

ACCOUNTING CONCEPTS AND ESTIMATION TECHNIQUES

Accounting Concepts

The accounting policies are detailed in a separate section (see page 73). These are consistent with the fundamental accounting concepts of:

- **Going concern** – that the Authority will continue in its operational existence for the foreseeable future;
- **Accruals** – the non-cash effects of transactions are reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid. Further details are provided in the separate section on Accounting Policies (see page 73);
- **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 (see page 73).

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

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

The Head of Finance, Revenues and Benefits' Responsibilities

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

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

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

The Head of Finance, Revenues and Benefits has also:

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

Head of Finance, Revenues and Benefits' Certificate

I certify that the accounts set out in this document give a true and fair view of the financial position of the Council at the 31 March 2019 and the income and expenditure for the year then ended.

R C Barrett
Head of Finance, Revenues and Benefits
Date: 31 July 2019

Chair of the Audit Committee' Certificate

I can confirm that the Audit Committee at the meeting held on the 29 July 2019 approved these accounts.

Councillor A Coley on behalf of Tendring District Council
Chair of the meeting approving the accounts
Date: 31 July 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

TENDRING DISTRICT COUNCIL

YEAR ENDED 31 MARCH 2019

Opinion on the financial statements

We have audited the financial statements of Tendring District Council ("the Council") for the year ended 31 March 2019 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 a summary of significant accounting policies. 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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Tendring District Council as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion on the financial statements

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 2015 ("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 Council 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 opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Finance, Revenues and Benefits use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance, Revenues and Benefits has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Head of Finance, Revenues and Benefits is responsible for the other information. The other information comprises the Narrative report together with 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.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts is consistent with the financial statements.

Conclusion on use of resources

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2017, we are satisfied that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion on use of resources

We have undertaken our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion, published by the National Audit Office in November 2017, as to whether in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The National Audit Office has determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Based on our risk assessment, we undertook such work as we considered necessary. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Matters on which we are required to report by exception

We have nothing to report in respect of the following other matters which the Code of Audit Practice requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response;
- 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.

Responsibilities of the Head of Finance, Revenues and Benefits and the Council

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Head of Finance, Revenues and Benefits is responsible for the preparation of the Statement of Accounts, which comprises the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view.

In preparing the financial statements, the Head of Finance, Revenues and Benefits is responsible for assessing the Council'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 the Council intends to cease operations or has no realistic alternative but to do so.

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

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.

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 in respect of the Council's use of resources

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

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

Certificate of completion of the audit

We certify that we have completed the audit of the accounts of Tendring District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

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 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Aphrodite Lefevre

For and on behalf of BDO LLP, Appointed Auditor
Norwich, UK
Date: 31 July 2019

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 2019

2017/18			2018/19			
Expenditure	Income	Net	Expenditure	Income	Net	Note
£000	£000	£000	£000	£000	£000	Ref
EXPENDITURE ON SERVICES						
250	-	250	100	-	100	
2,298	(175)	2,123	3,962	(317)	3,645	
8,510	(3,560)	4,950	9,255	(3,735)	5,520	
79,195	(78,468)	727	75,349	(74,397)	952	
499	(48)	451	516	(32)	484	
3,496	(2,542)	954	3,600	(2,444)	1,156	
564	(132)	432	693	(150)	543	
10,491	(4,379)	6,112	10,595	(4,509)	6,086	
1,041	(323)	718	823	(279)	544	
106,344	(89,627)	16,717	104,893	(85,863)	19,030	
3,388	(1,839)	1,549	2,496	(772)	1,724	10
3,153	(468)	2,685	3,667	(713)	2,954	11
5,723	(26,102)	(20,379)	5,858	(29,121)	(23,263)	12
		572			445	
		(6,372)			(4,935)	9(a)
		1			-	
		(8,353)			(9,363)	9(c)
		(14,724)			(14,298)	
		(14,152)			(13,853)	

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 2017 brought forward	29,642	8,286	4,485	166	5,031	47,610	104,289	151,899	
Movement in reserves during the year									
Total comprehensive expenditure and income	(598)	26	-	-	-	(572)	14,724	14,152	
Adjustments between accounting basis and funding basis under regulations	(1,420)	129	373	-	692	(226)	226	-	6
Increase/(Decrease) in Year	(2,018)	155	373	-	692	(798)	14,950	14,152	
Balance at 31 March 2018 carried forward	27,624	8,441	4,858	166	5,723	46,812	119,239	166,051	7,9
Balance at 1 April 2018 brought forward	27,624	8,441	4,858	166	5,723	46,812	119,239	166,051	
Movement in reserves during the year									
Total comprehensive expenditure and income	(688)	243	-	-	-	(445)	14,298	13,853	
Adjustments between accounting basis and funding basis under regulations	4,271	99	(47)	-	555	4,878	(4,878)	-	6
Increase/(Decrease) in Year	3,583	342	(47)	-	555	4,433	9,420	13,853	
Balance at 31 March 2019 carried forward	31,207	8,783	4,811	166	6,278	51,245	128,659	179,904	7,9

BALANCE SHEET

AS AT 31 MARCH 2019

31/03/2018		31/03/2019	Note
£000		£000	Ref
	Long Term Assets		
210,862	- Property Plant and Equipment	213,977	13
11	- Heritage Assets	7	
3,100	- Investment Property	2,300	14
257	- Intangible Assets	158	15
485	- Long Term Debtors	483	16
214,715	Total Long Term Assets	216,925	
	Current Assets		
52,057	- Short Term Investments	57,126	16
33	- Assets Held for Sale	533	
57	- Inventories	68	
6,022	- Short Term Debtors	5,296	18
4,812	- Cash and Cash Equivalents	3,716	19
62,981	Total Current Assets	66,739	
	Current Liabilities		
(2,156)	- Short Term Borrowing	(2,085)	16
(11,615)	- Short Term Creditors	(12,260)	20
(1,191)	- Provisions	(1,385)	21
(5,144)	- Capital Grants Receipts in Advance	(2,531)	26
(20,106)	Total Current Liabilities	(18,261)	
	Long Term Liabilities		
(1,169)	- Long Term Creditors	(1,712)	20
(42,076)	- Long Term Borrowing	(40,312)	16
(48,294)	- Other Long Term Liabilities - Pensions	(43,475)	31
(91,539)	Total Long Term Liabilities	(85,499)	
166,051	Total Net Assets	179,904	
	Financed by:		
46,812	Usable Reserves	51,245	8
119,239	Unusable Reserves	128,659	9
166,051	Total Reserves	179,904	

R C Barrett
Head of Finance, Revenues and Benefits
31 July 2019

CASH FLOW STATEMENT

2017/18 £000		2018/19 £000	£000	Note Ref
(572)	Net surplus or (deficit) on the provision of services		(445)	
	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements:			
8,337	Depreciation, revaluation and impairment of non-current assets	8,657		
144	Movement in Investment Property Values	800		
234	Amortisation of Intangible Assets	134		
1,460	Increase/decrease in creditors	967		
499	Increase/decrease in debtors	579		
(259)	Movement in pension liability	4,544		
163	Contributions to/(from) provisions	194		
1,645	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	604		
(15)	Other items	(9)	16,470	
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:			
(1,834)	Capital Grants credited to surplus or deficit on the provision of services	(4,737)		
(2,049)	Proceeds from the sale of property, plant and equipment	(892)	(5,629)	
7,753	Net cash flows from Operating Activities		10,396	22
(6,988)	Investing Activities		(9,620)	23
(1,480)	Financing Activities		(1,872)	24
(715)	Net increase or (decrease) in cash and cash equivalents		(1,096)	
5,527	Cash and cash equivalents at the beginning of the reporting period		4,812	
4,812	Cash and cash equivalents at the end of the reporting period		3,716	

NOTES TO CORE FINANCIAL STATEMENTS

1 Expenditure and Funding Analysis

Expenditure Chargeable to GF and HRA Balances	2017/18 Adjustment between Funding and Accounting basis	Net Expenditure in the CIES		Expenditure Chargeable to GF and HRA Balances	2018/19 Adjustment between Funding and Accounting basis	Net Expenditure in the CIES	Note Ref
£000	£000	£000		£000	£000	£000	
EXPENDITURE ON SERVICES							
250	-	250	Leader	100	-	100	
(2,268)	4,391	2,123	Finance and Corporate Resources	(4,308)	7,953	3,645	
4,950	-	4,950	Environment	5,520	-	5,520	
1,282	(555)	727	Housing	1,336	(384)	952	
451	-	451	Health and Education	484	-	484	
954	-	954	Corporate Enforcement	1,156	-	1,156	
432	-	432	Investment and Growth	543	-	543	
6,112	-	6,112	Leisure and Tourism	6,086	-	6,086	
718	-	718	Budgets Relating to Non Executive Functions	544	-	544	
<u>12,881</u>	<u>3,836</u>	<u>16,717</u>	Net Cost of Services	<u>11,461</u>	<u>7,569</u>	<u>19,030</u>	
(11,018)	(5,127)	(16,145)	Other Income and Expenditure	(15,386)	(3,199)	(18,585)	
<u>1,863</u>	<u>(1,291)</u>	<u>572</u>	(Surplus) or Deficit on Provision of Services	<u>(3,925)</u>	<u>4,370</u>	<u>445</u>	
(37,928)			Opening General Fund and HRA Balances	(36,065)			
1,863			(Surplus) or Deficit on General Fund and HRA Balances in Year	(3,925)			
<u>(36,065)</u>			Closing General Fund and HRA Balances at 31 March	<u>(39,990)</u>			7

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

2017/18				2018/19				
Adjustments for Capital Purposes (see a below)	Pensions Adjustments (see b below)	Other Differences (see c below)	Total Adjustments £000		Adjustments for Capital Purposes (see a below)	Pensions Adjustments (see b below)	Other Differences (see c below)	Total Adjustments £000
				EXPENDITURE ON SERVICES				
432	-	3,959	4,391	Finance and Corporate Resources	2,958	1,128	3,867	7,953
719	155	(1,429)	(555)	Housing	787	180	(1,351)	(384)
<hr/>	<hr/>	<hr/>	<hr/>	Net Cost of Services	<hr/>	<hr/>	<hr/>	<hr/>
1,151	155	2,530	3,836		3,745	1,308	2,516	7,569
<hr/>	<hr/>	<hr/>	<hr/>	Other Income and Expenditure	<hr/>	<hr/>	<hr/>	<hr/>
(1,481)	(414)	(3,232)	(5,127)		(3,871)	3,236	(2,564)	(3,199)
<hr/>	<hr/>	<hr/>	<hr/>	(Surplus) or Deficit on Provision of Services	<hr/>	<hr/>	<hr/>	<hr/>
(330)	(259)	(702)	(1,291)		(126)	4,544	(48)	4,370
<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 in accordance with proper accounting practices as set out in the Chartered Institute of Public Finance and Accountancy 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Detailed information on the Council's Accounting Policies can be found on pages 73 - 89.

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

The 2019/20 Code introduces some changes in accounting policies that will apply from 1 April 2019 none of which have any impact on Tendring District Council.

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

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

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

Item	Uncertainties	Effect if Actual results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £0.454 million for every year that useful lives had to be reduced.</p>
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.	<p>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 £2.940 million.</p> <p>However, the assumptions interact in complex ways. During 2018/19, the Authority's actuaries advised that the net pensions liability had decreased by £4.819 million primarily as a result of updating the assumptions and increases in the value of the fund assets.</p>
Business Rate Appeals	Estimation of the settlement of existing and future backdated Business Rate appeals under the 2010 and 2017 Rate Revaluations. Uncertainty over the level of settlement of existing outstanding appeals and the extent to which they will be backdated to 1 April 2010 and 1 April 2017 respectively.	The total provision for Business Rate appeals is £3.334 million, the Council's share is £1.334 million (40%). This has been estimated on the basis that following the settlement of appeals there is an average reduction in net rate income of 4.7%. If this increased by 0.5% the increase in the provision would be £0.355 million, the Council's share being £0.142 million.

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

5 Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Head of Finance, Revenues and Benefits on 31 May 2019. Events taking place after the Reporting Period have been considered up to this date. Events taking place after the Statement of Accounts were authorised for issue are not reflected in the financial statements or notes.

6 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.

2017/18					2018/19				
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
(414)	155	-	-	-	4,363	181	-	-	-
(702)	-	-	-	-	(48)	-	-	-	-
2,729	5,620	-	-	-	2,709	5,948	-	-	-
144	-	-	-	-	800	-	-	-	-
213	21	-	-	-	113	21	-	-	-
1,970	5,796	-	-	-	7,937	6,150	-	-	-

Adjustments to the Revenue Resources

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

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

Total Adjustments to Revenue Resources

2017/18					2018/19				
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				
(16)	(2,033)	-	-	2,049					
					Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve and Deferred Capital Receipts				
210	1,435	-	-	-	(207)	(685)	-	-	892
					Amounts of non-current assets written off to the Capital Adjustment Account on disposal				
-	44	-	-	(44)	120	484	-	-	-
					Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)				
(1,643)	(191)	-	623	-	-	13	-	-	(13)
					Transfer of capital grants credited to the Comprehensive Income and Expenditure Statement				
308	-	-	-	(308)	(4,057)	(680)	-	3,638	-
					Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)				
-	(3,173)	3,174	-	-	302	-	-	-	(302)
					Posting of HRA resources from revenue to the Major Repairs Reserve				
(246)	(1,664)	-	-	-	-	(3,177)	3,177	-	-
					Provision for the repayment of debt (transfer from the Capital Adjustment Account)				
5	-	-	-	(5)	(236)	(1,664)	-	-	-
					Mitigation of Finance Lease costs in accordance with regulation				
1,309	-	-	-	-	5	-	-	-	(5)
					Revenue expenditure financed from capital under statute (transfer from the Capital Adjustment Account)				
(3,317)	(85)	-	-	-	1,140	-	-	-	-
					Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)				
(3,390)	(5,667)	3,174	623	1,692	(733)	(342)	-	-	-
					Total Adjustments between Revenue and Capital Resources				
					(3,666)	(6,051)	3,177	3,638	572
					Adjustments to Capital Resources				
-	-	-	-	(1,006)	-	-	-	-	(77)
					Use of the Capital Receipts Reserve to finance capital expenditure				
-	-	(2,801)	-	-	-	-	(3,224)	-	-
					Use of the Major Repairs Reserve to finance capital expenditure				
-	-	-	(623)	-	-	-	-	(3,638)	-
					Application of capital grants to finance capital expenditure				
-	-	-	-	6	-	-	-	-	60
					Cash payments in relation to deferred capital receipts				
-	-	(2,801)	(623)	(1,000)	-	-	(3,224)	(3,638)	(17)
					Total Adjustments to Capital Resources				
(1,420)	129	373	-	692	-	-	(47)	-	555
					Total Adjustments				
					4,271	99	(47)	-	555

7 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 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2019 £000
General Fund:							
Revenue Commitments Reserve	13,701	(13,480)	11,386	11,607	(11,386)	11,579	11,800
Capital Commitments Reserve	2,914	(2,914)	4,591	4,591	(4,591)	4,868	4,868
Forecast Risk Fund	-	-	1,888	1,888	(522)	2,131	3,497
Asset Refurbishment/Replacement Reserve	135	-	-	135	-	-	135
Beach Recharge Reserve	150	-	1,350	1,500	-	-	1,500
Benefit Reserve	1,100	-	-	1,100	(100)	-	1,000
Building for the Future Reserve	4,691	(4,635)	-	56	-	1,277	1,333
Business Rate Resilience Reserve	1,608	-	-	1,608	-	150	1,758
Careline System Replacement Reserve	37	-	-	37	-	-	37
Commuted Sums Reserve	136	(39)	-	97	(39)	241	299
Crematorium Reserve	154	-	-	154	-	-	154
Election Reserve	30	-	30	60	-	30	90
Haven Gateway Partnership Reserve	75	-	-	75	-	-	75
Leisure Capital Projects Reserve	-	-	50	50	-	50	100
Planning Inquiries and Enforcement Reserve	299	(20)	-	279	(20)	-	259
Public Convenience Reserve	140	(140)	-	-	-	-	-
Residents Free Parking Reserve	221	-	-	221	-	-	221
Specific Revenue Grants Reserve - Homelessness	251	(85)	-	166	(85)	-	81
Total General Fund Earmarked Reserves	25,642	(21,313)	19,295	23,624	(16,743)	20,326	27,207
General Fund Balance	4,000	-	-	4,000	-	-	4,000
Total General Fund	29,642	(21,313)	19,295	27,624	(16,743)	20,326	31,207

	Balance at 1 April 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2019 £000
Housing Revenue Account:							
Housing Repairs Reserve	1,573	(4,356)	3,738	955	(3,772)	3,681	864
Housing Revenue Account Commitments Reserve	2,151	(2,151)	2,752	2,752	(2,752)	2,891	2,891
General Reserve	4,562	(138)	310	4,734	(140)	434	5,028
Total Housing Revenue Account	8,286	(6,645)	6,800	8,441	(6,664)	7,006	8,783

8 Usable Reserves

Movements in the Authority's usable reserves are shown in the Movement in Reserves Statement with additional detail provided in notes 6 and 7.

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 recharging the beaches 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.
- 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) **Public Convenience Reserve**
To provide resources to manage the condition and provision of public conveniences operated by the Council. The balance on this reserve was fully utilised in 2017/18.
- xvii) **Residents Free Parking Reserve**
To support the continuation of the residents' free parking initiative in the District.
- 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.

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.

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.

9 **Unusable Reserves**

2017/18		2018/19
£000		£000
32,385	Revaluation Reserve	36,487
133,849	Capital Adjustment Account	134,360
(48,294)	Pensions Reserve	(43,475)
335	Deferred Capital Receipts Reserve	275
1,098	Collection Fund Adjustment Account	1,146
(134)	Accumulated Absences Account	(134)
<u>119,239</u>		<u>128,659</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.

2017/18		2018/19	
£000		£000	£000
26,972	Balance at 1 April		32,385
6,889	Upward revaluation of assets	5,664	
(517)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(729)	
<u>6,372</u>	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		4,935
(778)	Difference between fair value depreciation and historical cost depreciation	(749)	
(181)	Accumulated gains on assets sold or scrapped	(84)	
<u>(959)</u>	Amount written off to the Capital Adjustment Account		(833)
<u><u>32,385</u></u>	Balance at 31 March		<u><u>36,487</u></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.

Page 17 note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2017/18		2018/19	
£000		£000	£000
133,618	Balance at 1 April		133,849
	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	(8,657)	
(8,349)			
(144)	Movement in Investment Property Values	(800)	
(234)	Amortisation of Intangible Assets	(134)	
(1,309)	Revenue expenditure funded from capital under statute	(1,140)	
	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	(604)	
(1,645)			
<u>(11,681)</u>		<u>(11,335)</u>	
959	Adjusting amounts written out of the Revaluation Reserve	833	
<u>(10,722)</u>	Net written out amount of the cost of non-current assets consumed in the year		<u>(10,502)</u>
	Capital financing applied in the year:		
	Use of the Capital Receipts Reserve to finance new capital expenditure	77	
1,006			
	Use of the Major Repairs Reserve to finance new capital expenditure	3,224	
2,801			
1,834	Application of grants to capital financing	4,737	
	Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances	1,900	
1,910			
3,402	Capital expenditure charged against General Fund or HRA	1,075	
<u>10,953</u>	Total amount of capital financing applied in the year	<u>11,013</u>	
<u>133,849</u>	Balance at 31 March		<u>134,360</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.

2017/18		2018/19	
£000		£000	£000
(56,906)	Balance at 1 April		(48,294)
8,353	Remeasurements of the net defined benefit liability (asset)		9,363
(5,516)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,634)	
5,775	Employer's pensions contributions and direct payments to pensioners payable in the year	2,090	
	Total adjustments to revenue resources		(4,544)
<u>(48,294)</u>	Balance at 31 March		<u>(43,475)</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.

2017/18		2018/19	
£000		£000	
341	Balance at 1 April		335
(6)	Transfer to the Capital Receipts Reserve upon receipt of cash		(60)
<u>335</u>	Balance at 31 March		<u>275</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 2017	385	11	396
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	(43)	745	702
Balance at 31 March 2018	342	756	1,098
Balance at 1 April 2018	342	756	1,098
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	(46)	94	48
Balance at 31 March 2019	296	850	1,146

f) **Accumulated Absences Account**

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

10 Other Operating Expenditure

2017/18		2018/19
£000		£000
1,600	Parish Council Precepts	1,698
308	Payments to the Government Housing Capital Receipts Pool	302
(359)	(Gains)/losses on the disposal of non-current assets	(276)
1,549	Total	1,724

11 Financing and Investment Income and Expenditure

2017/18		2018/19
£000		£000
1,550	Interest payable and similar charges	1,662
1,459	Net interest on the defined benefit liability (asset)	1,205
(295)	Interest receivable and similar income	(506)
144	Movement in Investment Property Values	800
(173)	Rental Income from Investment Property	(207)
2,685	Total	2,954

12 Taxation and Non-Specific Grant Income and Expenditure

2017/18		2018/19
£000		£000
9,154	Council tax income	9,588
10,716	Retained Business Rates Income	10,958
(5,723)	Business Rates Tariff and Levy	(5,858)
5,609	Non-Ringfenced Government Grants	4,937
623	Capital Grants and Contributions	3,638
<u>20,379</u>	Total	<u>23,263</u>

Further details for the Non-Ringfenced and Capital Grants disclosed above are provided on page 45 note 26.

13 Property, Plant and Equipment

a) Movement on Balances

Movements in 2018/19	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 2018	122,317	52,902	5,687	50,395	512	35	730	232,578
Additions	3,388	1,023	269	411	2	-	2,846	7,939
Accumulated depreciation and impairment written off to Gross Carrying Amount	(2,572)	(759)	-	-	-	-	-	(3,331)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,943	1,992	-	-	-	-	-	4,935
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,731)	351	-	-	-	-	-	(2,380)
Derecognition - Disposals	(486)	(122)	-	-	-	-	(2)	(610)
Assets reclassified (to)/from Assets Held for Sale	-	(500)	-	-	-	-	-	(500)
Other Movements in cost or valuation	1	-	-	-	-	-	(1)	-
At 31 March 2019	122,860	54,887	5,956	50,806	514	35	3,573	238,631

Movements in 2018/19	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 2018	(1,564)	(2,760)	(3,917)	(13,443)	(32)	-	-	(21,716)
Depreciation Charge for 2018/19	(2,582)	(1,297)	(416)	(1,960)	(1)	-	-	(6,256)
Accumulated depreciation written off to Gross Carrying Amount	2,572	759	-	-	-	-	-	3,331
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(23)	-	-	-	-	-	-	(23)
Derecognition - Disposals	4	2	-	-	-	-	-	6
Other Movements in depreciation and impairment	-	-	4	-	-	-	-	4
At 31 March 2019	(1,593)	(3,296)	(4,329)	(15,403)	(33)	-	-	(24,654)
Net Book Value								
at 31 March 2019	121,267	51,591	1,627	35,403	481	35	3,573	213,977
at 1 April 2018	120,753	50,142	1,770	36,952	480	35	730	210,862

* Restated Comparative Movements in 2017/18	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equipment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2017	124,188	50,026	5,298	50,148	512	30	287	230,489
Additions	2,991	74	556	247	-	-	593	4,461
Accumulated depreciation and impairment written off to Gross Carrying Amount	(3,941)	(1,026)	-	-	-	-	-	(4,967)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,339	3,029	-	-	-	5	-	6,373
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,886)	941	-	-	-	-	-	(1,945)
Derecognition - Disposals	(1,454)	(196)	(167)	-	-	-	(16)	(1,833)
Assets reclassified (to)/from Assets Under Construction	79	55	-	-	-	-	(134)	-
At 31 March 2018	122,316	52,903	5,687	50,395	512	35	730	232,578

* 2017/18 figures have been restated to reflect the changed classification of Housing Revenue Account Non-Dwellings Assets in 2018/19, which have been moved from Council Dwellings to Other Land and Buildings as this is considered more appropriate.

Restated Comparative Movements in 2017/18

	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 2017	(2,850)	(2,410)	(3,703)	(11,487)	(32)	-	-	(20,482)
Depreciation Charge for 2017/18	(2,675)	(1,377)	(381)	(1,956)	-	-	-	(6,389)
Accumulated depreciation written off to Gross Carrying Amount	3,915	1,026	-	-	-	-	-	4,941
Accumulated impairment written off to Gross Carrying Amount	26	-	-	-	-	-	-	26
Derecognition - Disposals	20	1	167	-	-	-	-	188
At 31 March 2018	(1,564)	(2,760)	(3,917)	(13,443)	(32)	-	-	(21,716)
Net Book Value								
at 31 March 2018	120,752	50,143	1,770	36,952	480	35	730	210,862
at 1 April 2017	121,338	47,616	1,595	38,661	480	30	287	210,007

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 2018/19 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 table below:

Life	Asset Categories
13-70 years	Public conveniences
57 years	Princes Theatre, Crematorium buildings
45-50 years	Council offices, Chapels, cemetery buildings, historic buildings, public halls, Frinton and Walton pool
32-37 years	Clacton leisure centre, squash courts, Dovercourt pool, Cliff Park building Harwich
30 years	Jaywick starter units, Beach office, Milton Road car park building, former cash offices, print unit, first aid station, Walton information bureau, kiosks, miscellaneous buildings, sea cadet station, shops and kiosks, museums
20-30 years	Sports pavilions, depots, beach changing facilities
20 years	Beach huts, High Street car park building, deck chair kiosks, garages
2-17 years	Seafront Shelters
10 years	Alexandra Road Garage
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 2019, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment with 2019/20 and future years budgeted to cost £3.391 million. Similar commitments as 31 March 2018 were £0.979 million. The major commitments over £25,000 as at 31 March 2019 or entered into before the publication of the accounts are:

➤ **General Fund**

	£000
Purchase of wheeled bins	737
Office rationalisation	292
SME growth fund capital grants	43
Cliff Stabilisation	1,115
Purchase of street cleaning equipment	44
	<u>2,231</u>

➤ **Housing Revenue Account**

	£000
Various improvements and enhancements	707
Disabled adaptations	58
Jaywick Sands starter homes	367
	<u>1,132</u>

d) **Revaluations**

A full revaluation of General Fund and Housing Revenue Account Properties was undertaken in 2016/17. In respect of 2018/19, a desk top revaluation of the Council's Housing Stock and General Fund properties was undertaken as at 30 September 2018 by Ian Pitt, MRICS and Martin Wilson, MRICS of Bruton Knowles in accordance with the RICS Valuation Standards – Professional Standards 2015 as issued by the Royal Institution of Chartered Surveyors. Where there had been a significant change since 2017/18, instead of just a desktop revaluation, the relevant General Fund Properties were subject to a full revaluation as at 30 September 2018.

An estimate was also obtained from Martin Wilson of Bruton Knowles as to the change in value from 30 September 2018 to 31 March 2019 of all the Authority's non-current assets, the results of which are reflected in the value of the assets on the Balance Sheet. The Supplementary Financial Statement for the Housing Revenue Account sets out additional valuation details relating to the Council's housing stock.

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.

2017/18		2018/19
£000		£000
(173)	Rental Income from Investment Property	(207)
-	Direct operating expenses arising from Investment Property	-
<u>(173)</u>	Net gain/loss	<u>(207)</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:

2017/18		2018/19
£000		£000
-	Balance at start of year	3,100
3,244	Purchases	-
(144)	Net Gains/losses from fair value adjustments	(800)
<u>3,100</u>	Balance at end of the year	<u>2,300</u>

(a) Fair Value hierarchy

The investment property held is a commercial unit and is valued at Level 2 under accounting policy (v), 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 Intangible Assets

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

2017/18 £000		2018/19 £000
	Balance at start of year:	
1,839	Gross carrying amounts	1,867
(1,376)	Accumulated amortisation	(1,610)
463	Net carrying amount at start of year:	257
	Additions:	
28	Purchases	35
(234)	Amortisation for the period	(134)
257	Net carrying amount at end of year	158
	Comprising:	
1,867	Gross carrying amounts	1,902
(1,610)	Accumulated amortisation	(1,744)
257	Net carrying amount at end of year	158

16 Financial Instruments

a) Categories of Financial Instruments

The categories of financial instruments have changed from 1 April 2018 in accordance with the Code. The investments instruments held at 31 March 2018 have been assessed and all generate just principal and interest and are held under a business model seeking to collect these sums on the specified dates. Therefore both loans and receivables and available for sale financial assets at 31 March 2018 have been reclassified as amortised cost on 1 April 2018. The Code does not require the 2017/18 figures to be restated.

Long Term 31 March 2018 £000	* Restated Current 31 March 2018 £000		Long Term 31 March 2019 £000	Current 31 March 2019 £000
Investments				
-	46,086	Loans and receivables	-	-
-	5,971	Available-for-sale financial assets	-	-
-	-	Financial assets at amortised cost	-	57,126
-	52,057	Total Investments	-	57,126
Debtors				
310	-	Loans and receivables	-	-
175	2,788	Financial assets at contract amounts	184	2,297
-	-	Financial assets at amortised cost	299	-
485	2,788	Total Debtors	483	2,297
-	4,812	Cash and Cash Equivalents	-	3,716
485	59,657	Total Financial Assets	483	63,139
Borrowings				
42,076	2,156	Financial liabilities at amortised cost	40,312	2,085
42,076	2,156	Total Borrowings	40,312	2,085
Creditors				
1,169	3,689	Financial liabilities at amortised cost	1,712	-
-	-	Financial liabilities at contract amount	-	3,691
1,169	3,689	Total Creditors	1,712	3,691
43,245	5,845	Total Financial Liabilities	42,024	5,776

* Restated to include Cash and Cash Equivalents.

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

b) **Reclassifications**

The only reclassifications are those required by the Code on transition to 2018/19 as described above.

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

2017/18					2018/19			
Financial Liabilities measured at amortised cost	Financial Assets - Loans and Receivables	Financial Assets - Available for Sale	Assets and Liabilities at Fair Value through Profit and Loss	Total		Financial Liabilities measured at amortised cost	Financial Assets measured at amortised cost	Total
£000	£000	£000	£000	£000		£000	£000	£000
1,540	-	-	-	1,540	Interest expense	1,473	-	1,473
-	-	4	-	4	Fee expense	-	2	2
1,540	-	4	-	1,544	Total expense in Surplus or Deficit on the Provision of Services	1,473	2	1,475
-	(259)	(36)	-	(295)	Interest income	-	(505)	(505)
-	(259)	(36)	-	(295)	Total income in Surplus or Deficit on the Provision of Services	-	(505)	(505)
1,540	(259)	(32)	-	1,249	Net (gain)/loss for the year	1,473	(503)	970

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 2018			31 March 2019		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000	£000		£000	£000	
44,232	59,031	Long term borrowing	42,397	58,050	
1,169	1,169	Long term Creditors	1,712	1,712	

The fair value of PWLB loans of £58.050 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 2018			31 March 2019		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000	£000		£000	£000	
46,086	46,086	Loans and receivables	-	-	
5,971	5,971	Available for Sale financial assets	-	-	
-	-	Investments at amortised cost	57,126	57,126	
310	310	Long term Debtors	299	299	

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 2018/19 was £79.795 million.

The TMPs set out the criteria for deciding which organisations the Council will invest money with. 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. £0.468 million of the £1.013 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;

2017/18		2018/19
£000		£000
114	Less than three months	101
18	Three to six months	15
77	Six months to one year	49
301	More than one year	303
<hr/>		<hr/>
510		468
<hr/>		<hr/>

Impairments of Sundry Debtors at 31 March 2019 totalled £0.452 million.

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 principal amount of PWLB debt at 31 March was as follows:

2017/18		2018/19
£000		£000
2,156	Less than one year (includes interest)	2,085
1,764	Between one and two years	1,720
5,613	Between two and five years	5,315
9,978	Between five and ten years	9,645
5,067	Between ten and fifteen years	4,684
19,654	More than fifteen years	18,948
<hr/>		<hr/>
44,232		42,397
<hr/>		<hr/>

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

c) **Market Risk**

➤ **Interest Rate Risk**

At 31 March 2019 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 2019, 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	430
Increase in interest receivable on variable rate investments	(686)
Increase in government grant receivable for financing costs	-
	<hr/>
Impact on Surplus or Deficit on the Provision of Services	(256)
	<hr/>
Share of overall impact relating to the HRA	303
	<hr/> <hr/>

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 Debtors

The prior year figures have been restated to match the 2018/19 format as the Code requirements for this note have changed.

	Restated 2017/18		
	Gross Amount	Impairment Allowance	Net
	£000	£000	£000
Council tenants arrears	323	(129)	194
Housing benefit overpayments	2,153	(1,455)	698
Trade debtors	2,032	(311)	1,721
	<hr/>		
Financial assets at contract amounts	4,508	(1,895)	2,613
	<hr/>		
Business rates and Council Tax Payers	1,462	(827)	635
Amounts due from government	2,770	-	2,770
Other	4	-	4
	<hr/>		
Balance at 31 March	8,744	(2,722)	6,022
	<hr/> <hr/>		

	Gross Amount £000	2018/19 Impairment Allowance £000	Net £000
Council tenants arrears	292	(107)	185
Housing benefit overpayments	2,137	(1,415)	722
Trade debtors	1,854	(464)	1,390
Financial assets at contract amounts	4,283	(1,986)	2,297
Business rates and Council Tax Payers	1,526	(911)	615
Amounts due from government	2,369	-	2,369
Other	15	-	15
Balance at 31 March	8,193	(2,897)	5,296

19 Cash and Cash Equivalents

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

2017/18 £000		2018/19 £000
	Current Assets:	
3,506	Cash held by the Authority	2,500
1,306	Bank current accounts	1,216
<u>4,812</u>		<u>3,716</u>

20 Creditors

The prior year figures have been restated to match the 2018/19 format as the Code requirements for this note have changed.

Restated 2017/18 £000		2018/19 £000
3,063	Trade creditors	2,807
626	Capital creditors	884
<u>3,689</u>	Financial liabilities at contract amounts	<u>3,691</u>
5,049	Amounts due to government and preceptors for Business Rates and Council Tax	4,989
2,257	Other amounts due to government and preceptors	3,041
618	Receipts in Advance for Council Tax and Business Rates	532
2	Other	7
<u>11,615</u>	Balance at 31 March	<u>12,260</u>
2017/18 £000		2018/19 £000
	Creditors due after more than one year:	
<u>1,169</u>	Section 106 contributions	<u>1,712</u>

21 Provisions

2017/18		2018/19		Total
£000		Business Rates £000	Other Provisions £000	
1,028	Balance at 1 April	1,140	51	1,191
163	Net movement for business rate appeals in year	194	-	194
<u>1,191</u>	Balance at 31 March	<u>1,334</u>	<u>51</u>	<u>1,385</u>

22 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2017/18		2018/19
£000		£000
431	Interest received	486
(1,559)	Interest paid	(1,497)

23 Cash Flow Statement – Investing Activities

2017/18		2018/19
£000		£000
(7,677)	Purchase of property, plant and equipment, investment property and intangible assets	(7,716)
(261,450)	Purchase of short term and long term investments	(335,800)
2,055	Proceeds from the sale of property, plant and equipment	952
258,495	Proceeds from short term and long term investments	330,750
1,589	Other receipts from investing activities	2,194
<u>(6,988)</u>	Net cash flows from investing activities	<u>(9,620)</u>

24 Cash Flow Statement – Financing Activities

2017/18		2018/19
£000		£000
(1,971)	Repayments of short and long term borrowing	(1,822)
491	Council Tax and NNDR adjustments	(50)
<u>(1,480)</u>	Net cash flows from financing activities	<u>(1,872)</u>

25 Expenditure and Income Analysed by Nature

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

2017/18		2018/19
£000		£000
	Expenditure	
17,470	Employee Expenses	19,868
86,027	Other Services Expenses	82,091
8,571	Depreciation, Amortisation, Impairment	8,791
144	Movement in Investment Property Values	800
1,550	Interest Payable and Similar Charges	1,662
1,459	Pension Interest and Return on Pension Assets	1,205
1,600	Precepts and Levies	1,698
308	Payments to Housing Capital Receipts Pool	302
1,479	Loss on the Disposal of Non-Current Assets	497
<hr/>		<hr/>
118,608	Total Expenditure	116,914
	Income	
(29,478)	Fees and Charges and Other Service Income	(32,279)
(1,839)	Gain on Disposal of Non-Current Assets	(772)
(468)	Interest and Investment Income	(713)
(9,154)	Income from Council Tax	(9,588)
(10,716)	Income from Business Rates	(10,958)
(66,381)	Government Grants and Contributions	(62,159)
<hr/>		<hr/>
(118,036)	Total Income	(116,469)
<hr/>		<hr/>
572	(Surplus) or Deficit on the Provision of Services	445
<hr/>		<hr/>

26 Grant Income

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

2017/18 £000		2018/19 £000
Credited to Taxation and Non-Specific Grant Income		
<i>Non-Ringfenced Grants:</i>		
1,650	Revenue Support Grant	1,070
1,752	New Homes Bonus Grant	1,333
244	New Burdens Grant	289
1,871	NDR Section 31 Business Rate Grants	1,929
-	Business Rates Levy Account Surplus Grant	76
-	EU Exit Funding	154
92	Other Government Grants	86
<u>5,609</u>		<u>4,937</u>
<i>Capital Grants and Contributions</i>		
<i>Government Funding</i>		
270	- Environment Agency	2,609
99	- Homes and Communities Agency	80
82	Local Authority - Essex County Council	678
<i>Other Capital Contributions</i>		
172	- Section 106	168
-	- Walton Flood Wall	103
<u>623</u>		<u>3,638</u>
Other Significant Grants Credited to Services		
11	Apprenticeship Training Grant	73
60,169	Benefits	56,153
201	Collection Investment/Hardship Administration Grant	193
1,151	Disabled Facilities Grant	1,077
60	Essex County Council - SME Growth Fund	22
865	Essex County Council - Technical Agreement Contribution	871
354	Homelessness Grants	452
100	Locality Working Model	-
-	Tendring Mental Health and Discharge Support	184
<u>62,911</u>		<u>59,025</u>

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

2017/18		2018/19
£000		£000
Capital Grants Receipts in Advance		
Government Funding:		
4,731	The Environment Agency	2,222
244	Home and Communities Agency	164
157	Local Authority Funding	124
12	Other capital contributions	21
<u>5,144</u>		<u>2,531</u>

27 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:

2017/18			2018/19	
Receipts	Payments		Receipts	Payments
£000	£000		£000	£000
2,378	221	Essex County Council	2,287	165
177	472	Other Essex local authorities	101	300
Transactions with organisations related by a declared interest of Council Members or Senior Officers:				
-	11	Association of Retained Council Housing	-	-
3	3	Other	4	5
<u>2,558</u>	<u>707</u>	Total Related Party Transactions	<u>2,392</u>	<u>470</u>

28 Members' Allowances

The Authority paid £0.449 million to members of the Council during the year (£0.446 million in 2017/18). Full details are available on the Transparency page of the Council's website.

29 Officers' Remuneration

a) Analysis of "senior employees" remuneration

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

Post Title	note	2017/18		Total remuneration excluding Pension Contributions	Employer's Contributions to Pension	Compensation for loss of office	Total Remuneration
		Salary, Fees and Allowances	Expense Allowances				
		£	£				
Chief Executive		126,810	-	126,810	21,050	-	147,860
Corporate Director - Corporate Services		87,899	-	87,899	14,591	-	102,490
Corporate Director - Operational Services		85,341	-	85,341	14,166	-	99,507
Corporate Director - Planning & Regeneration Services	1	53,267	-	53,267	8,843	-	62,110
Head of Governance & Legal Services		60,500	-	60,500	10,043	-	70,543
Head of Planning	2	24,904	-	24,904	4,134	-	29,038
Head of Finance, Revenues and Benefits		60,500	-	60,500	10,043	-	70,543

Notes

1. This is a part year payment from appointment on 31 July 2017.
2. This is a part year payment to 31 July 2017 when the role changed following restructure.

Post Title	note	2018/19		Total remuneration excluding Pension Contributions	Employer's Contributions to Pension	Compensation for loss of office	Total Remuneration
		Salary, Fees and Allowances	Expense Allowances				
		£	£				
Chief Executive		129,016		129,016	21,417		150,433
Deputy Chief Executive	1	90,412		90,412	15,008		105,420
Corporate Director - Operational Services		86,981		86,981	14,439		101,420
Corporate Director - Planning & Regeneration Services		83,074		83,074	13,790		96,864
Head of Governance & Legal Services		62,445		62,445	10,366		72,811
Head of Finance, Revenues and Benefits		62,445		62,445	10,366		72,811

Notes

1. This post was the Corporate Director, Corporate Services in 2017/18. The job title changed on 1 April 2018 but the post was substantially unchanged.

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:

2017/18 Number of Total	Remuneration Band	2018/19 Number of Total
6	£50,000 - £54,999	5
-	£55,000 - £59,999	6
1	£70,000 - £74,999	-
-	£75,000 - £79,999	1
-	£80,000 - £84,999	1

Where the £5,000 bands included no officers in both 2017/18 and 2018/19, 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)	2017/18			Total cost of exit packages in each band £
	Number of compulsory redundancies	Number of other departures agreed	Total Number of exit packages by cost band	
£0 - £20,000	1	3	4	35,329
£20,001 - £40,000	-	2	2	48,656
Total cost included in Comprehensive Income and Expenditure Statement				83,985

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

Exit package cost band (including special payments)	2018/19			Total cost of exit packages in each band £
	Number of compulsory redundancies	Number of other departures agreed	Total Number of exit packages by cost band	
£0 - £20,000	-	1	1	1,394
£20,001 - £40,000	1	-	1	35,358
Total cost included in Comprehensive Income and Expenditure Statement				36,752

The compulsory redundancy was 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.

30 Termination Benefits

The contracts of 2 employees ceased in 2018/19 with incurred total liabilities of £36,752 (6 employees with incurred total liabilities of £83,985 in 2017/18). All of this total, was in the form of compensation for loss of office. Further details can be found in Note 29(c).

31 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 (see page 73).

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:

2017/18 Local Government Pension Scheme £000		2018/19 Local Government Pension Scheme £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
	<i>Service cost comprising:</i>	
4,016	Current service cost	4,250
-	Past service costs	1,128
41	Administration Expenses	51
	<i>Financing and Investment Income and Expenditure</i>	
1,459	Net interest expense	1,205
<hr/> 5,516	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	<hr/> 6,634
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	<i>Remeasurement of the net defined benefit liability comprising:</i>	
(5,340)	Return on plan assets (excluding the amount included in the net interest expense)	(7,055)
-	Actuarial gains and losses arising on changes in demographic assumptions	(9,742)
(3,013)	Actuarial gains and losses arising on changes in financial assumptions	7,434
<hr/> (2,837)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	<hr/> (2,729)
	Movement in Reserves Statement	
(5,516)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(6,634)
	Actual amount charged against the General Fund Balance for pensions in the year:	
<hr/> 5,775	Employer's contributions payable to scheme	<hr/> 2,090

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:

2017/18 Local Government Pension Scheme £000		2018/19 Local Government Pension Scheme £000
174,396	Present value of the defined benefit obligation	177,051
(126,102)	Fair Value of plan assets	(133,576)
<u>48,294</u>	Net liability arising from defined benefits obligation	<u>43,475</u>

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

2017/18 Local Government Pension Scheme £000		2018/19 Local Government Pension Scheme £000
116,734	Opening fair value of scheme assets	126,102
3,164	Interest income	3,181
	<i>Remeasurement gain/(loss):</i>	
	The return of plan assets, excluding the amount included in the net	
5,340	interest expense	7,055
5,775	Contributions from employers	2,090
688	Contributions from employees into the scheme	746
(5,558)	Benefits paid	(5,547)
(41)	Other	(51)
<u>126,102</u>	Closing fair value of scheme assets	<u>133,576</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)**

2017/18			2018/19	
Local Government Pension Scheme			Local Government Pension Scheme	
£000			£000	
173,640	Opening Balance at 1 April		174,396	
4,016	Current service cost		4,250	
4,623	Interest cost		4,386	
688	Contributions from scheme participants		746	
	<i>Remeasurement (gain)/loss:</i>			
-	Actuarial gains/losses arising from changes in demographic assumptions		(9,742)	
(3,013)	Actuarial gains/losses arising from changes in financial assumptions		7,434	
-	Past service cost		1,128	
(5,558)	Benefits paid		(5,547)	
174,396	Closing Balance at 31 March		177,051	

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

2017/18				2018/19		
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						
-	4,337	4,337	Cash and cash equivalents	-	3,518	3,518
-	-	-	Equities - UK	6,007	-	6,007
76,502	-	76,502	Equities - Overseas	71,015	-	71,015
8,389	-	8,389	Gilts UK index Linked Government Securities	7,090	-	7,090
4,685	-	4,685	Bonds - Corporate (UK)	7,807	-	7,807
4,326	7,635	11,961	Property	4,404	7,473	11,877
-	5,798	5,798	Private Equity	-	6,140	6,140
-	5,790	5,790	Infrastructure	-	6,713	6,713
(629)	-	(629)	Derivatives	-	-	-
-	2,140	2,140	Timber	-	4,028	4,028
-	2,014	2,014	Private Debt	-	2,283	2,283
-	5,115	5,115	Other Managed Funds	-	7,098	7,098
93,273	32,829	126,102		96,323	37,253	133,576

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 2016.

An allowance has been made for the recent Court of Appeal Judgement in relation to the McCloud and Sargent cases which relate to age discrimination within the Judicial and Fire Pension Schemes. The estimated potential impact on the total liabilities as at 31 March 2019 (based on analysis carried out by the Government Actuary's Department) has been allowed for as a past service cost. This past service cost (totalling £1.128 million) is an estimate on the basis that all active members in the Fund as at 31 March 2012 are covered by the transitional protections.

The significant assumptions used by the actuary have been:

2017/18 Local Government Pension Scheme		2018/19 Local Government Pension Scheme
	<i>Mortality assumptions:</i>	
	Longevity at 65 for current pensioners:	
22.2	Men	21.3
24.7	Women	23.6
	Longevity at 65 for future pensioners:	
24.4	Men	22.9
27.0	Women	25.4
3.35%	Rate of inflation - RPI Increases	3.45%
2.35%	Rate of inflation - CPI Increases	2.45%
3.85%	Rate of increase in salaries	3.95%
2.35%	Rate of increase in pensions	2.45%
2.55%	Rate for discounting scheme liabilities	2.40%
50%	Take up of option to convert annual pension into retirement lump sum	50%

The mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2018, which was released in March 2019. At the last accounting date, the CMI_2015 Model was adopted. The effect of updating to the most recent model 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)	183,941	170,425
Rate of inflation (increase or decrease by 0.1%)	179,758	174,390
Rate of increase in salaries (increase or decrease by 0.1%)	177,334	176,771
Rate of increase in pensions (increase or decrease by 0.1%)	179,758	174,390
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	174,111	180,045

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

The objectives of the scheme are to keep employers' contributions at as constant rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% using the actuarial valuation assumptions. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2019.

The authority expects to pay contributions totalling £1.904 million to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 17 years, 2018/19 (17 years 2017/18).

32 External Audit Costs

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

2017/18 £000		2018/19 £000
59	Fees payable with regard to external audit services carried out by the appointed auditor for the year	46
13	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	10
72	Total Audit Fees Payable	56

33 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.

2017/18 £000		2018/19 £000
51,257	Opening Capital Financing Requirement	49,346
	Capital Investment:	
4,461	Property, Plant and Equipment	7,939
3,244	Investment Property	-
28	Intangible Assets	35
1,309	Revenue expenditure funded from capital under statute	1,139
	Sources of Finance:	
(1,006)	Capital receipts	(78)
(1,834)	Government grants and other contributions	(4,737)
(2,801)	Major Repairs Reserve	(3,224)
	Sums set aside from revenue:	
(3,402)	Direct revenue contributions	(1,075)
(246)	MRP/loans fund principal	(236)
(1,664)	Voluntary MRP - HRA	(1,664)
<u>49,346</u>	Closing Capital Financing Requirement	<u>47,445</u>
	Explanation of movements in year	
(1,911)	Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	(1,901)
<u>(1,911)</u>	Increase/(Decrease) in Capital Financing Requirement	<u>(1,901)</u>

34 Leases

a) Authority as Lessee

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

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

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

2017/18 £000		2018/19 £000
283	Not later than one year	295
368	Later than one year and not later than five years	318
<u>651</u>		<u>613</u>

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

During 2006/07 17 properties leased from Colne Housing Society previously held under non-current assets were reclassified as operating leases. No payments are due on these properties, which are operated by Tendring District Council until vacated by the current tenant. One property became vacant during 2017/18 and was returned to Colne Housing Society.

2017/18 No of Properties		2018/19 No of Properties
3	Balance brought forward 1 April	2
(1)	Returned to Lessor	-
<u>2</u>	Balance carried forward 31 March	<u>2</u>

b) **Authority as Lessor**

➤ **Finance Leases**

The Authority has leased out 2 properties under finance leases:

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

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

2017/18 £000		2018/19 £000
56	Finance lease debtor (net present value of minimum lease payments)	51
188	Unguaranteed residual value of property	188
<u>244</u>		<u>239</u>
197	Unearned finance income	171
<u>441</u>	Gross investment in the lease	<u>410</u>

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

2017/18			2018/19	
Gross Investment in the Lease	Minimum Lease Payments		Gross Investment in the Lease	Minimum Lease Payments
£000	£000		£000	£000
32	5	Not later than one year	32	7
345	37	Later than one year and not later than five years	315	31
64	14	Later than five years	63	13
<u>441</u>	<u>56</u>		<u>410</u>	<u>51</u>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2018/19 £9,100 contingent rents were receivable by the Authority (2017/18 - £9,100).

➤ **Operating Leases**

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

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

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

2017/18		2018/19
£000		£000
318	Not later than one year	341
1,032	Later than one year and not later than five years	1,131
2,911	Later than five years	2,927
<u>4,261</u>		<u>4,399</u>

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

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

35 Contingent Liabilities

At 31 March 2019, the Authority had one material contingent liability:- Municipal Mutual Insurance (MMI), the Council's Insurer until 1992, is the subject of a scheme of arrangement and the Company's assets are being utilised via a managed run-off to finance any insurance claims arising in respect of incidents prior to 1992. During 2012/13 the Board of Directors of MMI decided to trigger the scheme of arrangement as they concluded that there was no alternative to an insolvent liquidation. On 1 April 2016 the levy payment due under the scheme of arrangement was increased from 15% to 25%. As at 31 March 2019 the Council has paid a total levy of £0.076 million under the scheme of arrangement although no payments were made in 2018/19. The final impact on the Council as a scheme creditor is not certain but the maximum potential liability set out in the most recent notification by MMI is approximately £0.276 million. (£0.352 million gross claim payments to date less the levy already paid to date of £0.076 million)

36 Subsidiary Companies

North Essex Garden Communities Limited is a joint strategic entity which is equally owned by Essex County Council, Colchester Borough Council, Tendring District Council and Braintree District Council. The Company is limited by shares. The shares have an equal ranking, and any dividend will be distributed equally to the shareholders on a pro rata basis.

The purpose of the Company is to hold shares in each of the three Local Delivery Vehicles (LDV's), to coordinate funding of the LDV's and to oversee and hold to account the LDV's in the development of three potential garden communities in the area of North Essex.

Each Local Authority has the right to appoint, remove or replace a Nominated Director. On any Board decision a majority (including all Nominated Directors) in favour is required for the vote to pass. However, Nominated Directors are not entitled to vote where a decision only relates to properties outside of the area of their appointing authority.

North Essex Garden Communities Limited was incorporated on 9 August 2016 and commenced trading in October 2017. The company has prepared accounts to 31 March 2019 in accordance with International Financial Reporting Standards and will be submitted for approval to the Board of North Essex Garden Communities Limited.

The accounts to 31 March 2019 are not expected to be material to the group, and as such will not be incorporated into the Group Accounts of the four owning authorities.

It is anticipated that the company will be consolidated into future Group Accounts as an associate entity as the Council does not have power, or the ability to have power over the company.

37 Material items of Income and Expenditure

During 2016/17 the Council began a large coastal protection scheme to stabilise the cliffs at Clacton and Holland. Most spend was incurred in 2018/19 but there were some preliminary payments in 2016/17 and 2017/18 and the scheme is due to finish in autumn 2019, so there will be further spend in 2019/20, including £1.115 million committed under capital contracts and disclosed in note 13 (c). The estimated total cost of the scheme was originally £5.028 million, later revised to £4.983 million. Funding for the scheme is as follows:

	£000
Environment Agency	4,962
Tendring District Council	21
	<hr/>
	4,983
	<hr/> <hr/>

In 2016/17 £0.095 million was spent, with £0.021 million financed by Tendring District Council and the remainder by the Environment Agency.

Spending on the scheme during 2018/19 was £2,509 million (£0.270 million in 2017/18), which is included within capital expenditure for the year. This has been financed as follows:

2017/18		2018/19
£000		£000
270	Environment Agency	2,509
<hr/>		<hr/>
270		2,509
<hr/> <hr/>		<hr/> <hr/>

The remaining £2.109 million on the scheme, and funding by the Environment Agency, is expected to be spent during 2019/20, with the scheme due to complete in autumn 2019.

HOUSING REVENUE ACCOUNT – INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

2017/18 £000		2018/19 £000	2018/19 £000	Note Ref
EXPENDITURE				
4,359	Repairs and Maintenance	3,832		
2,843	Supervision and Management	2,612		
135	Rents, Rates, Taxes and Other Charges	153		
5,608	Depreciation and Impairments of Non-Current Assets	5,948		5,6
66	Debt Management Costs	66		
35	Movement in the allowance for bad debts	37		
21	Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	21		
13,067	Total Expenditure		12,669	
INCOME				
(12,918)	Dwelling rents	(12,740)		
(221)	Non dwelling rents	(225)		
(663)	Charges for Services and Facilities	(629)		
(251)	Contributions towards expenditure	(76)		
(14,053)	Total Income		(13,670)	
(986)	Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		(1,001)	
276	HRA Share of Corporate and Democratic Core		276	
(710)	Net Expenditure / (Income) for HRA Services		(725)	
HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:				
(554)	(Gain) or loss on sale of HRA Non-current Assets		(189)	
1,484	Interest Payable and Similar Charges		1,441	
(191)	Taxation and Non Specific Grant Income (Capital Grant)		(680)	
(55)	Interest and Investment Income		(90)	
(26)	(Surplus) / Deficit for the year on HRA Services		(243)	

HOUSING REVENUE ACCOUNT – MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2017/18 £000		2018/19 £000	£000
4,562	Balance on the HRA as at the end of the previous year		4,734
26	Surplus or (Deficit) on the HRA Income and Expenditure Statement	243	
	Adjustments between accounting basis and funding basis under regulations:		
2,888	Reversal of Revaluation Changes and Impairment	3,294	
21	Reversal of Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	21	
(554)	Reversal of (Gain) or Loss on sale of HRA Non-current assets	(189)	
(191)	Reversal of Capital Grant	(680)	
(85)	Capital Expenditure Funded by the HRA	(342)	
(1,664)	Debt Repayment & Credit arrangements	(1,664)	
155	HRA share of contributions to or from the Pension Reserve	181	
596	Net increase or (decrease) before transfer to or from Reserves	864	
	Transfer (to) or from Reserves:		
(441)	Transfer (to)/from Major Repairs Reserves	(522)	
17	Transfers (to)/from Earmarked Reserves	(48)	
172	Increase or (decrease) in year on the HRA		294
4,734	Balance on the HRA as at the end of the current year		5,028

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	2017/18				2018/19			
	Housing Repairs Reserve	Housing Commitments Reserve	Total		Housing Revenue Account	Housing Repairs Reserve	Housing Commitments Reserve	Total
£000	£000	£000	£000		£000	£000	£000	£000
4,562	1,573	2,151	8,286	Balances as at 1 April	4,734	955	2,752	8,441
172	(618)	601	155	Surplus/(deficit) for year	294	(91)	139	342
4,734	955	2,752	8,441	Balances as at 31 March	5,028	864	2,891	8,783

2 Housing Assets

As at 31 March 2019, the Council was responsible for managing the following council housing assets:

01/04/2017					31/03/2018					01/04/2018					31/03/2019					
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																				
1,481	-	15	1,466	44,201	Flats	1,466	2	6	1,462	44,058	1,466	2	6	1,462	44,058	1,466	2	6	1,462	44,058
1,024	1	19	1,006	53,542	Houses	1,006	1	4	1,003	54,253	1,006	1	4	1,003	54,253	1,006	1	4	1,003	54,253
336	-	1	335	15,974	Bungalows	335	-	-	335	15,974	335	-	-	335	15,974	335	-	-	335	15,974
321	-	-	321	6,101	Sheltered Accommodation	321	-	-	321	6,130	321	-	-	321	6,130	321	-	-	321	6,130
17	-	1	16	934	Do-It-Yourself Shared Ownership (DIYSO)	16	-	1	15	852	16	-	1	15	852	16	-	1	15	852
3,179	1	36	3,144	120,752		3,144	3	11	3,136	121,267	3,144	3	11	3,136	121,267	3,144	3	11	3,136	121,267
Other Land and Buildings																				
62	-	-	62	1,060	Shared Equity Plots of Land	62	-	-	62	1,116	62	-	-	62	1,116	62	-	-	62	1,116
415	-	-	415	1,233	Garages	415	3	-	418	1,345	415	3	-	418	1,345	415	3	-	418	1,345
389	15	-	404	81	Ground Rents re: sold council flats	404	11	-	415	83	404	11	-	415	83	404	11	-	415	83
1	-	-	1	561	Community Centre	1	-	-	1	440	1	-	-	1	440	1	-	-	1	440
3	1	-	4	341	Other non-domestic properties	4	-	-	4	341	4	-	-	4	341	4	-	-	4	341
10	1	-	11	1,217	Land	11	1	-	12	1,236	11	1	-	12	1,236	11	1	-	12	1,236
4,059	18	36	4,041	125,245	Totals	4,041	18	11	4,048	125,828	4,041	18	11	4,048	125,828	4,041	18	11	4,048	125,828

In addition to the above table, the Council also held equipment with a balance sheet value of £0.076 million as at 31 March 2019 (£0.103 million in 2017/18), the Council also held assets under construction with a balance sheet value of £0.467 million as at 31 March 2019 (2017/18 £0.202 million). The Balance Sheet value for dwellings uses the valuation basis of 'Existing Use Value for Social Housing (EUV-SH)', which is based on the vacant possession value adjusted to reflect the continuing occupation by a secure tenant. The other housing assets have been valued on an 'Existing Use Value' basis, which assumes that vacant possession is provided on all parts of the property occupied by the business. The difference between vacant possession and existing use value represents the economic cost of providing council housing at less than open market rents.

Restated* 2017/18		2018/19
£000		£000
328,329	Vacant Possession Value	324,052
(124,822)	Less: Existing Use Values (Social Housing) at 30 September	(123,140)
<u>203,507</u>	Economic Cost of Providing Social Housing	<u>200,912</u>

* 2017/18 vacant possession value and existing use value (Social Housing) have been amended to remove Housing Assets not valued at EUV-SH.

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 2019.

3 Capital Expenditure and Financing

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

2017/18		2018/19
£000		£000
	Capital Investment:	
2,801	Operational Assets	3,224
432	Property Acquisition and New Build	1,059
<u>3,233</u>		<u>4,283</u>
	Sources of Finance:	
2,801	Major Repairs Reserve	3,224
85	Direct Revenue Financing	342
92	Funding of S106	-
99	External Funding	680
156	Capital Receipts	37
<u>3,233</u>		<u>4,283</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:

2017/18		2018/19
£000		£000
2,816	Balance as at 1 April	4,342
	Capital Receipts in the year:	
1,932	Council house sales (net of administration costs)	604
-	Repayment of Discount on Right to Buy Sales	31
57	DIYSO property sales	-
-	Other Land Sales	37
1	Mortgage principal repayments	1
<u>4,806</u>		<u>5,015</u>
	Less:	
(308)	Capital receipts pooling contribution payable to the Government	(302)
(156)	Capital receipts used for financing capital expenditure	(37)
<u>4,342</u>	Balance as at 31 March	<u>4,676</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.

2017/18		2018/19
£000		£000
2,654	Dwellings	2,564
21	Do-It-Yourself Shared Ownership (DIYSO)	17
25	Garages	26
12	Community Centre	11
6	Other Non-Domestic Properties	6
14	Equipment	30
<u>2,732</u>	Depreciation Charged to the HRA I & E Account for the Year	<u>2,654</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.

2017/18		2018/19
£000		£000
3,954	Impairment charge for works to the Council's dwelling stock	3,986
(1,078)	Reversal of previous Impairment Losses due to increase in asset values	(692)
<u>2,876</u>	Impairment charge for the year	<u>3,294</u>

Tendring District Council has elected to recover all losses on non-dwellings from the period 2012-2017 to the HRA Reserve. In 2018/19 there were no revaluation gains returned to the HRA Reserve (£0.012 million in 2017/18).

7 Rent Arrears and the Provision for Bad and Doubtful Debts

The rent arrears at 31 March 2019 were £292,114 (2017/18 - £323,382), which equates to 2.18% (2.37% for 2017/18) of the gross rent due for the year after excluding rents foregone on empty properties and housing benefit overpayments but inclusive of service charges.

The HRA Provision for Bad and Doubtful Debts at 31 March 2019 is £0.107 million after the following movements on the account during 2018/19:

2017/18		2018/19
£000		£000
144	Balance as at 1 April	129
35	Provision for year	36
(50)	Arrears written off	(58)
<u>129</u>	Balance as at 31 March	<u>107</u>

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

2017/18

		2018/19			
	Council Tax	Business	Total	Note	
£000	£000	Rates	£000	Ref	
		£000	£000		
INCOME					
(75,890)	Council Tax Payers	(80,814)	-	(80,814)	2
(26,867)	Income from Business Ratepayers	-	(27,926)	(27,926)	3
(102,757)	Total Income	(80,814)	(27,926)	(108,740)	
EXPENDITURE					
Precepts:					
53,367	Essex County Council	57,104	-	57,104	4
3,166	Essex Fire and Rescue	3,290	-	3,290	
7,202	Essex Police and Crime Commissioner	7,900	-	7,900	
8,829	Tendring District Council	9,299	-	9,299	
Shares of Business Rates Income:					
12,289	Central Government	-	12,854	12,854	3
2,212	Essex County Council	-	2,314	2,314	
246	Essex Fire and Rescue	-	257	257	
9,832	Tendring District Council	-	10,283	10,283	
2,685	Share of Collection Fund Balance	2,756	792	3,548	5
Other Business Rates Payments:					
290	Costs of Collection	-	292	292	
(489)	Transitional Protection	-	(262)	(262)	
289	Renewable Energy Schemes	-	264	264	
Bad Debt and Other Provisions:					
377	Provisions	219	150	369	6
585	Write Offs	584	259	843	
405	Provisions for Appeals	-	486	486	
101,285	Total Expenditure	81,152	27,689	108,841	
(1,472)	(Surplus)/Deficit for the Year	338	(237)	101	
Collection Fund Balance					
(3,226)	Balance brought forward	(2,808)	(1,890)	(4,698)	
(1,472)	(Surplus)/Deficit for the year	338	(237)	101	
(4,698)	Balance Carried Forward	(2,470)	(2,127)	(4,597)	5
Allocated to:					
(945)	Central Government	-	(1,063)	(1,063)	
(2,235)	Essex County Council	(1,816)	(192)	(2,008)	
(141)	Essex Fire and Rescue	(104)	(21)	(125)	
(279)	Essex Police and Crime Commissioner	(254)	-	(254)	
(1,098)	Tendring District Council	(296)	(851)	(1,147)	
(4,698)		(2,470)	(2,127)	(4,597)	

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 2018/19 was £1,660.11 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 2018/19

2017/18 Band	Valuation	Pro-portion	Full Charge	Paying 75%	Paying 50%	2nd Homes	Empty Properties	Exempt	Total Excluding LCTS	LCTS Scheme 100%	Total
11	*A Up to £40,000	5/9	8	5	-	-	-	-	13	(3)	10
9,550	A Up to £40,000	6/9	4,531	7,134	24	579	579	347	13,194	(3,374)	9,820
14,605	B £40,001 to £52,000	7/9	9,938	6,904	23	299	334	225	17,723	(2,892)	14,831
18,297	C £52,001 to £68,000	8/9	13,282	6,482	43	433	246	253	20,739	(2,266)	18,473
9,878	D £68,001 to £88,000	9/9	7,506	2,578	43	223	133	121	10,604	(564)	10,040
4,671	E £88,001 to £120,000	11/9	3,732	921	24	90	58	56	4,881	(129)	4,752
1,652	F £120,001 to £160,000	13/9	1,370	251	38	37	15	24	1,735	(38)	1,697
778	G £160,001 to £320,000	15/9	599	105	39	29	9	12	793	(8)	785
58	H Over £320,000	18/9	40	3	9	4	4	1	61	-	61
<u>59,500</u>			<u>41,006</u>	<u>24,383</u>	<u>243</u>	<u>1,694</u>	<u>1,378</u>	<u>1,039</u>	<u>69,743</u>	<u>(9,274)</u>	<u>60,469</u>
47,327	Number of equivalent full charge Band D dwellings (unscaled tax base)										48,185
(1,467)	Less Provision for changes in valuation list, discounts and doubtful debts										(1,445)
<u>45,860</u>	Tax base for tax setting purposes										<u>46,740</u>

* Band A – entitled to Disabled Relief

Analysis of the Council Tax

Council Tax for a Band D Dwelling

2017/18 Average £		2018/19 Average £
	Tendring District Council:	
146.61	General Expenses	152.19
11.03	Special Expenses	10.45
34.88	Town and Parish Councils	36.32
1,163.70	Essex County Council	1,221.75
69.03	Essex Fire and Rescue	70.38
157.05	Essex Police and Crime Commissioner	169.02
<hr/>		<hr/>
1,582.30		1,660.11
<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:

2017/18		2018/19
£78.492m	Rateable Value on 31 March	£78.675m
	Non-Domestic Rate per £	
46.6p	Small Businesses	48.0p
47.9p	Standard	49.3p

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

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

2017/18		2018/19		
		Council Tax	Business Rates	Total
£000		£000	£000	£000
Allocated to:				
(187)	Central Government	-	396	396
2,220	Essex County Council	2,027	71	2,098
131	Essex Fire and Rescue	120	8	128
303	Essex Police and Crime Commissioner	274	-	274
218	Tendring District Council	335	317	652
<hr/> 2,685 <hr/>		<hr/> 2,756 <hr/>	<hr/> 792 <hr/>	<hr/> 3,548 <hr/>

Therefore the year end surplus of £2.470 million on Council Tax and £2.127 million on Business Rates together with balances paid over to precepting authorities in 2019/20, will form part of the assessment made in January 2020.

6 Bad Debt and Other Provisions

Provision for Bad and Doubtful Debt

2017/18			2018/19		
Council Tax £000	Business Rates £000	Total £000	Council Tax £000	Business Rates £000	Total £000
657	305	962	803	409	1,212
(312)	(273)	(585)	(584)	(259)	(843)
<u>345</u>	<u>32</u>	<u>377</u>	<u>219</u>	<u>150</u>	<u>369</u>
1,810	164	1,974	2,155	196	2,351
345	32	377	219	150	369
<u>2,155</u>	<u>196</u>	<u>2,351</u>	<u>2,374</u>	<u>346</u>	<u>2,720</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

Balance Carried Forward

Provisions for Appeals (Business Rates only)

	2017/18 £000	2018/19 £000
Balance Brought Forward	2,443	2,848
Contributions to provisions in year	405	486
Balance Carried Forward	<u>2,848</u>	<u>3,334</u>

ACCOUNTING POLICIES

a) **General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. 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 2018/19 and the Service Reporting Code of Practice 2018/19, 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) **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

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

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

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

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

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

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

f) **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.

g) **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 of 2.40%. 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.

h) 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.

i) Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

For all of the borrowings that the Authority has, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

Financial Assets

Financial assets are classified 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 as 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.

Instruments entered into before 1 April 2006

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

j) 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.

k) **Heritage Assets**

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

Machinery

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

Heritage Buildings

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

Heritage Assets – General

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

l) **Intangible Assets**

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

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

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

m) **Inventories**

Inventories are included in the Balance Sheet at cost.

n) **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.

o) **Leases**

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

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

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

The Authority as Lessee

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

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

The Authority as Lessor

➤ **Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

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

➤ **Operating Leases**

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

p) **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.

q) **Property, Plant and Equipment**

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

Where there is no market based evidence of 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 (see page 33 note 13). 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.

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

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement 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.

Contingent Liabilities

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

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

Contingent Assets

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

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

s) **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.

t) **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.

u) **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.

v) **Fair Value Measurement**

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), Head of Finance, Revenues and Benefits, Corporate Services, Town Hall, Station Road, Clacton on Sea, Essex, CO15 1SE – Telephone Clacton (01255) 686521.

GLOSSARY OF TERMS USED IN THE STATEMENT OF ACCOUNTS

Accounting Period

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

Accumulated Absences Account

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

Accruals

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

Asset

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

Bad or Doubtful Debts

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

Balance Sheet

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

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.

Heritage Assets

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

Housing Revenue Account (HRA)

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

Impairment

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

Intangible Assets

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

Inventories

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

Leasing

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

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

Major Repairs Reserve (MRR)

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

Minimum Revenue Provision (MRP)

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

Non-Current Assets

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

Precept

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

Precepting Authority

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

Provisions

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

Prudential Code

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

Public Works Loan Board (PWLB)

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

Reserves

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

Revenue Support Grant (RSG)

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

Revenue Account

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

Revenue Expenditure Funded from Capital under Statute

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