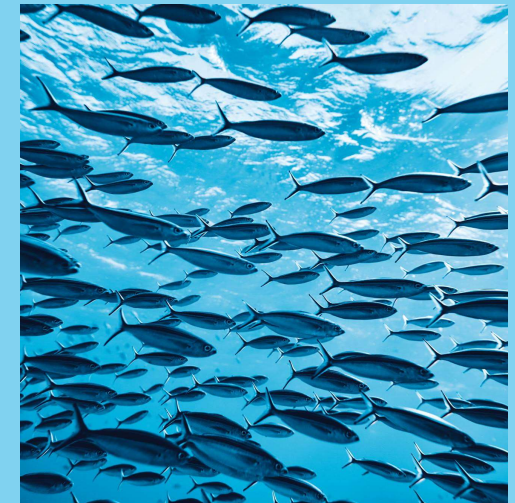
Work performed and results

- ▶ The backstop date has created time constraints that have impeded us from completing all necessary procedures in response to the risk identified. We were therefore unable to obtain sufficient, appropriate audit evidence in respect of this risk.

Key to audit assertions

C - Completeness	A - Accuracy	P - Presentation
E - Existence	V - Valuation	

● Significant risk
Elevated risk
Moderate risk
Fraud risk
● Significant management estimates & judgements



Risk 5

Valuation of net pension asset/liability

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	C	E	A	V	P	2022/23	2021/22
Net pension liability/asset (before application of asset ceiling)				✓		£1.4 million	£18.4 million

Risk description

- ▶ There are risks around both the gross pension asset and the gross pension obligation, which together determine the net defined benefit pension asset/liability recognised in Tendring district Council 's balance sheet.
 - ▶ The gross pension asset comprises a variety of investments, including those which we consider to be 'harder to value' because there are no observable inputs (such as an active market for the investment). This increases the estimation uncertainty associated with the value of these investments, which include property, private equity and other managed funds.
 - ▶ The valuation of the pension liability is a complex calculation involving significant judgements and assumptions. The actuarial estimate of the pension fund liability uses information on current, deferred and retired members and applies actuarial assumptions over pension increases, salary increases, mortality, commutation take up and discount rates to calculate the net present value of the liability.
- ▶ There is a risk that the membership data and cash flows provided to the actuary at year end may not be accurate, and that the actuary uses inappropriate assumptions to value the liability. Relatively small adjustments to assumptions used can have a material impact on the Tendring district Council 's share of the scheme net/asset liability.

Work performed and results

- ▶ The backstop date has created time constraints that have impeded us from completing all necessary procedures in response to the risk identified. We were therefore unable to obtain sufficient, appropriate audit evidence in respect of this risk.

Key to audit assertions

C - Completeness	A - Accuracy	P - Presentation
E - Existence	V - Valuation	

● Significant risk
Elevated risk
Moderate risk
Fraud risk
● Significant management estimates & judgements



Matters requiring additional consideration

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Laws and regulations, including fraud

LARRIG 04 '*Auditor reporting requirements under ISA(UK) 250A (Consideration of Laws and Regulations in an Audit of Financial Statements) and reporting in the public interest*' confirms that irrespective of backstop arrangements, if as part of the audit, the auditor identifies actual or suspected non-compliance with laws and regulations, the auditor is required by the ISAs (UK) to investigate and report on these matters.

Our ability to identify non-compliance with laws and regulation that may have a material effect on the financial statements is based on procedures performed during the course of the audit, which have been curtailed as a consequence of backstop arrangements. Therefore, the backstop date has created time constraints that have impeded us from performing procedures which may identify such non-compliance.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

Significant matters in connection with related parties

We are required to report to you significant matters arising during the audit in connection with Tendring district Council 's related parties. The backstop date has created time constraints that have impeded us from performing procedures which may identify such matters.

We did not identify any significant matters in connection with Tendring District Council 's related parties

Financial reporting

We are required to communicate to you our views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. The backstop date has created time constraints that have impeded us from considering significant qualitative aspects of Tendring district Council's accounting practices. We therefore have no views to communicate to you in this regard.

Significant deficiencies in internal control

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. The backstop date has created time constraints that have impeded us from performing procedures which may identify such deficiencies. In any event, as the purpose of the audit is for us to express an opinion on Tendring district Council's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

We did not identify any significant deficiencies in internal control.

Special reporting powers and duties

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Matter	Comment
<p>We are required to report if:</p> <ul style="list-style-type: none"> • we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22; • we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; • we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014; • 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; • 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. 	<p>We have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 because the backstop date has created time constraints that have impeded us from completing all necessary procedures in response to this reporting requirement.</p> <p>We have nothing to report in respect of the other matters.</p>



Use of resources

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Requirements of the 2024 Code of Audit Practice and Auditor Guidance Note 3 (AGN 03) Auditors' Work on Value for Money (VFM) Arrangements

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money arrangements) and report to you any identified significant weaknesses.

Following the Code of Audit Practice 2024 coming into force 14 November 2024, this is based on the following two reporting criteria for incomplete audits for 2020/21, 2021/22 and 2022/23:

- ▶ **Financial sustainability** - How Tendring district Council plans and manages its resources to ensure it can continue to deliver its services, and
- ▶ **Governance** - How Tendring district Council ensures that it makes informed decisions and properly manages its risks.

The key output from our audit work in respect of VFM arrangements is a commentary as reported in the Auditor's Annual Report, not a VFM arrangements 'conclusion' or 'opinion'. The Code of Audit Practice 2024 enables auditors to issue a combined commentary as part of a single auditor's annual report for incomplete audits up to and including 2022/23.

Where we are aware of significant weaknesses at the time of issuing our audit report on the financial statements, the nature of the significant weakness and the associated recommendation are required to be referred to by exception in our report on the financial statements.



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A draft copy of our report is included in the appendices.

Opinion on financial statements

We anticipate issuing a disclaimer of opinion on the financial statements, for the reasons detailed in the 'Executive summary' section of this report.

Use of resources

We have no matters to report in relation to Tendring district Council's value for money arrangements.

Other matters on which we are required to report by exception

We have no matters to report, other than we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, for the reasons detailed in the 'Special reporting powers and duties' section of this report.

Independence and fees

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Independence

We confirm that the firm, and the engagement team including other BDO network firms conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard and the IESBA Code of Ethics and are independent of Tendring district Council.

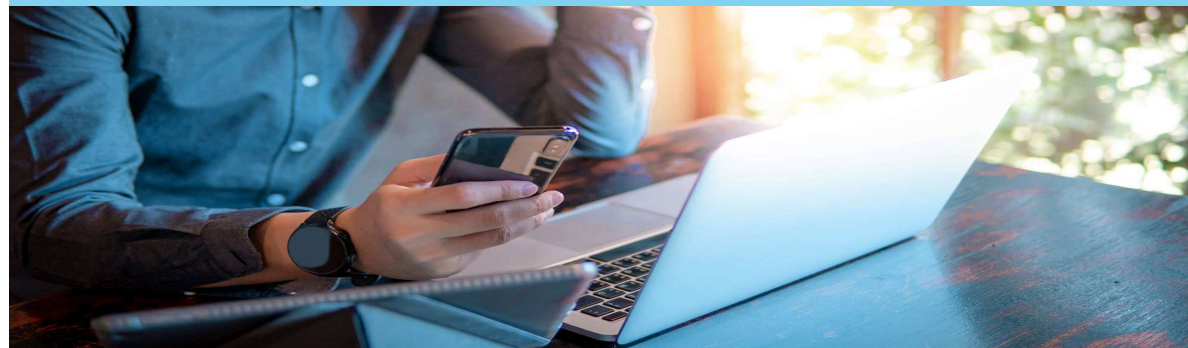
Details of services, other than audit, provided by us to Tendring district Council during the period and up to the date of this report are set out in the table below. We have not identified any threats to our independence arising from the provision of these services.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

Fee summary

The disclosed audit fees of £65k in the submitted draft statement of accounts reflect additional work we had planned to deliver. Actual audit fees are in line with our planned fees

	Fees (£)		Independence safeguards	Impact on independence
	Year ended March 2023	Year ended March 2022		
Audit fees	£45,000	£45,000	None required	N/A
Non-audit services:				
Housing Benefit Subsidy and Pooling of Housing Capital Receipts	£41,000	£41,000	None required	N/A
Total fees	£86,000	£86,000		



Partner rotation

Independence

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These tables indicate the rotation periods normally permitted under Public Sector Audit Appointments' (PSAA) rules on rotation of key staff, as set out in the PSAA Terms of Appointment.

It is PSAA's policy that:

- engagement leads should act for an initial period of five years. PSAA may approve engagement leads for an additional period of up to no more than two years, if it is provided with assurance that there are no considerations such that an objective, reasonable and informed third party would conclude that an auditor's integrity, objectivity or independence was or could be perceived to be compromised together with details of any mitigations
- other than in exceptional circumstances, the audit manager at an audited body should be changed at least once every seven years. PSAA will approve the appointment of an audit manager for an additional period of up to three years, provided that there are no considerations such that an objective, reasonable and informed third party would conclude that an auditor's integrity, objectivity or independence was or could be perceived to be compromised
- it is not expected that an individual should act as an engagement quality control reviewer at an audited body for a period longer than seven years.

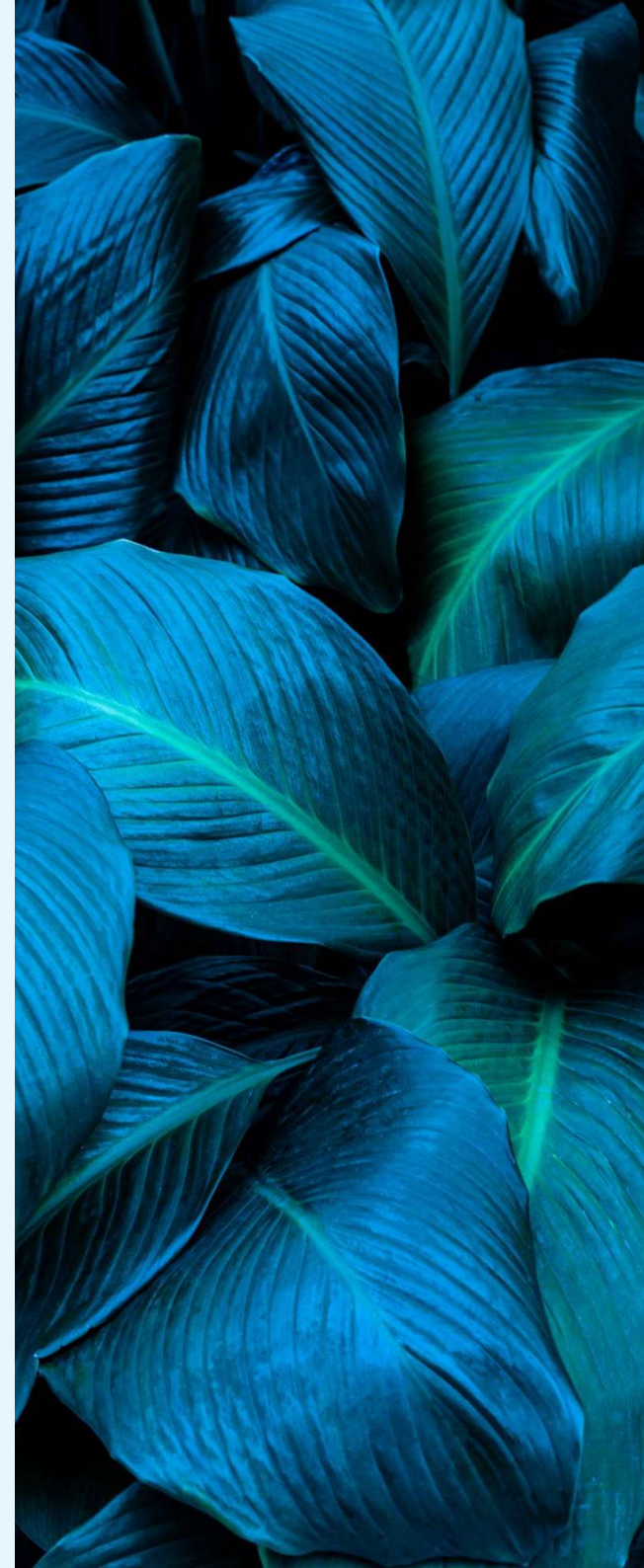
In order to safeguard audit quality, we will employ a policy of gradual rotation covering the team members below as well as other senior members of the engagement team to ensure a certain level of continuity from year to year.

Independence - engagement team rotation

Senior team members	Number of years involved	Rotation to take place after
Aphrodite Lefevre Engagement Lead	4	5 years
Gerald Chanduru Audit Manager	2	7 years

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Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to Tendring district Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with Audit Committee.

Communication

The National Audit Office has issued Local Audit Reset and Recovery Implementation Guidance (LARRIGs) to support the reset and recovery of local audit in England. LARRIG 02 states that the frequency with which matters are communicated to Those Charged With Governance may be less in the circumstances created by backstop arrangements and that it may therefore be appropriate to include all communications relevant to an audit within a single document. In line with this guidance, we have prepared a combined Audit Planning Report and Audit Completion Report.

Auditor's Annual Report

We will provide a commentary on Tendring district Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The commentary will explain the work that we have undertaken and highlight any significant weaknesses identified, along with any recommendations for improvement. The commentary will also draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from Tendring district Council. The Auditor's Annual Report is required to be published by Tendring district Council.

The Code of Audit Practice 2024 confirms that for incomplete audits up to and including 2022-23, the auditor may issue a combined commentary as part of a single Auditor's Annual Report. We have therefore decided to issue a combined commentary as part of a single Auditor's Annual Report for Tendring district Council.

Communication required	Date (to be) communicated	To whom	Communication method
Audit Planning Report	9 December 2024	Audit Committee	Combined Audit Planning Report and Audit Completion Report
Audit Completion Report	9 December 2024	Audit Committee	Combined Audit Planning Report and Audit Completion Report
Auditor's Annual Report	9 December 2024	Audit Committee	Auditor's Annual Report

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We have substantially completed our audit work in respect of the financial statements for the period ended 31 March 2023.

The following matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Audit Committee meeting at which this report is considered:

- ▶ Subsequent events
- ▶ Audit fees adjustment
- ▶ Net pension liability adjustment
- ▶ Completion of senior review and clearance





Management representation letter

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BDO LLP
2nd Floor
Yare House
62-64 Thorpe Road
Norwich
NR1 1RY

Dear Sirs

Financial statements of Tendring district Council for the year ended 31 March 2023

We confirm that the following representations given to you in connection with your audit of Tendring district Council's financial statements (the 'financial statements') for the year ended 31 March 2023 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of Tendring district Council.

The Chief Finance Officer has fulfilled their responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of Tendring district Council as of 31 March 2023 and of its income and expenditure and cash flows for the year then ended 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).

We have fulfilled our responsibilities on behalf of Tendring district Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of Tendring district Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of Tendring district Council have been made available to you for the purpose of your audit and all the transactions undertaken by Tendring district Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all e.g. Council, management and other meetings have been made available to you.

Going concern

We have made an assessment of Tendring district Council's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on Tendring district Council's ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which Tendring district Council's business is conducted, and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which I am aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.



Management representation letter 2

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Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have made the results available to you.

To the best of our knowledge, we are not aware of any fraud or suspected fraud involving management or employees that could have a material effect on the financial statements. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge, we are not aware of any allegations of fraud or suspected fraud that have been communicated by employees, former employees, analysts, regulators or any other party that could materially affect the financial statements.

Misstatements

You have not advised us of any unadjusted misstatements in the financial statements or other information in the Statement of Accounts.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

There were no loans, transactions or arrangements between Tendring District Council and members of Tendring District Council or their connected persons at any time in the period which were required to be disclosed.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the financial statements.

Accounting estimates

Significant assumptions made in relation to any accounting estimates are as follows:

a) Valuation of land and buildings

We are satisfied that the useful economic lives of land and buildings, and their constituent components, used in the valuation of land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.



Management representation letter 3

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b) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

- CPI increase 2.95%
- Salary increase 3.95%
- Pension increase 2.95%
- Discount rate 4.8%
- Mortality: Current pensioners - male 21.1 years and female 23.5 years / future pensioners - male 22.3 years and female 25.0 years

We consider these assumptions to be appropriate for the purposes of estimating the pension liability in accordance with the Code and IAS 19.

c) Allowance for non-collection of receivables

We are satisfied that the impairment allowances for non-domestic rates, housing rent and sundry debt arrears are reasonable, based on collection rate data.

d) Non domestic rates appeals provision

We are satisfied that the provision recognised for non-domestic rates appeals is materially correct, and the calculation of historical appeals are consistent with those advised by the Valuation Office Agency. We confirm that the successful rates applied to outstanding appeals as at 31 March 2023 are consistent with our knowledge of the business.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each member has taken all the steps that they ought to have taken as a member of Tendring District Council in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Richard Barrett

Director Finance and IT (Section 151 Officer)

10 December 2024

Geeta Sudra

Chair of the Audit Committee

10 December 2024

FRC Ethical Standard

Issued in December 2019

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It is now around four years since the FRC's Revised Ethical Standard 2019 ('ES') came into force. It aimed to further strengthen auditor independence and enhance confidence in the profession and was, in many ways, a precursor to the Corporate Governance and Audit Reform debate

that is still ongoing. Although the ES is now well-established it is worth taking time to reconsider some of its most important changes and ensure your internal policies and procedures are effective.

Key headlines	Impact
The objective, reasonable & informed third party test	Reinforcement that ethical principles take priority over rules. A need to take care where particular facts and circumstances are either not addressed directly by the rules or might appear to 'work around' the rules or result in an outcome that is inconsistent with the general principles and the public interest.
Contingent fees	Non-audit services with contingent or success-based fee arrangements will be prohibited for audited entities.
Secondments	All secondments/loan staff to audited entities are prohibited with the exception of secondments to public sector entities.
Recruitment and remuneration services	Prohibition on providing remuneration services to audited entities such as advising on the quantum of the remuneration package or the measurement criteria for calculation of the package. In addition, the prohibition on providing recruitment services to an audited entity that would involve the firm taking responsibility for, or advising on the appointment of, any director or employee of the entity.

FRC Practice Aid for Audit Committees

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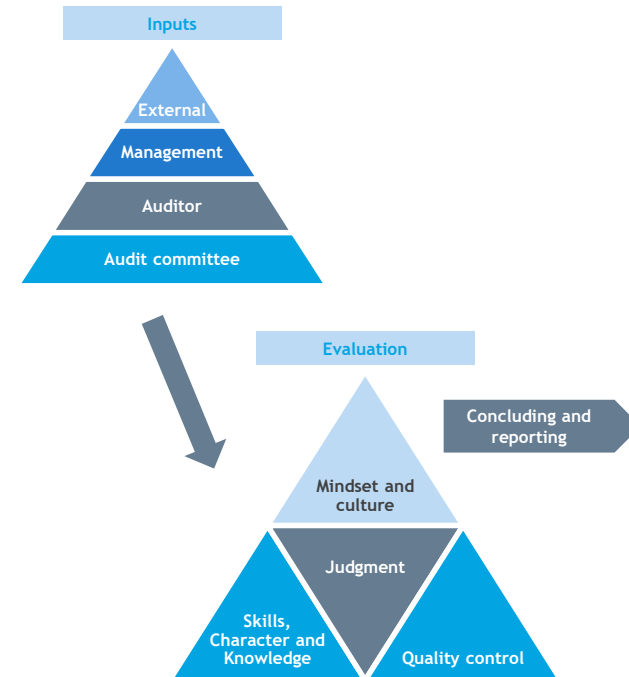
The Financial Reporting Council (FRC) issued an updated practice aid for audit committees in December 2019 and a full copy can be found on the [FRC website](#). In their practice aid the FRC note: ‘The directors of a Company (the Board as a whole) are responsible for ensuring its financial statements are prepared in accordance with the applicable financial reporting framework and for overseeing the Company’s internal control framework. A high-quality audit provides investors and other stakeholders with a high level of assurance that the financial statements of an entity give a true and fair view and provide a reliable and trustworthy basis for taking decisions.’

The practice aid then discusses how the role of audit committees in serving the interests of investors and other stakeholders is through their independent oversight of the annual corporate reporting process including the audit. The FRC highlight that the responsibility for appointing the external auditor, approving their remuneration and any non-audit services work, ensuring their independence and challenging them over the quality of their work falls to the audit committee and can play a key role in facilitating a high-quality audit (see note across).

It gives guidance for Audit Committees in the following areas:

- ▶ Audit tenders and the tender process including audit fee negotiations and auditor independence
- ▶ A model for use by audit committees in making an overall assessment of an external auditor including inputs, evaluations and concluding
- ▶ Transparency - reporting to the Board on how the audit committee has discharged these responsibilities
- ▶ Some guidance on key areas of audit judgement

The provision of high-quality audits are a key focus of FRC and the new Executive Director of Supervision, David Rule, sent a letter to all audit firms in November 2019 explaining the factors he would expect to see in place in order to facilitate the delivery of high-quality audits. A copy of the letter can be found on the [FRC website](#)



Audit quality

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BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk



Our culture of challenge

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***“The Right people,
supported to do the Right
Work, in the Right place at
the Right time. In short
doing the Right thing.
Always.”***

A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. While the ICAEW Code of Ethics provides guidance on how a professional accountant fulfils their duty, the focus of our firm, and auditors individually is to discharge our obligation to serve the public interest by consistently performing quality audit engagements.

Our work as auditors is fundamental to the success of the business world, enabling decisions based on transparent financial reporting that is trusted. The purpose of an audit is to help establish and maintain deserved confidence in a company, in its directors and in the information which they have responsibility to report, including the financial statements.

Quality is represented in our strategic framework in two important and distinct ways:

- The first is that we are committed to serving the public interest by consistently performing quality engagements - this is particularly important for two reasons: firstly, that it is the right thing to do and secondly, that it's required of by the international standards on quality management.
- The second commitment is to high quality, independence and ethics, which is broader than just our performance on individual audit and non-audit engagements and recognises the importance of high quality in everything we do.

Our Audit Specific Behaviours provide guidance and set consistent expectations for our auditor teams to ensure our day-to-day interactions and decision making come together to create High Performing Teams, that do the right thing. Always.

Read our latest Transparency Report on the BDO website.



Our system of quality management

ISQM (UK) 1 - Communication with you

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We recognise that a System of Quality Management (SoQM) designed in line with the requirements of ISQM(UK)1 is the bedrock on which consistent high-quality auditing is built. During FY24, we rigorously assessed our SoQM and reported to the FRC that the design of our SoQM had a number of weaknesses and did not meet the objectives of ISQM(UK)1. As a result and led by BDO's Leadership Team (LT), we commenced a thorough remediation programme, in Autumn 2023, to redesign our SoQM in accordance with ISQM(UK)1. This has been the top strategic priority for the firm throughout FY24 and progress on the programme has been scrutinised at every LT meeting. Collective accountability for our SoQM is recognised by LT. All LT members and members of our Audit leadership set personal objectives relating to their individual responsibility for ISQM(UK)1 which they were measured against in their 2024 performance reviews.

Our programme began with a review of the quality objectives that form part of our SoQM, followed by revisiting our risk assessment to identify the risks to meeting these quality objectives. We have documented every significant process which forms part of our SoQM and assessed the design to determine whether it appropriately mitigates the relevant quality risks. This has resulted in enhancements and improvements to our processes and controls which we believe will improve how we manage audit quality. We have also identified the need for additional processes which we believe will have a significant impact on managing audit quality and designed and implemented these during the programme. The remediation programme was rapid, intense and detailed and the pace and volume of change we implemented over the course of FY24 has been huge. A SoQM takes time to embed and mature and we know that we have more work to do over the next year and into the future. This will include further implementation of controls to enhance our SoQM, as well as allowing time for some of the new processes and controls implemented in FY24 to deliver on their design objectives, providing enough evidence for us to be able to test them fully. Our new SoQM will provide us with better data, thereby driving more targeted actions to deliver consistently high-quality audits.

The LT, who have ultimate responsibility and accountability for the SoQM under ISQM(UK)1, carried out an evaluation of the SoQM as at 30 June 2024. The LT concluded in line with paragraph 54(b) of ISQM(UK)1 that, except for matters related to identified deficiencies that have a severe but not pervasive effect on the design, implementation and operation of the SoQM, the SoQM provides the firm with reasonable assurance that the objectives of the SoQM are being achieved. Further details are available in our 2024 Transparency Report, which is available on the firm's website.

Tendring district Council local authority's responsibilities

Tendring district Council local authority's Responsibilities and Reporting

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Financial reporting

Tendring district Council is expected to have effective governance arrangements to deliver its objectives. To this end, the publication of the financial statements is an essential means by which Tendring district Council accounts for its stewardship and use of the public money at its disposal.

The form and content Tendring district Council 's financial statements, and any additional schedules or returns for consolidation purposes, should reflect the requirements of the relevant accounting and reporting framework in place and any applicable accounting standards or other direction under the circumstances.

The Section 151 Officer is responsible for preparing and filing a Statement of Accounts and financial statements which show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 20xx/xx, applicable accounting standards or other direction under the circumstances.

Our audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of materially accurate financial statements.

Use of resources

Local authorities are required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at their disposal.

As part of the material published with its financial statements, Tendring district Council is required to bring together commentary on its governance framework and how this has operated during the period in a Governance Statement.

In preparing its Governance Statement, Tendring district Council will tailor the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on their arrangements for securing value for money from their use of resources.



Our responsibilities

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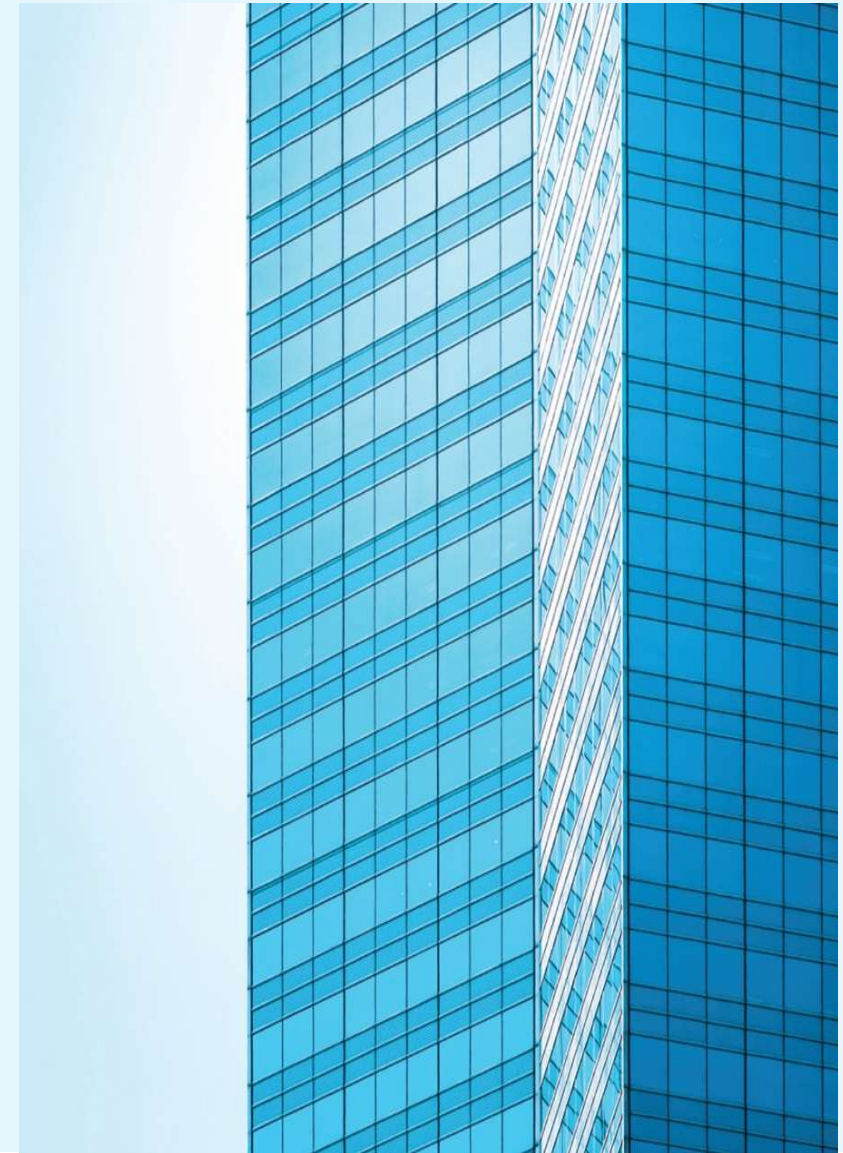
Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to the members of Tendring district Council.

We are required to satisfy ourselves that Tendring district Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This means that we have regard to relevant guidance issued by the National Audit Office and undertake sufficient work to be able to satisfy ourselves as to whether Tendring district Council has put arrangements in place that support the achievement of value for money and to provide an annual commentary on arrangements in the Auditor's Annual Report.

What we don't report

Our audit is not designed to identify all matters that may be relevant to Tendring district Council and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist





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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of Tendring district Council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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Attachment 6

The Council's Statement of Accounts 2022/23 for Publication
(Including the Annual Governance Statement)

Tendring *District Council*



STATEMENT OF ACCOUNTS

2022/23

TENDRING DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2022/23

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9 December 2024

NARRATIVE REPORT 2022/23

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 2023 as follows:

As was the case in 2020, no one could have predicted the various global events that unfolded after our meeting in February last year.

Over subsequent months we saw a range of global issues, along with some national ones too, which have had an impact on the Council directly or perhaps in less obvious ways. The last twelve months have flown by, which perhaps is not surprising given how much has happened, with some examples being:

- Russia's invasion of Ukraine and the ongoing war, happening on European soil, leading immediately to a global fuel crisis and the cost of petrol, diesel, electricity and gas all skyrocketing.*
- Supply chain disruption as a direct consequence of the total shutdown of the world's economies due to Covid.*

All of which has contributed to:

- Commodity market volatility;*
- Weak GDP growth across the globe;*
- Workforce shortages;*
- Rising Interest rates; and*
- The highest inflation rates across the western world that we have not seen for decades.*

The scale and speed at which the impact from these events started to hit home during 2022 was unprecedented.

In terms of the impact on our budget, we have seen the cost of projects significantly increase during 2022/23 along with substantial increases in employee and contract costs to name but a few. In terms of our 2023/24 budget, we have had to reflect cost increases totalling well over £4 million, a huge increase by any measure, but especially so when our overall net budget is £14 million.

Although this has been marginally offset by increases in income from Council Tax and Business Rates, the forecast deficits across 2023/24 to 2026/27 are significant and will be very challenging for us to respond to.

We need to continue our careful and prudent approach to financial stewardship – it is now more important than ever. It takes a long time to build the solid foundations that we have, which can easily be torn down overnight.

Over the past year we have seen a number of Councils get into catastrophic financial difficulty, a trend which I am sure will continue into 2023/24. Good financial stewardship is often about finding the right balance and doing things in a proportionate way. Many of the Councils that have found themselves in financial difficulty have not necessarily struck this balance. We all want to do bigger and better things and perhaps want to do them quicker, but this always must be tempered by affordability and financial sustainability.

In terms of working with our partners, our reputation goes from strength to strength and external organisation really see us as a Council that is easy to work with and can get things done. Great examples of this can be seen in the Freeports and Levelling up projects.

A Local Council is effectively a number of smaller yet diverse and varied businesses in one, where we also have to consider issues such as social value, health and inequality, climate change and social inclusion. These all have to form part of our wider financial planning processes.

Although the current financial environment has had an impact on our future investment plans, it is worth highlighting the various projects and schemes we are still delivering. Some Councils may have had to call a halt on a number of their projects in light of the financial challenges that have arisen over the past twelve months, but the careful management of our finances has allowed us to remain committed to the delivery of a number of key projects in the District, such as:

- The provision of a covered market and managed workspaces in Jaywick.*
- The development of the former Starlings site in Harwich.*
- Transformational regeneration in Clacton supported by levelling up funding.*
- Supporting the development of the internationally significant Freeport project.*
- Replacing the all-weather pitch at Clacton Leisure Centre along with wider investment in the centre.*
- Disposal of the former Weeley Council office site, which will provide us with additional local homes for local people.*
- The major refurbishment of the skate park at Clacton Leisure Centre.*
- A Clacton Airshow in 2023, which will be celebrating its 30th anniversary this year.*

The budget for 2023/24 recognises the significant income receivable from the Government as part of the Local Government Finance Settlement. The money is welcomed and although it needs to be treated on a one-off basis in 2023/24 given the inherent uncertainty with any Government funding, it does contribute to the flexibility required to deliver the long term forecast and savings required.

In terms of developing the framework to identify the necessary savings, we will undoubtedly have to go back to basics and challenge everything we currently do. Although not exhaustive, such consideration will need to take into account issues such as what are our statutory obligations, what do we do using our discretionary powers, where can we make efficiencies, do we need to review existing service standards and how can zero-based budgeting play a role along with meeting future demand and customer expectations.

Although we would all want to avoid having to make any savings, we need to approach it in a positive way and 'squeeze' as much value out of everything we do - by doing so will lessen the impact on the affordability of delivering the range of services we currently provide. The perfect outcome would be that we don't have to reduce any services, but such an outcome is very unlikely. However, our long-term approach has given us the time to make well informed and consultative decisions rather than making some knee-jerk choices.

We continue to face many challenges in Tendring, and notwithstanding the forthcoming elections, I urge Members to carry on contributing positively to address the issues and problems that the Council faces. There will be some really difficult decisions to make; it is likely that we will have to look at different ways of delivering services and that will not be easy.

I am more convinced than ever that success, however you chose to define it, for this Council, for this District and for our residents in particular, can only be achieved by us engaging positively and working constructively with our partners; in the public sector, the private sector and the voluntary sector, and also with each other.

We face uncertain times nationally and internationally with the continuing war in Ukraine and the ongoing financial situation: none of us can know what the future holds or how it will affect us. So, we must continue to support our residents through whatever challenges emerge.

[The above formed part of statements made by the Leader of the Council during February/March 2023. Further details relating to other issues and on-going challenges are set out further on in this statement. Following the Local Elections in May, a New Leader was elected on 23 May 2023 with subsequent changes made to the membership of the Council's Executive, with full details set out on the Council's Website]

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

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

Work is underway within the Council to develop the Corporate Plan and Community Vision to replace the existing plan which 'expires' in 2024.

The Council's 4-year Corporate Plan is complimented 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 the impact of the sustained reduction in Central Government funding over recent years along with significant inflationary pressures that started to emerge during 2022/23.

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 along with various economic growth initiatives which also cuts across a wide range of the Council's service activities and projects. 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 current **Vision and Values** are set out below:

Our Vision

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



Our Values

- ◆ Councillors and staff uphold **personal integrity, honesty** and **respect** for others
- ◆ **Innovative, flexible, professional** staff **committed** to delivering excellence
- ◆ Recognising the diversity and **equality** of individuals
- ◆ Working **Collaboratively** with partners, including supporting the Essex wide vision and ambitions

Tending
District Council



Governance and Operational Model

The outcome from the annual review of the Council's governance framework is set out within the Annual Governance Statement (an annex to this Statement of Accounts) with many activities undertaken during the year to strengthen/enhance all areas of the framework. The 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 2023/24. Progress against the actions included are reported to and monitored by the Council's Audit Committee during the year.

Along with the Council's performance management framework which is discussed further on, the Council's budget and Long Term Financial Plan articulate the use of resources with the position for 2023/24 and beyond summarised within the Chief Finance Officer's (S151 Officer) report to Council in February 2023 as part of the budget process for 2023/24 as follows:

Robustness of the Estimates

Financial Management / Governance Arrangements

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

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

Although annual budget deficits are forecast across the remaining years of the plan, the overall financial forecast risks are underwritten by the use of a dedicated forecast risk fund, which is estimated to remain in a surplus position over the life of the current 10-year plan.

The need to continue to deliver against the 10-year forecast is clearly recognised within the Council and will remain a key focus in 2023/24. Self-sufficiency also continues to underpin the Council's 10-year forecast along with maximising opportunities through investment and maximising savings opportunities over a longer time period. Taking a longer-term view of the forecast also enables the Council to respond to any significant financial impacts over several years rather than as part of an annual budget cycle, which strengthens financial resilience in the long term. This has been brought into even sharper focus as part of developing the budget for 2023/24 given the significant global / national events that have had a major impact on the Council's financial position, with further comments set out later on in this statement.

Given the scale of the financial challenges that the Council faces, additional engagement with members was undertaken as early as possible in this year's budget setting / forecasting process to add resilience to the Council's financial position heading into 2023 and beyond. In addition to the above, all staff briefings were recently held to set out the Council's financial position. Continued transparency and communication will play a major role going forward to support the Council in delivering a long term financially sustainable position.

In addition to the above it is also worth highlighting that within the Financial Strategy framework, there is Cabinet involvement at various stages in addition to a comprehensive review and associated input from the Resources and Services Overview and Scrutiny Committee.

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 an immediate and direct response to the challenging outturn position for 2021/22 and to future financial challenges, the Chief Executive established a regular cycle of Budget, Performance and Delivery Review meetings with Management Team and other Senior Officers across the Council. These meetings aim to cover a range of issues such as taking a high level review of the in-year budget position for each Directorate / Department to draw out any potential financial issues ahead of the associated impact on the budget, to promote and oversee any associated decision making / governance processes, to identify financial pressures that may impact on the Council's long term financial plan and to review the in-year performance against the Council's key aims and objectives and other key delivery targets.

A corporate investment plan approach was adopted in 2022 and it will play an integral part of the financial planning process going forward. It is worth highlighting that the corporate investment plan approach includes the identification of issues emerging from departmental resource delivery plans along with supporting operational needs, which reflect a large number of the costs emerging during the 2023/24 budget cycle. However, as reported earlier in the year, further reporting of the corporate investment plan would be delayed until such time as the Council had a clearer position on the potential financial impacts faced by the Council in 2022/23 and 2023/24 and beyond. It is planned to re-engage with the corporate investment approach during 2023/24.

Another important element of the long term forecast is the delivery of on-going savings, which also need to act as a 'safety valve' in terms of offsetting increases in cost pressures or other unavoidable increases in expenditure. Based on the most up to date forecast, savings in excess of £5m are currently included in the forecast across 2024/25 to 2026/27.

The scale of the savings are therefore significant set against the Council's overall net budget and will present a major challenge for the Council. It is important to highlight that the savings need to be broadly secured before the start of the relevant year, which means that a framework to explore and identify potential options will need to be underway as early as possible in 2023. Work will therefore need to commence on this major piece of work shortly.

As set out in earlier reports, zero based budgeting was planned to be further developed during 2022/23. The key principles behind zero based budgeting will play a key role going forward and will form part of developing the forecast. However, it was recognised that the immediacy of the financial challenge the Council faces will influence the impact this approach will have in the short term.

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

It is currently proposed to review the long term forecast in 2023, which would see 3 years to go until the end of the original 10-year plan. This will provide an opportune time to review the Council's financial position going forward and reflect on any longer term impact from the current challenging financial environment. It is also worth highlighting that a New Homes Bonus grant is receivable in 2023/24. This has been set aside to provide additional financial flexibility to the New Administration from May this year to support the delivery of the long-term forecast / priorities going forward.

Regular and comprehensive monitoring of the budget will continue to be undertaken during 2023/24 as part of the well-established and comprehensive financial performance reporting process, so issues can be identified and action taken at the earliest opportunity if and when appropriate.

In terms of capital investment and treasury management, the Council is responding to the publication of revised prudential and treasury management codes, with a revised Annual Capital and Treasury Strategy planned to be presented to Cabinet and Full Council before the start of 2023/24. Although subject to a number of changes, any associated activities 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, action has been taken to mitigate these risks as far as possible. The budgets have been prepared against the background of a difficult economic environment, which will undoubtedly take time to return to more historic levels as the Council starts to look ahead to 2024/25 and beyond.

Budget Assumptions

This year has seen a number of emerging issues both nationally and globally that will have a significant impact on the Council's own financial position e.g. inflation, supply chain disruption, energy cost increases, commodity price increases along with associated secondary impacts. This is in addition to more local pressures on net costs such as the Crematorium remaining non-operational for the first half of 2022/23. The scale and speed of how some of these issues emerged / developed during 2022/23 added a significant level of difficulty in terms of responding in the short term.

Given the scale of the financial issues emerging during 2022 and the estimated impact in 2023/24 and beyond, an initial two year approach was adopted in terms of securing a balanced position in both 2022/23 and 2023/24.

Taking both years together provided the basis against which to consider the refocusing of existing reserves and budgets to ensure a robust yet prudent response. Throughout the budget cycle for 2023/24, a number of existing budgets and reserves were identified that could be refocused to support the Council's overall financial position. These have been complemented by income budgets where increases are expected in 2023/24, such as from fees and charges and investment income.

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

The detailed budget for 2023/24 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 2023/24 sets out a balanced position, although it includes the use of one-off funding in the short term. However, the long term forecast still provides an effective method of managing financial risks. The ongoing impact from various financial challenges is still evolving and it is therefore important to highlight that the money set aside in the Forecast Risk fund reflects a balanced and realistic approach and provides the flexibility and time to consider the longer term plan and savings that will be required in a more informed way rather than having to potentially take quick / short term decisions.

Delivering a positive outturn position each year

In previous years the Council has refrained from using one-off money and reserves to support the on-going budget. Given the scale of the current financial challenges faced by the Council, this principle can no longer be applied as highlighted above.

To support the long term approach via the Forecast Risk Fund, the forecast includes 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 highlighted earlier, a number of emerging issues in 2022/23 have been considered as part of the initial two year approach to respond to the immediate issues that have arisen. This approach aims to support the delivery of the budget in 2022/23 by the timely refocusing / review of existing budgets and reserves to avoid adverse issues later in the year, where they would become inherently more challenging to resolve if close to the end of the financial year.

Cost pressures continue to present one of the more significant risks to the forecast, especially given the amount of unavoidable cost pressures identified in recent years and the significant issues that have emerged during 2022/23. 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.

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

As has been the case in previous years, to support the management of risk, the Council continues to resist using the New Homes Bonus grant to support the on-going base budget. As highlighted earlier, the grant receivable in 2023/24 has been set aside for consideration by the New Administration from May 2023 as part of developing the financial forecast from 2024/25 and beyond.

It is also important to highlight that the Council has 'cash backed' a number of key schemes and projects so their delivery is secured, rather than relying on projected savings or future forecasts to fund them. This 'protects' the underlying revenue budget, as investment in priorities can still be progressed without relying on generating the necessary funds via the long term forecast.

The 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. The forecast also continues to aim to reflect the outturn position from the previous year along with emerging issues, which allow it to also remain alert to potential changes to its financial position.

Financial Risks

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

One of the previous primary risks to the forecast related to the COVID 19 pandemic, which have been replaced in 2022/23 and beyond with wider global / national economic challenges, which have increased the level of financial risk to the Council's long term financial sustainability. The Financial Performance reports presented during the year have set out more details around these challenges.

The initial two year approach taken, as highlighted above, has enabled the significant risks in 2022/23 to be addressed along with any associated impact in 2023/24.

It is recognised that the one-off money such as reserves to balance the budget is not sustainable in the long term. However, by balancing the use of existing budgets / reserves along with the use of available Forecast Risk Fund, it provides the necessary time to explore options to deliver the required on-going savings from 2024/25, which was part of the flexibility that the longer term approach to the forecast was intended to deliver.

As set out in the main body of the report, although the deficit has reduced since Cabinet's meeting on 27 January 2023, the deficit remains significant against the context of the Council's overall net budget. However, it does provide additional flexibility in terms of developing the required framework in which to identify the necessary savings to support an on-going financially sustainable position over the next few years.

Set against the position highlighted above, it is therefore important that the Council establishes a framework as early as possible in 2023/24 against which the longer term savings 'targets' can be secured.

Adequacy of the Reserves / Financial Standing

An integral part of the Council's overall strategy is that the level of reserves is sufficient to support identified risks along with supporting a sustainable budget position in the longer term.

The report to Cabinet in December 2022 set out a review of reserves, which is undertaken annually as part of each year's budget setting cycle.

As part of delivering a balanced budget in 2022/23 and 2023/24, a number of one-off budgets / reserves have been refocused / transferred. However a number of important reserves are still maintained, with the following key reserves still held that support the Council's underlying financial resilience:

- As mentioned above, a Forecast Risk Fund has been established to 'underwrite' the 10-year forecast. Surplus balances are forecast to remain within this reserve over the remaining years of the plan;*
- 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;*
- **£1.019m** remains set side to mitigate cost pressures associated with the repair and maintenance of Council assets along with supporting the Council's commitment to carbon neutrality; and*

- *In addition to the above, the level of uncommitted reserves forecast at 31 March 2022 is £4.000m.*

The above along with the on-going / annual review of reserves continue 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 2023/24 that weaken the overall long term approach to the forecast.

The proposed budget for 2023/24 resulting from the above processes and governance arrangements is therefore robust / deliverable, and underwritten / supported by reserves.

The impact from the global/economic challenges that emerged during 2022/23 continue to have a significant impact on the Council's financial position in 2023/24 and beyond. These issues are discussed in more detail further on within this narrative statement.

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

As highlighted last year, there is a new approach to the use of resources assessment following a change in the associated code and guidance. The outcome from the work of the External Auditor is now moving to a commentary on the Council's value for money arrangements rather than a conclusion or opinion.

Although the Council awaits its first such report, the commentary will cover the following 3 headings:

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

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

The Council's Statement of Accounts for 2020/21 and 2021/22 still remain subject to being 'signed off' due to External Audit delays, which is a well-publicised and national issue and in no way reflects any wrong-doing by those Council's adversely affected. This has unfortunately contributed to the delay in the publication of these Accounts for 2022/23, which were required to be published by the end of May 2023.

The Council's decision to delay the publication of the accounts should be seen as a practical response to matters outside of its control, rather than a reflection on the Council's important financial stewardship role. However to provide additional assurance in the interim period, the External Auditor has provided a positive Draft Audit Completion Report for 2020/21 which was considered by the Council's Audit Committee in March 2023, with no significant weakness identified to date in terms of the Council's use of resources.

Due to the delays highlighted above, the Council's Monitoring Officer issued an associated Section 5 Report which is available on the Council's website.

In response to the on-going External Audit delays, the Government have recently announced its proposed approach, which is based on introducing a series of statutory deadlines for account preparers and auditors to clear the backlog, with Auditors being required to provide as much assurance as possible for any years outstanding. They would still be required to report as normal any significant concerns they have on an organisation's financial controls and financial reporting, as well as financial resilience, governance and risk. Where necessary, it is intended that auditors would need to limit their opinion, making clear to the user of the accounts where full evidence hasn't been confirmed, and which the auditor is therefore unable to provide assurance over. Auditors' statutory duty to report on value for money arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) will remain a high priority.

Risks and Opportunities

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

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

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

The Council's Corporate Risk Register was reported to the Senior Managers and the Audit Committee during the year to aid accessibility, improve the focus on actions that are required to successfully manage corporate risks.

Within the risk register items have been grouped together under the following themes:

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

Mitigating actions have reduced the residual risk against each risk item within the categories above to at or below the Council's acceptable risk tolerance level apart from the following four items, which were included in the latest report to the Council's Audit Committee on 13 July 2023:

Risk	How the Risk is Controlled/Mitigated
<p>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'</p>	<p>Tendring District Council has robust cyber-security including physical devices (Firewalls), network segregation, protective software applications to protect the Council from the daily occurrences of external Cyber-attack. Cyber-security is an essential part of our induction training. In addition, phishing awareness campaigns are also ongoing. With council cyber-attacks growing exponentially in both volume and complexity the council must consider that it is not IF but WHEN a successful cyber-attack is made and we continue to plan, train and exercise accordingly. Having implemented an 'immutable backup' regime we have data restoration capabilities from locked-down safe sources. That said, in a restoration scenario we will lose any recent made data changes so an element of recovery will still be necessary. Following Full Council decision of 2nd March 2023 and adoption of managed-devices by all Councillors we have implemented cyber security posture control council-wide. This is a significant step-change in minimising the number of attack vectors' (pathways) that a hacker can use to attack and attempt to exploit vulnerabilities to gain access to networks/ computers/ digital devices/ information/ data. We will continue to move towards a Zero trust Network Architecture (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)</p>
<p>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.</p>	<p>Conducting annual inspections of coast protection structures and responding swiftly to public reporting of minor faults. An annual maintenance programme for the coastal frontage is set each year with an appropriate budget to cover the works. Each year sections of the sea defences are improved as part of a rolling programme of special maintenance schemes funded from the Council's Revenue Budgets. Works undertaken range from day-to-day maintenance of promenades and seawalls to schemes costing millions of pounds. Larger capital schemes attracting grant in aid are produced to comply with Defra guidelines and their High-Level Targets for coast protection. At present there are identified areas of current cliff instability where funding to conduct necessary major projects would need to be identified.</p>

<p>Financial Strategy - The impact of achieving a balanced budget in an ever-tightening financial environment on service delivery objectives</p>	<p>Long Term Financial Plan updated on an ongoing basis.</p> <ul style="list-style-type: none"> • 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. <p>A framework in which to deliver required savings is currently being developed with the aim of capturing key financial information to support the associated decision-making process alongside the corporate plan / priorities process. This will also sit alongside a review of the investment plan approach and the use of key zero based budgeting principles in developing the forecast looking ahead to 2024/25 and beyond. A review of the length of the financial planning cycle is subject to review during 2023. However, in the event that the long-term approach is unable to support the delivery of the intended outcomes, then the Council can revert to the more traditional / short term approach to setting the budget.</p>
<p>Loss of sensitive and/or personal data through malicious actions loss theft and/or hacking</p>	<p>Multi-firewall network segregation implemented with role-based access to systems necessary for work. Governance procedures/ policies/ responsibilities quarterly reviewed by the Information Governance Policy Unit. All remote working is protectively 'tunnelled' utilising Microsoft VPN technology. All officer mobile devices (laptops, tablet, and phones) are encrypted with complex passwords and are managed using Microsoft Mobile device Management (MDM) to further protect data. Enhanced monitoring of the Council's internal network data flows focusses on early detection/ isolation of cyber-attack. The Council maintains an ongoing campaign to educate staff and members as to a range of cyber-attacks/ techniques. To-date all information breaches have been down to human-error. We have robust security breach reporting arrangements, and each such breach is investigated and lessons-learned in terms of reducing the operating risk or providing additional staff training etc. Procedures are in place to manage agreements where appropriate, where partner organisations are managing data on behalf of the Council. Consultation with the Council's Data Protection Officer should be undertaken prior to agreements being formed. This will ensure risk to the organisation is managed effectively.</p>

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 underway in 2023/24, which will include a review of the risks currently 'captured' along with the consideration of any changes or additions to reflect the most up to date position / challenges faced by the Council.

Strategy and Resource Allocation

The Council has adopted a long term financial sustainability plan with the primary aim of protecting services, as far as is reasonably possible, that the Council provides to its residents, businesses and visitors in the wake of the on-going and significant reductions in government funding and significant inflationary pressures that emerged during 2022/23. 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 14 February 2023 included revised annual forecasts over the remaining years of the 10 year plan which are set out in the table below (including estimated balances on the Forecast Risk Fund that supports the delivery of a balanced budget year on year):

Year	Net Budget Position (including adjusting for prior use of reserves to balance the budget)	Forecast Risk Fund - Estimated Surplus Balance at the end of each year
2024/25	£3.823 million (Deficit)	£2.569 million
2025/26	£0.132 million (Deficit)	£2.687 million
2026/27	£0.225 million (Deficit)	£2.711 million

The figures in the table above are after taking into account 'required savings targets' of £1.150 million, £4.250 million and £0.450 million in 2024/25 to 2026/27 respectively.

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

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

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

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

Within last year's Narrative Statement, it was mentioned that the Council had established a corporate investment plan approach to maintain a focus on the prioritisation of resources / investment opportunities. Given the significant financial pressures emerging in 2022/23, this approach was 'blended' into the existing Financial Performance reports that are prepared and presented to Members during the year. However the following sets out a number of key points that remain a key consideration within this broader approach:

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

As mentioned within the risk section earlier, a framework in which to deliver required savings is currently being developed with the aim of capturing key financial information to support the associated decision-making process alongside the corporate plan / priorities process. This is also reflected as a key item within the Annual Governance Statement.

Council Performance 2022/23

Non-Financial Performance

Performance reports are presented to Management Team and Members during the year, which includes updates against key projects / 'highlight' priorities. The following sets out a summarised outturn position at the end of March 2023:

Highlight Action	Year End Status
Minimise Waste; Maximise Recycling	On its way
Effective Regulation and Enforcement	On its way
Net Carbon Neutral by 2030	Delivered
North Essex Garden Communities	Delivered
Jaywick Sands – More and Better Housing	Delivered
Building and Managing Our Own Homes	On its way

10 Year Financial Plan	On its way
Effective and Positive Governance	Delivered
Use of Assets to Support Priorities	On its way
Develop and Attract New Businesses	Delivered
Support Existing Businesses	On its way
Promote Tendring's Tourism, Cultural and Heritage Offers	Delivered
Health and Wellbeing – For Effective Services and Improved Public Health	Delivered
Education – For Improved Outcomes	Delivered
Joined Up Public Services for the Benefit of Our Residents and Businesses	On its way

Financial Performance

Continuing from previous years, the various strands representing the overall financial performance of the Council have been brought together in one report that is reported to members on a quarterly basis. This approach follows the commitment made to provide regular updates on the long term financial forecast and to bring the reporting of key financial performance and budget monitoring together in one report. The report therefore sets out the overall financial position of the Council in one place and includes a risk assessed approach to each strand of the forecast. The financial performance reports that were presented to Members during 2022/23, which are available on the Council's website, also include the consideration of investment opportunities and cost pressures as discussed earlier.

The Council is meeting its long term forecasted position supported by the forecast risk fund that was set up to 'underwrite' the risks associated with the new long term approach. In respect of 2023/24, there is no estimated use of the forecast risk fund as other one off reserves and budgets were repurposed to support the budget in 2023/24 given the level of emerging costs pressures such as inflation. £6.142 million is therefore forecast to be 'held' within the forecast risk fund at the end of 2023/24 to continue to support the long term plan in 2024/25 and beyond.

Financial Performance 2022/23 including comparison with the 2022/23 Budget

A comprehensive outturn report was agreed by the Council's Finance and Governance Portfolio Holder on 10 July 2023 along with an associated report presented to Cabinet on 21 July 2023, both of which are available on the Council's website, with a summary set out below that follows a similar format of the Expenditure and Funding analysis within the Statement of Accounts:

Summary of General Fund Revenue Financial Performance 2022/23

	Budget 2022/23 £m	Outturn 2022/23 £m	Variance £m
Net Cost of Services *	32.538	15.994	(16.544)
Other Income and Expenditure			
<i>Revenue Support for Capital Investment</i>	4.915	2.191	(2.724)
<i>Financing Items</i>	(6.932)	(6.555)	0.377
<i>Business Rates (including Tariff and Levy)</i>	(3.033)	(3.545)	(0.512)
<i>Revenue Support Grant</i>	(0.444)	(0.445)	(0.001)
<i>Collection Fund Surplus/Deficit</i>	3.191	3.191	-
<i>Income from Council Tax Payers</i>	(9.112)	(9.112)	-
Total Other Income and Expenditure	(11.415)	(14.275)	(2.860)
(Surplus) or Deficit on Provision of Services **	21.123	1.719	(19.404)
Opening General Fund Balances	(38.071)	(38.071)	-
(Surplus) or Deficit on General Fund in Year	21.123	1.719	(19.404)
Closing General Fund Balances at 31 March	(16.948)	(36.352)	(19.404)

* the budget of £32.538 million included in the table above is £12.431 million more than the figure (£20.107 million) presented to Full Council in February 2022 when the original budget was agreed, which is primarily due to the amounts carried forward from 2021/22 into 2022/23.

** the difference between budget and actuals is primarily due to requested carry forwards into 2023/24, with some significant items as follows:

- Garden Communities Project - £0.550 million
- Local Plan - £0.160 million
- Community Housing Trust Grant - £0.612 million
- Health Partner Funded Projects - £0.894 million
- Revenue Financing of Capital - £2.043 million
- Levelling Up Grant Funded Regeneration Project Delivery - £2.291 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 2022/23 of £15.154 million. When the HRA is excluded (£0.839 million), the outturn position relating to the Net Cost of Services is £15.994 million as included in the table above.

Within the £19.404 million variance on the (Surplus) or Deficit on Provision of Services above, a general contribution of £3.352 million was made to reserves representing the overall outturn variance for the year. The main items behind the overall outturn variance for the year included the following:

- External Investment Income - £0.350 million
- Net Income from Business Rates - £0.799 million
- Revenue Financing of Capital - £0.594 million
- New Burdens Grants received from the Government - £0.308 million

Summary of General Fund Capital Programme 2022/23

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 2023/24, with significant items as follows:

- Disabled Facilities Grants - £8.180 million
- Starlings and Milton Road Development - £0.720 million
- Clacton Leisure Centre Replacement of All Weather Pitch - £0.393 million
- Clacton Skate Park Improvement Scheme - £0.300 million
- Carnarvon House Demolition - £0.346 million

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

	Budget 2022/23	Outturn 2022/23	C/fwds	Variance
	£m	£m	£m	£m
Capital Expenditure	16.498	3.931	11.971	(0.596)
<hr/>				
Funding of Capital Expenditure	Budget 2022/23	Outturn 2022/23	To Fund C/fwds	Variance
	£m	£m	£m	£m
External Sources of Finance	0.902	0.505	0.397	-
S106	0.163	0.080	0.081	(0.002)
Government Grants	9.682	1.235	8.446	(0.001)
Capital Receipts	1.000	-	1.000	-
Revenue Contributions	0.905	0.178	0.708	(0.019)
Use of Earmarked Reserves	3.846	1.933	1.339	(0.574)
Total	16.498	3.931	11.971	(0.596)

General Fund Reserves

The overall level of reserves at the end of 2022/23 is £36.352 million, made up of £19.214 million for earmarked commitment reserves, £13.138 million for other earmarked reserves and £4.000 million for uncommitted reserves.

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

The level of earmarked commitments reserve is lower than at the end of 2021/22 primarily due to the associated accounting treatment of business rates via the collection fund.

Housing Revenue Account 2022/23

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 2022/23 £m	Outturn 2022/23 £m	Variance £m
Net Cost of Services	1.152	(0.839)	(1.991)
Other Income and Expenditure	-	-	-
(Surplus) or Deficit on Provision of Services *	1.152	(0.839)	(1.991)
Opening HRA Revenue Reserves	(5.202)	(5.202)	-
(Surplus) or Deficit on HRA in Year	1.152	(0.839)	(1.991)
Closing HRA General Balance at 31 March	(4.050)	(6.041)	(1.991)

* the difference between budget and actuals is primarily due to a carry forward of £1.527 million along with an additional contribution to reserves of £0.464 million.

Housing Revenue Account 2022/23 – Capital Expenditure

	Budget 2022/23 £m	Outturn 2022/23 £m	C/fwds £m	Variance £m
HRA Capital Expenditure	11.049	7.351	3.904	0.206

A summary of how this capital expenditure was financed in 2022/23 is set out below:

	Budget 2022/23 £m	Outturn 2022/23 £m	To Fund C/fwds £m	Variance £m
Major Repairs Reserve	4.178	3.939	0.450	0.211
S106	0.333	0.328	-	(0.005)
Capital Receipts	0.064	-	0.064	-
External Contributions	4.904	3.041	1.863	-
Revenue funding from the HRA	1.570	0.043	1.527	-
Total	11.049	7.351	3.904	0.206

The overall variance of £0.206 million is largely due to the timing and programme of works which will continue in 2023/24 and beyond supported by the various funding sources highlighted in the table above.

The Council's Overall Balance Sheet

The Council's balance sheet as at the end of March 2023 is set out within the Statement of Accounts. Some significant matters to highlight are as follows:

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

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

At the end of 2022/23 there is an overall pension surplus attributable to the Council of £34.791 million (£18.370 million deficit for 2021/22). In a change to previous years accounting treatment and in-line with IFRIC 14 and its interpretation by Auditors and guidance issued by CIPFA, an asset ceiling approach has been applied 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 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.

- **Cash and Cash Equivalents**

At the end of 2022/23 the overall Cash and Cash Equivalents totalled £6.820 million (£10.040 million in 2021/22). This reduction is mainly as a result of the decrease in sums held in the two Money Market Funds operated by the Council for operational reasons in accordance with the Council’s Treasury Management Practices. These reduced from £6.903 million at 31 March 2022 to £3.448 million at 31 March 2023

- **Short Term Creditors**

At the end of 2022/23 there is overall Short Term Creditors totalling £31.094 million (£40.249 million in 2021/22). This reduction is mainly as a result of government grant received in 2021/22 that was distributed in 2022/23 in respect of the Council Tax Energy Bills Rebate Scheme.

Although the thinking and philosophy behind the long term financial sustainability plan has been referred to earlier on in this report, the detailed budget for 2023/24 that was ‘built’ on this approach is set out below:

General Fund

The Council's overall net General Fund revenue budget for 2023/24 (excluding amounts carried forward from 2022/23) is £14.141 million with a summary below, including how it is financed:

	2023/24 Original £m
Net Cost of Services	22.235
Revenue Support for capital investment	0.070
Financing items	(6.963)
Net Expenditure	15.342
Net Use of Earmarked Reserves	(1.201)
Total Net Budget	14.141
Financed by:	
Business Rates (excl. S31 Govt. Grant funding)	(3.058)
Revenue Support Grant	(0.696)
Collection Fund (Surplus)/Deficit	(0.784)
Council Tax Requirement (for Tendring District Council)	9.603

A summary of planned Capital Expenditure in 2023/24 (excluding amounts carried forward from 2022/23) and how it is financed is as follows:

	2023/24 Original Budget £m
Expenditure	0.827
Financing	
Government Grants	0.757
Capital Receipts	-
Earmarked Reserves	-
Direct Revenue Contributions	0.070
Total Financing	0.827

The current long term forecast going into 2024/25 and beyond reflects items such as the on-going impact from the reduction in government funding and the potential for income growth from council tax and business rates, including amounts from property growth. The proposed changes to business rates nationally remains as a significant risk to Councils and will continue to be monitored and reflected in the forecast accordingly. On the expenditure side of the forecast, inflation such as on salaries are also included along with an estimate of cost pressures and potential savings. As highlighted later on, there are a number of other emerging financial issues that are expected to have an impact on the Council in 2023/24 and beyond.

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

In terms of the COVID-19 pandemic and other national / global events, the speed and scale of future economic growth / recovery remains difficult to forecast. However this will be kept under review and reflected in the long term forecast that will be updated on an on-going basis during 2023/24.

Housing Revenue Account

A summary of the HRA Revenue Budget for 2023/24 is summarised below:

	2023/24 Original Budget £m
Direct Expenditure	8.089
Direct Income	(15.266)
Indirect Income/Expenditure including Financing Costs	7.457
Net (Surplus)/Deficit	<u>0.280</u>
Contribution to/(from) Reserves	<u><u>(0.280)</u></u>

A summary of the HRA Capital Programme for 2023/24 is set out below:

	2023/24 Original Budget £m
Expenditure	<u>7.978</u>
Financing	
Major Repairs Reserve	3.314
Capital Receipts	4.050
Revenue funding from the HRA	0.614
Total Financing	<u><u>7.978</u></u>

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

➤ **Levelling up funding for Clacton and Dovercourt Town Centres**

The Government have awarded the Council over £26 million of financial support for investment in capital regeneration projects in Clacton and Dovercourt. Work is now underway with partners to deliver these two important capital schemes over the next two / three years.

➤ **Freeport East**

The Council remains a key partner in the Freeport East programme, working with other local authorities and the Port to support efforts to bring forward development at Bathside Bay in Harwich. The Council also continues to work with Essex County Council and other partners to develop proposals for the regeneration benefits that Freeport East could bring to the District of Tendring, which includes the creation of thousands of new jobs in the region. Freeport East Ltd was incorporated on 6 December 2022 as a not-for-profit company created by the local partners, including Tendring District Council, to deliver the full potential of the Freeport East vision. The Council's interest in this company has not yet been recognised within the Statement of Accounts, as to date the activities of the company have been limited and therefore not material.

In addition to the above, the Council continues to deliver against a number of existing capital projects such as the redevelopment of the Honeycroft Site in Lawford, along with the refurbishment of Spendells House in Walton on the Naze.

In terms of the Council's Housing Revenue Account, the formulation of the budget for 2023/24 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 regulatory regime emerging from the Hackett review, which followed the Grenfell fire incident. This is in addition to the national trend of increases in housing disrepair claims made against local authorities. 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 2023/24 with the on-going aim of delivering the long term financial sustainability of the HRA.

In addition to the above, the Financial Outturn Report for 2022/23 that was considered by the Council's Cabinet on 21 July 2023 highlighted the following significant financial challenges / issues that are expected to have an impact in 2023/24 and beyond:

- Planning Appeal Costs
- Review of the Careline Business Case
- Waste Tipping Away Costs
- Fixed term budgets coming to an end e.g. Housing Early Interventions Officer.
- North Essex Parking Partnership Budget and potential financial impact on partnering authorities
- Impact of the outturn position for 2022/23.
- Ongoing inflationary pressures – e.g. employee and contract costs.
- Prioritising investment
- Consideration of extending the long-term forecast period beyond 2026/27
- Reflecting the on-going priorities and vision of the Council.
- Reviewing the overall financial risk approach – balancing any bias - cautiousness / optimism
- Using one-off funding to support the budget

- Future investment opportunities and cost pressures, including the impact of the upcoming retender of the waste and street cleansing contract
- Impact of new Extended Producer Responsibility relating to packaging and waste

As part of developing the financial forecast for 2024/25 and beyond, the Council is developing a framework within which to identify / secure the necessary savings to support its long term financial sustainability. This is included as a key action within the Council's Annual Governance Statement.

The Impact of COVID-19

Within the Narrative Statement from previous years, the impact from the COVID 19 pandemic was highlighted.

The Council has continued to recover from the associated impact, which was supported by grant funding from the Government.

As recognised within reports to the Council's Audit Committee during the year, the COVID 19 pandemic was a major contributor to the ever changing risk landscape which led to the impact of COVID-19 becoming a section of every audit undertaken within the Council by the Internal Audit Team. This approach remains ongoing in 2023/24.

Basis of Preparation and Presentation

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

FINANCIAL STATEMENTS

The main elements of the financial statements are explained below and comprise of information in respect of accounting concepts and estimation techniques, the responsibilities for the Statement of Accounts along with the report of the Auditors and the detailed financial statements and notes. The format and information in the Accounts has been prepared in line with International Financial Reporting Standards (IFRS) and the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (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 Director Finance and IT for the Authority's accounts and financial affairs.
- **Report of the Auditors** - The Auditor certifies that an audit of the Statement of Accounts has been concluded and gives an opinion on their presentation and content.

CORE FINANCIAL STATEMENTS

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

- **Comprehensive Income and Expenditure Statement** - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **Movement in Reserves Statement (MIRS)** - This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. This statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax and rents for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

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

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

Expenditure and Funding Analysis Note - In addition to the four core statements this note demonstrates to council tax and rent payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's Portfolio Holders. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. This note is positioned as Note 1 to the Core Financial Statements to provide it with due prominence.

SUPPLEMENTARY FINANCIAL STATEMENTS

- **Housing Revenue Account Income and Expenditure Statement** - The Housing Revenue Account (HRA) reflects a statutory obligation (Local Government and Housing Act 1989) to maintain a separate account for local authority housing provision such as those revenue transactions relating to the Council's housing stock and its other housing assets. The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement. The Account is also consolidated into the Comprehensive Income and Expenditure Statement previously mentioned.
- **Movement on the Housing Revenue Account Statement** - Similarly to the Movement in Reserves Statement, amounts that need to be included in the HRA to arrive at an overall position for the year include those in accordance with statute and are either added or removed from the figures in the Income and Expenditure Statement. Accordingly, this statement reconciles the income and expenditure statement with the other items in the HRA to arrive at the overall HRA balance for the year.
- **Collection Fund Income and Expenditure Statement** - The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and business rates. Transactions relating to Tendring District Council are included in the Comprehensive Income and Expenditure Statement.

OTHER INFORMATION

Additional information to aid the understanding and interpretation of the accounts:

ADDITIONAL STATEMENTS

- **Glossary** - This explains in more detail the terms used in the Statement of Accounts.

ACCOUNTING CONCEPTS AND ESTIMATION TECHNIQUES

Accounting Concepts

The accounting policies are detailed in a separate section (see page 67). These are consistent with the fundamental accounting concepts of:

- **Going concern** – that the Authority will continue in its operational existence for the foreseeable future;
- **Accruals** – the non-cash effects of transactions are reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid. Further details are provided in the separate section on Accounting Policies;
- **Legislative requirements** – where specific legislative requirements and accounting principles conflict, legislative requirements are applied.

Estimation Techniques

These are the methods adopted by the Council to arrive at estimated amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and charges to the Reserves. Where the basis of measurement for the amount to be recognised under accounting policies is uncertain, an estimation technique is applied. In the Council's accounts, estimation techniques continue to be applied for the calculation of depreciation, provision for doubtful debt, pension assets/liabilities, some grant amounts claimed from Government and the valuation of Property, Plant and Equipment. Methods used are further explained in the separate section on accounting policies.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the 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 Director Finance and IT's Responsibilities

The 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 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 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.

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 2023 and the income and expenditure for the year then ended.

R C Barrett
Director Finance and IT
Date: 9 December 2024

Chair of the Audit Committee' Certificate

I can confirm that the Audit Committee at the meeting held on the 9 December 2024 approved these accounts.

Councillor G Sudra on behalf of Tendring District Council
Chair of the meeting approving the accounts
Date: 9 December 2024

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

TENDRING DISTRICT COUNCIL

YEAR ENDED 31 MARCH 2023

Disclaimer of opinion

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matter 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 on these financial statements.

We were engaged to audit the financial statements of Tendring District Council ("the Authority") for the year ended 31 March 2023 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Income and Expenditure Statement and notes to the financial statements including material accounting information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. The conditions created by backstop arrangements have resulted in us not being able to obtain all the necessary audit evidence upon which to form an opinion since there was insufficient time to perform all necessary audit procedures by the backstop date. Consequently, we have not performed any work in respect of any audit area. As a result, we are unable to conclude that the Authority's financial statements for the year ended 31 March 2023 as a whole are free from material misstatement. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

Other information

The Director Finance and IT is responsible for the other information. The other information includes all other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Code of Audit Practice 2024 requires auditors to report on whether other information published together with the financial statements is consistent with the financial statements. Because of the significance of the matter described in the Basis for disclaimer of opinion section of our report, we have been unable to form an opinion on whether the other information published together with the financial statements is consistent with the financial statements.

Matters on which we are required to report by exception

Use of resources

We are required to report to you if, in our opinion, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in this regard.

Other matters on which we report by exception

We are required to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit;
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014;
- 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;
- 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 respect of these matters, except that because of the significance of the matter described in the Basis for disclaimer of opinion section of our report, we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Responsibilities of the Director Finance and IT and the Authority

As explained more fully in the Statement of Responsibilities, the Director Finance and IT is responsible for the preparation of the financial statements and for being satisfied that the financial statements give a true and fair view and for such internal control as the Director Finance and IT determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director Finance and IT is responsible for assessing the Authority's 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 relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matters 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 these financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

Auditor's other responsibilities

As set out in the Other matters on which we report by exception section of our report there are certain other matters which we are required to report by exception.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of Tendring District 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 Authority 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 Authority and the Authority members, as a body, for our audit work, for this report, or for the opinions we have formed.

Aphrodite Lefevre, Key Audit Partner
For and on behalf of BDO LLP, Local Auditor
Norwich, UK

10 December 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

Expenditure	2021/22			2022/23		Note	
	Income	Net		Expenditure	Income		Net
£000	£000	£000		£000	£000	Ref	
EXPENDITURE ON SERVICES							
4,514	(1,805)	2,709	Leader	4,558	(1,433)	3,125	
8,330	(4,985)	3,345	Corporate Finance and Governance	3,812	(952)	2,860	
14,096	(4,395)	9,701	Environment and Public Space	14,102	(4,868)	9,234	
59,792	(57,498)	2,294	Housing	61,093	(57,124)	3,969	
893	(80)	813	Partnerships	1,017	(513)	504	
3,064	(2,446)	618	Business and Economic Growth	819	(178)	641	
11,449	(3,478)	7,971	Leisure and Tourism	10,705	(4,708)	5,997	
1,132	(519)	613	Budgets Relating to Non Executive Functions	946	(264)	682	
103,270	(75,206)	28,064	Net Cost of Services	97,052	(70,040)	27,012	
3,590	(1,292)	2,298	Other Operating Income and Expenditure	6,859	(2,457)	4,402	11
1,946	(466)	1,480	Financing and Investment Income and Expenditure	1,475	(1,862)	(387)	12
6,416	(31,956)	(25,540)	Taxation and Non-Specific Grant Income and Expenditure	6,235	(35,047)	(28,812)	13
		6,302	(Surplus) or Deficit on Provision of Services			2,215	
	(30,627)		(Surplus) or deficit on revaluation of non-current assets			(11,214)	10(a)
	(28,823)		Remeasurements of the net defined benefit liability (asset)			(20,407)	10(c)
	(59,450)		Other Comprehensive Income and Expenditure			(31,621)	
	(53,148)		Total Comprehensive Income and Expenditure			(29,406)	

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 2021 brought forward	43,304	5,310	5,448	1,527	7,586	63,175	146,741	209,916	
Movement in reserves during the year									
Total comprehensive expenditure and income	(7,271)	969	-	-	-	(6,302)	59,450	53,148	
Adjustments between accounting basis and funding basis under regulations	2,038	(1,077)	88	(147)	1,630	2,532	(2,532)	-	7
Increase/(Decrease) in Year	(5,233)	(108)	88	(147)	1,630	(3,770)	56,918	53,148	
Balance at 31 March 2022 carried forward	38,071	5,202	5,536	1,380	9,216	59,405	203,659	263,064	8,10
Balance at 1 April 2022 brought forward	38,071	5,202	5,536	1,380	9,216	59,405	203,659	263,064	
Movement in reserves during the year									
Total comprehensive expenditure and income	(3,528)	1,313	-	-	-	(2,215)	31,621	29,406	
Adjustments between accounting basis and funding basis under regulations	1,809	(473)	(645)	74	2,440	3,205	(3,205)	-	7
Increase/(Decrease) in Year	(1,719)	840	(645)	74	2,440	990	28,416	29,406	
Balance at 31 March 2023 carried forward	36,352	6,042	4,891	1,454	11,656	60,395	232,075	292,470	8,10

BALANCE SHEET

AS AT 31 MARCH 2023

31/03/2022		31/03/2023	Note
£000		£000	Ref
	Long Term Assets		
261,539	- Property Plant and Equipment	267,339	14
157	- Heritage Assets	193	
2,108	- Investment Property	2,364	15
10	- Intangible Assets	1	
-	- Long Term Investments - Pensions	-	27
273	- Long Term Debtors	271	16
264,087	Total Long Term Assets	270,168	
	Current Assets		
69,016	- Short Term Investments	74,351	16
1,000	- Assets Held for Sale	823	18
107	- Inventories	35	
16,505	- Short Term Debtors	10,307	19
10,040	- Cash and Cash Equivalents	6,820	20
96,668	Total Current Assets	92,336	
	Current Liabilities		
(2,506)	- Short Term Borrowing	(1,693)	16
(40,249)	- Short Term Creditors	(31,094)	21
(1,049)	- Provisions	(834)	
(240)	- Capital Grants Receipts in Advance	(796)	23
(44,044)	Total Current Liabilities	(34,417)	
	Long Term Liabilities		
(578)	- Long Term Creditors	(960)	
(34,699)	- Long Term Borrowing	(33,277)	16
(18,370)	- Other Long Term Liabilities - Pensions	(1,380)	27
(53,647)	Total Long Term Liabilities	(35,617)	
263,064	Total Net Assets	292,470	
	Financed by:		
59,405	Usable Reserves	60,395	9
203,659	Unusable Reserves	232,075	10
263,064	Total Reserves	292,470	

R C Barrett
 Director Finance and IT
 9 December 2024

CASH FLOW STATEMENT

2021/22		2022/23	
£000		£000	£000
(6,302)	Net surplus or (deficit) on the provision of services		(2,215)
	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements:		
10,670	Depreciation, revaluation and impairment of non-current assets	11,276	
(123)	Movement in Investment Property Values	(256)	
16	Amortisation of Intangible Assets	9	
(4,415)	Increase/decrease in creditors	(4,048)	
(5,189)	Increase/decrease in debtors	1,643	
4,910	Movement in pension liability	3,417	
(767)	Contributions to/(from) provisions	(215)	
1,893	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	4,567	
(66)	Other items	73	16,466
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:		
(2,097)	Capital Grants credited to surplus or deficit on the provision of services	(5,183)	
(2,029)	Proceeds from the sale of property, plant and equipment	(2,456)	(7,639)
(3,499)	Net cash flows from Operating Activities*		6,612
	Investing Activities:		
(8,864)	Purchase of property, plant and equipment, investment property and intangible assets		(10,070)
(857,800)	Purchase of short term investments		(727,503)
2,056	Proceeds from the sale of property, plant and equipment		2,458
854,403	Proceeds from short term investments		722,700
(963)	Other payments for investing activities		-
1,639	Other receipts from investing activities		5,134
(9,529)	Net cash flows from investing activities		(7,281)
	Financing Activities:		
(1,671)	Repayments of short and long term borrowing		(2,221)
4,615	Other payments for financing activities		7,730
8,829	Other receipts from financing activities		(8,060)
11,773	Net cash flows from financing activities		(2,551)
(1,255)	Net increase or (decrease) in cash and cash equivalents		(3,220)
11,295	Cash and cash equivalents at the beginning of the reporting period		10,040
10,040	Cash and cash equivalents at the end of the reporting period		6,820

*The cash flows for operating activities include Interest Received of £1.107 million (£0.389 million in 2021/22) and Interest paid of £1.286 million (£1.346 million in 2021/22).

NOTES TO CORE FINANCIAL STATEMENTS

1 Expenditure and Funding Analysis

Expenditure Chargeable to GF and HRA Balances	2021/22		Net Expenditure in the CIES		2022/23		Net Expenditure in the CIES	Note Ref
	Adjustment between Funding and Accounting basis				Expenditure Chargeable to GF and HRA Balances	Adjustment between Funding and Accounting basis		
£000	£000	£000	£000		£000	£000	£000	
EXPENDITURE ON SERVICES								
2,709	-	2,709	Leader		3,125	-	3,125	
(6,264)	9,609	3,345	Corporate Finance and Governance		(6,526)	9,386	2,860	
9,701	-	9,701	Environment and Public Space		9,234	-	9,234	
2,474	(180)	2,294	Housing		1,497	2,472	3,969	
813	-	813	Partnerships		504	-	504	
618	-	618	Business and Economic Growth		641	-	641	
7,971	-	7,971	Leisure and Tourism		5,997	-	5,997	
613	-	613	Budgets Relating to Non Executive Functions		682	-	682	
18,635	9,429	28,064	Net Cost of Services		15,154	11,858	27,012	
(13,294)	(8,468)	(21,762)	Other Income and Expenditure		(14,275)	(10,522)	(24,797)	
5,341	961	6,302	(Surplus) or Deficit on Provision of Services		879	1,336	2,215	
(48,614)			Opening General Fund and HRA Balances		(43,273)			
5,341			(Surplus) or Deficit on General Fund and HRA Balances in Year		879			
(43,273)			Closing General Fund and HRA Balances at 31 March		(42,394)			8

Expenditure and Funding Analysis – Adjustments between funding basis and accounting basis

2021/22				2022/23				
Adjustments for Capital Purposes (see a below)	Pensions Adjustments (see b below)	Other Differences (see c below)	Total Adjustments		Adjustments for Capital Purposes (see a below)	Pensions Adjustments (see b below)	Other Differences (see c below)	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
				EXPENDITURE ON SERVICES				
607	-	9,002	9,609	Corporate Finance and Governance	747	-	8,639	9,386
673	462	(1,315)	(180)	Housing	3,252	344	(1,124)	2,472
<hr/>	<hr/>	<hr/>	<hr/>	Net Cost of Services	<hr/>	<hr/>	<hr/>	<hr/>
1,280	462	7,687	9,429		3,999	344	7,515	11,858
				Other Income and Expenditure	(2,146)	3,073	(11,449)	(10,522)
<hr/>	<hr/>	<hr/>	<hr/>	(Surplus) or Deficit on Provision of Services	<hr/>	<hr/>	<hr/>	<hr/>
269	4,910	(4,218)	961		1,853	3,417	(3,934)	1,336
<hr/>	<hr/>	<hr/>	<hr/>		<hr/>	<hr/>	<hr/>	<hr/>

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 2022/23 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Detailed information on the Council's Accounting Policies are detailed in a separate section (see page 67).

3 Critical judgements in applying accounting policies

The appropriate accounting treatment of Grants and Contributions is a result of critical judgements made about whether any attached terms are restrictions or conditions and whether any conditions have been met, see accounting policy (i). If conditions are met, or there are no conditions or only restrictions, then the income must be shown in the Comprehensive Income and Expenditure Statement. However, if there are conditions and they have not been met they must be shown in the Balance Sheet. The Council also recognises as income in the Comprehensive Income and Expenditure Statement income received under S106 planning agreements in the year of receipt as, although these have conditions action is always taken to ensure the conditions are met. Details of grants recognised during the year are set out in Note 23.

4 Accounting Standards that have been issued but have not yet been adopted

The accounting standards introduced by the 2023/24 Code (which has yet to be issued) are expected to be as follows:

- IFRS16 Leases, but the requirement to adopt this has been deferred by CIPFA to 2024/25 and Tendring District Council has decided not to adopt it voluntarily as the changes this will introduce are not expected to materially change the Statement of Accounts due to the low values and short lives of assets leased by the Council.
- Definition of Accounting Estimates (Amendments to IAS8), which clarifies the definitions with no impact expected for Tendring District Council.
- Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2), which again clarifies disclosure requirements and is not expected to have any impact for Tendring District Council.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS12), which only applies for group accounts so is not relevant to Tendring District Council.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS3), which relates to business combinations and is not relevant to Tendring District Council.

5 Assumptions made about the future and other major sources of estimation uncertainty

The preparation of the Statement of Accounts requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimates means that the actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a) Property, Plant and Equipment Valuations

As set out in note 14 on Property Plant & Equipment, the Council uses the services of an external professional Valuer in valuing assets. In accordance with the Code council dwellings are valued on a beacon basis by grouping similar houses together and applying the social housing discount factor set by central government. Land and buildings are valued either at existing use value (EUUV) which is based on market evidence and the Valuer's professional judgement assuming they remain in existing use or for specialised assets at Depreciated Replacement cost (DRC) which includes assumptions made by the Valuer for relevant build costs, obsolescence and professional fees costs.

Assets are depreciated over their useful lives and the length of this life is dependent on the level of repairs and maintenance to keep the asset in good order. The current economic climate has created some uncertainty as to the level of resources that might be available in the future to continue with the current level of repairs and maintenance, although the Council has no intention of changing these plans at present.

b) Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged (via Essex County Council) to provide the Authority with expert advice about the assumptions to be applied. The latest actuarial assessment as at 31 March 2023 shows that the discount rate applied by the actuary has increased from 2.6% at 31 March 2022 to 4.8% at 31 March 2023. The impact of this combined with a decline in assumed life expectancy following the full revaluation of the Fund by the actuary as at 31 March 2022 has been to move the Pension liability into a Pension asset at 31 March 2023, showing the scheme funding is more than the estimated liability at that date.

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £2.008 million.

However, the assumptions interact in complex ways. During 2022/23, the Authority's actuaries advised that the net pensions liability had decreased by £52.825 million primarily as a result of updating the assumptions.

6 Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Director Finance and IT on 31 July 2023. 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.

2021/22					2022/23				
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
4,448	462	-	-	-	3,073	344	-	-	-
(4,218)	-	-	-	-	(3,798)	-	-	-	-
-	-	-	-	-	(131)	(5)	-	-	-
4,987	5,699	-	-	-	3,302	8,002	-	-	-
(123)	-	-	-	-	(256)	-	-	-	-
15	1	-	-	-	8	1	-	-	-
5,109	6,162	-	-	-	2,198	8,342	-	-	-

Adjustments to the Revenue Resources

Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:

- Pensions costs (transferred to/from the Pensions Reserve)
- Council Tax and Business Rates (transferred to/from the Collection Fund Adjustment Account)
- Holiday pay (transferred to the Accumulated Absences Reserve)
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):
 - Depreciation, revaluation and impairment of non-current assets
 - Movement in Investment Property Values
 - Amortisation of intangible assets

Total Adjustments to Revenue Resources

2021/22					2022/23				
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					Adjustments between Revenue and Capital Resources				
(288)	(1,741)	-	-	2,029	(37)	(2,419)	-	-	2,456
737	1,156	-	-	-	2,786	1,781	-	-	-
-	25	-	-	(25)	-	17	-	-	(17)
(1,285)	(1,652)	-	1,418	-	(1,740)	(3,443)	-	4,190	-
309	-	-	-	(309)	1	-	-	-	(1)
-	(3,176)	3,176	-	-	-	(3,294)	3,294	-	-
(210)	(1,664)	-	-	-	(201)	(1,414)	-	-	-
24	-	-	-	(24)	-	-	-	-	-
679	-	-	-	-	993	-	-	-	-
(3,037)	(187)	-	-	-	(2,191)	(43)	-	-	-
(3,071)	(7,239)	3,176	1,418	1,671	(389)	(8,815)	3,294	4,190	2,438
Adjustments to Capital Resources					Adjustments to Capital Resources				
-	-	-	-	(68)	-	-	-	-	-
-	-	(3,088)	-	-	-	-	(3,939)	-	-
-	-	-	(1,565)	-	-	-	-	(4,116)	-
-	-	-	-	27	-	-	-	-	2
-	-	(3,088)	(1,565)	(41)	-	-	(3,939)	(4,116)	2
2,038	(1,077)	88	(147)	1,630	1,809	(473)	(645)	74	2,440

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 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31 March 2023 £000
General Fund:							
Revenue Commitments Reserve	16,738	(16,427)	14,434	14,745	(14,661)	17,084	17,168
Capital Commitments Reserve	3,129	(3,118)	3,866	3,877	(3,908)	2,077	2,046
Forecast Risk Fund	3,753	(1,048)	500	3,205	(431)	541	3,315
Asset Refurbishment/Replacement Reserve	1,269	-	-	1,269	(250)	-	1,019
Beach Recharge Reserve	1,500	(1,500)	-	-	-	-	-
Benefit Reserve	1,000	-	-	1,000	-	-	1,000
Building for the Future Reserve	1,239	(270)	685	1,654	-	686	2,340
Business Rate Resilience Reserve	8,226	(6,045)	2,817	4,998	(3,528)	-	1,470
Commuted Sums Reserve	427	(20)	100	507	(22)	-	485
Crematorium Reserve	154	-	-	154	(154)	-	-
Election Reserve	30	-	30	60	-	30	90
Haven Gateway Partnership Reserve	75	-	-	75	-	-	75
Leisure Capital Projects Reserve	82	(81)	50	51	(36)	50	65
Planning Inquiries and Enforcement Reserve	79	(20)	-	59	(20)	-	39
Section 106 Agreements Reserve	1,603	(71)	885	2,417	(390)	1,213	3,240
Total General Fund Earmarked Reserves	39,304	(28,600)	23,367	34,071	(23,400)	21,681	32,352
General Fund Balance	4,000	-	-	4,000	-	-	4,000
Total General Fund	43,304	(28,600)	23,367	38,071	(23,400)	21,681	36,352

	Balance at 1 April 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31 March 2023 £000
Housing Revenue Account:							
General Reserve	4,447	(201)	-	4,246	(195)	464	4,515
Housing Revenue Account Commitments Reserve	863	(863)	956	956	(956)	1,527	1,527
Total Housing Revenue Account	5,310	(1,064)	956	5,202	(1,151)	1,991	6,042

9 Usable Reserves

Movements in the Authority's usable reserves are shown in the Movement in Reserves Statement with additional detail provided in notes 7 and 8.

The following schedule lists the usable reserves together with their purpose:

a) General Fund Balance

Resources available to meet future running costs for non-Housing Revenue Account services.

b) Capital Receipts

Proceeds of non-current asset sales available to meet future capital investment.

c) Capital Grants Unapplied

Balance of capital grants recognised as income but not yet utilised for capital funding.

d) Earmarked Reserves

The Council's Earmarked Reserves provide funds for the following specific policy purposes:

i) Revenue Commitments Reserve

This is earmarked for revenue items of expenditure for which financial provision was made in the previous or current year.

ii) Capital Commitments Reserve

This is earmarked for capital items of expenditure for which financial provision was made in the previous or current year.

iii) Forecast Risk Fund

This reserve has been established to support planned annual budget deficits as part of the Long Term Financial Sustainability Plan.

iv) Asset Refurbishment/Replacement Reserve

To provide for the maintenance, enhancement and replacement of the Council's assets.

v) Beach Recharge Reserve

Established to fund future costs of replenishing the beaches with sand along the Clacton to Holland coastline. This reserve was fully utilised during 2021/22 to fund Cliff Stabilisation works, which was subject to a separate decision by Cabinet on 23 April 2021.

vi) Benefit Reserve

To meet any potential costs arising from the obligation to pay benefits and to support future changes to the Welfare Regime.

vii) Building for the Future Reserve

To support the delivery of a balanced budget in future years.

viii) Business Rates Resilience Reserve

To support the Council in reacting to potential future changes in Business Rate appeals and income.

ix) Commuted Sums Reserve

Established from commuted sums paid to the Council to cover such items as maintenance costs of Open Spaces and CCTV.

x) Crematorium Reserve

To finance future replacement and improvement works to the crematorium plant and equipment at Weeley. This reserve was fully utilised in 2022/23.

xi) Election Reserve

To finance future costs associated with holding District Elections on a periodic basis.

xii) Haven Gateway Partnership Reserve

To support the costs associated with the Haven Gateway Partnership.

xiii) Leisure Capital Projects Reserve

This reserve has been established to fund ongoing investment in Leisure Facilities.

xiv) Planning Inquiries and Enforcement Reserve

To meet associated costs relating to planning services.

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

2021/22		2022/23
£000		£000
90,230	Revaluation Reserve	96,712
134,073	Capital Adjustment Account	135,085
(18,370)	Pensions Reserve	(1,380)
(1,988)	Collection Fund Adjustment Account	1,810
(286)	Other Unusable Reserves	(152)
<u>203,659</u>		<u>232,075</u>

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.

2021/22			2022/23	
£000	£000		£000	£000
	62,104	Balance at 1 April		90,230
37,073		Upward revaluation of assets	15,229	
(6,446)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(4,015)	
	30,627	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		11,214
(1,740)		Difference between fair value depreciation and historical cost depreciation	(1,720)	
(761)		Accumulated gains on assets sold or scrapped	(3,012)	
	(2,501)	Amount written off to the Capital Adjustment Account		(4,732)
	<u>90,230</u>	Balance at 31 March		<u>96,712</u>

b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2021/22			2022/23	
£000	£000		£000	£000
	133,198	Balance at 1 April		134,073
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
		Charges for depreciation, revaluation and impairment of non-current assets	(11,304)	
(10,686)		Movement in Investment Property Values	256	
123		Amortisation of Intangible Assets	(9)	
(16)		Revenue expenditure funded from capital under statute	(993)	
(679)		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	(4,567)	
(1,893)				
			(16,617)	
		Adjusting amounts written out of the Revaluation Reserve	4,732	
2,501				
	(10,650)	Net written out amount of the cost of non-current assets consumed in the year		(11,885)
		Termination of Finance Lease Transfer from Deferred Capital Receipts		-
	188			
		Capital financing applied in the year:		
		Use of the Capital Receipts Reserve to finance new capital expenditure	-	
68		Use of the Major Repairs Reserve to finance new capital expenditure	3,939	
3,088		Application of grants, donated assets and contributions to capital financing	5,109	
3,084		Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances	1,615	
1,873		Capital expenditure charged against General Fund or HRA	2,234	
3,224				
	11,337	Total amount of capital financing applied in the year		12,897
	134,073	Balance at 31 March		135,085

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.

2021/22			2022/23	
£000	£000		£000	£000
	(42,283)	Balance at 1 April		(18,370)
	28,823	Remeasurements of the net defined benefit liability (asset)		20,407
(7,751)		Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,362)	
2,841		Employer's pensions contributions and direct payments to pensioners payable in the year	2,945	
	(4,910)	Total adjustments to revenue resources		(3,417)
	<u>(18,370)</u>	Balance at 31 March		<u>(1,380)</u>

d) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying amounts across to the General Fund from the Collection Fund.

	Council Tax	Business Rates	Total
	£000	£000	£000
Balance at 1 April 2021	231	(6,437)	(6,206)
Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	363	3,855	4,218
Balance at 31 March 2022	594	(2,582)	(1,988)
Balance at 1 April 2022	594	(2,582)	(1,988)
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory	113	3,685	3,798
Balance at 31 March 2023	707	1,103	1,810

11 Other Operating Expenditure

2021/22		2022/23
£000		£000
2,100	Parish Council Precepts	2,273
309	Payments to the Government Housing Capital Receipts Pool	1
(111)	(Gains)/losses on the disposal of non-current assets	2,128
<u>2,298</u>	Total	<u>4,402</u>

12 Financing and Investment Income and Expenditure

2021/22		2022/23
£000		£000
1,251	Interest payable and similar charges	1,301
818	Net interest on the defined benefit liability (asset)	430
(210)	Interest receivable and similar income	(1,638)
(123)	Movement in Investment Property Values	(256)
(256)	Rental Income from Investment Property	(224)
<u>1,480</u>	Total	<u>(387)</u>

13 Taxation and Non-Specific Grant Income and Expenditure

2021/22		2022/23
£000		£000
11,095	Council tax income	11,823
9,170	Retained Business Rates Income	9,951
(6,416)	Business Rates Tariff and Levy	(6,235)
9,433	Non-Ringfenced Government Grants	9,083
2,258	Capital Grants, Contributions and Donated Assets	4,190
<u>25,540</u>	Total	<u>28,812</u>

Further details for the Non-Ringfenced and Capital Grants disclosed above are provided on note 23.

14 Property, Plant and Equipment

a) Movement on Balances

Movements in 2022/23	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equip-ment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construc-tion	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2022	161,771	58,206	6,558	58,873	550	2,415	382	288,755
Additions	4,256	1,390	279	1,102	8	-	3,215	10,250
Accumulated depreciation and impairment written off to Gross Carrying Amount	(3,244)	(883)	-	-	-	(15)	-	(4,142)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	9,203	1,997	-	-	-	15	-	11,215
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,625)	130	-	-	-	-	-	(4,495)
Derecognition - Disposals	(946)	(2,178)	(478)	(124)	-	(1,546)	-	(5,272)
Assets reclassified (to)/from Assets Held for Sale	1,000	-	-	-	-	(823)	-	177
At 31 March 2023	167,415	58,662	6,359	59,851	558	46	3,597	296,488

Movements in 2022/23

	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equipment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construc-tion	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000
Depreciation and impairments								
At 1 April 2022	(438)	(489)	(4,663)	(21,591)	(35)	-	-	(27,216)
Depreciation Charge for 2022/23	(3,251)	(687)	(428)	(2,380)	-	(29)	-	(6,775)
Accumulated depreciation written off to Gross Carrying Amount	3,244	883	-	-	-	15	-	4,142
Derecognition - Disposals	5	83	474	124	-	14	-	700
At 31 March 2023	(440)	(210)	(4,617)	(23,847)	(35)	-	-	(29,149)
Net Book Value								
at 31 March 2023	166,975	58,452	1,742	36,004	523	46	3,597	267,339
at 1 April 2022	161,333	57,717	1,895	37,282	515	2,415	382	261,539

Movements in 2021/22	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equip- ment	Infra- structure	Comm- unity Assets	Surplus Assets	Assets Under Construc- tion	Total Property, Plant and Equip- ment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2021	142,024	54,123	6,395	56,259	540	45	336	259,722
Additions	4,631	1,281	163	2,404	10	1	327	8,817
Accumulated depreciation and impairment written off to Gross Carrying Amount	(3,045)	(1,713)	-	-	-	(15)	-	(4,773)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	22,516	8,097	-	-	-	15	-	30,628
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,895)	(810)	-	-	-	-	-	(3,705)
Derecognition - Disposals	(1,163)	(681)	-	-	-	-	(46)	(1,890)
Derecognition - Other	-	(44)	-	-	-	-	-	(44)
Assets reclassified (to)/from Surplus Assets	-	(2,369)	-	-	-	2,369	-	-
Assets reclassified (to)/from Assets Under Construction	-	25	-	210	-	-	(235)	-
Other Movements in cost or valuation	(297)	297	-	-	-	-	-	-
At 31 March 2022	161,771	58,206	6,558	58,873	550	2,415	382	288,755

Movements in 2021/22	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equip- ment	Infra- structure	Comm- unity Assets	Surplus Assets	Assets Under Construc- tion	Total Property, Plant and Equip- ment
	£000	£000	£000	£000	£000	£000	£000	£000
Depreciation and impairments								
At 1 April 2021	(585)	(894)	(4,188)	(19,361)	(35)	-	-	(25,063)
Depreciation Charge for 2021/22	(2,904)	(1,344)	(475)	(2,230)	-	(13)	-	(6,966)
Accumulated depreciation written off to Gross Carrying Amount	3,045	1,478	-	-	-	15	-	4,538
Accumulated impairment written off to Gross Carrying Amount	-	235	-	-	-	-	-	235
Derecognition - Disposals	6	6	-	-	-	-	-	12
Derecognition - Other	-	28	-	-	-	-	-	28
Other Movements in depreciation and impairment	-	2	-	-	-	(2)	-	-
At 31 March 2022	(438)	(489)	(4,663)	(21,591)	(35)	-	-	(27,216)
Net Book Value								
at 31 March 2022	161,333	57,717	1,895	37,282	515	2,415	382	261,539
at 1 April 2021	141,439	53,229	2,207	36,898	505	45	336	234,659

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 2022/23 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 56 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, investment property, 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
25-26 years	All weather pitch, roller skating rink
46 years	Clacton Leisure Centre

- Land – this is not depreciated.
- Vehicles, Plant, Furniture and Equipment – 4 to 20 years.
- Infrastructure – 20 years.

c) Capital Commitments

At 31 March 2023, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment with 2023/24 and future years budgeted to cost £3.250 million. Similar commitments as 31 March 2022 were £1.241 million.

d) Revaluations

A desk top revaluation of the Council's Housing Stock and General Fund was undertaken in 2022/23 as at 30 September 2022 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 2022/23
- 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 2022 to 31 March 2023 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% for flats and 2.5% for houses were modelled through the portfolio and resulted in a material increase so they are reflected in the Balance Sheet. The Supplementary Financial Statement for the HRA sets out additional valuation details relating to the Council's housing stock.

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.

2021/22		2022/23
£000		£000
(256)	Rental Income from Investment Property	(224)
<u>(256)</u>	Net gain/loss	<u>(224)</u>

There are no restrictions on the authority's ability to realise the value inherent in its investment property or on the authority's right to the remittance of income and the proceeds of disposal. The authority has no contractual obligations to purchase, construct or develop investment property, or repairs, maintenance or enhancement.

The movement in the fair value of investment property over the year is as follows:

2021/22		2022/23
£000		£000
1,985	Balance at start of year	2,108
123	Net Gains/(losses) from fair value adjustments	256
<u>2,108</u>	Balance at end of the year	<u>2,364</u>

a) Fair Value hierarchy

The investment property held is a commercial unit and is valued at Level 2 under accounting policy r), with significant observable inputs.

The fair value has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area.

Sufficient actively purchased and sold similar properties have been identified by the Council's Valuer, Wilks Head and Eve, to arrive at the fair value using this approach.

For further details of the Valuers used see Note 14 on Property, Plant and Equipment.

There have been no transfers between levels in the fair value hierarchy and there have been no changes in the valuation techniques used during the year.

b) Highest and best use of investment properties

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

Gains or losses arising from changes in the fair value of investment property are recognised in the Surplus or deficit on the provision of services – financing and investment income and expenditure line.

16 Financial Instruments

a) Categories of Financial Instruments

Long Term 31 March 2022 £000	Current 31 March 2022 £000		Long Term 31 March 2023 £000	Current 31 March 2023 £000
		Financial assets at amortised cost		
-	69,016	Investments	-	74,351
273	2,364	Trade and other receivables	271	3,855
-	10,040	Cash and Cash Equivalents	-	6,820
<u>273</u>	<u>81,420</u>	Total Financial Assets at amortised cost	<u>271</u>	<u>85,026</u>
		Financial liabilities at amortised cost		
34,699	2,506	Borrowing from Public Works Loan Board (PWLB)	33,277	1,693
578	-	Section 106 agreements	960	-
-	4,116	Trade and other payables	-	5,529
<u>35,277</u>	<u>6,622</u>	Total Financial Liabilities at amortised cost	<u>34,237</u>	<u>7,222</u>

The Council's balance of Investments at amortised cost consisted of fixed term deposits with UK banks, Building Societies, central government's Debt Management office and other Local Authorities.

b) Reclassifications

There have been no reclassifications of financial assets or liabilities in 2022/23.

c) Income, Expense, Gains and Losses

2021/22			2022/23		
Financial Liabilities measured at amortised cost	Financial Assets measured at amortised cost	Total	Financial Liabilities measured at amortised cost	Financial Assets measured at amortised cost	Total
£000	£000	£000	£000	£000	£000
1,333	-	1,333	1,272	-	1,272
-	6	6	-	8	8
1,333	6	1,339	1,272	8	1,280
Total expense in Surplus or Deficit on the Provision of Services			Total expense in Surplus or Deficit on the Provision of Services		
-	(210)	(210)	-	(1,638)	(1,638)
-	(210)	(210)	-	(1,638)	(1,638)
Total income in Surplus or Deficit on the Provision of Services			Total income in Surplus or Deficit on the Provision of Services		
1,333	(204)	1,129	1,272	(1,630)	(358)
Net (gain)/loss for the year			Net (gain)/loss for the year		

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 2022			31 March 2023		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000	£000		£000	£000	
37,205	48,456	PWLB borrowing	34,970	35,671	
578	578	Long term Section 106 agreements	960	960	
4,116	4,116	Trade and other payables	5,529	5,529	

The fair value of PWLB loans of £35.671 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 2022			31 March 2023		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000	£000		£000	£000	
69,016	69,016	Investments	74,351	74,351	
273	273	Long term trade and other receivables	271	271	
2,364	2,364	Short term trade and other receivables	3,855	3,855	

17 Nature and Extent of Risks arising from Financial Instruments

The Council has adopted CIPFA's Code of Practice on Treasury Management, as amended, and complies with the Prudential Code for Capital Finance in Local Authorities, as amended. Financial instrument risk management is based on policies approved by the Council in the Annual Treasury Strategy before the start of the financial year. The Strategy emphasises that priority is to be given to security and liquidity, rather than yield and is underpinned by Treasury Management Practices (TMPs) specifying the practical arrangements to be followed to manage these risks. The Council employs specialist Treasury Advisors to assist officers.

a) Credit Risk

Credit risk arises from deposits with banks and other financial institutions and from credit advanced to the Council's customers. The Balance Sheet figures for financial assets are not representative of the normal level of exposure at any particular time. Positive cash flows in the early part of each financial year can lead to a considerably higher level of total investments. The maximum exposure during 2022/23 was £103.678 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. £0.382 million of the £1.579 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;

2021/22		2022/23
£000		£000
12	Less than three months	78
40	Three to six months	34
48	Six months to one year	36
329	More than one year	234
<hr/> 429		<hr/> 382
<hr/> <hr/>		<hr/> <hr/>

Impairments of Sundry Debtors at 31 March 2023 totalled £0.541 million (£0.604 million at 31 March 2022).

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:

2021/22				2022/23		
Principal	Interest	Total		Principal	Interest	Total
£000	£000	£000		£000	£000	£000
2,222	1,272	3,494	Less than one year	1,422	1,217	2,639
1,422	1,217	2,639	Between one and two years	2,623	1,147	3,770
7,466	3,173	10,639	Between two and five years	5,932	2,938	8,870
5,449	4,257	9,706	Between five and ten years	5,067	4,110	9,177
3,532	3,619	7,151	Between ten and fifteen years	3,191	3,522	6,713
16,830	10,164	26,994	More than fifteen years	16,464	9,496	25,960
<u>36,921</u>	<u>23,702</u>	<u>60,623</u>		<u>34,699</u>	<u>22,430</u>	<u>57,129</u>

All trade and other payables are due to be paid in less than one year.

c) Market Risk

➤ Interest Rate Risk

At 31 March 2023 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 2023, 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	357
Increase in interest receivable on variable rate investments	(910)
	<u>(553)</u>
Impact on Surplus or Deficit on the Provision of Services	<u>(553)</u>
Share of overall impact relating to the HRA	<u>275</u>

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

➤ Price Risk

The Authority does not invest in equity shares. It therefore has no exposure to loss arising from movements in the stock market.

➤ Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies, and therefore it has no exposure to loss arising from movements in exchange rates.

18 Assets Held for Sale

In June 2022 Cabinet decided that the 5 properties at Lotus Way in Jaywick that had been actively marketed for sale but had not been sold should be brought into the Council's Housing Stock as Council Dwellings. They have therefore transferred out of Assets Held for Sale.

The Council Offices and Depot at Weeley ceased operational use at the end of 2021/22 when they were reclassified as surplus. In April 2023 the Council decided on disposal to a developer for housing in return for 9 Council dwellings. Therefore, the buildings have been disposed of at nil consideration and the land has transferred to Assets for Held for Sale at 31 March 2023.

2021/22			2022/23	
£000			£000	
1,000		Balance Brought Forward		1,000
-		Assets reclassified to held for sale in year		823
-		Assets declassified from held for sale in year		(1,000)
<u>1,000</u>		Balance carried forward		<u>823</u>

19 Debtors

2021/22				2022/23		
Gross Amount	Impairment Allowance	Net		Gross Amount	Impairment Allowance	Net
£000	£000	£000		£000	£000	£000
374	(226)	148	Council tenants arrears	400	(280)	120
2,259	(618)	1,641	Trade debtors	3,799	(562)	3,237
1,919	(1,344)	575	Housing benefit overpayments	1,992	(1,494)	498
			Business rates and Council			
3,891	(1,760)	2,131	Tax Payers	3,567	(1,756)	1,811
			Amounts due from government			
			and preceptors for Business			
5,921	-	5,921	Rates and Council Tax	1,337	-	1,337
			Other amounts due from			
6,085	-	6,085	government	3,296	-	3,296
4	-	4	Other	8	-	8
<u>20,453</u>	<u>(3,948)</u>	<u>16,505</u>	Balance at 31 March	<u>14,399</u>	<u>(4,092)</u>	<u>10,307</u>

20 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

2021/22			2022/23	
£000			£000	
		Current Assets:		
1,327		Bank current accounts		1,264
8,703		Call accounts		5,547
10		Petty cash		9
<u>10,040</u>				<u>6,820</u>

21 Creditors

2021/22		2022/23
£000		£000
3,784	Trade creditors	4,668
334	Capital creditors	861
	Amounts due to government and preceptors for Business Rates and Council	
8,620	Tax	5,430
19,805	COVID-19 grant funding	11,278
6,976	Other amounts due to government and preceptors	7,807
729	Receipts in Advance for Council Tax and Business Rates	1,045
1	Other	5
<u>40,249</u>	Balance at 31 March	<u>31,094</u>

22 Expenditure and Income Analysed by Nature

The authority's expenditure and income is analysed as follows:

2021/22		2022/23
£000		£000
	Expenditure	
23,549	Employee Expenses	22,820
75,451	Other Services Expenses	69,183
10,686	Depreciation, Amortisation, Impairment	11,285
(123)	Movement in Investment Property Values	(256)
1,251	Interest Payable and Similar Charges	1,301
818	Pension Interest and Return on Pension Assets	430
2,100	Precepts and Levies	2,273
309	Payments to Housing Capital Receipts Pool	1
1,181	Loss on the Disposal of Non-Current Assets	4,584
<u>115,222</u>	Total Expenditure	<u>111,621</u>
	Income	
(31,093)	Fees and Charges and Other Service Income	(35,427)
(1,292)	Gain on Disposal of Non-Current Assets	(2,457)
(466)	Interest and Investment Income	(1,862)
(11,095)	Income from Council Tax	(11,823)
(9,170)	Income from Business Rates	(9,951)
(55,804)	Government Grants and Contributions	(47,886)
<u>(108,920)</u>	Total Income	<u>(109,406)</u>
<u>6,302</u>	(Surplus) or Deficit on the Provision of Services	<u>2,215</u>

23 Grant Income

The Authority credited the following significant grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

2021/22 £000		2022/23 £000
Credited to Taxation and Non-Specific Grant Income		
<i>Non-Ringfenced Grants:</i>		
431	Revenue Support Grant	445
403	Lower Tier Services Grant	231
-	Services Grant	349
644	New Homes Bonus Grant	1,595
131	New Burdens Grant	485
5,372	NDR Section 31 Business Rate Grants	4,703
885	Section 106 Agreements	1,213
1,397	COVID-19 Support Grants	-
170	Other Government Grants	62
9,433		9,083
<i>Capital Grants, Contributions and Donated Assets</i>		
<i>Government Funding</i>		
451	- Environment Agency	-
-	- Dept of Levelling Up and Communities	537
140	- Historic England	-
199	- South East Local Enterprise Partnership	2,192
13	Local Authority - Essex County Council	973
<i>Other Capital Contributions</i>		
613	- Section 106	403
-	- Football Foundation	85
2	- Walton Flood Wall	-
840	Donated Assets	-
2,258		4,190
Other Significant Grants Credited to Services		
-	Asylum Dispersal Grant	145
64	Apprenticeship Training Grant	70
39,790	Benefits	36,642
-	Big Lottery Funding	100
42	Health Partner Initiatives Grants	1,300
196	Collection Investment/Hardship Administration Grant	196
28	Community Safety	103
6,891	COVID-19 Grants	154
666	Disabled Facilities Grant	993
-	Discretionary Energy Grants	383
441	Major Preceptors - Technical Agreement Contribution	1,064
1,052	Homelessness Grants	978
125	Levelling Up Fund	2
-	Supporting People	200
-	UK Shared Prosperity Fund	106
-	Urban Tree Challenge	103
49,295		42,539

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:

2021/22 £000		2022/23 £000
Capital Grants Receipts in Advance		
Government Funding:		
-	Dept of Levelling Up and Communities	523
152	Home and Communities Agency	152
88	Local Authority Funding	121
<u>240</u>		<u>796</u>

24 Related Parties

The Council is required to disclose material transactions with related parties (bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council). The Officers this applies to are deemed to be the Senior Employees listed in Note 26. Material related party transactions which are not disclosed elsewhere in the Statement of Accounts were as follows:

2021/22			2022/23	
Receipts £000	Payments £000		Receipts £000	Payments £000
2,503	759	Essex County Council	3,212	1,166
252	507	Other Local Authorities	319	760
Transactions with organisations related by a declared interest of Council Members or Senior Officers:				
-	30	Teen Talk	-	-
5	2	Other	3	-
<u>2,760</u>	<u>1,298</u>	Total Related Party Transactions	<u>3,534</u>	<u>1,926</u>

25 Members' Allowances

The Authority paid £0.475 million to members of the Council during the year (£0.429 million in 2021/22). 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	2022/23			Total Remuneration
		Salary, Fees and Allowances	Total remuneration excluding Pension Contributions	Employer's Contributions to Pension	
		£	£	£	£
Chief Executive		105,380	105,380	-	105,380
Corporate Director - Operations and Delivery		90,514	90,514	18,193	108,707
Assistant Director - Governance		82,570	82,570	16,597	99,167
Assistant Director - Finance and IT		79,280	79,280	15,935	95,215
Assistant Director - Partnerships		69,648	69,648	13,999	83,647
Assistant Director - Strategic Planning and Place		74,485	74,485	14,971	89,456
Corporate Director - Place and Economy	1	61,697	61,697	12,401	74,098

Notes

1. Post appointed to on 1 August 2022.

Post Title		2021/22			Total Remuneration
		Salary, Fees and Allowances	Total remuneration excluding Pension Contributions	Employer's Contributions to Pension	
		£	£	£	£
Chief Executive		137,772	137,772	27,692	165,464
Corporate Director - Operations and Delivery		86,688	86,688	17,424	104,112
Assistant Director - Governance		80,874	80,874	16,255	97,129
Assistant Director - Finance and IT		75,886	75,886	15,253	91,139
Assistant Director - Partnerships	1	66,731	66,731	13,413	80,144
Assistant Director - Strategic Planning	2	55,186	55,186	11,093	66,279

Notes

1. Post became a Senior Post on 1 April 2021 following Senior Management Restructure.
2. Post became a Senior Post on 1 July 2021 following Senior Management Restructure.

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:

2021/22 Number of Total	Remuneration Band	2022/23 Number of Total
4	£50,000 - £54,999	7
4	£55,000 - £59,999	1
2	£60,000 - £64,999	1
3	£65,000 - £69,999	3
-	£70,000 - £74,999	1
-	£80,000 - £84,999	1
-	£105,000 - £109,999 **	1
1	£120,000 - £124,999***	-

** This band includes the £51,508 exit package in note c) below.

*** In 2021/22 this band included the £72,120 exit package in note c) below

Where the £5,000 bands included no officers in both 2021/22 and 2022/23, they have been excluded from the note.

c) Exit Packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the tables below:

Exit package cost band (including special payments)	2022/23		Total Number of exit packages by cost band	Total cost of exit packages in each band £
	Number of compulsory redundancies	Number of other departures agreed		
£0 - £20,000	-	1	1	1,000
£20,001-40,000	-	1	1	24,978
£60,001-80,000	-	1	1	51,508
Total cost included in Comprehensive Income and Expenditure Statement				77,486

Of the 3 exit packages listed above 2 were accrued in the financial year 2022/23 but will be paid in 2023/24. Of the total of £77,486 paid, £75,934 was due to redundancy and £1,552 was due to financial strain payable to the Pension Fund rather than to an individual directly.

Exit package cost band (including special payments)	2021/22		Total Number of exit packages by cost band	Total cost of exit packages in each band £
	Number of compulsory redundancies	Number of other departures agreed		
£0 - £20,000	-	4	4	23,652
£20,001-40,000	-	2	2	45,037
£60,001-80,000	-	1	1	72,120
Total cost included in Comprehensive Income and Expenditure Statement				140,809

Of the total £140,809 paid, £97,279 was due to redundancy and £43,530 was due to financial strain payable to the Pension Fund rather than to an individual directly.

27 Defined Benefit Pension Schemes

a) Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme (LGPS) administered by Essex County Council – the current LGPS is a Career Average Revalued Earnings Scheme (CARE). The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The scheme administered by Essex County Council is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Essex Pension Strategy Board. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed within this overall governance framework supported by Hymans Robertson acting as an external Independent Governance and Administration Advisor to the fund.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the separate section on accounting policies.

b) Transactions Relating to Post-Employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2021/22 Local Government Pension Scheme £000	Comprehensive Income and Expenditure Statement	2022/23 Local Government Pension Scheme £000
	Cost of Services	
	<i>Service cost comprising:</i>	
6,745	Current service cost	5,831
110	Past service costs	-
-	(gain)/loss from settlements	-
78	Administration Expenses	101
	<i>Financing and Investment Income and Expenditure</i>	
818	Net interest expense	430
<hr/> 7,751	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	<hr/> 6,362
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	<i>Remeasurement of the net defined benefit liability comprising:</i>	
(11,983)	Return on plan assets (excluding the amount included in the net interest expense)	3,905
(4,917)	Actuarial gains and losses arising on changes in demographic assumptions	-
(7,779)	Actuarial gains and losses arising on changes in financial assumptions	(75,838)
(2,768)	Experience gains and losses on defined benefit obligation	15,355
-	Changes in effect of Asset Ceiling	36,171
(1,376)	Other Actuarial gains and losses on assets	-
<hr/> (21,072)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	<hr/> (14,045)
	Movement in Reserves Statement	
(7,751)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(6,362)
	Actual amount charged against the General Fund Balance for pensions in the year:	
<hr/> 2,841	Employer's contributions payable to scheme	<hr/> 2,945

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:

2021/22		2022/23
Local		Local
Government		Government
Pension		Pension
Scheme		Scheme
£000		£000
193,828	Present value of the defined benefit obligation	137,927
(175,458)	Fair Value of plan assets	(172,718)
-	Impact of Asset Ceiling	36,171
<hr/>		<hr/>
18,370	Net liability (asset) arising from defined benefits obligation	1,380
<hr/> <hr/>		<hr/> <hr/>

d) Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

2021/22		2022/23
Local		Local
Government		Government
Pension		Pension
Scheme		Scheme
£000		£000
161,441	Opening fair value of scheme assets	175,458
3,204	Interest income	4,520
	<i>Remeasurement gain/(loss):</i>	
	The return of plan assets, excluding the amount included in the net	
11,983	interest expense	(3,905)
1,376	Other actuarial gains/(losses)	-
2,841	Contributions from employers	2,945
848	Contributions from employees into the scheme	889
(6,157)	Benefits paid	(7,088)
-	Other - Settlement prices received / (paid)	-
(78)	Other - Administration	(101)
<hr/>		<hr/>
175,458	Closing fair value of scheme assets	172,718
<hr/> <hr/>		<hr/> <hr/>

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)**

2021/22			2022/23	
Local Government Pension Scheme			Local Government Pension Scheme	
£000			£000	
203,724	Opening Balance at 1 April		193,828	
6,745	Current service cost		5,831	
4,022	Interest cost		4,950	
848	Contributions from scheme participants		889	
	<i>Remeasurement (gain)/loss:</i>			
(4,917)	Actuarial gains/losses arising from changes in demographic assumptions			
(7,779)	Actuarial gains/losses arising from changes in financial assumptions		(75,838)	
(2,768)	Experience gains and losses on defined benefit obligation		15,355	
110	Past service cost		-	
(6,157)	Benefits paid		(7,088)	
-	Liabilities extinguished on settlements		-	
193,828	Closing Balance at 31 March		137,927	

f) **Local Government Pension Scheme Assets comprised:**

2021/22				2022/23		
Quoted Prices in Active Markets	Unquoted Prices (not in Active Markets)	Total		Quoted Prices in Active Markets	Unquoted Prices (not in Active Markets)	Total
£000	£000	£000		£000	£000	£000
			Fair Value of Scheme Assets			
-	4,966	4,966	Cash and cash equivalents	-	5,571	5,571
9,131	-	9,131	Equities - UK	-	-	-
86,215	-	86,215	Equities - Overseas	90,851	-	90,851
			Gilts UK index Linked Government Securities	2,526	-	2,526
4,246	-	4,246	Bonds - Corporate (UK)	-	-	-
7,619	-	7,619	Property	3,278	10,868	14,146
4,182	10,804	14,986	Private Equity	-	8,636	8,636
-	8,780	8,780	Infrastructure	-	17,821	17,821
-	15,150	15,150	Timber	-	6,055	6,055
-	5,050	5,050	Private Debt	-	3,460	3,460
-	1,915	1,915	Other Managed Funds	-	23,652	23,652
-	17,400	17,400				
111,393	64,065	175,458		96,655	76,063	172,718

g) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme liabilities have been estimated by Barnett Waddingham, an independent firm of actuaries for the Essex County Council Fund, based on the latest full valuation of the scheme as at 31 March 2022 which has been rolled forward using financial assumptions that comply with IAS19.

There are currently uncertainties in relation to LGPS benefits due to the McCloud and Sargent judgements (Court of Appeal Judgements in respect of cases which relate to age discrimination within the Judicial and Fire Pension Schemes). Remedial regulations are expected in 2023 and uncertainty over the benefit changes proposed for the LGPS will remain until these have been finalised. An allowance has been made in previous reporting periods for the potential impact therefore no further explicit adjustments have been made in this period. Any further differences between this cost and the cost previously incorporated into the employers accounting liabilities will be reflected in the liability experience item.

The significant assumptions used by the actuary have been:

2021/22 Local Government Pension Scheme		2022/23 Local Government Pension Scheme
	<i>Mortality assumptions:</i>	
	Longevity at 65 for current pensioners:	
21.0	Men	21.1
23.5	Women	23.5
	Longevity at 65 for future pensioners:	
22.3	Men	22.3
24.9	Women	25.0
3.20%	Rate of inflation - CPI Increases	2.95%
4.20%	Rate of increase in salaries	3.95%
3.20%	Rate of increase in pensions	2.95%
2.60%	Rate for discounting scheme liabilities	4.80%

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 2022 the CMI_2021 model has been used, this is consistent with the previous accounting period.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Increase in Assumption £000	Decrease in Assumption £000
Defined Benefit Obligation in the Scheme		
Longevity (increase or decrease in 1 year - mortality age rating)	143,724	132,393
Rate of inflation (increase or decrease by 0.1%)	139,856	136,047
Rate of increase in salaries (increase or decrease by 0.1%)	138,094	137,762
Rate of increase in pensions (increase or decrease by 0.1%)	139,856	136,047
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	135,919	139,987

h) Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% using the actuarial valuation assumptions. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2025.

The authority expects to pay contributions totalling £3.282 million to the scheme in 2023/24.

The weighted average duration of the defined benefit obligation for scheme members is 16 years, 2022/23 (20 years 2021/22).

28 External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts:

2021/22		2022/23
£000		£000
45	Fees payable with regard to external audit services carried out by the appointed auditor for the year	45
41	Fees payable in respect of other services provided by the external auditor during the year	41
86	Total Audit Fees Payable	86

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.

2021/22		2022/23
£000		£000
43,672	Opening Capital Financing Requirement	41,798
	Capital Investment:	
7,946	Property, Plant and Equipment	10,289
679	Revenue expenditure funded from capital under statute	993
	Sources of Finance:	
(68)	Capital receipts	-
(2,245)	Government grants and other contributions	(5,109)
(3,089)	Major Repairs Reserve	(3,939)
	Sums set aside from revenue:	
(3,224)	Direct revenue contributions	(2,234)
(209)	MRP/loans fund principal	(201)
(1,664)	Voluntary MRP - HRA	(1,414)
41,798	Closing Capital Financing Requirement	40,183
	Explanation of movements in year	
(1,874)	Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	(1,615)
(1,874)	Increase/(Decrease) in Capital Financing Requirement	(1,615)

30 Operating Leases - Authority as Lessor

The Authority leases out land and property under operating leases for the following purposes:

- ❖ For the provision of community services, such as sports facilities, tourism services and community centres.
- ❖ For economic development purposes to provide suitable affordable accommodation for local businesses.

The future lease payments receivable under non-cancellable leases in future years are:

2021/22		2022/23
£000		£000
424	Not later than one year	456
1,349	Later than one year and not later than five years	1,387
3,670	Later than five years	3,653
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5,443		5,496
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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 2023

2021/22		2022/23	Note
£000		£000	Ref
EXPENDITURE			
4,283	Repairs and Maintenance	4,470	
2,893	Supervision and Management	2,970	
227	Rents, Rates, Taxes and Other Charges	133	
5,685	Depreciation and Impairments of Non-Current Assets	7,974	5,6
66	Debt Management Costs	66	
63	Movement in the allowance for bad debts	89	
1	Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	1	
13,218	Total Expenditure	15,703	
INCOME			
(12,813)	Dwelling rents	(13,250)	
(234)	Non dwelling rents	(241)	
(472)	Charges for Services and Facilities	(577)	
(46)	Contributions towards expenditure	(279)	
(13,565)	Total Income	(14,347)	
(347)	Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	1,356	
276	HRA Share of Corporate and Democratic Core	276	
(71)	Net Expenditure / (Income) for HRA Services	1,632	
HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:			
(561)	(Gain) or loss on sale of HRA Non-current Assets	(621)	
1,322	Interest Payable and Similar Charges	1,262	
(1,652)	Capital Grants and Contributions Receivable	(3,443)	
(7)	Interest and Investment Income	(143)	
(969)	(Surplus) / Deficit for the year on HRA Services	(1,313)	

HOUSING REVENUE ACCOUNT – MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2021/22		2022/23	
£000		£000	£000
4,447	Balance on the HRA as at the end of the previous year		4,246
969	Surplus or (Deficit) on the HRA Income and Expenditure Statement	1,313	
	Adjustments between accounting basis and funding basis under regulations:		
2,739	Reversal of Revaluation Changes and Impairment	4,708	
1	Reversal of Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	1	
(561)	Reversal of (Gain) or Loss on sale of HRA Non-current assets	(621)	
(1,652)	Reversal of Capital Grants and Contributions Receivable	(3,443)	
-	Reversal of Short Term Accumulating Compensated Absences	(5)	
(187)	Capital Expenditure Funded by the HRA	(43)	
(1,664)	Debt Repayment & Credit arrangements	(1,414)	
462	HRA share of contributions to or from the Pension Reserve	344	
<u>107</u>	Net increase or (decrease) before transfer to or from Reserves	<u>840</u>	
	Transfer (to) or from Reserves:		
(215)	Transfer (to)/from Major Repairs Reserves	-	
(93)	Transfers (to)/from Earmarked Reserves	(571)	
<u>(201)</u>	Increase or (decrease) in year on the HRA	<u></u>	269
<u><u>4,246</u></u>	Balance on the HRA as at 31 March	<u><u></u></u>	<u><u>4,515</u></u>

NOTES TO THE HRA INCOME AND EXPENDITURE ACCOUNT AND MOVEMENT ON THE HRA STATEMENT

1 Housing Revenue Account Balances

HOUSING REVENUE ACCOUNT RESERVES

2021/22			2022/23		
Housing Revenue Account £000	Housing Commitments Reserve £000	Total £000	Housing Revenue Account £000	Housing Commitments Reserve £000	Total £000
4,447	863	5,310	4,246	956	5,202
(201)	93	(108)	269	571	840
4,246	956	5,202	4,515	1,527	6,042

Balances as at 31 March

2 Housing Assets

As at 31 March 2023, the Council was responsible for managing the following council housing assets:

01/04/2021					31/03/2022					01/04/2022					31/03/2023					
Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	
					£000										£000					
Dwellings																				
1,457	-	8	1,449	57,129	Flats	1,449	2	6	1,445	58,186	1,449	2	6	1,445	58,186	1,449	2	6	1,445	58,186
1,005	2	12	995	72,861	Houses	995	21	8	1,008	76,085	995	21	8	1,008	76,085	995	21	8	1,008	76,085
339	7	1	345	22,518	Bungalows	345	-	-	345	23,574	345	-	-	345	23,574	345	-	-	345	23,574
290	-	-	290	8,033	Sheltered Accommodation	290	-	-	290	8,223	290	-	-	290	8,223	290	-	-	290	8,223
9	-	-	9	792	Do-It-Yourself Shared Ownership (DIYSO)	9	-	1	8	888	9	-	1	8	888	9	-	1	8	888
3,100	9	21	3,088	161,333		3,088	23	15	3,096	166,956	3,088	23	15	3,096	166,956	3,088	23	15	3,096	166,956
Other Land and Buildings																				
62	-	-	62	1,741	Shared Equity Plots of Land	62	-	-	62	2,002	62	-	-	62	2,002	62	-	-	62	2,002
360	1	-	361	1,422	Garages	361	-	-	361	1,363	361	-	-	361	1,363	361	-	-	361	1,363
422	7	-	429	86	Ground Rents re: sold council flats	429	-	-	429	95	429	-	-	429	95	429	-	-	429	95
1	-	-	1	444	Community Centre	1	-	-	1	485	1	-	-	1	485	1	-	-	1	485
5	-	-	5	415	Other non-domestic properties	5	-	-	5	486	5	-	-	5	486	5	-	-	5	486
12	2	-	14	1,468	Land	14	1	1	14	1,627	14	1	1	14	1,627	14	1	1	14	1,627
3,962	19	21	3,960	166,909	Totals	3,960	24	16	3,968	173,014	3,960	24	16	3,968	173,014	3,960	24	16	3,968	173,014

In addition to the above table, the Council also held assets under construction with a balance sheet value of £3.434 million as at 31 March 2023 (2021/22 £0.382 million). The increase between years is mainly as a result of the Jaywick Sands Flexible Workspace Project.

2021/22		2022/23
£000		£000
426,146	Vacant Possession Value *	439,709
(161,423)	Less: Existing Use Values (Social Housing)	(167,047)
<u>264,723</u>	Economic Cost of Providing Social Housing	<u>272,662</u>

* This is the market value of dwellings as at 31 March 2023.

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 2023.

3 Capital Expenditure and Financing

Capital expenditure on HRA assets for the year and its financing are set out below:

2021/22		2022/23
£000		£000
	Capital Investment:	
3,088	Operational Assets	3,939
1,228	Property Acquisition and New Build	3,412
<u>4,316</u>		<u>7,351</u>
	Sources of Finance:	
3,088	Major Repairs Reserve	3,939
187	Direct Revenue Financing	43
774	Section 106 Funding	328
199	External Funding	2,756
-	New Homes Bonus	285
68	Capital Receipts	
<u>4,316</u>		<u>7,351</u>

4 Housing Capital Receipts Reserve

There is a requirement to 'pool' part of the capital receipts received by the Council and pay it to the Secretary of State. The amounts to pool on disposal reflect the age and type of dwelling. For 2022/23 (and 2023/24) there is no requirement to 'pool' part of the capital receipts received by the Council in respect of Right to Buy sales.

The movement on the capital receipts reserve during the year is as follows:

2021/22		2022/23
£000		£000
5,192	Balance as at 1 April	6,535
	Capital Receipts in the year:	
1,395	Council house sales (net of administration costs)	1,107
3	Repayment of Discount on Shared Equity Sales	10
-	DIYSO property sales	131
320	Other Land Sales	1,153
2	Mortgage principal repayments	2
<hr/>		<hr/>
6,912		8,938
	Less:	
(309)	Capital receipts pooling contribution payable to the Government	(1)
(68)	Capital receipts used for financing capital expenditure	-
<hr/>		<hr/>
6,535	Balance as at 31 March	8,937
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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.

2021/22		2022/23
£000		£000
2,889	Dwellings	3,234
15	Do-It-Yourself Shared Ownership (DIYSO)	17
29	Garages	27
4	Community Centre	8
8	Other Non-Domestic Properties	7
17	Equipment	1
<hr/>		<hr/>
2,962	Depreciation Charged to the HRA I & E Account for the Year	3,294
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6 Impairment Charges

Impairment may be applicable to assets if caused by either a consumption of economic benefits or a general fall in prices.

2021/22		2022/23
£000		£000
4,544	Impairment charge for works to the Council's dwelling stock	4,978
(1,821)	Reversal of previous Impairment Losses due to increase in asset values	(298)
<u>2,723</u>	Impairment charge for the year	<u>4,680</u>

Tendring District Council has elected to recover all losses on non-dwellings from the period 2012-2017 to the HRA Reserve. In 2022/23 there were gains of £0.028 million returned to the HRA Reserve (in 2020/21 there were gains of £0.016 million). The balance currently left to recover is £1.259 million.

7 Rent Arrears and the Provision for Bad and Doubtful Debts

The rent arrears at 31 March 2023 were £0.400 million (2021/22 - £0.375 million), which equates to 2.87% (2.80% for 2021/22) 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 2023 is £0.280 million after the following movements on the account during 2022/23:

2021/22		2022/23
£000		£000
175	Balance as at 1 April	226
64	Provision for year	89
(13)	Arrears written off	(35)
<u>226</u>	Balance as at 31 March	<u>280</u>

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

Council Tax	2021/22 Business Rates	Total		Council Tax	2022/23 Business Rates	Total	Note Ref
£000	£000	£000		£000	£000	£000	
INCOME							
(94,665)	-	(94,665)	Council Tax Payers	(100,564)	-	(100,564)	2
-	(21,328)	(21,328)	Income from Business Ratepayers	-	(23,970)	(23,970)	3
(94,665)	(21,328)	(115,993)	Total Income	(100,564)	(23,970)	(124,534)	
EXPENDITURE							
Precepts:							
64,948	-	64,948	Essex County Council	69,905	-	69,905	4
3,579	-	3,579	Essex Fire and Rescue	3,758	-	3,758	
10,100	-	10,100	Essex Police and Crime Commissioner	10,902	-	10,902	
10,705	-	10,705	Tendring District Council	11,386	-	11,386	
Shares of Business Rates Income:							
-	13,753	13,753	Central Government	-	11,777	11,777	3
-	2,476	2,476	Essex County Council	-	2,120	2,120	
-	275	275	Essex Fire and Rescue	-	236	236	
-	11,002	11,002	Tendring District Council	-	9,422	9,422	
228	(15,112)	(14,884)	Share of Collection Fund Balance	2,704	(8,788)	(6,084)	5
Other Business Rates Payments:							
-	288	288	Costs of Collection	-	288	288	
-	(226)	(226)	Transitional Protection	-	70	70	
-	357	357	Renewable Energy Schemes	-	359	359	
Bad Debt and Other Provisions:							
1,532	570	2,102	Provisions	615	(659)	(44)	6
520	100	620	Write Offs	299	339	638	
-	(1,793)	(1,793)	Provisions for Appeals	-	(408)	(408)	
91,612	11,690	103,302	Total Expenditure	99,569	14,756	114,325	
(3,053)	(9,638)	(12,691)	(Surplus)/Deficit for the Year	(995)	(9,214)	(10,209)	

Council Tax	2021/22 Business Rates	Total
£000	£000	£000
(1,928)	16,094	14,166
(3,053)	(9,638)	(12,691)
(4,981)	6,456	1,475

Collection Fund Balance

Balance brought forward
(Surplus)/Deficit for the year

Balance Carried Forward

Allocated to:			
-	3,228	3,228	Central Government
(3,625)	581	(3,044)	Essex County Council
(198)	65	(133)	Essex Fire and Rescue
(564)	-	(564)	Essex Police and Crime Commissioner
(594)	2,582	1,988	Tendring District Council
(4,981)	6,456	1,475	

Council Tax	2022/23 Business Rates	Total	Note Ref
£000	£000	£000	
(4,981)	6,456	1,475	
(995)	(9,214)	(10,209)	
(5,976)	(2,758)	(8,734)	5

-	(1,379)	(1,379)	
(4,348)	(248)	(4,596)	
(236)	(28)	(264)	
(685)	-	(685)	
(707)	(1,103)	(1,810)	
(5,976)	(2,758)	(8,734)	

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 2022/23 was £1,923.17 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 2022/23

2021/22 Band	Valuation	Pro-portion	Full Charge	Paying 75%	Paying 50%	2nd Homes	Empty Properties	Exempt	Total Excluding LCTS	LCTS Scheme 100%	Total
9	*A Up to £40,000	5/9	7	5	-	-	-	-	12	(3)	9
10,245	A Up to £40,000	6/9	4,597	7,272	20	482	619	499	13,488	(3,129)	10,359
15,319	B £40,001 to £52,000	7/9	9,875	7,071	28	275	390	292	17,931	(2,505)	15,426
19,104	C £52,001 to £68,000	8/9	13,405	6,910	47	363	309	338	21,372	(1,961)	19,411
10,707	D £68,001 to £88,000	9/9	8,089	2,895	45	205	150	146	11,530	(516)	11,014
5,138	E £88,001 to £120,000	11/9	4,121	1,065	34	76	78	65	5,439	(117)	5,322
1,870	F £120,001 to £160,000	13/9	1,544	298	32	38	21	23	1,956	(32)	1,924
849	G £160,001 to £320,000	15/9	681	114	35	28	9	7	874	(8)	866
64	H Over £320,000	18/9	46	1	9	4	6	-	66	-	66
<u>63,305</u>			<u>42,364</u>	<u>25,631</u>	<u>250</u>	<u>1,471</u>	<u>1,582</u>	<u>1,370</u>	<u>72,668</u>	<u>(8,271)</u>	<u>64,397</u>
50,454	Number of equivalent full charge Band D dwellings (unscaled tax base)										51,435
(2,018)	Less Provision for changes in valuation list, discounts and doubtful debts										(1,543)
<u>48,436</u>	Tax base for tax setting purposes										<u>49,892</u>

* Band A – entitled to Disabled Relief

Analysis of the Council Tax

Council Tax for a Band D Dwelling

2021/22 Average £		2022/23 Average £
	Tendring District Council:	
166.05	General Expenses	171.18
11.59	Special Expenses	11.46
43.37	Town and Parish Councils	45.56
1,340.91	Essex County Council	1,401.12
73.89	Essex Fire and Rescue	75.33
208.53	Essex Police and Crime Commissioner	218.52
<hr/>		<hr/>
1,844.34		1,923.17
<hr/>		<hr/>

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:

2021/22		2022/23
£80,448m	Rateable Value on 31 March	£80,332m
	Non-Domestic Rate per £	
49.9p	Small Businesses	49.9p
51.2p	Standard	51.2p

Under the business rates retention scheme authorities retain a share of the income as follows:

- 50% - Central Government
- 40% - Tendring District Council
- 9% - Essex County Council
- 1% - Essex Fire and Rescue

4 Precepts

The Council (the collecting authority) and Essex County Council, Essex Fire and Rescue and Essex Police and Crime Commissioner (the major precepting authorities) precept upon the Collection Fund. Each precept is assessed from the Tax Base for tax setting purposes to produce each authority's budget requirement. The amounts paid under each of these precepts do not vary during the year. However, the tax yield is affected by changes in the valuation list (which defines each dwelling's banding), discounts (which reflect occupation of dwellings) and collection performance. The resulting balances are taken into account during each following year in assessing the Council Tax that both collecting and major precepting authorities must levy for the subsequent year.

5 Share of Collection Fund Balance

Each January, the Council must assess the likely yield from the current year's Council Tax and Business Rates, together with the excess or shortfall from the previous year's assessment. All major precepting authorities benefit from an assessed surplus (or contribute to a deficit) in the year following that in which an assessment is made.

Council Tax	2021/22 Business Rates	Total		Council Tax	2022/23 Business Rates	Total
£000	£000	£000		£000	£000	£000
-	(7,556)	(7,556)	Allocated to:	-	(4,394)	(4,394)
167	(1,360)	(1,193)	Central Government	1,966	(791)	1,175
9	(151)	(142)	Essex County Council	108	(88)	20
			Essex Fire and Rescue			
			Essex Police and Crime			
25	-	25	Commissioner	306	-	306
27	(6,045)	(6,018)	Tendring District Council	324	(3,515)	(3,191)
228	(15,112)	(14,884)		2,704	(8,788)	(6,084)

Therefore, the year end surplus of £5.976 million (£4.981 million in 2021/22) on Council Tax and the surplus of £2.758 million (£6.456 million deficit in 2021/22) on Business Rates together with balances paid over to precepting authorities in 2023/24, will form part of the assessment made in January 2024. The change on business rates balances between 2021/22 and 2022/23 is particularly significant due to the effect of unwinding the government scheme to support businesses through the pandemic.

6 Bad Debt and Other Provisions

Provision for Bad and Doubtful Debt

2021/22			2022/23		
Council Tax £000	Business Rates £000	Total £000	Council Tax £000	Business Rates £000	Total £000
2,052	670	2,722	914	(320)	594
(520)	(100)	(620)	(299)	(339)	(638)
<u>1,532</u>	<u>570</u>	<u>2,102</u>	<u>615</u>	<u>(659)</u>	<u>(44)</u>
			Movements in Year:		
			Contributions to provisions in year		
			Less: Amounts written off in the year		
			Net change in provisions		
			Balances on provisions:		
			Balance Brought Forward		
			Net change in provisions		
<u>4,338</u>	<u>1,040</u>	<u>5,378</u>	<u>5,870</u>	<u>1,610</u>	<u>7,480</u>
<u>1,532</u>	<u>570</u>	<u>2,102</u>	<u>615</u>	<u>(659)</u>	<u>(44)</u>
<u>5,870</u>	<u>1,610</u>	<u>7,480</u>	<u>6,485</u>	<u>951</u>	<u>7,436</u>
			Balance Carried Forward		

Provisions for Appeals (Business Rates only)

2021/22		2022/23	
£000		£000	
4,287	Balance Brought Forward	2,494	
(1,793)	Contributions to provisions in year	(408)	
<u>2,494</u>	Balance Carried Forward	<u>2,086</u>	

ACCOUNTING POLICIES

a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. 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 2022/23 and the Service Reporting Code of Practice 2022/23, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets.

b) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the requirements set out in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenditure in relation to services received (including services provided by employees) is recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. The only exceptions to this are with regard to certain revenue transactions where the accruals concept has not been applied (for example, non-housing rental income, electricity and similar regular quarterly/monthly payments) as the change from year to year is recurring in nature and the sums involved are not material compared with total expenditure and income, and where appropriate when expenditure is being funded by external grant, depending on the requirements specified in the conditions of grant. As this policy is applied consistently each year, it has no material effect on the year's accounts. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

c) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

d) Charges to Revenue for Non-Current Assets

Service revenue accounts and support services are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- Amortisation of intangible assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

e) Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and Non-Domestic Rates

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

f) Employee Benefits

Benefits Payable During Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, for example, time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting period, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

Employees of the Authority are members of the Local Government Pension Scheme, administered by Essex County Council.

This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Essex County Council pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate. The discount rate used is such that the net present value of the notional cash flows, discounted at this single rate, equates to the net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve.
- The assets of Essex County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - ❖ Quoted securities – current bid price;
 - ❖ Unquoted securities – professional estimate.
 - ❖ Unitised securities – current bid price;
 - ❖ Property – market value.
- The change in the net pensions liability is analysed into the following components:

Service cost comprising:

 - ❖ **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - ❖ **Past service cost/gain** – the increase/decrease in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited/credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Finance and Corporate Resources.
 - ❖ **Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority** – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

 - ❖ **The return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- ❖ **Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Essex County Council pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

g) Events after the Reporting Period

Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

h) Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

For all of the borrowings that the Authority has, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Authority's business model is to hold investments to collect contractual cash flows, which only comprise principal and interest. Financial assets are therefore classified at amortised cost.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the investments that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or a lifetime basis. The expected credit loss model also applies to lease receivables. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

i) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as current liabilities. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Grants to cover general expenditure (for example, Revenue Support Grant) are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

j) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

k) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the Property, Plant or Equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessor – Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the relevant service line within Net Cost of Services in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (for example, there is a premium paid at the commencement of the lease).

l) Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

m) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment, provided their value is greater than £10,000.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (for example, repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- The initial estimate of the costs of dismantling and removing the items and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (for example, it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement basis:

- Equipment, infrastructure, community assets and assets under construction – depreciated historical cost;
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market based evidence of current value because of the specialist nature of an asset depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (for example, freehold land and certain Community Assets) and assets that are not yet available for use (for example, assets under construction).

Depreciation is calculated on the following basis:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset.
- Infrastructure – straight-line allocation.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. All components were derecognised in 2022/23 as the difference in the depreciation charge was not significant.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluation that would have been recognised had they not been classified as Held for Sale) and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Capital receipts of £10,000 or less are credited to the General Fund Revenue Account to be used for revenue or capital purposes except for Private Sector Grant/Loan repayments which are credited directly back to the Capital Receipts Reserve to support the on-going capital programme.

The interest earned from holding capital receipts is credited to the Comprehensive Income and Expenditure Statement.

n) Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority has an obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (for example, from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

o) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

p) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

q) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income.

The Council is allowed to recover VAT incurred on expenses where income from the activity is exempt provided it is 'insignificant'. The current test for insignificance is that the VAT incurred and recovered on exempt activities is less than 5% of the total VAT that is incurred on all of the Council's activities. If the amount exceeds the limit and no dispensation has been granted by HM Revenue and Customs, then none of the tax may be recovered. HM Revenue and Customs have raised no objection to the Council's method of calculation applied to exempt activities.

r) Fair Value Measurement of Non-Financial Assets

The Council measures some of its non-financial assets such as surplus assets and investment property at fair value at each reporting period date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liabilities takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

OTHER INFORMATION

The Statement of Accounts is one of a series of documents that the Council publishes in order to provide financial information about its activities.

Other publications include the Financial Forecast, Revenue Estimates, Capital Programme and quarterly financial performance reports, which provide information on the Council's financial position and planned expenditure and income each year.

These publications can be found on the Council's Web Site at *www.tendringdc.gov.uk*.

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), 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
2022-23

TENDRING DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2022-23

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 Assistant Director - Governance.

This statement explains how the Council has complied with the Code, and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1), which requires all relevant councils to, each financial year: -

- (a) conduct a review of the effectiveness of the system of internal control
- (b) prepare an Annual Governance Statement

This Annual Governance Statement covers the period from 01 April 2022 up until its publication with the Council's Statement of Accounts on 31st July 2023.

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: -

The Authority (Full Council)	The Executive (The Cabinet)
<ul style="list-style-type: none"> • Approve Constitution and Policy Framework • Approve Council's overall budget • Approve matters reserved by law or by the Constitution to Full Council 	<ul style="list-style-type: none"> • Undertake the Council's Executive functions • Making decisions within the Budget and Policy Framework
Standards Committee	Overview and Scrutiny Committees
<ul style="list-style-type: none"> • Promote and maintain high standards of • Develop culture of openness, transparency, trust and confidence • Embed a culture of strong ethical and corporate governance 	<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • Approve the Council's Statement of Accounts • Independent assurance of adequacy of risk management framework • Consider Internal / External Audit work and recommendations arising 	<ul style="list-style-type: none"> • 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
Statutory Officers	Internal Audit
<ul style="list-style-type: none"> • Head of Paid Service – discharge of council functions • Monitoring Officer – lawfulness and fairness of decision making, including scope of powers 	<ul style="list-style-type: none"> • Provide an independent and objective assurance function • Improve effectiveness of risk management, control and governance processes
<ul style="list-style-type: none"> • 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 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

- The **Council's Constitution**, which sets out the Council's decision making framework, enabling decisions to be taken efficiently and effectively; provides a means of holding decision makers to public account; a structure to deliver cost effective quality services to the community; and defines roles and responsibilities
- A **Corporate Plan** which identifies the Council's vision, its aims, opportunities and values
- **Budget and Policy Frameworks** covering key policies and plans that must be approved or adopted by full Council, including its Budget, Council Tax, Housing Investment Programme, Local Development Plans, Licensing Policies, Procurement Strategy and Information Governance.

2. Other Strategies, Policies and Procedures

- Clear **Codes of Conduct** which set behavioural expectations for all individuals representing the Council
- **Human Resources Policies and Procedures** covering an extensive range of good employment practices
- **Whistleblowing** and **Complaints Procedures** that provide individuals with opportunities to report issues within the Council
- **Information** and **IT Policies and Procedures** protecting data held by the Council
- A wide range of strategies, policies and procedures providing governance frameworks over functions and activities of the Council

3. Examples of Good Governance

- The identification of **Priorities and Projects** and their translation into clear goals enabling the targeting of work by departments
- **Performance Management** and **Budget Monitoring Frameworks** providing a review of key activities against targets set, delivery of projects, and financial performance
- The Publication of **Agendas, Reports, Minutes and Decisions** providing accurate and reliable information to the public
- A **Corporate Risk Management Framework** providing a structure for risk management within the Council, and a **Corporate Risk Register** identifying the key risk that the Council is exposed to that is subject to regular review
- **External Standards Compliance** including compliance with accounting and auditing codes and standards, and conformance of the Council's financial management arrangements with the governance requirements of the CIPFA Statement on "*The Role of the Chief Financial Officer in Local Government (2016)*"
- Robust governance arrangements for working, engaging and consulting with the Council's stakeholders, partners and the public

The Code of Corporate Governance provides a framework of the governance arrangements in place in the Council, and includes additional detail for each of the above headings. The Code is subject to regular review to reflect changes to the Council's Governance Framework, and any update to the CIPFA / SOLACE framework.

As part of the Annual Review of the Council's Governance Framework, a number of activities and actions have been identified and undertaken during **2022/23** strengthening the Council's Governance Framework. The key activities and actions are set out below against the **Core Principles of Good Governance** identified in the Council's Code of Corporate Governance.

Principle A
Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

Behaving with integrity



Regular discussions are held with the Leader, Portfolio Holders and Statutory Officers regarding potentially contentious matters within the governance framework

Annual declaration of interests by Members reported to the Standards Committee

The Council's Procurement Strategy and Procedure Rules to be reviewed once the Procurement Bill comes into effect

Full Council approves the adoption of the revised Monitoring Officer Protocol into Part 6 of the Council's Constitution

Full Council approves the adoption of the Local Government Association's Model Members' Code of Conduct to commence in May 23

A programme of on-going Officer Development that includes online training and general development/learning opportunities

Demonstrating strong commitment to ethical values



Forthcoming training of Members' Code of Conduct for all Members of the Council and sessions are available to Town and Parish Councils

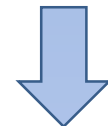
The importance of the Council's values and positive culture in the way it works has been emphasised as part of the induction programme for newly elected Councillors, referencing lessons learnt from public interest reports

Specialist committee training has been delivered for the Planning Committee, Licensing and Registration Committee and ongoing training for the Audit Committee

The Council has continued to live stream all meetings of Committees to enhance access and reach a wider audience to public meetings

Quarterly updates concerning Members' Code of Conduct matters are provided to the Standards Committee

Respecting the rule of law



A review of the Constitution was conducted including Council Procedure Rules, Property Dealing Procedure, Procurement Procedure Rules, size of committees and the protocol for live webcasting of meetings; to maintain the efficiency, effectiveness and consistency of the Constitution

Full Council approves the adoption of the Statement of Licensing Policy

Full Council approves the adoption of the Pay Policy Statement 23/24

Equality and Inclusion Strategy consulted and approved for publication/adoption

Reaction to the implementation of the Subsidy Control Act

Revised report template for agreeing fees and charges requiring inclusion of legislation relating to relevant powers for functions

Ongoing implementation / embedding of the general report format that also includes comments from the MO and S151 Officers

Principle B Ensuring openness and comprehensive stakeholder engagement

Openness



The Council continues to live stream all meetings of Committees and continues to enhance the quality of broadcast having invested in new equipment

Engagement has continued with Members through all stages of key priorities, actions and initiatives; along with the involvement with partners

Task and Finish Reviews undertaken on the Beach Hut Strategy, Planning Enforcement and Procurement and Contract Management, which were subsequently reported to the Resources and Services Overview and Scrutiny Committees with the outcome of the reviews being reported in public

New Website launched with the aim of improving access to information

Engaging comprehensively with institutional stakeholders



All Member Briefings have continued with remote access remaining an option, resulting in a far higher attendance from Members compared with solely in person attendance. External speakers have presented covering specialised subject areas

The organisation continues to vice chair the police scrutiny group, Independent Advisory Group (IAG)

Cabinet endorses the Joint Agreement of the North East Essex Parking Partnership

Development Plan Document Tending Colchester Borders Garden Community undertaken Regulation 18 Consultation and Engagement

Equality Strategy went out for consultation prior to adoption and was included in the Council's Cabinet priorities

Comprehensive partnership working continues with local health partners

Continued and thorough Community Leadership O&S work programme

Engaging with citizen stakeholders



The Council has entered a Service Level Agreement with Citizens Advice Tending for a further year

Conservation Area Appraisal and Management Plans for Harwich Old Town, Manningtree and Mistley, Great Bentley, Great Oakley and Kirby le Soken approved for public consultation

Jaywick Sands Place Plan Consultation Strategy approved

Ardleigh Neighbourhood Plan approved for public consultation

Beach Hut Strategy approved for consultation and to seek stakeholder comments

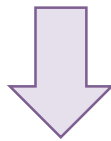
Engagement with the users of the Council's website to help design its replacement

Following public consultation the Community Engagement Strategy was adopted

Principle C
Defining outcomes in terms of sustainable economic, social and environmental benefits

Defining outcomes

Sustainable economic, social and environmental benefits



The Council and its departments have been striving to prioritise the preparation of the new Corporate Plan, prior to expiry of the current plan.

Further development of performance reporting with Cabinet's priorities being agreed for 22/23 and reported on throughout the year with the intended outcome identified

The Corporate Investment Plan has been implemented and aligned with the Corporate Priorities reflecting upon the Back to Business report of the previous year

Outturn reports produced and agreed by Cabinet

Officers have continued to work on key decision-making areas such as full project development and monitoring arrangements along with proportionate due diligence requirements

Freeport East formally designated by the Government

Council allocated £1,188,232 from UK Shared Prosperity Fund to support community and place, supporting local business, people and skills

Procurement Social Value report to Cabinet for review and exploration of shared service

The Council continues to work towards its goal to reduce carbon emissions to net zero by 2030 providing updates to Cabinet, Overview and Scrutiny Committees and Full Council

Full Council approved the Annual Capital and Treasury Strategy for 2022/23

Cabinet approves the approach of the UK Shared Prosperity Investment Plan for Tendring District of the Government's conditional allocation of £1,188,232

Cabinet approves entering an agreement with ECC for the principle of using vacant sheltered housing for the provision of short term accommodation for hospital leavers

Cabinet agrees the principle of redevelopment of the Honeycroft site to provide additional accommodation for elderly persons

Council awarded £19.960m from Government's Levelling Up Grant Fund Scheme

New equipment installed at the Council's three sports facilities

The development of the Freeport Project includes a strong emphasis on local regeneration and skills

Increase in tourism as a Cabinet priority, highlighting Airshow and other attractions, i.e beach flags and memorial

Principle D
Determining the interventions necessary to optimise the achievement of the intended outcomes

Determining interventions

Planning interventions

Optimising achievement of intended outcomes



Cabinet has approved the Corporate Investment Plan approach for 2022/23

The Council has internal governance arrangements to support delivery of major projects, which includes scheduling regular meetings attended by senior officers

The Council's Chief Executive is Chair of the Essex Anchors Network

Auto forwarding of emails for members and Officers to cease to protect the Council as the Data Controller in relation to the Data Protection Act 2018

The Discretionary Council Tax Energy Rebate Scheme be adopted under the Council's Special urgency procedure

A local business rate relief scheme was agreed for the Freeport East area

Council Tax premiums were introduced with the aim of bringing empty properties back into use

Cabinet supports the principle of Spendells house site being retained and reconfigured for the provision of temporary housing

The Council continues to deliver a long term financial sustainability plan with the underlying key aim of protecting services

Operational management of the Sunspot (Jaywick Workspace) be delivered internally by the Council

Demolition of Carnarvon House commenced for future redevelopment

Work remains in progress to dispose of the Council's Weeley Office site to support the delivery of local homes for local people

Cabinet approves the HRA 30 year business plan with proposed revised position for 22/23 and budget proposals for 23/24 to support its long-term financial sustainability

Local Road Closure Policy for special events adopted

Beach Hut Strategy adopted and Cabinet agrees Heads of Terms for a new commercial lease agreement and decided the principle for non-commercial leases, providing greater security on tenure for beach hut owners

Full Council approves a 7% increase in dwelling rents in 23/24 along with the Scale of Charges, HRA Capital Programme and movement in HRA Balances/Reserves with the investment in tenants' homes maintained at existing levels

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



The officer structure of the Council has continued to be subject to revision to facilitate service delivery within the resources available responding to evolving priorities and projects in line with the Council's Corporate Plan and Priorities also to adapt to meet the demands of local government

Cabinet notes the progress of the existing partnership with ECC in delivering procurement functions and agrees that the Council form part of a wider partnership of Councils to explore the Shared Procurement Service for parts of Essex

Term of office for Independent Persons be extended for a further year in order to explore options across Essex

MT re-agree the introduction of Departmental Plans for 23/24

The Member Development Programme Working Party considered the Member Induction Programme and reported to the Standards Committee prior to elections.

Shared posts and services and use of health funding for additional posts

Member induction programme, for newly elected and re-elected Members, conducted including interactive sessions and market stall approach to showcase services, along with All Member briefings

Topical learning and development activities for staff continue to be delivered and available for individual topics and areas across the Council

New e-learning portal purchased for continued development of Officers and Members

Council awarded Disability Leader Status for three years by DWP

Council awarded gold award from the Defence Employer Recognition Scheme

Principle F Managing risks and performance through robust internal control and strong public financial management

Managing risks, performance and data

Robust internal control and strong public financial management

A review of the Corporate Risk Register has been commenced by the Fraud and Risk Manager with an initial review undertaken by the Senior Management Team to identify further actions in 2023/24 in consultation with the Audit Committee

Regular financial performance report to Management and Members setting out a snapshot of key financial information

Senior Officers continue to attend the Council's Audit Committee when required in order to support them in their assurance work and in responding to significant governance issues

Internal Audit Team has an open dialogue with the Council's Senior Management Team on the organisation's risks and risk appetite

The Council continually conducts horizon scanning to manage risks and responds to them and will link in with departmental plans for the future 23/24 period

Cabinet endorses projects in alignment with the Council's Corporate Plan

Cabinet notes the implemented progress of Career Track Apprenticeship Scheme post Dec 21 Ofsted requiring improvement report

Cabinet considers the financial options appraisal and agrees to the continuation of Tendring Careline Service

Service Position Statement and Governance checklist completed for all services for MT consideration
Ceasing auto forwarding of emails

The financial forecast/budget was updated and regularly reported to senior managers and Members during the year and included separate and detailed reviews by the Corporate Finance and Governance Portfolio Holder in consultation with the Section 151 Officer

Separate monthly meetings of the Council's Management Team have focused on priorities, budgets and performance, where risks have been managed to produce better outcomes

Key corporate risks were reviewed by the Audit Committee during the year in addition to independent /regular review by the Council's Senior Management Team which included following up against key risks where appropriate

Cabinet approves Financial Forecast for 22/23 and proposed position for 23/24

Cabinet notes the financial outturn position for 21/22 and approves the General Fund capital expenditure for 21/22

Full Council approves the Treasury Management performance position 22/23 and approves the Prudential and Treasury Indicators

Full Council agrees that the Local Council Tax Support Scheme for 23/24 remain as per 22/23

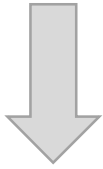
The Council has introduced to all departments the governance quarterly checklist to be reviewed by MT

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



Regular meetings and discussions between the three Statutory Officers and Internal Audit on individual cases, strengthening the efficiency of the 'golden triangle'

The key priority actions for 2022/23 include milestones against each quarter, performance against which to be available to the public and Overview and Scrutiny Committees

The Council's Leader and Members are appraised of key challenges and actions being taken by the Council

Cabinet approves the Financial Forecast for 22/23 and proposed position for 23/24

The Council responds robustly to areas where there may have been a data security breach e.g. via self-reporting to the ICO and learning from such incidents via ICO recommendations or internal reviews

Regular meetings take place between the Monitoring Officer, Sect 151 Officer, Internal Audit Manager and Executive Projects Manager – Governance

Meetings with the Group Leaders continue in order to discuss a range of topics across political groups, adopting a 'one council' approach

Internal Audit continue to attend key project boards and working parties through the development of schemes and initiatives rather than just at the end of the process

Regular reporting to the Management Team of key health and safety issues during the year

Cabinet notes progress with the Freeport East Programme report and to agree the final MOU and adopt policy for Managing Retained Business Rates

Cabinet reports have highlighted effective governance across the organisation

Group Leaders attend all Cabinet meetings as a matter of right and can question the Leader and Cabinet on any matters contained within the agenda

Highlight Priority Actions 22/23 reported quarterly to Cabinet along with proposed realignment of particular milestones and adoption of new milestones

Overview and Scrutiny work programme continues covering a range of topics linked to the Corporate Plan

Overview and Scrutiny Practice Guide issued to Members

4. Other Governance Issues:

As highlighted within the Narrative Statement within the Statement of Accounts 2022/23, the Council's Statement of Accounts for 2020/21 and 2021/22 remain subject to being 'signed off' due to External Audit delays. Although this is a national issue and in no way reflects any wrong-doing by those Council's adversely affected, it unfortunately contributed to the delay in the publication of the 2022/23 accounts, which were statutorily required to be published by the end of May 2023.

Due to the delays highlighted above, the Council's Monitoring Officer issued an associated Section 5 Report, which is available on the Council's website. By publishing its 2022/23 Statement of Accounts on 31 July 2023, the period of time the Council remained in breach of its statutory responsibilities was limited and has now been brought to a close

5. Use of Council Resources

Each year, the External Auditor provides an opinion on the Council's use of its resources / value for money. Following the publication of associated guidance, the outcome from the work of the External Auditor is now moving to a commentary on such arrangements rather than a conclusion or opinion.

The commentary will cover the following 3 headings:

- A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and
- C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

The Cabinet report template includes these headings for additional governance assurance to be provided, the use of resources and the Corporate Investment Plan approach.

Given the broad areas of governance that the new use of resources assessment covers, there is a large overlap with the existing governance activities set out elsewhere within this document where many of the issues are already being addressed or are planned to be addressed or strengthened. Although the Council is therefore in a strong position to respond to the new assessment, it is proposed that the outcomes from the work of the External Auditor will be brought together and monitored via the existing Annual Governance Statement and associated processes going forward.

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 backdrop of ongoing reductions in Government funding of the Council and associated savings targets, action has continued within the Council in **2022/23** 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.

An unqualified opinion was provided in 2021/22 based on the fact that only two audits received 'Improvement Required' opinions which did not have a significant impact on the Council's overall control environment and risk management processes. Significant issues have been identified in

some service areas for 2022/23 which have been reported to the Audit Committee throughout the year. No significant issues were identified within the Council's core financial services, which holds a lot of weight towards the overall Head of Internal Audit opinion as it means the control environment for the Council's second line of defence is strong.

The corrective action taken by officers with regard to the issues raised by Internal Audit aids the improvement/maintenance of the control and governance framework. Robust mechanisms are in place to monitor the progress of corrective action, with follow up audits scheduled as necessary.

Internal Audit has been working with services on a consultancy basis to support the implementation of new processes and projects. Career Track, Jaywick Sands Market Project, Freeport East and Levelling Up Funding are some of those areas of interest.

In 2022/23 only two audits will have received an overall audit opinion of 'Improvement Required' where high severity issues were identified. The audits are Housing Repairs and Maintenance and Housing Allocations. All significant issues are reported to the Audit Committee with required improvement actions. At the time of writing, fieldwork has been completed on all expected audits in the 2022/23 financial year. However, some were yet to be finalised with the service.

As the majority of audits in 2022/23 received, an adequate or substantial assurance opinion and Internal Audit have been and currently are involved in areas where processes are being redesigned; there is reasonable assurance that there is a sound system of internal control in place with adequate governance arrangements. Although work is still ongoing with Risk Management at a departmental level, Senior Management and the Audit Committee are involved in and aware of the changes being made.

The opinion of the Internal Audit Manager is drawn from all of the information reported above, external reviews carried out throughout the year and through the ongoing work in supporting Senior Management and Services in delivering the Council's objectives and visions. Based on the work completed to date, the open dialogue with Senior Management on risk, and a generally sound system of internal control, an overall unqualified opinion of Adequate Assurance is proposed. However, this is subject to confirmation as part of the finalizing of the Annual Governance Statement for publication as part of the audited Statement of Accounts later in the year, in addition to the report of the Head of Internal Audit that will be presented to the Council's Audit Committee.

The Head of Internal Audit Annual Opinion

The overall direction of travel regarding the internal control environment since 2022/23 has improved. In 2021/22 it was noted that an unqualified opinion could be difficult due to the wider governance issues raised in that year. However, it is pleasing to note that based on the work completed in 2022/23 there was evidence of improvements to processes and procedures throughout the Council meaning that a qualified opinion is not necessary for the 2022/23 financial year. A total of 29 moderate issues and 1 major issue were identified with actions agreed with operational management throughout the year. 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.

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

The Internal Audit Manager is satisfied that sufficient work was completed in 2022/23 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 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 Council's operational areas. Therefore, an overall unqualified opinion of '**Adequate Assurance**' can be provided.

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.

- **Other Review Agencies and Inspectorates**

The Council is subject to inspection and review by a number of other agencies and inspectorates. The Council aims to take action to address any issues that arise from such inspections and reviews, and to improve governance arrangements where it is appropriate to do so.

- **Senior Managers**

In addition to the review work undertaken above to review and strengthen the Council's Governance Framework, the Council's senior managers (including the Head of the Paid Service, Monitoring Officer and S151 Officer) have participated in a review of the effectiveness of the system of internal control providing assurance regarding the governance / control environment for their areas of responsibility.

7. ISSUES RAISED IN THE PREVIOUS YEAR'S ANNUAL GOVERNANCE STATEMENT AND ON-GOING ACTIONS 2023/24

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
<p>Implementing good practices in transparency, reporting and audit to deliver effective accountability.</p> <p>Ensuring compliance of the Council's governance arrangements through project board reviews.</p> <p>Utilising the Council's systems to implement best practice for drafting, reporting and decision making.</p>	<ul style="list-style-type: none"> Review of project outcomes 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. 	<p>On-Going / Outstanding - The outcome from key projects will be reported to the Project Board / Members following completion of the associated project.</p> <p>On-Going / Outstanding - Modern.gov remains an on-going and live project with additional functionality planned to be rolled out during 2023/24. The delivery team have received updated training to support the future roll out of this system, which includes - development of the report functionality, Planning Committee reports template review, Planning Committee automated emails to Town and Parish Councils.</p>
<p>Developing the entity's capacity, including the capacity of its leadership and the individuals within it.</p> <p>Ensuring the Council has the appropriate structures in place to support delivery of the Corporate Plan following the Senior Management restructure.</p>	<p>Finalise the operational capacity review and implement any recommended and approved staffing structures.</p>	<p>Completed - Building, Public Realm, Housing and Environment implementation date was 01 Mar 23 with the recruitment phase currently being conducted. Partnerships restructure completed with the associated recruitment process underway.</p>
<p>Determining the interventions necessary to</p>	<p>As part of the Back to Business and Recovery Plan:</p>	<p>Completed – this relates to the first two bullet points with associated actions</p>

<p>optimise the achievement of the intended outcomes. Managing risks and performance through robust internal control and strong public financial management. By strengthening the linkages between the Corporate Plan priorities and the Council's investment plans along with review of the longer term impact of COVID-19.</p>	<ul style="list-style-type: none"> • Undertake a corporate review of the Council's operational assets to prioritise spending from an associated reserve over the next few years; • To develop an investment plan during 2020/21 which will be directly linked to the Council's budget and evolving financial position and supported by the reprioritisation of budgets / existing funding and / or as part of the long term forecast; • Conduct an audit review in relation to the effectiveness of the Council's response to COVID-19, including a <i>review of the lessons learnt from the Council's response</i> and longer term consequences. 	<p>now forming Part of alternative processes within the Council; although they have been delayed due to the significant financial challenges that the Council currently faces as set out in the long term financial forecast.</p> <p>On-Going / Outstanding - This will form part of the ongoing work of Internal Audit, which will also reflect any learning points that may emerge from the national public inquiry currently underway.</p>
<p>Defining outcomes in terms of sustainable economic, social and environmental benefits.</p> <p>Determining the interventions necessary to optimise the achievement of the intended outcomes.</p> <p>To set out the Council's vision following the Council's Climate Emergency declaration of the</p>	<ul style="list-style-type: none"> • Prepare an Action Plan for approval by both the Cabinet and Council to form part of the Council's Policy Framework. 	<p>COMPLETED - A Climate Change Action Plan was agreed by Full Council on 24 November 2020 and included within its priority actions from 2021/22, which forms the background against which performance is being formally reported via the Council's corporate monitoring arrangements.</p>

<p>Council's activities being 'carbon neutral' by 2030.</p>		<p>On-Going / Outstanding - The Corporate Director, Place and Economy, will attend a future scheduled meeting of the Committee in 2023 to present to Members a two year progress report on the Council's Climate Change Action Plan.</p>
<p>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law. Ensure the Local Code of Corporate Governance and key policies and procedures are up to date.</p> <p>Ensuring openness and comprehensive stakeholder engagement. Establishing a corporate framework to support community engagement.</p>	<ul style="list-style-type: none"> • Review of the Council's Equality and Diversity strategy, policies and procedures • Developing the Council's approach and adopting principles for community engagement 	<p>COMPLETED – The Council's Equality and Inclusion Strategy 2023-27 was agreed by Cabinet on 27 Jan 23.</p> <p>COMPLETED – The Council's Community Engagement Strategy was adopted by Cabinet at its October 22 meeting.</p> <p>As part of the implementation phase an Officer Working Group has been established along with work being undertaken with the various departments across the Council to embed the associated processes</p>
<p>Implementing good practices in transparency, reporting and audit to deliver effective accountability.</p> <p>Delegated decision making</p>	<ul style="list-style-type: none"> • Awareness and further strengthen good decision making incorporating the Council's policies and framework. 	<p>On-Going / Outstanding - Increase the understanding of key principles including consultation, business planning, budget, and procurement, legal. Concept papers and PIDS to completed comprehensively to ensure successful delivery within the governance framework.</p>

<p>Managing risks and performance through robust internal control and strong public financial management</p> <p>In terms of business continuity this is especially important given the current global/economic climate</p>	<p>The relaunch of the Governance Checklist monitored quarterly and development of service area plans for 2023, both of these will cover risks and business continuity, these should cover the 3 headings under Use of Resources, to include project based risks.</p>	<p>COMPLETED - Q3 Service Position Statements, incorporating the Governance Checklist, were completed by all service areas. The results were presented to and considered by Management Team, along with the identification of common themes.</p> <p>Q4 Service Position Statements completed by services and presented to Management Team.</p>
<p>Determining the interventions necessary to optimise the achievement of the intended outcomes.</p>	<p>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.</p>	<p>On-Going / Outstanding - This remains under review and subject to securing the additional capacity required to deliver a number of corporate activities and actions.</p>

To support the Council in addressing some of the key issues and improvements that have emerged from the annual review of effectiveness, including any items identified as part of the work of the External Auditor, the following actions have been identified which include on-going items from last year highlighted in the table above: -

Governance Issue	Required Action(s)	Update / Proposed Action(s) 2022/23
Carried Forward and Updated from 22/23		

<p>Implementing good practices in transparency, reporting and audit to deliver effective accountability.</p> <p>Ensuring compliance of the Council's governance arrangements through project board reviews.</p> <p>Utilising the Council's systems to implement best practice for drafting, reporting and decision making.</p>	<ul style="list-style-type: none"> • Review of project outcomes 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. 	<p>The outcome from key projects will be reported to the Project Board / Members following completion of the associated project.</p> <p>Modern.gov remains an on-going and live project with additional functionality planned to be rolled out during 2023/24. The delivery team have received updated training to support the future roll out of this system, which includes - development of the report functionality, Planning Committee reports template review, Planning Committee automated emails to Town and Parish Councils.</p>
<p>Determining the interventions necessary to optimise the achievement of the intended outcomes.</p> <p>Managing risks and performance through robust internal control and strong public financial management.</p>	<ul style="list-style-type: none"> • Conduct an audit review in relation to the effectiveness of the Council's response to COVID-19, including a <i>review of the lessons learnt from the Council's response</i> and longer term consequences. 	<p>This will form part of the ongoing work of Internal Audit, which will also reflect any learning points that may emerge from the national public inquiry currently underway.</p>
<p>Defining outcomes in terms of sustainable economic, social and environmental benefits.</p> <p>Determining the interventions necessary to optimise the</p>	<ul style="list-style-type: none"> • Preparation / reporting updates against the Climate Change for approval by both the Cabinet and Council to form part of the Council's Policy Framework. 	<p>The Corporate Director, Place and Economy, will attend a future scheduled meeting of the Committee in 2023 to present to Members a two-year progress report on the</p>

<p>achievement of the intended outcomes.</p> <p>To set out the Council's vision following the Council's Climate Emergency declaration of the Council's activities being 'carbon neutral' by 2030.</p>		<p>Council's Climate Change Action Plan.</p>
<p>Implementing good practices in transparency, reporting and audit to deliver effective accountability.</p> <p>Delegated decision making</p>	<ul style="list-style-type: none"> Awareness and further strengthening of good decision making incorporating the Council's policies and framework. 	<p>Increase the understanding of key principles including consultation, business planning, budget, and procurement, legal requirements. Concept paper and PIDs to completed comprehensively to ensure successful delivery within the governance framework.</p> <p>A focus on robust project management, to provide oversight on financial and non-financial issues especially in key areas such as: Levelling Up Fund / Regeneration Project, waste contract renewal, and housing review recommendations.</p> <p>External funding guidance to be produced, incorporating existing requirements, due to the level of external funding being applied for and managed by the Council.</p>
<p>Determining the interventions necessary to optimise the achievement of the intended outcomes.</p>	<ul style="list-style-type: none"> Develop and implement a Corporate policy and strategy 'register' to ensure 	<p>Undertake review process alongside the new Corporate Vision once adopted.</p>

	that these are reviewed and updated in a timely manner and to support decision making	The above remains subject to securing the additional capacity required to deliver a number of corporate activities and actions
New Items for 23/24		
<p>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.</p> <p>Maintaining an up to date Local Code of Corporate Governance along with key policies and procedures.</p>	<ul style="list-style-type: none"> Review and update the Local Code of Corporate Governance and key policies and procedures. 	Review to be undertaken during 2023/24, with any associated decisions undertaken as necessary.
<p>Managing risks and performance through robust internal control and strong public financial management</p> <p>In terms of business continuity this is especially important given the current global/economic climate</p> <p>Determining the interventions necessary to optimise the achievement of the intended outcomes.</p> <p>Managing risks and performance through robust internal control and strong public financial management.</p>	<ul style="list-style-type: none"> 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 strengthening the Council's long term financial sustainability 	<p>During 2023/24 reviews of Departmental Plans will be undertaken to align with the new Corporate Vision and Risk Management approach, along with any Peer Reviews as relevant</p> <p>Review to incorporate resources / capacity to deliver priorities, projects and service provision</p> <p>Update the financial forecast and develop the framework in which to identify the necessary savings to support the Council's long-term financial sustainability.</p> <p>Further develop the Dedicated / Regular Officer Management Team Meetings with a focus on</p>

		financial / non-financial issues along with performance and delivery.
<p>Developing the Council's entity, including the capacity of its leadership and the individuals within it</p> <p>Effectively manage the transition to a new Administration following the local elections in May 2023.</p>	<ul style="list-style-type: none"> Continuation of delivery of the Member Development Programme Cabinet focus on new Corporate Plan, project prioritisation, financial sustainability and robust decision-making. 	<p>Continuation of existing Corporate Plan and priorities through 2023.</p> <p>New Corporate Plan, priorities, delivery of business as usual with regular briefings with individual Portfolio Holders and Cabinet</p> <p>Production and review of Departmental Plans within services identifying resources required for delivery and prioritisation.</p>
<p>Determining the interventions necessary to optimise the achievement of the intended outcomes.</p> <p>Managing risks and performance through robust internal control and strong public financial management.</p>	<ul style="list-style-type: none"> Review of existing Risk Management / Business Continuity Arrangements 	<p>Undertake a review during 2023/24 and present recommendations / options to a future meeting of the Audit Committee.</p>
<p>Determining the interventions necessary to optimise the achievement of the intended outcomes.</p> <p>Managing risks and performance through robust internal control and strong public financial management.</p> <p>Given the significant financial challenges and associated governance challenge facing the Council, the effective role</p>	<ul style="list-style-type: none"> Review of the effectiveness of the Audit Committee 	<p>Undertake a review in consultation with the Audit Committee and other key partners during the year and develop an associated action plan as necessary.</p> <p>Keep under review the recommendations emerging from the Redmond review and identify an associated action plan as necessary.</p>

of an Audit Committee is amplified.		
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Progress regarding these governance issues will be monitored throughout the forthcoming year by the Council's Audit Committee.

7. CONCLUSION

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

We propose over the coming year to take steps to address the significant governance issues identified in this statement, and to further enhance our governance arrangements. We are satisfied that these steps will address the needs for improvements that were identified in our review of effectiveness and will monitor their implementation as part of our next annual review.

Ian Davidson
Chief Executive

Date: 9 December 2024

Councillor Mark Stephenson
Leader of the Council

Date: 9 December 2024

Attachment 7

External Auditor's Audit Annual Report
(Covering 2020/21, 2021/22 and 2022/23)

Tendring District Council

Auditor's Annual Report: Years ended
31 March 2021

31 March 2022

31 March 2023

Report to the Audit Committee

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Welcome

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This Auditor's Annual Report provides a summary of the key issues arising from our audit of Tendring District Council (the 'Authority') for the years ended 31 March 2021, 31 March 2022 and 31 March 2023.

Financial statements

We issued the following opinions on the Authority's financial statements on the following dates:

- Year ended 31 March 2020, qualified opinion on X December 2024.
- Year ended 31 March 2021, disclaimer opinion on X December 2024.
- Year ended 31 March 2022, disclaimer opinion on X December 2024.

Where an opinion is qualified, this means that we consider that the financial statements give a true and fair view of the financial position and its expenditure and income for the year, except for the area qualified.

Where we have issued a disclaimer of opinion it is due to the legislated backstop date. To clear the backlog of historical accounts and 'reset' the system, the Accounts and Audit (Amendment) Regulations 2024 require local bodies to publish audited financial statements for all outstanding years up to and including 2022/23 by 13 December 2024 ('the backstop date'). In addition, the National Audit Office has made changes to the Code of Audit Practice to require local auditors to comply with backstop dates by giving their opinions in time for audited accounts to be published.

Value for money

The revised Code of Audit Practice 2024 that has been laid in Parliament and came into force on 14 November 2024. The revised Code allows auditors to issue a combined commentary on value for money arrangements for outstanding audits up to and including 2022/23 in a single report against a reduced set of criteria, focused on financial sustainability and governance arrangements.

We have not identified any significant weaknesses in respect of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources having regard to the specified criteria in the Code.

Other reporting

We did not consider it necessary to use our auditor powers or report on other matters.

The contents of this report relate only to those matters which we are required to report under the NAO Code of Audit Practice (2024). This report has been prepared solely for the use of the Authority and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.



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Purpose and responsibilities

Executive summary

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Purpose of the Auditor's Annual Report

This Auditor's Annual Report summarises the key issues arising from the work that we have carried out in respect of the years ended 31 March 2021, 31 March 2022 and 31 March 2023.

It is addressed to the Authority but is also intended to communicate the key findings we have identified to key external stakeholders and members of the public.

Responsibilities of the Authority

It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

The Authority is also responsible for preparing and publishing its Statement of Accounts, which includes its financial statements, narrative report and annual governance statement.

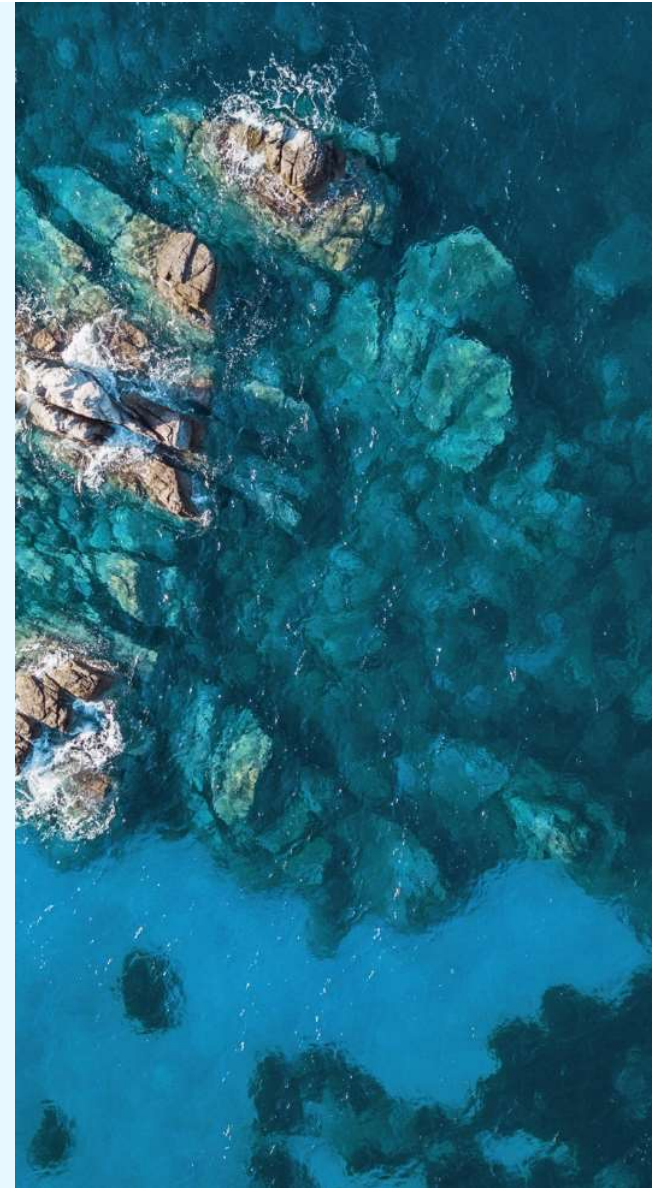
Responsibilities of auditors

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's (NAO's) Code of Audit Practice 2024 (the 'Code'). The full requirements of our audit are listed in Appendix 1.

Additional reporting powers

The Code also identifies additional reporting powers, which are also included in Appendix 1.

We can confirm that that no additional reporting powers have been used.





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Audit conclusion - year ended 31 March 2021

We issued a qualified audit opinion on the financial statements on X December 2024.

This means that we consider that the financial statements give a true and fair view of the financial position and its expenditure and income for the year except for the areas stated in the basis for qualification.

We reported findings whilst the audit was in progress, but substantively complete, to the 13 July 2023 Audit Committee and present an update on our findings on 9 December 2024.

Significant deficiencies in controls - year ended 31 March 2021

We have identified the following significant control deficiencies during the audit of the financial statements:

- Other land & buildings (DRC method): The council could not provide the floor plans to substantiate the GIAs used in arriving at the value of the buildings. The existing floor plans were not retained by the Council post-valuation. The GIAs are key inputs and without any evidence, the value of the assets could be materially misstated.
- Accounting policy on infrastructure assets: The accounting policy does not specifically address the componentisation of infrastructure assets, information on how infrastructure assets are derecognized, or provide details on the useful life for each type of infrastructure asset. Instead, it broadly states that the useful life for infrastructure assets is 20 years and discusses the basis used for calculating depreciation without getting into specifics of individual infrastructure categories and it includes disclosures that apply generally to the PPE class. The council applied this blanket wide 20 years useful life to seafront defences, which was not based on expert advice but instead a judgement exercised by management without relevant substantive evidence.



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Audit differences

The audit identified no material misstatements.

There were 5 unadjusted audit differences identified by our audit which would not have an impact the net operating expenditure for the year. Management did not adjust the financial statements for these items as the impact was not material.

Disclaimed audits

For the years ended 31 March 2022 and 31 March 2023, we issued a disclaimer of opinion on the financial statements on X December 2024.

These were disclaimed because we were not able to complete our work prior to the backstop date.

Significant difficulties in undertaking the audit

Where auditors have reported under ISA(UK) 260 on delays to the audit opinion or significant difficulties encountered when undertaking their work, these should be reflected in the Auditor's Annual Report unless the auditor judges that public disclosure would not be appropriate. While noting that the audit has taken longer to deliver than anticipated due to ongoing issues within the audit sector, we have not experienced any such difficulties.



Value for Money

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Scope

We are required to review and report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in these arrangements, we are required to report this in the auditor's report included in the financial statements and to make recommendations for improvement.

Specified criteria

The NAO has issued guidance for auditors to report against two specified reporting criteria:

- Financial sustainability - planning and managing resources to ensure the Authority can continue to deliver its services
- Governance - informed decisions and properly managing risks

The Code also includes a number of further areas for review within each criteria to allow the auditor to assess those arrangements.

This scope covers audits for the years 2020/21 to 2022/23 inclusive and represents a reduction in scope compared to the 2020 Code previously in force.

Risk assessment

Our risk assessment identified three risks of significant weakness, as follows:

- In the prior year (2019-20), we identified some significant amount of carry forward each year from the planned projects of revenue and capital items, which indicates an issue of deliverability of planned projects. There is a

risk that reserves are not being held at the optimum level, given that a number of them have not moved notably in recent years. (2021).

- Data security breaches: There is a practice of auto-forwarding of Councillors' emails to personal email accounts. There is a risk that the Council may breach Data Protection laws should this practice continue. (2021, 2022, 2023)
- Over-reliance on central government grants could impact the flexibility of delivering services and capital projects





Value for Money (2020 Code)

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Scope

At the time of planning the audit for the year ended 31 March 2021 our VFM risk assessment was performed having regard to the Code of Audit Practice (2020) originally in place.

Whereas the approved revisions to the Code of Audit Practice (2024) bring about a reduction in the scope for local authority audits for the years ending 31 March 2021, 31 March 2022 and 31 March 2023, the work we have performed exceeds the requirements of the revised Code, only for the year ended 31 March 2021.

Our commentary therefore includes a section on the sub-criteria Improving economy, efficiency and effectiveness, as this fell under the original scope.

Note that the Code of Audit Practice (2020) also includes specific arrangements within Financial Sustainability and Governance that are similarly scoped out in the Code of Audit Practice (2024). These are as follows:

Financial Sustainability

- The consistency of financial plans 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

Governance

- How the body approaches and carries out its annual budget setting process
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and

standards in terms of officer or member behaviour

Our work for the year ended 31 March 2021, 31 March 2022 and 31 March 2023, included reviewing arrangements in place against these areas. Where relevant, this has been referred to in our commentary.

Please note that these additional procedures were only performed for the year ended 31 March 2021.



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Audit conclusion

We have not identified any significant weaknesses in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

For all of the years covered by this report, we had no matters to report by exception in the audit report on the financial statements. We also have no matters to report in our closing audit certificate, on completion of our work on the Authority's value for money arrangements.



Financial Sustainability

Planning and managing resources

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The Council has an asset strategy for managing, reviewing, acquiring, and disposing of its assets to use properties effectively for delivering services.

The council takes into account the capital programmes during the budgeting process. An example of this is are the coastal defences projects.

The Council's coast protection responsibilities are significant, with remedial works required to address related risks. With a 60km coastline, the Council maintains sea defence structures along 18.5km. Funding is allocated for coastal protection, but more is needed to ensure safety and protection structures are in place before catastrophic cliff failure threatens towns in the district. Annual inspections of coast protection structures are carried out, and the Council responds swiftly to public reports of faults. Each year, sections of the sea defences are improved as part of a rolling programme of special maintenance schemes. In the long term, continuous expenditure is likely to mitigate tidal surges on the North Sea. The Council's current actions show awareness and effective medium-term action.

The Council has allocated funding to a large capital scheme of coastal protection and is seeking more funding. The capital scheme looks to ahead to the medium-term to ensure safety precautions and protection structures are already in place before catastrophic cliff failure threatens the towns in the district. This pre-empts the risk of unforeseen expenditure and ensures funding is available if unforeseen expenditure still arises.

The Beach recharge reserve was not utilised for several years (2018-19 to 2021-22), however, subsequent to the 2020-21 financial year, the utilisation thereof was approved in a Council meeting on 27th April 2021. It has since been utilised in the

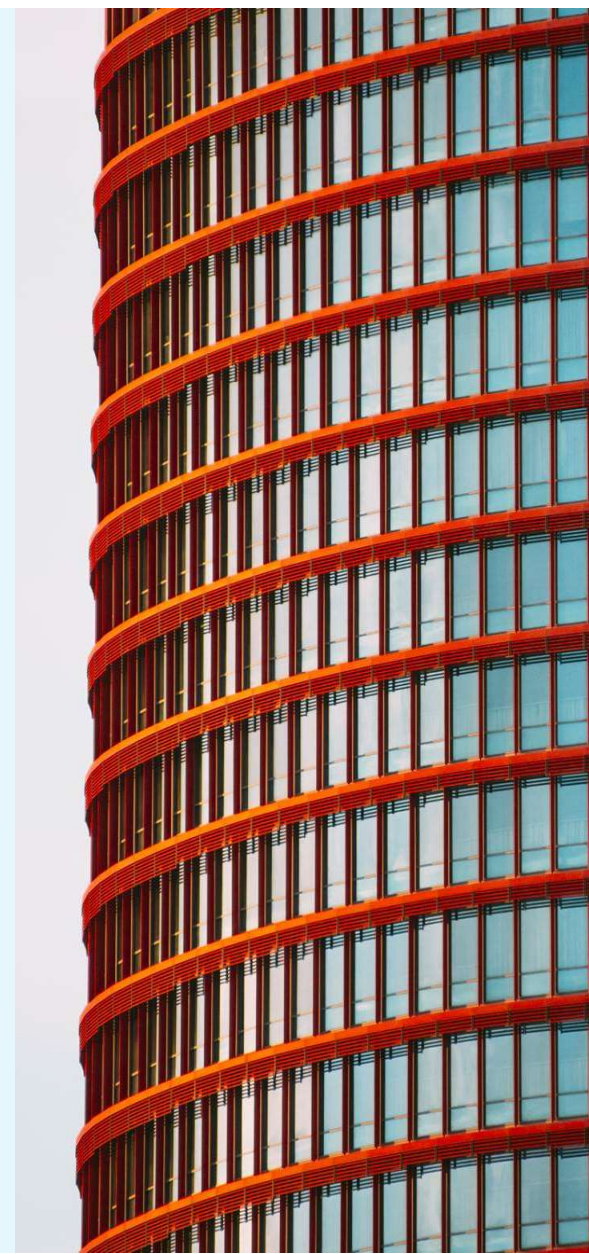
2022-23 financial year.

The Council frequently reviews its HRA Business Plan to take into account any changing circumstances. The review of the business plan and the HRA budget is frequently communicated to management for contributions and approval in Cabinet and full Council meetings.

Conclusion

We have not identified any significant weaknesses in the Financial Sustainability arrangements for 2020/21, 2021/22 and 2022/23.

Additionally, the prior year recommendations are being implemented as evidenced by the implementation of the beach recharge reserve.





Governance

Informed decisions and properly managing risks

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However, with the data protection laws in place, there is a risk that the Council could potentially be in breach of the Data Protection Act 2018 as the practice of auto-forwarding of Councillors' emails practice continued between the periods 2020-21 to 2022-23 and only fully implemented after May 2023.

Recommendations

Our recommendations is for the Council to strengthen and expediate the implementation of solutions identified to prevent possible breaches of GDPR laws. Any breaches could have a financial penalty attached and an impact of the reputation of the Council.

Conclusion

We have not identified any significant weaknesses in the Governance arrangements for 2020/21, 2021/22 and 2022/23 years.

However, we do provide a recommendation in relation to strengthening the implementation of arrangements that relate to risks assessed and monitored to gain assurance over the effective operation of internal controls.





Governance - 2020/21

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The Authority monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

The Council's Standards Committee had regular meetings throughout the 2020-21 financial period. The discussions had at the Standards Committee show that the Council treat complaints and the upholding of the Code of Conduct seriously, regularly reviewing the Code and the procedures by which inhabitants of the Tendring District can make complaints, so that the Code is up to date and comprehensive, and the experiences of Tendring inhabitants are heard and recorded.

The Council had a dedicated Legal Team that is involved in a variety of Council issues to provide guidance on legislative compliance. The Legal Team keeps the Assistant Director (Governance) informed of their findings and involved in their discussions. The findings of the Legal Team are presented to the Cabinet and Council committees in formal reports frequently, ensuring there is up to date communication across the management of the Council regarding legislative compliance.

The Council produced regular reports for the Management Team on Health and Safety monitoring that show that across the periods the reports cover, regular checks and assessments of a wide range of potential risks are performed. Incidents are recorded and reviewed regularly, and even once incidents are concluded on, findings are communicated in the reports to management.

There was a corporate framework in place to ensure standards are monitored and maintained, regarding internal and external behaviour (with the community).

The Council's primary regulator is the Local Government & Social Care Ombudsman. Investigations in complaints raised against the Council did not raise any areas of serious concern. Findings of maladministration are reported to the Cabinet for decisions on a response and preventative actions going forward.

The Standards Committee oversaw the conduct of members, monitored and reviewed the operation of the Code of Conduct for Members, considered alleged breaches of the Code and monitored Members' declarations to ensure compliance with both the statutory and local registration requirements.

Conclusion

From our work performed we have not identified any significant weaknesses in arrangements for this specific key line of enquiry for the 2020/21 year.



Improving economy, efficiency and effectiveness - 2020/21

Using information to improve services

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Auditor's commentary on arrangements (2020-21)

Areas reviewed

- *Financial and performance information has been used to assess performance to identify areas for improvement.*
- *Services provided are evaluated to assess performance and identify areas for improvement*
- *The Authority delivers its role within significant partnerships, engages with stakeholders it has identified and assesses whether it is meeting its objectives*
- *Where the Authority commissions or procures services, how it assesses whether it is realising the expected benefits*

The Corporate Investment Plan was reported to Cabinet in March 2022. The Corporate Investment Plan reviewed existing projects and their proposed funding, to set priorities for 2021/22 and seek approval for finalised budget figures. Additional capacity was set out in a associated decision. The decision detailed above shows the Council responding to capacity needs with financial resources.

Additional Procurement capacity was set out in Cabinet report in September 2021.

There is a plan that has been approved to take into account climate change and sustainability. The plan continues to be reviewed and included in the priority actions of the Council in the years since 2020/21.

The Back to Business action plan was agreed by Cabinet at its 19 February 2021 meeting and included within its priority actions for 2021/22 which forms the background against which performance is being formally reported via the revised monitoring arrangements.

Clearly defined Terms of Reference are agreed between partners and the Authority. Action plans are agreed as appropriate for each project and reviewed on a regular basis. Action plan delivery is monitored regularly together with feedback to Community Leadership Committee, Portfolio Holder and external partners.

A Community Asset Map has been produced via the North East Essex Alliance, this provides a useful tool to identify where to focus resources to strengthen and build more resilient communities.

Stage 2 of the Local Plan was formally adopted by the full Council in January 2022 after several rounds of review, reports and recommendations by various inspectors and committees. This enabled the Garden Communities project to develop into the partnership with Essex County Council, Colchester City Council and Braintree District Council.

Matrix management arrangements in place between the Authority and Essex County Council with clear workload management in relation to the Family Solutions through a partnership with Essex County Council.

The Council's procurement process is transparent and accessible. We have seen that in the process of procuring third parties, the progress and aims of each case are communicated across the decision-making boards of the Council for oversight and contributions.

The Council themselves have highlighted a risk that they are looking to mitigate through their procurement arrangement with Essex County Council: that service providers go into administration during the term in which they provide services to the Council.

The Council has identified the risk correctly so and currently looking to collaborate with Essex County Council to address this risk.



APPENDIX 1 - Additional Reporting Powers

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Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's (NAO's) Code of Audit Practice - 2024 (the 'Code').

Under the Code, we are required to review and report on the following:

- To be satisfied that the accounts comply with the requirements of the enactments that apply to them
- To be satisfied that proper practices have been observed in the preparation of the statement of accounts and that the statement presents a true and fair view
- To be satisfied that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- To express an opinion on the accounts
- To certify completion of the audit
- To consider whether to issue a report in the public interest
- To consider whether to make a written recommendation to the audited body, copied to the Secretary of State

The Code also defines a number of additional powers and duties

- To give electors the opportunity to inspect and raise questions about the accounts and consider and decide upon objections received in relation to the accounts

- To apply to the court for a declaration that an item of account is contrary to law
- To consider whether to issue an advisory notice or to make an application for judicial review
- To comply with the Code of Audit Practice prepared by the Comptroller and Auditor General and approved by Parliament
- To have regard to any statutory guidance to auditors issued by the Comptroller and Auditor General



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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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