

Tendring

District Council



STATEMENT OF ACCOUNTS

2019/20

TENDRING DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2019/20

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NARRATIVE REPORT 2019/20

INTRODUCTION

During each year the Leader of the Council makes a number of key announcements such as the introduction to the Council's annual budget and the 'Annual State of the Tendring District' Statement, which provide a helpful summary on a range of subjects, with some key highlights included in his announcement to Full Council in February 2020 as follows:

The protection of frontline services, the key foundation of our 10-year financial plan, is once more the crucial and significant deliverable in the budget [for 2020/21].

There is so much that we want to do; to achieve as a Council and to benefit from as a District, and we need the new Government to genuinely understand our aspirations and support us as much as possible as we go forward.

The new business rates retention model has been postponed and we must hope that it will provide sufficient and sustainable funding to this Council. We need the Government to support us in things such as giving us the powers and freedoms to be meaningfully commercial. In respect of the Housing Revenue Account budgets, the Government needs to address the right-to-buy conundrum and help us to continue being the best council-house landlord in the country. This Council could really fly if the Government were to make what are just minor changes to rules and regulations – surely a situation that we all want to see going into the next financial year and beyond.

As we moved into 2019/20, we continued to deliver, and we have made a number of further commitments to our key priorities.

In terms of projects we have delivered and continue to deliver, these include:

- *Significant cliff stabilisation work in Holland-on-Sea;*
- *Office rationalisation;*
- *Major events and activities including the Mayflower celebrations;*
- *The roll out of the new waste and recycling service; and*
- *Digital Transformation*

These projects have seen millions of pounds being spent. In terms of digital transformation, such projects can seem a little invisible, especially to our residents, but it provides a foundation for us all in what is an ever-increasing digital world. It has also given us more resilience in areas such as business continuity, given the significant cloud migration project that remains in progress, and which is highly relevant as we see the world respond to the current corona virus outbreak.

In terms of further commitments, over the last few months we have committed funding to key projects such as:

- *Rejuvenating Clacton Town Centre;*
- *The Starlings Site and Milton Road Redevelopment;*
- *Works to Clacton Leisure Centre; and*
- *The Tendring4Growth initiative*

These projects along with others in the pipeline will see further significant investment in our District. Setting aside funding is a prudent thing to do as we can demonstrate that our commitments are cash-backed and not just ideas that we hope to fund in future years if we have enough money.

However, I do appreciate that whilst committing money is a necessary part of the budget-setting process, our residents only really see what is actually delivered on the ground. Therefore the actual delivery of projects and initiatives is key, and behind the scenes, the cogs and wheels have been slowly pieced together to give us a stronger platform going into 2020/21 – some of the cogs and wheels include a new project appraisal approach, developing a corporate investment plan to deliver against our priorities, recognising necessary additional staff capacity in areas such as public realm and engineering services, additional disabled facilities grant coordinator posts along with additional enforcement support. These various ingredients are now coming together, and we should start seeing the associated benefits as we head into 2020/21.

To protect frontline services, we first have to protect our underlying revenue position. Although this will take the form of a number of individual actions, one significant piece of the jigsaw has already been put in place in the form of an asset improvement fund. As we have discussed before, expenditure on our assets is expensive and we cannot rely on the underlying revenue position to generate the sums necessary for this type of investment – we have therefore set aside £1.134m to invest in our assets, especially in terms of contributing to our commitment to be carbon neutral by 2030.

As I mentioned earlier, we are developing an investment plan to support the delivery of our corporate priorities. This will draw together funding from existing budgets and therefore may include the reprioritisation of funds already set aside. It will also help us to provide a clearer understanding of external funding opportunities and give us the focus to chase money that is made available by various funding bodies at different times of the year.

We are still in the first year[s] of a new administration and with the items I listed earlier, along with those that will be emerging over the remaining 3 years of this term, we should not only see our own money being ploughed back into the district but by also working hard at our partnerships, and constantly and with relentless positivity making the case for Tendring, we will be attracting external funding into our area – we have been extremely successful at this in the past and I have no doubt we will continue to be so in the future.

In terms of putting money back into the District and levering in match funding, two new investment funds [were announced] – the first is a Rural and Urban Infrastructure Fund, that looks to unlock economic growth through improvements to infrastructure [funded by allocating the full £1.2m of new homes bonus for 2019/20 to this new fund]. The second is a Tendring Community Fund that seeks to support community groups and organisations that in turn support the residents and local communities across our District. [An allocation of £500k was made to this new fund from the Council's New Homes Bonus allocation for 2020/21.]

[In respect of] our commitment to being carbon neutral by 2030. Money has already been set aside to develop a long-term action plan and the £1.134m put into the asset investment fund should also help us support the required actions needed to deliver against our commitment to tackling this issue.

The balance we are trying to find is to spend the one-off money we do have on things that either deliver against our carbon neutral commitment or raise money or save money or protect us from increased costs and wherever possible all of the above. This seems both logical and pragmatic.

You may not always see a return on every pound that is spent in the very short term, but small steps made tenaciously over a number of years do make a difference.

Some good examples of where this will be evident in future years are as follows:

- *Hosting stages of national cycling tours and races;*
- *Hosting car rallies – the Tendring rally (now officially called the Corbeau Seats Rally Tendring and Clacton) is now one of the most important rally events on the calendar;*
- *Sea and beach festivals; and*
- *The air show and other visitor events.*

Over time these activities build and promote the District as a ‘go to’ place, not only by domestic visitors but also internationally. This can only be good news for our local economy – it really puts Tendring on the map, a position that will be further enhanced by other major events such as the upcoming Mayflower celebrations where the Council is, of course, playing a key role.

The Government has launched a consultation on creating up to 10 free ports with special tariff and duty status. It is a consultation that we will engage with to the fullest as it could represent a terrific opportunity for Harwich and hence for the wider District.

The official announcement says that the Government has the following objectives for UK free ports, specifically it wants to:

- *establish free ports as national hubs for global trade and investment across the UK;*
- *promote regeneration and job creation; and*
- *create hotbeds for innovation*

The Government has drawn on evidence from successful free ports around the world to develop a UK free port model. The proposed model includes tariff flexibility, customs facilitations and tax measures. The Government is also considering planning reforms, additional targeted funding for infrastructure improvements and measures to incentivise innovation.

[The above statements were made in February 2020 before the full impact of COVID-19 became clear – therefore although the commitments mentioned remain as key priorities for the Council, they may be subject to delay or postponement until such time as it is possible to safely deliver / implement them]

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

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

Organisational Overview and External Environment

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

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

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

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

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

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

Community Leadership remains as the predominant cross cutting theme within the Corporate Plan along with a newly launched 'Tending4Growth' Initiative which also cuts across a wide range of the Council's service activities and projects.

The **Vision and Values of the Council** have been reviewed and considered in the light of changing circumstances – both in the world of local government and more widely – and it is felt that they remain appropriate and relevant so they remain unchanged within the updated plan set out below:

Our Vision

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



Our Values

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

Tending
District Council



Governance and Operational Model

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

The Annual Governance Statement includes reference to the impact of the COVID-19 crisis on the Council and how it has responded to the changes in how it operates. It also includes an action where a review of the Council's response along with what actions may still be required is planned to be undertaken during 2020/21.

The Annual Governance Statement also highlights a number of further key actions and planned activities in 2020/21.

Along with the Council's performance management framework which is discussed further on, the Council's budget and Long Term Financial Plan articulate the use of resources with the position for 2020/21 and beyond summarised within the Chief Finance Officer's (S151 Officer) report to Council in February 2020 as part of the budget process for 2020/21 as follows:

Robustness of the Estimates

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

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

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

As mentioned in earlier years of the long term forecast, cost pressures continue to present one of the more significant risks to the long term plan. As part of the development of the long term plan during 2019 a number of on-going cost pressures emerged which resulted in the cost pressure allowance being increased from £0.150 million to £0.600 million in 2020/21. Although the final level of cost pressures included in the budget in 2020/21 was slightly lower at £0.491 million, it was still significantly more than the initial amount allowed for. It is also important to highlight that mitigation actions have been proposed for a number of cost pressures which may not provide a permanent solution and the item may need to be reconsidered for inclusion in the budget over the later years of the forecast.

As acknowledged in prior years, the long term approach to the forecast requires a compromise in terms of the speed at which the Council can spend money on items where it has a choice to do so or not. This may involve areas where the additional expenditure may support income growth or the Council's reputation. A hard but fair and considered approach is being taken in terms of how much additional expenditure by way of cost pressures can be accommodated within the long term forecast. Set against this backcloth and to 'protect' the revenue budget as much as possible, the budget proposals in 2020/21 set out a revised approach to avoidable cost pressures and those relating to the Council's assets. It is proposed to deal with these two classes of cost pressures outside of the annual budget cycle, supported by an initial asset improvement fund of £1.134 million and via the use of one off money and/or the reprioritisation of existing budgets where necessary. The above approach will also be supported by the Council's newly adopted business case / project initiation processes, which will include the consideration of maximising the use of existing resources or external funding where possible.

In response to the increase in the level of on-going cost pressures included within the 2020/21 budget, the annual savings 'allowance' has been increased from £0.300 million to £0.450 million across the remaining 6 years of the forecast period. Savings of £0.369 million have been included within the 2020/21 budget and work will shortly be underway to identify further savings opportunities to support the budget position from 2021/22 onwards.

The detailed budget for 2020/21 has been prepared within the above framework. Clear rationale has been stated in respect of the formulation of the financial forecast and how it has been translated into the detailed budgets for 2020/21. This has been supported by a risk assessment of each line of the forecast.

The on-going review of reserves continues to demonstrate that the Council's current level of reserves remain adequate to 'underwrite' risks and uncertainties that are also inherent within the forecasting process, supported by the specific Forecast Risk Fund. No significant adjustments have been required in 2020/21 that weaken the overall long term approach to the forecast. A specific statement on reserves is set out further on in this section of the report.

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

Clear actions in respect of financial resilience continue to form part of the Council's Annual Governance Statement that includes amongst other things a number of financial risks and issues that enable the Council to keep a watching brief on significant upcoming matters that may have a financial consequence. Linked to an earlier point above, where the Council makes significant financial commitments, such as to major projects to deliver against its priorities, money is found from within existing budgets wherever possible and set aside accordingly rather than relying on projected savings or future forecasts.

The Council's External Auditor recently highlighted [2018/19] as part of their value for money work that the medium term financial strategy assumptions adequately reflect demographic and inflationary cost pressures, pay awards and other known cost pressures. The assumptions around funding sources are reasonable and reflect published information and Government announcements. The auditor went on to say that they were satisfied that the Council has adequate arrangements for setting and monitoring financial budgets. While they recognised that there was a funding gap in the long term plan, they were satisfied that the Council is making appropriate arrangements to manage this in a way that will ensure it continues to remain financially sustainable.

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

The need to continue to deliver against the 10 year forecast is clearly recognised within the Council and remains the key focus in 2020/21 and beyond to enable it to continue to provide quality services and invest in its priorities. Self-sufficiency continues to underpin the Council's 10 year forecast along with maximising opportunities through investment and maximising savings opportunities over a longer time period. Taking a longer term view of the forecast also enables the Council to respond to any significant financial impacts over several years rather than as part of an annual budget cycle, which strengthens financial resilience in the long term.

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

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

The Council remains alert to the risks associated with the highly complex area of the budget introduced via the local retention of business rates. A separate Business Rates Resilience Reserve has been established to support the Council through periods where income may be volatile, which provides the Council with a longer recovery period if faced with adverse issues in the years ahead.

It is recognised that there are risks inherent within the Council's financial framework and corresponding detailed estimates. However, action has been taken to mitigate these risks as far as possible. The budgets have been prepared against the background of the continuing difficult economic climate resulting in on-going reviews of significant budgets.

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

Regular and comprehensive monitoring of the budget will continue to be undertaken during 2020/21 as part of the well-established and comprehensive financial performance reporting process, so issues can be identified and action taken at the earliest opportunity if and when appropriate. Also any savings identified during the year will continue to be transferred to the Forecast Risk Fund where possible, to further strengthen the approach taken in 'underwriting' the risks associated with a 10 year forecasting period.

The proposed budget resulting from this process is therefore robust and deliverable and is supported by reserves with further details below.

Adequacy of the Reserves

An integral part of the Council's overall strategy is that the level of reserves is sufficient to support identified risks along with supporting a sustainable budget position in the longer term. The level of uncommitted reserves forecast at 31 March 2020 is £4.000 million including the minimum working balance of £1.600 million. All of the reserves are regarded as adequate and recognise significant risks such as from potential business rates volatility.

Spend to save initiatives have been supported by reserves with the rate of return on investment being a key consideration when any proposal is considered to be funded this way. One example proposed in 2020/21 being the use of reserves to enable the payment of the 3 year pension deficit amount in one upfront amount, which saves the Council in excess of £0.093 million over three years (equivalent to a return on investment of 4.3%)

A Forecast Risk Fund has been established to 'underwrite' the 10 year forecast.

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

Looking ahead, the Annual Governance Statement includes an action to implement a framework to ensure lessons learned/outcomes from projects and investment are reviewed to aid future decision making.

Risks and Opportunities

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

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

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

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

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

Mitigating actions have reduced the residual risk against each risk item within the categories above to at or below the Council's acceptable risk tolerance level apart from the ability to deliver a balanced and sustainable budget, with a summary of this item as currently included within the risk register as follows:

Risk	How the Risk is Controlled/Mitigated
<p>RISK 5A - Financial Strategy - The impact of achieving a balanced budget in an ever-tightening financial environment on service delivery objectives.</p>	<p>Long Term Financial Plan updated on an ongoing basis.</p> <ul style="list-style-type: none"> • Financial Strategy / Forecast Preparation including identifying and capturing significant risks such as changes to government funding, and the identification of savings which will require some challenging decisions. • Robust and timely financial performance monitoring. • Engagement with key stakeholders, members and senior management as early as possible. • Responding to and implementing recommendations and advice issued by the Council's External Auditor. • Material savings options to be individually risk assessed <p>If the event that the long term approach does not deliver the intended outcomes then the Council can revert to the more traditional / short term approach to setting the budget.</p>

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

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

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

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

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

Strategy and Resource Allocation

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

The updated long term forecast presented to Full Council on 11 February 2020 included revised annual forecasts over the remaining years of the 10 year plan which are set out in the table below:

Year	Net Budget Position (including adjusting for prior use of reserves to balance the budget)
2021/22	£0.935m (Deficit)
2022/23	£0.651m (Deficit)
2023/24	£0.365m (Deficit)
2024/25	£0.076m (Deficit)
2025/26	£0.215m (Surplus)
2026/27	£0.507m (Surplus)

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

- **Increases to Underlying Income**

This strand concentrates on delivering growth in council tax and business rates and will include year on year increases in the council tax levy, increasing collection performance, on-going compliance work to ensure that people/businesses are paying what they are liable to pay along with general housing and business growth in the district.
- **Controlling Net Expenditure Inflationary Pressure**

It would be advantageous if the Council could hold future costs to current prices, which would enable income growth to quickly outstrip the cost of growth in net expenditure. Although it is accepted that this will not be possible in the purest sense, it is a good base to work from e.g. reducing energy usage, redesigning/alternative service delivery, reducing printing and paper usage, office rationalisation, working with Town and Parish Councils and renegotiating contracts. The above set out only a few examples where the Council can look to limit net increases in its overall budget which will be developed as part of the overall delivery plan and will also include maximising its assets and generating money from capital investment.
- **Savings and Efficiencies**

Savings still feature within the forecast, albeit at a much more modest annual rate than would otherwise have been the case if a shorter term view of the budget had been adopted and therefore provides opportunities to maximise savings over a longer period.
- **Delivering a favourable Outturn Position**

Although favourable outturn positions have been delivered historically, primarily through one-off items or the aggregate of a number of smaller items, actions to influence the likelihood of a favourable position can be put in place such as holding vacancies for a longer period of time where there would be no adverse impact on service delivery, reviewing carry forward requests each year, 'banking' fortuitous savings as they emerge such as unringfenced government grants and favourable increases in fees and charges income.
- **Cost Pressure Mitigation**

Each year there are a number of cost pressures that emerge and are usually formed of a mix of where there is no option such as reductions in external funding and the living wage along with items where there is a choice whether to fund or not. The long term approach to the forecast does highlight the need to compromise to some extent in terms of the speed at which the Council can spend money on items where it has a choice to do so or not. This may involve areas where the additional expenditure may support income growth or the Council's reputation. A hard but fair line will need to be taken to how much additional expenditure by way of cost pressures can be accommodated within the ten year forecast.

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

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

Council Performance 2019/20

Non-Financial Performance

A comprehensive performance report is presented to Management Team and Members on a quarterly basis, which includes projects, targets and where the Council has an influencing role.

The following sets out a summarised outturn position at the end of March 2020:

(The full / detailed report that was considered by the Council's Cabinet on 29 May 2020 can be found by following this link: <https://tdcdemocracy.tendringdc.gov.uk/ieListDocuments.aspx?CId=134&MId=1639&Ver=4>)

Item	Year End Position	Additional Commentary
Projects		
<i>A Growing and Inclusive Economy</i> – Tending for Growth	On Target	The Council has developed a range of business led events which promote growth opportunities, these include development of key sectors, bespoke business advice and business networking events.
<i>A Growing and Inclusive Economy</i> – Enhancing our Great Tourism Offers	Impacted by COVID-19	A range of regular and one off events are delivered by the Council each year including the Airshow and Tour de Tendring. However due to the COVID-19 crisis, some events have been postponed but the Council remains committed to their delivery when the next favourable opportunity arises.
<i>Building Sustainable Communities for the future</i> – Garden Communities	Below Target	Following events in 2020/21 (outcome from Planning Inspectors Report), future options to deliver this project are currently subject to review during the second half of 2020/21
<i>Building Sustainable Communities for the future</i> – Jaywick Sands	Below Target	10 new properties were built in 2019/20 with further work on-going in 2020/21 to enable them to be occupied later in the year.
<i>Building Sustainable Communities for the future</i> – Delivering the Local Plan	Below Target	Modifications to the plan are being progressed in 2020/21 following the Planning Inspectors report.
<i>Building Sustainable Communities for the future</i> – Creating a Vibrant Town Centre	Impacted by COVID-19	Stakeholder consultation was delayed due to the COVID-19 crisis. However a bid to the High Street Futures Fund in respect of Clacton Town Centre was made in July 2020.
<i>Building Sustainable Communities for the future</i> – Residents Feeling This is a Great Place to Live	Below Target	Associated actions remain ongoing in 2020/21.
<i>Building Sustainable Communities for the future</i> – Housing Strategy	On Target	The Housing Strategy is planned to be adopted shortly once it has 'cleared' the Council's associated decision making processes.
<i>Delivering High Quality Services</i> – Cliff Stabilisation (Protecting our Coastline)	On Target	Major works were completed in 2019 with investigation work on-going elsewhere along the frontage in Holland-on-Sea.
<i>Delivering High Quality Services</i> – Waste Contract	On Target	The required changes were fully implemented in 2019/20.

Delivering High Quality Services – Leisure Facilities Review	Below Target	Activities remain on-going in 2020/21 to take this project forward which has been impacted by the COVID-19 crisis.
Delivering High Quality Services – Creating a Quality Environment for our Staff	Below Target	Major building and IT works and activities completed in 2019/20 with activities remaining on-going in 2020/21.
Delivering High Quality Services – Building and Managing our own Homes	On Target	Work remains on-going in 2020/21 to agree and implement a development and acquisitions policy.
Delivering High Quality Services – Carbon Neutrality	On Target	Work remains on-going (supported by external consultants) to develop an associated action plan to deliver on the Council's carbon neutrality commitment.
Strong Finances and Governance – Maximising our Assets	Below Target	Work remains on-going to take forward the management and acquisition of property with a more strategic, commercial focus in order to address community needs and the Council's wider financial position.
Strong Finances and Governance – Clear Political Leadership and Effective Governance	On Target	A new Corporate Plan covering the period 2020/24 was agreed in 2019/20 and a number of governance related activities were undertaken as set out in the Annual Governance Statement that can be found within the annex to these Statement of Accounts.
Targets		
Fly Tipping	Above Target	-
Missed Bin Collection	No Data	Further statistical analysis is being developed to support the reporting and management of this target in 2020/21.
Recycling Rate	Above Target	Increased recycling rates have been supported by the implementation of the new waste and recycling service during 2019/20.
Proactive Planning Approach	On Target	-
Sickness and Authorised Covert Surveillance	-	In terms of sickness data, please see detailed report referred to above. There were no approved authorisations for covert surveillance during the year.
Complaints	Below Target	This primarily relates to stage 1 complaints which were largely associated with the introduction of the new waste and recycling service during the year whilst the new arrangements were 'bedding in'.
Influencing Role		
Community Leadership Through Partnerships – Health	-	The Council remains actively engaged with a range of partners and stakeholders to support areas where it has an influencing role. (please see more detailed report referred to above for additional information)
Community Leadership Through Partnerships – Education	-	
Community Leadership Through Partnerships – Law and Order	-	
Community Leadership Through Partnerships – Influencing & Lobbying for Tending	-	

Community Leadership Through Partnerships – Improving Digital Connectivity	-	
Community Leadership Through Partnerships – Sport England	-	
Building Sustainable Communities for the future – Manningtree Underpass	-	

Financial Performance

Continuing from last year, the various strands representing the overall financial performance of the Council have been brought together in one report that is reported to members on a quarterly basis. This approach follows the commitment made to provide regular updates on the long term financial forecast and to bring the reporting of key financial performance and budget monitoring together in one report. The report therefore sets out the overall financial position of the Council in one place and includes a risk assessed approach to each strand of the forecast. Three such financial performance reports were presented to Members during 2019/20 and are available on the Council's website.

The Council is meeting its long term forecasted position with only a limited use of the forecast risk fund that was set up to 'underwrite' the risks associated with the new long term approach. In respect of 2020/21, there is an estimated contribution to the forecast risk fund of £0.393 million, with £3.088 million in the fund at the end of March 2020 to continue to support the long term plan in 2021/22 and beyond.

Financial Performance 2019/20 including comparison with the 2019/20 Budget

A comprehensive outturn report was presented to the Council's Portfolio Holder for Corporate Finance and Governance in July 2020, with a summary set out below that follows a similar format of the Expenditure and Funding analysis within the Statement of Accounts:

Summary of General Fund Revenue Financial Performance 2019/20

	Budget £m	Outturn £m	Variance £m
Net Cost of Services *	26.348	15.578	(10.770)
Other Income and Expenditure			
<i>Revenue Support for Capital Investment</i>	5.511	1.928	(3.583)
<i>Financing Items</i>	(5.187)	(5.755)	(0.568)
<i>Business Rates (including Tariff and Levy)</i>	(4.490)	(4.349)	0.141
<i>Revenue Support Grant</i>	(0.422)	(0.422)	-
<i>Collection Fund Surplus/Deficit</i>	(0.710)	(0.710)	-
<i>Income from Council Tax Payers</i>	(7.955)	(7.955)	-
Total Other Income and Expenditure	(13.253)	(17.263)	(4.010)
(Surplus) or Deficit on Provision of Services **	13.095	(1.685)	(14.780)
Opening General Fund Balances	(31.207)	(31.207)	
(Surplus) or Deficit on General Fund in Year	13.095	(1.685)	(14.780)
Closing General Fund Balances at 31 March	(18.112)	(32.892)	(14.780)

* the budget of £26.348 million included in the table above is £8.143 million more than the figure (£18.205 million) presented to Full Council in February 2019 when the original budget was agreed, which is due to the amounts carried forward from 2018/19 into 2019/20.

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

- Garden Communities Project - £1.300 million
- Local Plan - £0.713 million
- Business Investment and Growth - £1.586 million
- Rural and Urban Infrastructure Fund - £1.184 million

The above figures relate to the General Fund only which explains the difference with the figures set out in the Expenditure and Funding Analysis which include the Housing Revenue Account. The Expenditure and Funding analysis set out within the Statement of Accounts shows a Net Cost of Services figure for 2019/20 of £17.397 million. When the HRA is excluded (£1.819 million), the outturn position relating to the Net Cost of Services is £15.578 million as included in the table above.

Within the £14.780 million variance on the (Surplus) or Deficit on Provision of Services above, a general contribution of £0.862 million was made to reserves representing the overall outturn variance for the year. The main reasons behind this variance are summarised below:

- Receipt of New Burdens Grant Funding - £0.164 million
- Reduced Housing Benefit and Rent Rebates Net Costs- £0.447 million
- Increase in Net Cost of the Council's leisure facilities - £0.199 million

Summary of General Fund Capital Programme 2019/20

Expenditure is capitalised when it is spent on the acquisition, creation or enhancement of assets that have a value to the Council or the community for more than one year. Examples of capital expenditure incurred by the Council

during the year were disabled facilities grants and major repairs / enhancements to assets. As capital schemes span financial years, amounts have been carried forward to continue the schemes and projects in 2020/21, with significant items as follows:

- Disabled Facilities Grants - £3.662 million
- Starlings and Milton Road Development - £1.556 million
- Cliff Stabilisation Scheme - £0.439 million
- Clacton Leisure Centre Refurbishments – £0.521 million.

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

	Budget 2019/20 £m	Outturn 2019/20 £m	C/fwds £m	Variance £m
Capital Expenditure	13.657	5.202	8.396	(0.059)
Funding of Capital Expenditure				
	Budget 2019/20 £m	Outturn 2019/20 £m	To Fund C/fwds £m	Variance £m
External Sources of Finance	0.067	0.023	0.043	(0.001)
S106	0.015	0.007	0.008	-
Government Grants	7.157	3.216	3.941	-
Capital Receipts	0.907	0.028	0.825	(0.054)
Revenue Contributions	0.486	0.342	0.144	-
Use of Earmarked Reserves	5.025	1.586	3.435	(0.004)
Total	13.657	5.202	8.396	(0.059)

General Fund Reserves

The overall level of reserves at the end of 2019/20 is £32.892 million, made up of £15.216 million for earmarked commitment reserves, £13.676 million for other earmarked reserves and £4.000 million for uncommitted reserves.

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

Housing Revenue Account 2019/20

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

	Budget	Outturn	Variance
	£m	£m	£m
Net Cost of Services	2.890	1.819	(1.071)
Other Income and Expenditure	-	-	-
(Surplus) or Deficit on Provision of Services *	2.890	1.819	(1.071)
Opening HRA Revenue Reserves	(8.783)	(8.783)	-
(Surplus) or Deficit on HRA in Year	2.890	1.819	(1.071)
Closing HRA General Balance at 31 March	(5.893)	(6.964)	(1.071)

* the difference between budget and actuals is primarily due to carry forwards along with an additional call on the Housing Repairs Reserve of £0.864 million.

Housing Revenue Account 2019/20 – Capital Expenditure

	Budget	Outturn	C/fwds	Variance
	2019/20	2019/20		
	£m	£m	£m	£m
HRA Capital Expenditure	7.602	5.370	2.151	(0.081)

A summary of how this capital expenditure was financed in 2019/20 is set out below:

	Budget	Outturn	To Fund	Variance
	2019/20	2019/20	C/fwds	
	£m	£m	£m	£m
Major Repairs Reserve	3.754	3.652	0.020	(0.082)
S106	0.380	0.086	0.294	-
Capital Receipts	0.461	0.368	0.093	-
External Contributions	0.117	0.067	0.050	-
Revenue funding from the HRA	2.890	1.197	1.694	0.001
Total	7.602	5.370	2.151	(0.081)

The overall variance of £0.081 million is largely due to the timing and programme of works which will continue in 2020/21 and beyond supported by the Major Repairs Reserve within a wider stock condition/refurbishment programme.

The Council's Overall Balance Sheet

The Council's balance sheet as at the end of March 2020 is set out within the Statement of Accounts. Some significant matters to highlight are as follows:

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

- **Total Current Assets** – At the end of 2019/20 there are Total Current Assets of £70.304 million (£66.739 million in 2018/19) an increase of £3.565 million which reflects an increase in Short Term Investments of £5.898 million offset by some reductions on other headings. A higher level of available funds were invested through the year as a result of the timing of expenditure in both the revenue account and capital programme. This continued up to 31 March. The early receipt of £2.555 million of business rates grant relating to 2020/21 on 27 March 2020 also increased the year-end balance on investments.
- **Short Term Creditors** – At the end of 2019/20, there is an overall balance on this heading of £16.222 million (£12.260 million in 2018/19) an increase of £3.962 million. This is largely due to the prepayment by government of £2.466 million of section 31 grant (this is part of the £2.555 million referred to in the paragraph on Total Current Assets above). In addition, an increase in Collection Fund balances has increased the shares of balances due to government and preceptors at year end by £1.160 million.
- **Capital Grants Receipts in Advance** – This has reduced by £1.769 million from £2.531 million in 2018/19 to £0.762 million in 2019/20 and reflects use of Environment Agency funding for cliff stabilisation work at Clacton and Holland as this scheme nears completion. The levels of Capital Grants Receipts in Advance held at the end of each year can be found in note 24.
- **Other Long Term Liabilities - Pension Liability** - At the end of 2019/20 there is an overall pension deficit attributable to the Council of £39.602 million (£43.475 million for 2018/19) which has been included in the Balance Sheet as at 31 March 2020. This reflects the calculations carried out in accordance with IAS19 based on actuarial assumptions which were subject to a comprehensive triennial review as at 31 March 2019. The next triennial review is due in 2022. The deficit reported for 2019/20 highlights that to date the current benefit obligations of the fund are greater than the current value of the assets of the fund although it is important to note that the figures calculated under IAS19 differ from those calculated as part of the triennial actuarial review. Statutory arrangements for funding the deficit calculated via the triennial actuarial review mean that the deficit on the local government scheme will be made good by contributions over the remaining working life of employees, as assessed by the scheme actuary.

➤ **Long Term Borrowing**

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

The Council manages its debt portfolio with advice from external consultants. No new borrowing was undertaken during 2019/20 in respect of either the General Fund or Housing Revenue Account. The total external debt of the Council as at 31 March 2020 stood at £40.621 million compared to its capital financing requirement (which represents the overall borrowing requirement) as at 31 March 2020 of £45.554 million. The difference between external debt and the capital financing requirement is the amount met by internal resources.

Outlook

Although the thinking and philosophy behind the long term financial sustainability plan has been referred to earlier on in this report, the detailed budget for 2020/21 that was 'built' on this approach is set out below:

General Fund

The Council's overall net General Fund revenue budget for 2020/21 (excluding amounts carried forward from 2019/20) is £14.581 million with a summary below, including how it is financed:

	2020/21 Original £m
Net Cost of Services	19.337
Revenue Support for capital investment	0.267
Financing items	(3.472)
Net Expenditure	16.132
Net Use of Earmarked Reserves	(1.551)
Total Net Budget	14.581
Financed by:	
Business Rates (excl. S31 Govt. Grant funding)	(4.438)
Revenue Support Grant	(0.429)
Collection Fund (Surplus)/Deficit	(1.360)
Council Tax Requirement (for Tendring District Council)	8.354

A summary of planned Capital Expenditure in 2020/21 (excluding amounts carried forward from 2019/20) and how it is financed is as follows:

	2020/21 Original Budget £m
Expenditure	1.024
<hr/>	
Financing	
Government Grants	0.757
Capital Receipts	-
Earmarked Reserves	0.212
Direct Revenue Contributions	0.055
	<hr/>
Total Financing	1.024
	<hr/> <hr/>

The current long term forecast going into 2021/22 and beyond reflects items such as the on-going impact from the reduction in government funding and the potential for income growth from council tax and business rates, including amounts from property growth. The proposed changes to business rates nationally remains as a significant risk to Councils and will continue to be monitored and reflected in the forecast accordingly. On the expenditure side of the forecast, inflation such as salaries and the living wage are also included along with an estimate of cost pressures and potential savings.

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

Housing Revenue Account

A summary of the HRA Revenue Budget for 2020/21 is summarised below:

	2020/21 Original Budget £m
Direct Expenditure	6.585
Direct Income	(13.713)
Indirect Income/Expenditure including Financing Costs	7.128
	<hr/>
Net (Surplus)/Deficit	-
	<hr/>
Contribution to/(from) Reserves	-
	<hr/> <hr/>

A summary of the HRA Capital Programme for 2020/21 is set out below:

	2020/21 Original Budget £m 3.457
Expenditure	<hr/>
Financing	
Major Repairs Reserve	3.176
Revenue funding from the HRA	0.281
Total Financing	<hr/> <hr/> 3.457

As highlighted last year, the Council continues to take forward and develop a number of projects and priorities, a key strand of which is housing delivery. This includes the development of a garden community on the west of the district along with key actions / activities within Jaywick Sands, with further details as follow:

Regeneration of Jaywick Sands

Following on from purchases in previous years, the Council continues to explore further opportunities in Jaywick Sands as part of the early phases of providing housing/regeneration improvements. To correct historic market failure within the Jaywick area the Council purchased land at a price in excess of what a private developer may wish to pay for it. The difference in values is charged to the Housing Revenue Account as impairment. The Council is in a position to take such an approach as it can view its investments over a longer term than the private sector. However the Council's actions in Jaywick Sands continue to build confidence in the market which has seen an increase in land values. This has resulted in the previous impairment charges being reversed out with a total credit of £0.285 million being made to the HRA up to and including 2019/20. Although the impairment charge remaining in the HRA of £1.317 million at the end of 2019/20 will inevitably limit the scale and speed of future investment in Jaywick Sands, it is not expected to have a direct impact on the underlying HRA position which remains in good health to enable the Council to continue to provide quality housing and associated services to its tenants.

The Impact of COVID-19

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

The Council has seen significant losses in income in areas such as leisure and parking along with increases in costs in direct response to the crisis, such as those associated with working from home on an unprecedented scale and reopening facilities on a COVID safe basis. Income from business rates and council tax are also likely to be adversely effected, with the position only becoming clearer over the second half of the year.

The Government have reacted quickly and are supporting Local Authorities through direct grant funding along with underwriting the risk of reduced income in the areas such as those highlighted above.

The Council is aiming to implement a 'back to business' initiative in the second half of 2020/21 to help the district recover from the crisis in its Community Leadership role.

Updated financial analysis and forecasts will be presented to members over the remainder of the year, which may need to include the approval to use reserves to balance the budget if it cannot be fully supported by the financial assistance provided by the Government and/or cannot be accommodated within the overall budgeted position for the year.

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

In addition to the above, The Government are now pressing ahead with large scale reorganisation of Local Government. Based on information published to date, the proposed reorganisation would see two tier local government areas replaced with combined authorities where two or more existing areas will be merged and cover areas with a population size as great as 500,000 to 600,000. Information emerging from the Government indicates that they wish to move relatively quickly to establish the new combined authorities from 2022. Although the Government have yet to publish their associated 'white paper', discussions and proactive steps are now underway to respond to this major change within the Local Authority Sector and the financial and non-financial impact it will undoubtedly have.

Basis of Preparation and Presentation

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

FINANCIAL STATEMENTS

The main elements of the financial statements are explained below and comprise of information in respect of accounting concepts and estimation techniques, the responsibilities for the statement of accounts along with the report of the auditors and the detailed financial statements and notes. The format and information in the Accounts has been prepared in line with International Financial Reporting Standards (IFRS) and the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (The Code). The detailed financial statements that are required are explained below; these are split into 'core statements' and 'supplementary statements'.

ACCOUNTING AND RESPONSIBILITY STATEMENTS

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

CORE FINANCIAL STATEMENTS

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

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

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

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

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

SUPPLEMENTARY FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

ADDITIONAL STATEMENTS

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

ACCOUNTING CONCEPTS AND ESTIMATION TECHNIQUES

Accounting Concepts

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

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

Estimation Techniques

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

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

The Assistant Director Finance and IT's Responsibilities

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

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

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

The Assistant Director Finance and IT has also:

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

Assistant Director Finance and IT's Certificate

I certify that the accounts set out in this document give a true and fair view of the financial position of the Authority at the 31 March 2020 and the income and expenditure for the year then ended.

R C Barrett
Assistant Director Finance and IT
Date: 30 November 2020

Chair of the Audit Committee' Certificate

I can confirm that the Audit Committee at the meeting held on the 30 November 2020 approved these accounts.

Councillor A Coley on behalf of Tendring District Council
Chair of the meeting approving the accounts
Date: 30 November 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

TENDRING DISTRICT COUNCIL

YEAR ENDED 31 MARCH 2020

Opinion on the financial statements

We have audited the financial statements of Tendring District Council ("the Council") for the year ended 31 March 2020 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 Housing Revenue Account - 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 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of Tendring District Council as at 31 March 2020 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 2019/20; 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 Assistant Director Finance and IT's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Assistant Director Finance and IT 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.

Emphasis of matter – Valuation of land and buildings (including investment properties) and Pension Fund assets

As explained in Note 5 to the financial statements, there is a material uncertainty regarding the valuation of the Council's property (including Investment Property) as a result of uncertainties in global financial markets caused by the outbreak of Coronavirus (COVID-19).

Note 5 also explains that valuations applied to Pension Fund assets are also reported on a 'material valuation uncertainty' basis.

Consequently, less certainty, and a higher degree of caution, should be attached to these valuations than would normally be the case. Our opinion is not modified in respect of these matters.

Other information

The Assistant Director Finance and IT 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 matters 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 April 2020, 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 2020.

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 April 2020, 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 2020.

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 not 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 Assistant Director Finance and IT and the Council

As explained more fully in the Statement of the Assistant Director Finance and IT's Responsibilities, the Assistant Director Finance and IT 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 Assistant Director Finance and IT 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.

Lisa Clampin

For and on behalf of BDO LLP, Appointed Auditor
Ipswich, UK
30 November 2020

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 2020

2018/19 Restated (See Note 34)				2019/20				
Expenditure	Income	Net		Expenditure	Income	Net	Note	
£000	£000	£000		£000	£000	£000	Ref	
			EXPENDITURE ON SERVICES					
3,361	(1,564)	1,797	Leader	4,805	(1,931)	2,874		
3,962	(317)	3,645	Corporate Finance and Governance	2,464	(263)	2,201		
10,546	(4,640)	5,906	Environment and Public Space	11,902	(4,752)	7,150		
74,059	(73,559)	500	Housing	67,055	(65,046)	2,009		
516	(32)	484	Partnerships	581	(285)	296		
693	(150)	543	Business and Economic Growth	1,026	(95)	931		
9,643	(4,484)	5,159	Leisure and Tourism	11,257	(4,470)	6,787		
1,290	(838)	452	Independent Living	1,361	(849)	512		
823	(279)	544	Budgets Relating to Non Executive Functions	1,579	(644)	935		
104,893	(85,863)	19,030	Net Cost of Services	102,030	(78,335)	23,695		
2,496	(772)	1,724	Other Operating Income and Expenditure	3,149	(1,621)	1,528		
3,667	(713)	2,954	Financing and Investment Income and Expenditure	2,610	(840)	1,770	11	
5,858	(29,121)	(23,263)	Taxation and Non-Specific Grant Income and Expenditure	6,164	(32,061)	(25,897)	12	
			445				1,096	
			(4,935)				(12,324)	10(a)
			(9,363)				(7,295)	10(c)
			(14,298)				(19,619)	
			(13,853)				(18,523)	

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 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)	-	7
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	8,10
Balance at 1 April 2019 brought forward	31,207	8,783	4,811	166	6,278	51,245	128,659	179,904	
Movement in reserves during the year									
Total comprehensive expenditure and income	(2,089)	993	-	-	-	(1,096)	19,619	18,523	
Adjustments between accounting basis and funding basis under regulations	3,774	(2,812)	(476)	1,724	1,391	3,601	(3,601)	-	7
Increase/(Decrease) in Year	1,685	(1,819)	(476)	1,724	1,391	2,505	16,018	18,523	
Balance at 31 March 2020 carried forward	32,892	6,964	4,335	1,890	7,669	53,750	144,677	198,427	8,10

BALANCE SHEET

AS AT 31 MARCH 2020

31/03/2019		31/03/2020	Note
£000		£000	Ref
	Long Term Assets		
213,977	- Property Plant and Equipment	224,385	13
7	- Heritage Assets	-	
2,300	- Investment Property	2,155	14
158	- Intangible Assets	69	
483	- Long Term Debtors	483	15
<u>216,925</u>	Total Long Term Assets	<u>227,092</u>	
	Current Assets		
57,126	- Short Term Investments	63,024	15
533	- Assets Held for Sale	33	
68	- Inventories	31	
5,296	- Short Term Debtors	3,986	17
3,716	- Cash and Cash Equivalents	3,230	18
<u>66,739</u>	Total Current Assets	<u>70,304</u>	
	Current Liabilities		
(2,085)	- Short Term Borrowing	(2,029)	15
(12,260)	- Short Term Creditors	(16,222)	19
(1,385)	- Provisions	(1,503)	
(2,531)	- Capital Grants Receipts in Advance	(762)	24
<u>(18,261)</u>	Total Current Liabilities	<u>(20,516)</u>	
	Long Term Liabilities		
(1,712)	- Long Term Creditors	(259)	19
(40,312)	- Long Term Borrowing	(38,592)	15
(43,475)	- Other Long Term Liabilities - Pensions	(39,602)	29
<u>(85,499)</u>	Total Long Term Liabilities	<u>(78,453)</u>	
<u>179,904</u>	Total Net Assets	<u>198,427</u>	
	Financed by:		
51,245	Usable Reserves	53,750	9
128,659	Unusable Reserves	144,677	10
<u>179,904</u>	Total Reserves	<u>198,427</u>	

R C Barrett
Assistant Director Finance and IT
30 November 2020

CASH FLOW STATEMENT

2018/19		2019/20	Note
£000		£000	Ref
(445)	Net surplus or (deficit) on the provision of services	(1,096)	
	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements:		
8,657	Depreciation, revaluation and impairment of non-current assets	10,592	
800	Movement in Investment Property Values	145	
134	Amortisation of Intangible Assets	89	
967	Increase/decrease in creditors	1,896	
579	Increase/decrease in debtors	1,320	
4,544	Movement in pension liability	3,422	
194	Contributions to/(from) provisions	118	
604	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	1,446	
(9)	Other items	36	19,064
		<hr/>	
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:		
(4,737)	Capital Grants credited to surplus or deficit on the provision of services	(5,124)	
(892)	Proceeds from the sale of property, plant and equipment	(2,118)	(7,242)
<hr/> 10,396	Net cash flows from Operating Activities	<hr/> 10,726	20
(9,620)	Investing Activities	(10,426)	21
(1,872)	Financing Activities	(786)	22
<hr/> (1,096)	Net increase or (decrease) in cash and cash equivalents	<hr/> (486)	
4,812	Cash and cash equivalents at the beginning of the reporting period	3,716	
<hr/> 3,716	Cash and cash equivalents at the end of the reporting period	<hr/> 3,230	

NOTES TO CORE FINANCIAL STATEMENTS

1 Expenditure and Funding Analysis

2018/19 Restated (See Note 34)				2019/20			
Expenditure Chargeable to GF and HRA Balances	Adjustment between Funding and Accounting basis	Net Expenditure in the CIES		Expenditure Chargeable to GF and HRA Balances	Adjustment between Funding and Accounting basis	Net Expenditure in the CIES	Note Ref
£000	£000	£000		£000	£000	£000	
EXPENDITURE ON SERVICES							
1,797	-	1,797	Leader	2,874	-	2,874	
(3,180)	6,825	3,645	Corporate Finance and Governance	(5,293)	7,494	2,201	
5,906	-	5,906	Environment and Public Space	7,150	-	7,150	
884	(384)	500	Housing	3,205	(1,196)	2,009	
484	-	484	Partnerships	296	-	296	
543	-	543	Business and Economic Growth	931	-	931	
5,159	-	5,159	Leisure and Tourism	6,787	-	6,787	
452	-	452	Independent Living	512	-	512	
544	-	544	Budgets Relating to Non Executive Functions	935	-	935	
12,589	6,441	19,030	Net Cost of Services	17,397	6,298	23,695	
(16,514)	(2,071)	(18,585)	Other Income and Expenditure	(17,263)	(5,336)	(22,599)	
(3,925)	4,370	445	(Surplus) or Deficit on Provision of Services	134	962	1,096	
(36,065)			Opening General Fund and HRA Balances	(39,990)			
(3,925)			(Surplus) or Deficit on General Fund and HRA Balances in Year	134			
(39,990)			Closing General Fund and HRA Balances at 31 March	(39,856)			8

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

2018/19 Restated (See Note 34)					2019/20			
Adjustments for Capital Purposes (see a below)	Pensions Adjustments (see b below)	Other Differences (see c below)	Total Adjustments		Adjustments for Capital Purposes (see a below)	Pensions Adjustments (see b below)	Other Differences (see c below)	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
2,958	-	3,867	6,825	EXPENDITURE ON SERVICES	1,696	-	5,798	7,494
787	180	(1,351)	(384)	Corporate Finance and Governance	(129)	240	(1,307)	(1,196)
3,745	180	2,516	6,441	Net Cost of Services	1,567	240	4,491	6,298
(3,871)	4,364	(2,564)	(2,071)	Other Income and Expenditure	(3,433)	3,182	(5,085)	(5,336)
(126)	4,544	(48)	4,370	(Surplus) or Deficit on Provision of Services	(1,866)	3,422	(594)	962

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 2019/20 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

3 **Critical judgements in applying accounting policies**

The appropriate accounting treatment of Grants and Contributions is a result of critical judgements made about whether any attached terms are restrictions or conditions and whether any conditions have been met, see accounting policy i). If conditions are met, or there are no conditions or only restrictions, then the income must be shown in the Comprehensive Income and Expenditure Statement. However, if there are conditions and they have not been met they must be shown in the Balance Sheet. The Council also recognises as income in the Comprehensive Income and Expenditure Statement income received under s106 planning agreements in the year of receipt as, although these have conditions action is always taken to ensure the conditions are met. Details of grants recognised during the year are set out in Note 24.

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

The changes introduced by the 2020/21 Code will have very little impact on Tendring District Council, as adoption of the new leasing standard, IFRS16, has been deferred to 2021/22 and amendments to the IAS19 Employee Benefits relating to Plan Amendment, Curtailment or Settlement are not expected to have a material impact on the Financial Statements.

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

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

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

a) **COVID-19**

The outbreak of COVID-19 has had a substantial effect on the world, its economy, the UK and the local area.

It is clear that the pandemic and the ensuing economic damage which will need to be repaired is likely to have an impact on the Council, its assets and its future operations, but it is too early to ascertain with any certainty what the likely adverse impact will be.

The Royal Institute of Chartered Surveyors has urged caution with its members in respect of property valuations undertaken in light of the global coronavirus pandemic and the possible consequences on the reliance that can be placed on valuations carried out for the 2019/20 accounts. Where RICS regulated members conclude there is material uncertainty, they have recommended following phrasing be used:

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global.

Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of [this property] under frequent review.

In terms of these accounts, the Council places reliance on the professional valuers in providing accurate valuations for properties defined as Council Dwellings, Other Land and Buildings and Investment Properties. While there is always a degree of judgement and estimation involved in these valuations, it is clear from the above that for 2019/20, this is greater than under normal circumstances. Users of the accounts should therefore take this into account when reaching any conclusions in respect of the Councils finances in these particular areas.

In addition to the valuations of the Council's own property, the COVID-19 outbreak has resulted in similar levels of uncertainty on property valuations within the Essex Pension Fund. The IAS 19 assurance letter produced by the Essex Pension Fund auditor states that material valuation uncertainty has been reported by the valuers of direct properties and property unit trusts. Tendring District Council's proportionate share of these assets is £11.206 million and therefore, as with the Council's own property valuations, users of the accounts should take this additional uncertainty into account when reaching any conclusions in respect of pension fund valuations in 2019/20.

b) Property, Plant and Equipment Valuations

As set out in note 13 on Property Plant & Equipment, the Council uses the services of an external professional Valuer in valuing assets. In accordance with the Code council dwellings are valued on a beacon basis by grouping similar houses together and applying the social housing discount factor set by central government. Land and buildings are valued either at existing use value (EUUV) which is based on market evidence and the Valuer's professional judgement assuming they remain in existing use or for specialised assets at Depreciated Replacement cost (DRC) which includes assumptions made by the Valuer for relevant build costs, obsolescence and professional fees costs.

c) Pensions Liability

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

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £2.945 million.

However, the assumptions interact in complex ways. During 2019/20, the Authority's actuaries advised that the net pensions liability had decreased by £3.873 million primarily as a result of updating the assumptions and increases in the value of the fund assets.

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

6 Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Assistant Director Finance and IT on 26 August 2020. Consideration for events arising after the Balance Sheet date is given up to the date the accounts are authorised for issue.

As a result of the COVID-19 pandemic on 23 March the government imposed a lockdown on the whole population, banning all "non-essential" travel and contact with people outside the home, and shutting almost all businesses, venues, facilities and places of worship.

More detail on the implications of this for the Council has been included in the Narrative Report in the Section titled 'The impact of COVID-19' starting on page xxiv.

There is little certainty as to the full impact of the measures taken by government to control the pandemic on the resources available to the Council. Where impacts have created uncertainty of information included, this has been highlighted in the narrative paragraphs within the statements and any accompanying notes.

This event is therefore deemed to be a non-adjusting event for the purposes of the accounts for the year ending 31 March 2020.

7 Adjustments between Accounting Basis and Funding Basis Under Regulations

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

2018/19					2019/20				
General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
4,363	181	-	-	-	3,182	240	-	-	-
(48)	-	-	-	-	(594)	-	-	-	-
2,709	5,948	-	-	-	-	-	-	-	-
800	-	-	-	-	4,705	5,887	-	-	-
113	21	-	-	-	145	-	-	-	-
					68	21	-	-	-
7,937	6,150	-	-	-	7,506	6,148	-	-	-

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				

2018/19					2019/20					
General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve	
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Adjustments between Revenue and Capital Resources					Adjustments between Revenue and Capital Resources					
(207)	(685)	-	-	892	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve and Deferred Capital Receipts	(734)	(1,384)	-	-	2,118
120	484	-	-	-	Amounts of non-current assets written off to the Capital Adjustment Account on disposal	504	942	-	-	-
-	13	-	-	(13)	Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	18	-	-	(18)
(4,057)	(680)	-	3,638	-	Transfer of capital grants, contributions and donated assets income credited to the Comprehensive Income and Expenditure	(3,215)	(2,499)	-	3,605	-
302	-	-	-	(302)	Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	315	-	-	-	(315)
-	(3,177)	3,177	-	-	Posting of HRA resources from revenue to the Major Repairs Reserve	-	(3,176)	3,176	-	-
(236)	(1,664)	-	-	-	Provision for the repayment of debt (transfer from the Capital Adjustment Account)	(227)	(1,664)	-	-	-
5	-	-	-	(5)	Mitigation of Finance Lease costs in accordance with regulation	6	-	-	-	(6)
1,140	-	-	-	-	Revenue expenditure financed from capital under statute (transfer from the Capital Adjustment Account)	1,547	-	-	-	-
(733)	(342)	-	-	-	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,928)	(1,197)	-	-	-
(3,666)	(6,051)	3,177	3,638	572	Total Adjustments between Revenue and Capital Resources	(3,732)	(8,960)	3,176	3,605	1,779
Adjustments to Capital Resources					Adjustments to Capital Resources					
-	-	-	-	(77)	Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-	(396)
-	-	(3,224)	-	-	Use of the Major Repairs Reserve to finance capital expenditure	-	-	(3,652)	-	-
-	-	-	(3,638)	-	Application of capital grants to finance capital expenditure	-	-	-	(1,881)	-
-	-	-	-	60	Cash payments in relation to deferred capital receipts	-	-	-	-	8
-	-	(3,224)	(3,638)	(17)	Total Adjustments to Capital Resources	-	-	(3,652)	(1,881)	(388)
4,271	99	(47)	-	555	Total Adjustments	3,774	(2,812)	(476)	1,724	1,391

8 Transfers to/from General Fund and HRA Balances

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

	Balance at 1 April 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31 March 2020 £000
General Fund:							
Revenue Commitments Reserve	11,607	(11,386)	11,579	11,800	(11,579)	11,202	11,423
Capital Commitments Reserve	4,591	(4,591)	4,868	4,868	(4,655)	3,580	3,793
Forecast Risk Fund	1,888	(522)	2,131	3,497	(932)	523	3,088
Asset Refurbishment/Replacement Reserve	135	-	-	135	-	1,134	1,269
Beach Recharge Reserve	1,500	-	-	1,500	-	-	1,500
Benefit Reserve	1,100	(100)	-	1,000	-	-	1,000
Building for the Future Reserve	56	-	1,277	1,333	-	1,277	2,610
Business Rate Resilience Reserve	1,608	-	150	1,758	-	-	1,758
Careline System Replacement Reserve	37	-	-	37	(37)	-	-
Commuted Sums Reserve	97	(39)	241	299	(29)	119	389
Crematorium Reserve	154	-	-	154	-	-	154
Election Reserve	60	-	30	90	(120)	30	-
Haven Gateway Partnership Reserve	75	-	-	75	-	-	75
Leisure Capital Projects Reserve	50	-	50	100	(551)	575	124
Planning Inquiries and Enforcement Reserve	279	(20)	-	259	(160)	-	99
Residents Free Parking Reserve	221	-	-	221	-	-	221
Section 106 Agreements Reserve	-	-	-	-	-	1,389	1,389
Specific Revenue Grants Reserve - Homelessness	166	(85)	-	81	(81)	-	-
Total General Fund Earmarked Reserves	23,624	(16,743)	20,326	27,207	(18,144)	19,829	28,892
General Fund Balance	4,000	-	-	4,000	-	-	4,000
Total General Fund	27,624	(16,743)	20,326	31,207	(18,144)	19,829	32,892

	Balance at 1 April 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31 March 2020 £000
Housing Revenue Account:							
Housing Repairs Reserve	955	(3,772)	3,681	864	(4,781)	3,917	-
Housing Revenue Account Commitments Reserve	2,752	(2,752)	2,891	2,891	(1,197)	-	1,694
General Reserve	4,734	(140)	434	5,028	-	242	5,270
Total Housing Revenue Account	8,441	(6,664)	7,006	8,783	(5,978)	4,159	6,964

9 Usable Reserves

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

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

a) **General Fund Balance**

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

b) **Capital Receipts**

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

c) **Capital Grants Unapplied**

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

d) **Earmarked Reserves**

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

i) **Revenue Commitments Reserve**

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

ii) **Capital Commitments Reserve**

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

iii) **Forecast Risk Fund**

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

iv) **Asset Refurbishment/Replacement Reserve**

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

v) **Beach Recharge Reserve**

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

vi) **Benefit Reserve**

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

vii) **Building for the Future Reserve**

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

- viii) **Business Rates Resilience Reserve**
To support the Council in reacting to potential future changes in Business Rate appeals and income.
- ix) **Careline System Replacement Reserve**
To finance future equipment/investment. The balance on this reserve was fully utilised in 2019/20.
- x) **Commuted Sums Reserve**
Established from commuted sums paid to the Council to cover such items as maintenance costs of Open Spaces and CCTV.
- xi) **Crematorium Reserve**
To finance future replacement and improvement works to the crematorium plant and equipment at Weeley.
- xii) **Election Reserve**
To finance future costs associated with holding District Elections on a periodic basis.
- xiii) **Haven Gateway Partnership Reserve**
To support the costs associated with the Haven Gateway Partnership.
- xiv) **Leisure Capital Projects Reserve**
This reserve has been established to fund ongoing investment in Leisure Facilities.
- xv) **Planning Inquiries and Enforcement Reserve**
To meet associated costs relating to planning services.
- xvi) **Residents Free Parking Reserve**
To support the continuation of the residents' free parking initiative in the District.
- xvii) **Section 106 Agreements Reserve**
This reserve holds income received from developers under Section 106 of the Town and Country Planning Act 1990 to be spent on specific projects over a number of years in accordance with the terms of the agreements.
- xviii) **Specific Revenue Grants Reserve - Homelessness**
This reserve holds the grants received from the Government for which a restriction on their use has been placed by the Government. The balance on this reserve was fully utilised in 2019/20.

e) **Housing Revenue Account**

i) **General Reserve**

Resources available to meet future running costs for council houses.

ii) **Housing Repairs Reserve**

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

iii) **Housing Revenue Account Commitments Reserve**

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

10 Unusable Reserves

2018/19		2019/20
£000		£000
36,487	Revaluation Reserve	47,484
134,360	Capital Adjustment Account	134,922
(43,475)	Pensions Reserve	(39,602)
275	Deferred Capital Receipts Reserve	267
1,146	Collection Fund Adjustment Account	1,740
(134)	Accumulated Absences Account	(134)
<hr/>		<hr/>
128,659		144,677
<hr/>		<hr/>

a) **Revaluation Reserve**

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

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

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

2018/19			2019/20	
£000	£000		£000	£000
	32,385	Balance at 1 April		36,487
5,664		Upward revaluation of assets	13,853	
(729)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,529)	
	4,935	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		12,324
(749)		Difference between fair value depreciation and historical cost depreciation	(1,077)	
(84)		Accumulated gains on assets sold or scrapped	(250)	
	(833)	Amount written off to the Capital Adjustment Account		(1,327)
	<u>36,487</u>	Balance at 31 March		<u>47,484</u>

b) **Capital Adjustment Account**

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

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

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

2018/19			2019/20	
£000	£000		£000	£000
	133,849	Balance at 1 April		134,360
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
		Charges for depreciation, revaluation and impairment of non-current assets	(10,592)	
(8,657)		Movement in Investment Property Values	(145)	
(800)		Amortisation of Intangible Assets	(89)	
(134)		Revenue expenditure funded from capital under statute	(1,547)	
(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	(1,446)	
(604)				
			<hr/>	
(11,335)			(13,819)	
		Adjusting amounts written out of the Revaluation Reserve	1,327	
833			<hr/>	
	(10,502)	Net written out amount of the cost of non-current assets consumed in the year		(12,492)
		Capital financing applied in the year:		
		Use of the Capital Receipts Reserve to finance new capital expenditure	396	
77		Use of the Major Repairs Reserve to finance new capital expenditure	3,652	
3,224		Application of grants, donated assets and contributions to capital financing	3,990	
4,737		Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances	1,891	
1,900		Capital expenditure charged against General Fund or HRA	3,125	
1,075			<hr/>	
	11,013	Total amount of capital financing applied in the year		13,054
			<hr/>	
	<u>134,360</u>	Balance at 31 March		<u>134,922</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.

2018/19			2019/20	
£000	£000		£000	£000
	(48,294)	Balance at 1 April		(43,475)
	9,363	Remeasurements of the net defined benefit liability (asset)		7,295
(6,634)		Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,619)	
2,090		Employer's pensions contributions and direct payments to pensioners payable in the year	2,197	
	(4,544)	Total adjustments to revenue resources		(3,422)
	<u>(43,475)</u>	Balance at 31 March		<u>(39,602)</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.

2018/19			2019/20	
£000	£000		£000	£000
335		Balance at 1 April		275
(60)		Transfer to the Capital Receipts Reserve upon receipt of cash		(8)
	275	Balance at 31 March		<u>267</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 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
Balance at 1 April 2019	296	850	1,146
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	100	494	594
Balance at 31 March 2020	396	1,344	1,740

f) **Accumulated Absences Account**

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

11 Financing and Investment Income and Expenditure

2018/19		2019/20
£000		£000
1,662	Interest payable and similar charges	1,447
1,205	Net interest on the defined benefit liability (asset)	1,018
(506)	Interest receivable and similar income	(629)
800	Movement in Investment Property Values	145
(207)	Rental Income from Investment Property	(211)
2,954	Total	1,770

12 Taxation and Non-Specific Grant Income and Expenditure

2018/19		2019/20
£000		£000
9,588	Council tax income	10,194
10,958	Retained Business Rates Income	11,452
(5,858)	Business Rates Tariff and Levy	(6,164)
4,937	Non-Ringfenced Government Grants	6,220
3,638	Capital Grants, Contributions and Donated Assets	4,195
<u>23,263</u>	Total	<u>25,897</u>

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

13 Property, Plant and Equipment

a) Movement on Balances

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

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

Movements in 2018/19

	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equip- ment	Infra- structure	Comm- unity Assets	Surplus Assets	Assets Under Construc- tion	Total Property, Plant and Equip- ment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 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

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 2019/20 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
11-68 years	Public conveniences
56 years	Princes Theatre, Crematorium buildings
45-50 years	Council offices, Chapels, cemetery buildings, historic buildings, public halls, Frinton and Walton pool
30-40 years	Clacton leisure centre, squash courts, Dovercourt pool, Cliff Park building Harwich
20-30 years	Jaywick starter units, Beach office, Car park buildings, former cash office in Dovercourt, print unit, first aid station, kiosks and shops, miscellaneous buildings, sea cadet station, museums, sports pavilions, depots, beach changing facilities
10-20 years	Beach huts, deck chair kiosks, garages
1-16 years	Seafront Shelters
2 years	Dovercourt all-weather pitch

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

c) Capital Commitments

At 31 March 2020, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment with 2020/21 and future years budgeted to cost £0.916 million. Similar commitments as 31 March 2019 were £3.391 million. The major commitments over £25,000 as at 31 March 2020 or entered into before the publication of the accounts are:

d) **Revaluations**

A full revaluation of General Fund and Housing Revenue Account (HRA) Properties was undertaken in 2016/17. In respect of 2019/20, a desk top revaluation of the Council's Housing Stock and General Fund properties was undertaken as at 30 September 2019 by Ian Pitt, MRICS and Martin Wilson, MRICS of Bruton Knowles in accordance with the RICS Valuation – Global Standards 2017 as published by the Royal Institution of Chartered Surveyors. Where there had been significant changes since 2018/19, instead of just a desktop revaluation, the relevant properties were subject to a full revaluation as at 30 September 2019.

An estimate was also obtained from Martin Wilson of Bruton Knowles as to the change in value from 30 September 2019 to 31 March 2020 of all the Authority's non-current assets. For General Fund land and buildings, the movement was estimated at a reduction of 0.25% in value for specialised assets and of less than 2% for non-specialised assets. The Council considers these movements are immaterial so they are not reflected in the Balance Sheet. For HRA Assets the indices provided by the Valuer were modelled through the portfolio and would have resulted in a decrease of £0.805 million which the Council did not consider material so they are not reflected in the Balance Sheet. See note 4 which highlights additional valuation risks for the position at 31 March 2020 due to the COVID-19 pandemic. The Supplementary Financial Statement for the HRA sets out additional valuation details relating to the Council's housing stock.

14 Investment Properties

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

2018/19		2019/20
£000		£000
(207)	Rental Income from Investment Property	(211)
-	Direct operating expenses arising from Investment Property	-
<u>(207)</u>	Net gain/loss	<u>(211)</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:

2018/19		2019/20
£000		£000
3,100	Balance at start of year	2,300
-	Purchases	-
(800)	Net Gains/losses from fair value adjustments	(145)
<u>2,300</u>	Balance at end of the year	<u>2,155</u>

a) **Fair Value hierarchy**

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

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

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

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

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

b) **Highest and best use of investment properties**

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

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

15 Financial Instruments

a) **Categories of Financial Instruments**

Long Term 31 March 2019 £000	Current 31 March 2019 £000		Long Term 31 March 2020 £000	Current 31 March 2020 £000
		Financial assets at amortised cost		
-	57,126	Investments	-	63,024
483	2,297	Trade and other receivables	483	2,674
-	3,716	Cash and Cash Equivalents	-	3,230
<u>483</u>	<u>63,139</u>	Total Financial Assets at amortised cost	<u>483</u>	<u>68,928</u>
		Financial liabilities at amortised cost		
40,312	2,085	Borrowing from Public Works Loan Board (PWLB)	38,592	2,029
1,712	-	Section 106 agreements	259	-
-	3,691	Trade and other payables	-	3,511
<u>42,024</u>	<u>5,776</u>	Total Financial Liabilities at amortised cost	<u>38,851</u>	<u>5,540</u>

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

b) **Reclassifications**

There have been no reclassifications of financial assets or liabilities in 2019/20.

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

2018/19				2019/20		
Financial Liabilities measured at amortised cost	Financial Assets measured at amortised cost	Total		Financial Liabilities measured at amortised cost	Financial Assets measured at amortised cost	Total
£000	£000	£000		£000	£000	£000
1,473	-	1,473	Interest expense	1,423	-	1,423
-	2	2	Fee expense	-	1	1
1,473	2	1,475	Total expense in Surplus or Deficit on the Provision of Services	1,423	1	1,424
-	(505)	(505)	Interest income	-	(628)	(628)
-	(505)	(505)	Total income in Surplus or Deficit on the Provision of Services	-	(628)	(628)
1,473	(503)	970	Net (gain)/loss for the year	1,423	(627)	796

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 2019			31 March 2020		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000	£000		£000	£000	
42,397	58,050	PWLB borrowing	40,621	61,864	
1,712	1,712	Long term Section 106 agreements	259	259	
3,691	3,691	Trade and other payables	3,511	3,511	

The fair value of PWLB loans of £61.864 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 2019			31 March 2020		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000	£000		£000	£000	
57,126	57,126	Investments	63,024	63,024	
483	483	Long term trade and other receivables	483	483	
2,297	2,297	Short term trade and other receivables	2,674	2,674	

16 Nature and Extent of Risks arising from Financial Instruments

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

a) Credit Risk

Credit risk arises from deposits with banks and other financial institutions and from credit advanced to the Council's customers. The Balance Sheet figures for financial assets are not representative of the normal level of exposure at any particular time. Positive cash flows in the early part of each financial year can lead to a considerably higher level of total investments. The maximum exposure during 2019/20 was £78.493 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. £0.624 million of the £1.064 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;

2018/19		2019/20
£000		£000
101	Less than three months	143
15	Three to six months	36
49	Six months to one year	123
303	More than one year	322
<hr/>		<hr/>
468		624
<hr/>		<hr/>

Impairments of Sundry Debtors at 31 March 2020 totalled £0.552 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 PWLB debt at 31 March was as follows:

2018/19				2019/20		
Principal	Interest	Total		Principal	Interest	Total
£000	£000	£000		£000	£000	£000
1,764	1,423	3,187	Less than one year	1,720	1,375	3,095
1,720	1,375	3,095	Between one and two years	1,671	1,333	3,004
5,315	3,822	9,137	Between two and five years	6,267	3,636	9,903
9,645	4,967	14,612	Between five and ten years	8,113	4,671	12,784
4,684	3,972	8,656	Between ten and fifteen years	4,299	3,845	8,144
18,948	12,274	31,222	More than fifteen years	18,242	11,550	29,792
<hr/>				<hr/>		
42,076	27,833	69,909		40,312	26,410	66,722
<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 2020 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 2020, 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	412
Increase in interest receivable on variable rate investments	(694)
	<hr/>
Impact on Surplus or Deficit on the Provision of Services	(282)
	<hr/> <hr/>
Share of overall impact relating to the HRA	295
	<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.

17 Debtors

2018/19			2019/20		
Gross Amount	Impairment Allowance	Net	Gross Amount	Impairment Allowance	Net
£000	£000	£000	£000	£000	£000
292	(107)	185	369	(160)	209
1,854	(464)	1,390	2,379	(577)	1,802
2,137	(1,415)	722	2,005	(1,342)	663
1,526	(911)	615	1,848	(1,105)	743
2,369	-	2,369	563	-	563
15	-	15	6	-	6
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
8,193	(2,897)	5,296	7,170	(3,184)	3,986
		Balance at 31 March			
<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

18 Cash and Cash Equivalents

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

2018/19		2019/20	
£000		£000	
	Current Assets:		
1,216	Bank current accounts		(378)
2,491	Call accounts		3,598
9	Petty cash		10
<hr/>		<hr/>	
3,716		3,230	
<hr/> <hr/>		<hr/> <hr/>	

19 Creditors

2018/19		2019/20
£000		£000
2,807	Trade creditors	3,005
884	Capital creditors	507
4,989	Amounts due to government and preceptors for Business Rates and Council Tax	8,647
3,041	Other amounts due to government and preceptors	3,584
532	Receipts in Advance for Council Tax and Business Rates	476
7	Other	3
<u>12,260</u>	Balance at 31 March	<u>16,222</u>

2018/19		2019/20
£000		£000
	Creditors due after more than one year:	
<u>1,712</u>	Section 106 contributions	<u>259</u>

20 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2018/19		2019/20
£000		£000
486	Interest received	630
(1,497)	Interest paid	(1,435)

21 Cash Flow Statement – Investing Activities

2018/19		2019/20
£000		£000
(7,716)	Purchase of property, plant and equipment, investment property and intangible assets	(9,993)
(335,800)	Purchase of short term investments	(297,900)
952	Proceeds from the sale of property, plant and equipment	2,126
330,750	Proceeds from short term investments	292,000
2,194	Other receipts from investing activities	3,341
<u>(9,620)</u>	Net cash flows from investing activities	<u>(10,426)</u>

22 Cash Flow Statement – Financing Activities

2018/19		2019/20
£000		£000
(1,822)	Repayments of short and long term borrowing	(1,764)
(50)	Other receipts from financing activities	978
<u>(1,872)</u>	Net cash flows from financing activities	<u>(786)</u>

23 Expenditure and Income Analysed by Nature

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

2018/19 £000		2019/20 £000
	Expenditure	
19,868	Employee Expenses	19,662
82,091	Other Services Expenses	77,850
8,791	Depreciation, Amortisation, Impairment	10,682
800	Movement in Investment Property Values	145
1,662	Interest Payable and Similar Charges	1,447
1,205	Pension Interest and Return on Pension Assets	1,018
1,698	Precepts and Levies	1,873
302	Payments to Housing Capital Receipts Pool	315
497	Loss on the Disposal of Non-Current Assets	961
<hr/>		<hr/>
116,914	Total Expenditure	113,953
	Income	
(32,279)	Fees and Charges and Other Service Income	(35,814)
(772)	Gain on Disposal of Non-Current Assets	(1,621)
(713)	Interest and Investment Income	(840)
(9,588)	Income from Council Tax	(10,194)
(10,958)	Income from Business Rates	(11,452)
(62,159)	Government Grants and Contributions	(52,936)
<hr/>		<hr/>
(116,469)	Total Income	(112,857)
<hr/>		<hr/>
445	(Surplus) or Deficit on the Provision of Services	1,096
<hr/>		<hr/>

24 Grant Income

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

2018/19 £000		2019/20 £000
Credited to Taxation and Non-Specific Grant Income		
<i>Non-Ringfenced Grants:</i>		
1,070	Revenue Support Grant	422
1,333	New Homes Bonus Grant	1,184
289	New Burdens Grant	246
1,929	NDR Section 31 Business Rate Grants	2,409
76	Business Rates Levy Account Surplus Grant	17
154	EU Exit Funding	185
-	Section 106 Agreements	1,389
-	COVID-19 Support Grant	89
-	Future High Street Fund	150
-	Private Rented Sector Innovation and Enforcement Grant	100
86	Other Government Grants	29
4,937		6,220
<i>Capital Grants, Contributions and Donated Assets</i>		
<i>Government Funding</i>		
2,609	- Environment Agency	1,670
80	- Homes and Communities Agency	-
678	Local Authority - Essex County Council	119
<i>Other Capital Contributions</i>		
168	- Section 106	1,798
103	- Walton Flood Wall	7
-	- Haven Gateway	11
-	Donated Assets	590
3,638		4,195
Other Significant Grants Credited to Services		
73	Apprenticeship Training Grant	80
56,153	Benefits	47,155
-	CCG Wellbeing Hub	245
193	Collection Investment/Hardship Administration Grant	193
1,077	Disabled Facilities Grant	1,519
871	Essex County Council - Technical Agreement Contribution	821
452	Homelessness Grants	454
-	Individual Electrol Registration	82
184	Tending Mental Health and Discharge Support	-
59,003		50,549

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:

2018/19			2019/20	
£000			£000	
Capital Grants Receipts in Advance				
Government Funding:				
2,222		The Environment Agency		552
164		Home and Communities Agency		152
124		Local Authority Funding		55
21		Other capital contributions		3
<hr/>			<hr/>	
2,531				762
<hr/>			<hr/>	

25 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:

2018/19			2019/20	
Receipts	Payments		Receipts	Payments
£000	£000		£000	£000
2,287	165	Essex County Council	2,332	440
101	300	Other Essex local authorities	113	873
Transactions with organisations related by a declared interest of Council Members or Senior Officers:				
-	-	Association of Retained Council Housing	-	2
4	5	Other	4	1
<hr/>			<hr/>	
2,392	470	Total Related Party Transactions	2,449	1,316
<hr/>			<hr/>	

26 Members' Allowances

The Authority paid £0.400 million to members of the Council during the year (£0.449 million in 2018/19). Full details are available on the Transparency page of the Council's website.

27 Officers' Remuneration

a) Analysis of "senior employees" remuneration

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

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

Notes

- The Deputy Chief Executive retired on 31 December 2019.

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

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:

2018/19 Number of Total	Remuneration Band	2019/20 Number of Total
5	£50,000 - £54,999	5
6	£55,000 - £59,999	7
1	£75,000 - £79,999	-
1	£80,000 - £84,999	-
-	£150,000 - £155,000 (1)	1

Where the £5,000 bands included no officers in both 2018/19 and 2019/20, they have been excluded from the note.

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

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

The compulsory redundancies were due to a service restructure.

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

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

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.

28 Termination Benefits

The contracts of 12 employees ceased in 2019/20 with incurred total liabilities of £179,398 (2 employees with incurred total liabilities of £36,752 in 2018/19). 2 of these contracts ceased in 2020/21, but were accrued in 2019/20 due to the decision being made in the 2019/20 financial year. The whole sum was compensation for loss of office. Further details can be found in Note 27(c).

29 Defined Benefit Pension Schemes

a) Participation in Pension Schemes

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

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

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

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

b) Transactions Relating to Post-Employment Benefits

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

2018/19 Local Government Pension Scheme £000		2019/20 Local Government Pension Scheme £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
	<i>Service cost comprising:</i>	
4,250	Current service cost	4,518
1,128	Past service costs	42
51	Administration Expenses	41
	<i>Financing and Investment Income and Expenditure</i>	
1,205	Net interest expense	1,018
6,634	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	5,619
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	<i>Remeasurement of the net defined benefit liability comprising:</i>	
(7,055)	Return on plan assets (excluding the amount included in the net interest expense)	9,997
(9,742)	Actuarial gains and losses arising on changes in demographic assumptions	(899)
7,434	Actuarial gains and losses arising on changes in financial assumptions	(17,055)
-	Experience gains and losses on defined benefit obligation	1,810
-	Other Actuarial gains and losses on assets	(1,148)
(2,729)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(1,676)
	Movement in Reserves Statement	
(6,634)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(5,619)
	Actual amount charged against the General Fund Balance for pensions in the year:	
2,090	Employer's contributions payable to scheme	2,197

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:

2018/19		2019/20
Local		Local
Government		Government
Pension		Pension
Scheme		Scheme
£000		£000
177,051	Present value of the defined benefit obligation	164,205
(133,576)	Fair Value of plan assets	(124,603)
<u>43,475</u>	Net liability arising from defined benefits obligation	<u>39,602</u>

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

2018/19		2019/20
Local		Local
Government		Government
Pension		Pension
Scheme		Scheme
£000		£000
126,102	Opening fair value of scheme assets	133,576
3,181	Interest income	3,167
	<i>Remeasurement gain/(loss):</i>	
	The return of plan assets, excluding the amount included in the net	
7,055	interest expense	(9,997)
-	Other actuarial gains/(losses)	1,148
2,090	Contributions from employers	2,197
746	Contributions from employees into the scheme	780
(5,547)	Benefits paid	(6,227)
(51)	Other	(41)
<u>133,576</u>	Closing fair value of scheme assets	<u>124,603</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)**

2018/19			2019/20	
Local Government Pension Scheme			Local Government Pension Scheme	
£000			£000	
174,396	Opening Balance at 1 April		177,051	
4,250	Current service cost		4,518	
4,386	Interest cost		4,185	
746	Contributions from scheme participants		780	
	<i>Remeasurement (gain)/loss:</i>			
(9,742)	Actuarial gains/losses arising from changes in demographic assumptions		(899)	
7,434	Actuarial gains/losses arising from changes in financial assumptions		(17,055)	
-	Experience gains and losses on defined benefit obligation		1,810	
1,128	Past service cost		42	
(5,547)	Benefits paid		(6,227)	
177,051	Closing Balance at 31 March		164,205	

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

2018/19				2019/20		
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			
-	3,518	3,518	Cash and cash equivalents	-	5,179	5,179
6,007	-	6,007	Equities - UK	5,236	-	5,236
71,015	-	71,015	Equities - Overseas	61,339	-	61,339
			Gilts UK index Linked Government Securities	5,371	-	5,371
7,090	-	7,090	Bonds - Corporate (UK)	7,550	-	7,550
7,807	-	7,807	Property	3,113	8,093	11,206
4,404	7,473	11,877	Private Equity	-	6,358	6,358
-	6,140	6,140	Infrastructure	-	7,363	7,363
-	6,713	6,713	Timber	-	4,493	4,493
-	4,028	4,028	Private Debt	-	2,496	2,496
-	2,283	2,283	Other Managed Funds	-	8,012	8,012
-	7,098	7,098				
96,323	37,253	133,576		82,609	41,994	124,603

g) **Basis for Estimating Assets and Liabilities**

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

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

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

The COVID-19 pandemic has resulted in additional valuation risks for the Council's share of property assets in the pension fund this is covered in more detail in Note 5.

The significant assumptions used by the actuary have been:

2018/19 Local Government Pension Scheme		2019/20 Local Government Pension Scheme
	<i>Mortality assumptions:</i>	
	Longevity at 65 for current pensioners:	
21.3	Men	21.8
23.6	Women	23.7
	Longevity at 65 for future pensioners:	
22.9	Men	23.2
25.4	Women	25.2
3.45%	Rate of inflation - RPI Increases	2.70%
2.45%	Rate of inflation - CPI Increases	1.90%
3.95%	Rate of increase in salaries	2.90%
2.45%	Rate of increase in pensions	1.90%
2.40%	Rate for discounting scheme liabilities	2.35%
50%	Take up of option to convert annual pension into retirement lump sum	50%

The demographic assumptions used are consistent with those used for the most recent fund valuation, which was carried out as at 31 March 2019. The assumptions used in the last reporting period were based on those adopted for the Funds 31 March 2016 valuation. Both periods used the latest version of the Continuous Mortality Investigation's model, CMI_2018 to project the base tables. The impact of updating the demographic assumptions base table projections is reflected in the Change in demographic assumptions figure.

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

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

	Increase in Assumption £000	Decrease in Assumption £000
Impact on the Defined Benefit Obligation in the Scheme		
Longevity (increase or decrease in 1 year - mortality age rating)	171,469	157,274
Rate of inflation (increase or decrease by 0.1%)	166,940	161,519
Rate of increase in salaries (increase or decrease by 0.1%)	164,481	163,930
Rate of increase in pensions (increase or decrease by 0.1%)	166,940	161,519
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	161,260	167,206

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 2022.

The authority expects to pay contributions totalling £4.466 million to the scheme in 2020/21.

The weighted average duration of the defined benefit obligation for scheme members is 19 years, 2019/20 (17 years 2018/19).

30 External Audit Costs

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

2018/19 £000		2019/20 £000
46	Fees payable with regard to external audit services carried out by the appointed auditor for the year	45
10	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 *	23
56	Total Audit Fees Payable	68

* For 2019/20, this includes £4,000 under provisions for prior year.

31 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.

2018/19 £000		2019/20 £000
49,346	Opening Capital Financing Requirement	47,445
	Capital Investment:	
7,939	Property, Plant and Equipment	9,026
35	Intangible Assets	-
1,139	Revenue expenditure funded from capital under statute	1,547
	Sources of Finance:	
(78)	Capital receipts	(396)
(4,737)	Government grants and other contributions	(3,400)
(3,224)	Major Repairs Reserve	(3,652)
	Sums set aside from revenue:	
(1,075)	Direct revenue contributions	(3,125)
(236)	MRP/loans fund principal	(227)
(1,664)	Voluntary MRP - HRA	(1,664)
47,445	Closing Capital Financing Requirement	45,554
	Explanation of movements in year	
(1,901)	Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	(1,891)
(1,901)	Increase/(Decrease) in Capital Financing Requirement	(1,891)

32 Operating Leases - Authority as Lessor

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

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

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

2018/19		2019/20
£000		£000
341	Not later than one year	380
1,131	Later than one year and not later than five years	1,254
2,927	Later than five years	3,467
<hr/>		<hr/>
4,399		5,101
<hr/>		<hr/>

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

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

33 Subsidiary Companies

The Council has an interest in North Essex Garden Communities Limited (NEGC Ltd), a joint strategic entity which is equally owned by the Council along with Braintree District Council, Essex County Council, and Colchester Borough Council. The company is limited by shares. At present the trading activities of the company have been limited and therefore as its accounts are not material they will not be incorporated into the Group Accounts of any of the four owning authorities for the 2019/20 financial year.

A decision has been taken by the four Local Authorities in 2020/21 to wind up NEGC Ltd after ceasing to trade at the end of August 2020.

34 Restatement of the 2018/19 prior year comparators for Net Cost of Services in the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis Note.

The Code requires that an authority shall present information on reportable segments using the service analysis in the Comprehensive Income and Expenditure Statement and the segmental analysis within the Expenditure and Funding Analysis. It also requires that reportable segments shall be based on an authority's internal management reporting, for example, departments, directorates or portfolios. In line with these requirements, in 2018/19, the Council's Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis disclosed the Net Cost of Services (£19.030 million) as:

Portfolio	£000	Note
Leader	100	(a)
Finance and Corporate Resources	3,645	(b)
Environment	5,520	(c)
Housing	952	(a)
Health and Education	484	(d)
Corporate Enforcement	1,156	(c)
Investment and Growth	543	(e)
Leisure and Tourism	6,086	(a)
Budgets Relating to Non Executive Functions	544	(f)
	19,030	

During 2019/20 Tendring District Council changed its Portfolio structure and therefore the analysis shown above is no longer in line with internal management reporting. The result of this change is as follows:

- (a) These three portfolios remain but have amended responsibilities.
- (b) This portfolio was renamed to be 'Corporate Finance and Governance' with no changes to the comparative amounts.
- (c) These two portfolios were completely replaced by two new portfolios.
- (d) This portfolio was renamed to be 'Partnerships' with no changes to the comparative amounts.
- (e) This portfolio was renamed to be 'Business and Economic Growth' with no changes to the comparative amounts.
- (f) This portfolio remains unchanged with no changes to the comparative amounts.

A summary of these changes are as follows:

	£000	£000
Removal of two portfolios that no longer exist		(6,676)
Effect of changes in responsibility:		
Leader	1,697	
Housing	(452)	
Leisure and Tourism	(927)	
	<hr/>	318
New portfolios:		
Environment and Public Space	5,906	
Independent Living	452	
	<hr/>	6,358
Net effect of changes		<hr/> <hr/>

The result of these changes on the 2018/19 comparators can be seen in full in the Comprehensive Income and Expenditure Statement and the segmental analysis within the Expenditure and Funding Analysis (see note 1).

HOUSING REVENUE ACCOUNT – INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

2018/19 £000		2019/20 £000	£000	Note Ref
	EXPENDITURE			
3,832	Repairs and Maintenance	4,774		
2,612	Supervision and Management	2,880		
153	Rents, Rates, Taxes and Other Charges	209		
5,948	Depreciation and Impairments of Non-Current Assets	5,887		5,6
66	Debt Management Costs	66		
37	Movement in the allowance for bad debts	74		
	Sums Directed by the Secretary of State that are Expenditure in			
21	Accordance with the Code	21		
12,669	Total Expenditure		13,911	
	INCOME			
(12,740)	Dwelling rents	(12,725)		
(225)	Non dwelling rents	(230)		
(629)	Charges for Services and Facilities	(520)		
(76)	Contributions towards expenditure	(90)		
(13,670)	Total Income		(13,565)	
(1,001)	Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		346	
276	HRA Share of Corporate and Democratic Core		276	
(725)	Net Expenditure / (Income) for HRA Services		622	
	HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:			
(189)	(Gain) or loss on sale of HRA Non-current Assets		(423)	
1,441	Interest Payable and Similar Charges		1,401	
(680)	Capital Grants and Contributions Receivable		(2,499)	
(90)	Interest and Investment Income		(94)	
(243)	(Surplus) / Deficit for the year on HRA Services		(993)	

HOUSING REVENUE ACCOUNT – MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2018/19 £000		2019/20 £000	£000
4,734	Balance on the HRA as at the end of the previous year		5,028
243	Surplus or (Deficit) on the HRA Income and Expenditure Statement	993	
	Adjustments between accounting basis and funding basis under regulations:		
3,294	Reversal of Revaluation Changes and Impairment	3,321	
21	Reversal of Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	21	
(189)	Reversal of (Gain) or Loss on sale of HRA Non-current assets	(423)	
(680)	Reversal of Capital Grants and Contributions Receivable	(2,499)	
(342)	Capital Expenditure Funded by the HRA	(1,197)	
(1,664)	Debt Repayment & Credit arrangements	(1,664)	
181	HRA share of contributions to or from the Pension Reserve	240	
864	Net increase or (decrease) before transfer to or from Reserves	(1,208)	
	Transfer (to) or from Reserves:		
(522)	Transfer (to)/from Major Repairs Reserves	(611)	
(48)	Transfers (to)/from Earmarked Reserves	2,061	
294	Increase or (decrease) in year on the HRA		242
5,028	Balance on the HRA as at the end of the current year		5,270

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	2018/19				2019/20			
	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
4,734	955	2,752	8,441	Balances as at 1 April	5,028	864	2,891	8,783
294	(91)	139	342	Surplus/(deficit) for year	242	(864)	(1,197)	(1,819)
5,028	864	2,891	8,783	Balances as at 31 March	5,270	-	1,694	6,964

2 Housing Assets

As at 31 March 2020, the Council was responsible for managing the following council housing assets:

01/04/2018					31/03/2019					01/04/2019					31/03/2020				
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																			
1,466	2	6	1,462	44,058	Flats	1,462	-	4	1,458	46,748									
1,006	1	4	1,003	54,253	Houses	1,003	2	10	995	56,912									
335	-	-	335	15,974	Bungalows	335	1	-	336	17,028									
321	-	-	321	6,130	Sheltered Accommodation	321	-	-	321	6,853									
16	-	1	15	852	Do-It-Yourself Shared Ownership (DIYSO)	15	-	3	12	745									
3,144	3	11	3,136	121,267		3,136	3	17	3,122	128,286									
Other Land and Buildings																			
62	-	-	62	1,116	Shared Equity Plots of Land	62	-	-	62	1,240									
415	3	-	418	1,345	Garages	418	-	58	360	1,407									
404	11	-	415	83	Ground Rents re: sold council flats	415	2	-	417	83									
1	-	-	1	440	Community Centre	1	-	-	1	440									
4	-	-	4	341	Other non-domestic properties	4	-	-	4	398									
11	1	-	12	1,236	Land	12	-	-	12	1,203									
4,041	18	11	4,048	125,828	Totals	4,048	5	75	3,978	133,057									

In addition to the above table, the Council also held equipment with a balance sheet value of £0.050 million as at 31 March 2020 (£0.076 million in 2018/19), the Council also held assets under construction with a balance sheet value of £1.998 million as at 31 March 2020 (2018/19 £0.467 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.

2018/19		2019/20
£000		£000
324,052	Vacant Possession Value	340,060
(123,140)	Less: Existing Use Values (Social Housing)	(129,222)
<u>200,912</u>	Economic Cost of Providing Social Housing	<u>210,838</u>

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 2020.

3 Capital Expenditure and Financing

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

2018/19		2019/20
£000		£000
	Capital Investment:	
3,224	Operational Assets	3,746
1,059	Property Acquisition and New Build	1,624
<u>4,283</u>		<u>5,370</u>
	Sources of Finance:	
3,224	Major Repairs Reserve	3,652
342	Direct Revenue Financing	1,197
-	Section 106 Funding	86
680	External Funding	67
37	Capital Receipts	368
<u>4,283</u>		<u>5,370</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:

2018/19		2019/20
£000		£000
4,342	Balance as at 1 April	4,676
	Capital Receipts in the year:	
604	Council house sales (net of administration costs)	1,145
31	Repayment of Discount on Right to Buy Sales	40
-	DIYSO property sales	181
37	Other Land Sales	-
1	Mortgage principal repayments	1
<u>5,015</u>		<u>6,043</u>
	Less:	
(302)	Capital receipts pooling contribution payable to the Government	(315)
(37)	Capital receipts used for financing capital expenditure	(368)
<u>4,676</u>	Balance as at 31 March	<u>5,360</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.

2018/19		2019/20
£000		£000
2,564	Dwellings	2,479
17	Do-It-Yourself Shared Ownership (DIYSO)	15
26	Garages	25
11	Community Centre	9
6	Other Non-Domestic Properties	7
30	Equipment	30
<u>2,654</u>	Depreciation Charged to the HRA I & E Account for the Year	<u>2,565</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.

2018/19		2019/20
£000		£000
3,986	Impairment charge for works to the Council's dwelling stock	4,241
(692)	Reversal of previous Impairment Losses due to increase in asset values	(920)
<u>3,294</u>	Impairment charge for the year	<u>3,321</u>

Tendring District Council has elected to recover all losses on non-dwellings from the period 2012-2017 to the HRA Reserve. Nothing was recovered during 2018/19 or 2019/20 and the balance currently left to recover is £1.317 million.

7 Rent Arrears and the Provision for Bad and Doubtful Debts

The rent arrears at 31 March 2020 were £0.368 million (2018/19 - £0.292 million), which equates to 2.76% (2.18% for 2018/19) 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 2020 is £0.159 million after the following movements on the account during 2019/20:

2018/19		2019/20
£000		£000
129	Balance as at 1 April	107
36	Provision for year	73
(58)	Arrears written off	(21)
<u>107</u>	Balance as at 31 March	<u>159</u>

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

Council Tax	2018/19			Council Tax	2019/20		Total	Note Ref
	Business Rates	£000			£000	Business Rates		
			INCOME					
(80,814)	-	(80,814)	Council Tax Payers	(86,553)	-	(86,553)		2
-	(27,926)	(27,926)	Income from Business Ratepayers	-	(28,765)	(28,765)		3
(80,814)	(27,926)	(108,740)	Total Income	(86,553)	(28,765)	(115,318)		
			EXPENDITURE					
			Precepts:					
57,104	-	57,104	Essex County Council	60,289	-	60,289		4
3,290	-	3,290	Essex Fire and Rescue	3,438	-	3,438		
7,900	-	7,900	Essex Police and Crime Commissioner	9,157	-	9,157		
9,299	-	9,299	Tendring District Council	9,829	-	9,829		
			Shares of Business Rates Income:					
-	12,854	12,854	Central Government	-	12,831	12,831		3
-	2,314	2,314	Essex County Council	-	2,310	2,310		
-	257	257	Essex Fire and Rescue	-	257	257		
-	10,283	10,283	Tendring District Council	-	10,265	10,265		
2,756	792	3,548	Share of Collection Fund Balance	2,208	1,114	3,322		5
			Other Business Rates Payments:					
-	292	292	Costs of Collection	-	289	289		
-	(262)	(262)	Transitional Protection	-	(239)	(239)		
-	264	264	Renewable Energy Schemes	-	248	248		
			Bad Debt and Other Provisions:					
219	150	369	Provisions	627	112	739		6
584	259	843	Write Offs	142	49	191		
-	486	486	Provisions for Appeals	-	296	296		
81,152	27,689	108,841	Total Expenditure	85,690	27,532	113,222		
338	(237)	101	(Surplus)/Deficit for the Year	(863)	(1,233)	(2,096)		

Council Tax	2018/19 Business Rates				Council Tax	2019/20 Business Rates	Total	Note
£000	£000	£000			£000	£000	£000	Ref
			Collection Fund Balance					
(2,808)	(1,890)	(4,698)	Balance brought forward		(2,470)	(2,127)	(4,597)	
338	(237)	101	(Surplus)/Deficit for the year		(863)	(1,233)	(2,096)	
(2,470)	(2,127)	(4,597)	Balance Carried Forward		(3,333)	(3,360)	(6,693)	5
-	(1,063)	(1,063)	Central Government		-	(1,680)	(1,680)	
(1,816)	(192)	(2,008)	Essex County Council		(2,429)	(302)	(2,731)	
(104)	(21)	(125)	Essex Fire and Rescue		(139)	(34)	(173)	
(254)	-	(254)	Essex Police and Crime Commissioner		(369)	-	(369)	
(296)	(851)	(1,147)	Tendring District Council		(396)	(1,344)	(1,740)	
(2,470)	(2,127)	(4,597)			(3,333)	(3,360)	(6,693)	

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 2019/20 was £1,742.98 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 2019/20

2018/19 Band	Valuation	Pro-portion	Full Charge	Paying 75%	Paying 50%	2nd Homes	Empty Properties	Exempt	Total Excluding LCTS	LCTS Scheme 100%	Total
10	*A Up to £40,000	5/9	8	4	-	-	-	-	12	(4)	8
9,820	A Up to £40,000	6/9	4,555	7,135	20	548	609	413	13,280	(3,307)	9,973
14,831	B £40,001 to £52,000	7/9	10,031	6,795	27	291	409	247	17,800	(2,719)	15,081
18,473	C £52,001 to £68,000	8/9	13,306	6,461	44	405	285	321	20,822	(2,151)	18,671
10,040	D £68,001 to £88,000	9/9	7,573	2,600	40	236	157	153	10,759	(513)	10,246
4,752	E £88,001 to £120,000	11/9	3,792	928	25	92	69	61	4,967	(115)	4,852
1,697	F £120,001 to £160,000	13/9	1,387	264	37	36	16	30	1,770	(31)	1,739
785	G £160,001 to £320,000	15/9	611	101	40	30	17	11	810	(6)	804
61	H Over £320,000	18/9	39	4	10	5	2	-	60	-	60
<u>60,469</u>			<u>41,302</u>	<u>24,292</u>	<u>243</u>	<u>1,643</u>	<u>1,564</u>	<u>1,236</u>	<u>70,280</u>	<u>(8,846)</u>	<u>61,434</u>
48,185	Number of equivalent full charge Band D dwellings (unscaled tax base)										48,923
(1,445)	Less Provision for changes in valuation list, discounts and doubtful debts										(1,468)
<u>46,740</u>	Tax base for tax setting purposes										<u>47,455</u>

* Band A – entitled to Disabled Relief

Analysis of the Council Tax

Council Tax for a Band D Dwelling

2018/19 Average £		2019/20 Average £
	Tendring District Council:	
152.19	General Expenses	156.60
10.45	Special Expenses	11.04
36.32	Town and Parish Councils	39.49
1,221.75	Essex County Council	1,270.44
70.38	Essex Fire and Rescue	72.45
169.02	Essex Police and Crime Commissioner	192.96
<hr/> <hr/>		<hr/> <hr/>
1,660.11		1,742.98

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:

2018/19		2019/20
£78.675m	Rateable Value on 31 March	£80,830m
	Non-Domestic Rate per £	
48.0p	Small Businesses	49.1p
49.3p	Standard	50.4p

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

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

4 Precepts

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

5 Share of Collection Fund Balance

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

Council Tax	2018/19 Business Rates			Council Tax	2019/20 Business Rates	Total
£000	£000	£000		£000	£000	£000
-	396	396	Allocated to:	-	557	557
2,027	71	2,098	Central Government	1,625	100	1,725
120	8	128	Essex County Council	94	11	105
			Essex Fire and Rescue			
274	-	274	Essex Police and Crime			
335	317	652	Commissioner	225	-	225
			Tendring District Council	264	446	710
2,756	792	3,548		2,208	1,114	3,322

Therefore the year end surplus of £3.333 million on Council Tax and £3.360 million on Business Rates together with balances paid over to precepting authorities in 2020/21, will form part of the assessment made in January 2021.

6 Bad Debt and Other Provisions

Provision for Bad and Doubtful Debt

2018/19			2019/20		
Council Tax £000	Business Rates £000	Total £000	Council Tax £000	Business Rates £000	Total £000
803	409	1,212	769	161	930
(584)	(259)	(843)	(142)	(49)	(191)
<u>219</u>	<u>150</u>	<u>369</u>	<u>627</u>	<u>112</u>	<u>739</u>
2,155	196	2,351	2,374	346	2,720
219	150	369	627	112	739
<u>2,374</u>	<u>346</u>	<u>2,720</u>	<u>3,001</u>	<u>458</u>	<u>3,459</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)

2018/19		2019/20	
£000		£000	
2,848	Balance Brought Forward	3,334	
486	Contributions to provisions in year	296	
<u>3,334</u>	<u>Balance Carried Forward</u>	<u>3,630</u>	

ACCOUNTING POLICIES

a) **General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. 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 2019/20 and the Service Reporting Code of Practice 2019/20, supported by International Financial Reporting Standards (IFRS).

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

b) **Accruals of Income and Expenditure**

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

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

c) **Cash and Cash Equivalents**

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

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

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

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

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

e) **Council Tax and Non-Domestic Rates**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and Non-Domestic Rates

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

f) **Employee Benefits**

Benefits Payable During Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, for example, time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting period, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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

Post-Employment Benefits

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

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

The Local Government Pension Scheme

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

- The liabilities of the Essex County Council pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate. The discount rate used is such that the net present value of the notional cash flows, discounted at this single rate, equates to the net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve.
- The assets of Essex County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - ❖ Quoted securities – current bid price;
 - ❖ Unquoted securities – professional estimate.
 - ❖ Unitised securities – current bid price;
 - ❖ Property – market value.
- The change in the net pensions liability is analysed into the following components:

Service cost comprising:

 - ❖ **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - ❖ **Past service cost/gain** – the increase/decrease in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited/credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Finance and Corporate Resources.
 - ❖ **Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority** – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

 - ❖ **The return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- ❖ **Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Essex County Council pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

g) Events after the Reporting Period

Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

h) Financial Instruments

Financial Liabilities

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

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

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Authority's business model is to hold investments to collect contractual cash flows, which only comprise principal and interest. Financial assets are therefore classified 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.

i) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as current liabilities. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Grants to cover general expenditure (for example, Revenue Support Grant) are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

j) **Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

k) **Leases**

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

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

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

The Authority as Lessor – Operating Leases

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

l) **Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

m) **Property, Plant and Equipment**

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

Where there is no market based evidence of current value because of the specialist nature of an asset depreciated replacement cost (DRC) is used as an estimate of current value.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (for example, freehold land and certain Community Assets) and assets that are not yet available for use (for example, assets under construction).

Depreciation is calculated on the following basis:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset.
- Infrastructure – straight-line allocation.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluation that would have been recognised had they not been classified as Held for Sale) and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals are payable to the Government under pooling arrangements based on the age, type of dwelling and relevant shares due to Government and Tendring District Council. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Capital receipts of £10,000 or less are credited to the General Fund Revenue Account to be used for revenue or capital purposes except for Private Sector Grant/Loan repayments which are credited directly back to the Capital Receipts Reserve to support the on-going capital programme.

The interest earned from holding capital receipts is credited to the Comprehensive Income and Expenditure Statement.

n) **Provisions**

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

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

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

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

o) **Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

p) **Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

q) **Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

The Council is allowed to recover VAT incurred on expenses where income from the activity is exempt provided it is 'insignificant'. The current test for insignificance is that the VAT incurred and recovered on exempt activities is less than 5% of the total VAT that is incurred on all of the Council's activities. If the amount exceeds the limit and no dispensation has been granted by HM Revenue and Customs, then none of the tax may be recovered. HM Revenue and Customs have raised no objection to the Council's method of calculation applied to exempt activities.

r) **Fair Value Measurement of Non-Financial Assets**

The Council measures some of its non-financial assets such as surplus assets and investment property at fair value at each reporting period date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liabilities takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

OTHER INFORMATION

The Statement of Accounts is one of a series of documents that the Council publishes in order to provide financial information about its activities.

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

These publications can be found on the Council's Web Site at *www.tendringdc.gov.uk*.

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

If any further information is required, please contact Richard Barrett (rbarrett@tendringdc.gov.uk), Assistant Director Finance and IT, Corporate Services, Town Hall, Station Road, Clacton on Sea, Essex, CO15 1SE – Telephone Clacton (01255) 686521.

GLOSSARY OF TERMS USED IN THE STATEMENT OF ACCOUNTS

Accounting Period

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

Accumulated Absences Account

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

Accruals

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

Asset

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

Bad or Doubtful Debts

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

Balance Sheet

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

Billing Authority

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

Budget

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

Business Rates

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

Capital Expenditure

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

Capital Financing

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

Capital Programme

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

Capital Receipt

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

Capital Receipt Pooling

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

Cash Flow Statement

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

Collection Fund

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

Community Assets

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

Council Tax

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

Creditors

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

Current Assets

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

Current Liabilities

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

Debtors

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

Deferred Capital Receipts

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

Defined Benefit Scheme

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

Depreciation

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

Earmarked Reserve

A sum set aside to meet commitments in future years.

General Fund

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

Government Grants

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

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.