ATTACHMENT 1

External Auditor's External Audit Plan & Strategy for the year ending 31 March 2024

KPMG

Tendring District Council

Report to the Audit Committee

External Audit Plan & Strategy for the year ending 31 March 2024

April 2024

Introduction

To the Audit Committee of Tendring District Council

We are pleased to have the opportunity to meet with you to discuss our audit of the financial statements of Tendring District Council for the year ending 31st March 2024.

We have been appointed as your auditors by Public Sector Audit Appointments Ltd. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and in compliance with the NAO Code of Audit Practice.

The NAO is consulting on a new Code of Audit Practice for 2023/24, therefore this plan will remain draft until the finalisation of that Code.

This report outlines our risk assessment and planned audit approach. Our planning activities are still ongoing and we will communicate any significant changes to the planned audit approach . We note that an audit opinion has not been expressed on the prior period, if the prior period audit opinion is expressed we will communicate any significant changes to the planned approach. We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

Contents	Page

The engagement team

Emma Larcombe is the engagement director on the audit. She has over 15 years of industry experience.

Other key members of the engagement team include Harry Foscoe (Lead Manager).

Yours sincerely,

Emma Larcombe

Director - KPMG LLP

25th April 2024

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

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

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

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner. The audit undertaken in the current year is dependent on the finalisation of the previous auditor's work over historical financial statements. We aim to complete all audit work no later than 2 days before audit signing.

Overview of planned scope including materiality

Our materiality levels

We determined materiality for the financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of expenditure which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users.

We considered qualitative factors such as stability of legislation, lack of shareholders and debt arrangements when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality £1.48m / 65% of materiality driven by our expectations of increased level of undetected or uncorrected misstatements in the period resulting from uncertainties in the prior year unaudited figures.

We will report misstatements to the audit committee including:

- Corrected and uncorrected audit misstatements above £114K.
- Errors and omissions in disclosure (Corrected and uncorrected) and the effect that they, individually in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

Materiality

Materiality for the financial statements as a whole	**£2.28m** (2.5% of expenditure)
Procedure designed to detect individual errors at this level	**£1.48m**
Misstatements reported to the Audit Committee	**£114k**

Materiality
£2.28m
2.5% of expenditure £91.2m

Overview of planned scope including materiality (cont.)

Timing of our audit and communications

- We will maintain communication led by the engagement partner and manager throughout the audit. We set out below the form, timing and general content of our planned communications:
- Kick-off meeting with management in November 2023 where we discuss our approach to the Planning and Interim phases of our audit;
- Due to the work of previous auditors still on-going, we will be communicating dates for audit completion at a future Committee.
- Audit Committee meeting In April 2024 where we present our final draft plan;
- Regular status meetings with management on where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues;
- Closing meeting with management in December 2024 where we discuss the auditor's report and any outstanding deliverables;
- Final Audit Committee meeting here we communicate audit misstatements and significant control deficiencies; and
- Biannual private meetings can also be arranged with the Committee chair if there is interest.

Using the work of others and areas requiring specialised skill

We outline below where, in our planned audit response to audit risks, we expect to use the work of others such as Internal Audit or require specialised skill/knowledge to perform planned audit procedures and evaluate results.

Others	Extent of planned involvement or use of work
Internal Audit	We will perform inquiries with the internal audit team and review the minutes of internal audit meetings to understand if there are any specific risks identified as part of the routine internal audit process. However, we do not intend to use the work of internal auditors, therefore we will not perform any detailed risk assessment procedures.
KPMG Pensions Centre of Excellence	KPMG's internal actuarial specialists will perform an assessment of the year end Pensions valuation

Significant risks and Other audit risks

Our risk assessment draws upon our understanding of the applicable financial reporting framework, knowledge of the business, the sector and the wider economic environment in which Tendring District Council operates.

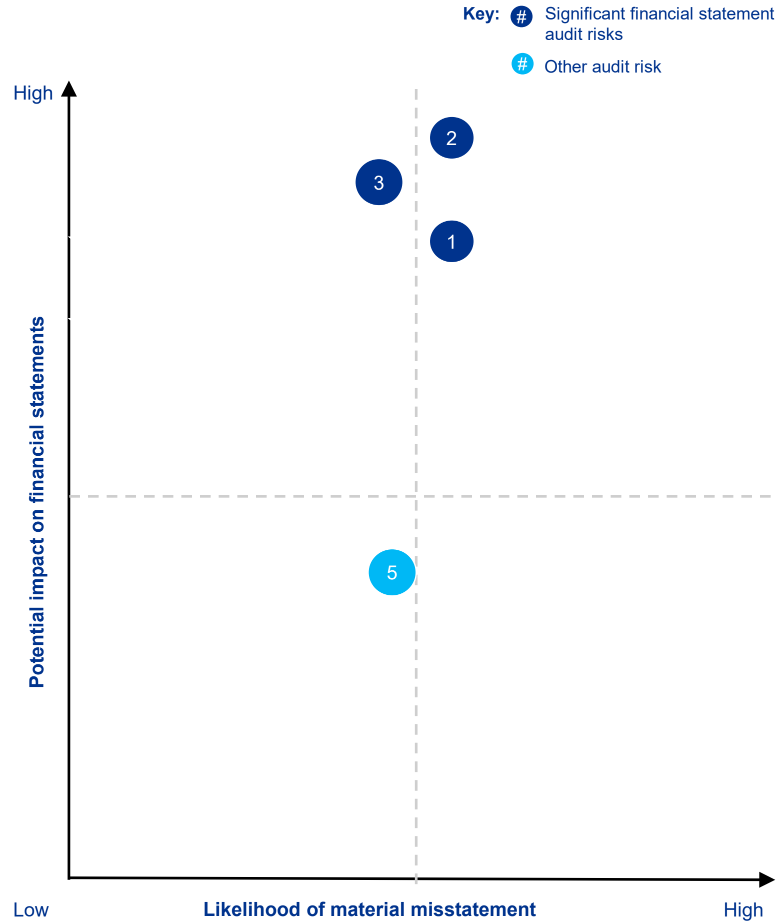
We also use our regular meetings with senior management to update our understanding and take input from sector and internal audit reports.

Due to the current levels of uncertainty there is an increased likelihood of changes to this risks throughout the audit cycle. Where such changes are identified we will amend our audit approach accordingly and communicate this to the Audit Committee.

Significant risks	
1.	Inappropriate capitalisation of expenditure into fixed assets
2.	Valuation of fixed assets
3.	Valuation of post retirement benefit obligations
4.	Management override of controls*

* pervasive

Other audit risks	
5.	Recognition of surplus on the net pension asset



Value for money

We are required to provide commentary on the arrangements in place for ensuring Value for Money is achieved at the Council and report on this via our Auditor's Annual Report. This will be published on the Council's website and include a commentary on our view of the appropriateness of the Council's arrangements against each of the three specified domains of Value for Money: financial sustainability; governance; and improving economy, efficiency and effectiveness.

Our risk assessment work in this area is still ongoing.

Audit risks and our audit approach

1 Fraud risk from expenditure recognition

Additions to property, plant and equipment, infrastructure assets and heritage assets are recorded inappropriately when the expenditure is not eligible for capitalisation

Significant audit risk

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered.

The Council has a statutory duty to balance their annual budget. Where a Council does not meet its budget this creates pressure on the Council's usable reserves and this in term provides a pressure on the following year's budget. This is not a desirable outcome for management.

Given the context of significant pressures on funding and demand faced by councils in the sector the size of the Council's capital programme through the levelling up grant funding provides an opportunity for inappropriate capitalisation of revenue expenditure.

Planned response

We will perform the following procedures in order to respond to the significant risk identified:

- We will evaluate the design and implementation of controls for classifying expenditure as capital;
- We will review the capital programme for schemes which indicate they are of a revenue nature; and
- We will test capital expenditure incurred by the Council to ensure it is correctly capitalised.

Audit risks and our audit approach (cont.)

2 Valuation of land and buildings

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

Significant audit risk

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

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

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

Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of the valuers used in developing the valuation of the Council's properties at 31 March 2024;
- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We will utilise our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach (cont.)

3 Valuation of post retirement benefit obligations

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

Significant audit risk

The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council

The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.

We have identified this in relation to the following pension scheme memberships: Essex Local Government Pension Scheme

Planned response

We will perform the following procedures:

- Understand the processes the Council have in place to set the assumptions used in the valuation;
- Evaluate the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Perform inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agree the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluate the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Test, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirm that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;
- Consider the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions;
- Assess the impact of a new triennial valuation model and/or any special events, where applicable.

Audit risks and our audit approach (cont.)

4 Management override of controls(a)

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

Significant audit risk

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

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

Planned response

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

- Assess accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluate the selection and application of accounting policies.
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments.
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the component's normal course of business, or are otherwise unusual.
- We will analyse all journals through the year using data and analytics and focus our testing on those with a higher risk.

Audit risks and our audit approach (cont.)

5 Recognition of the surplus on the net pension asset

Management's assessment of the level of recognisable surplus may not be in line with requirements

Other audit risk

Recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (As at the 31 March 2023 Tendring District council found their LGPS in a surplus of £34.8m up from a deficit of £27m at 31 March 2022).

The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.

The Council will need to assess the level of economic benefit it can derive from this surplus, as per the requirements of IFRIC14.

This assessment will be required each year, and the outcome may change as it will depend upon market conditions at the year end and any changes in the contributions committed to under the rates and adjustments certificate.

Planned response

We will perform the following procedures:

- Test the data and valuations provided by the actuary in their IAS 19 report for completeness and consistency with the other information provided by the Council.
- Consider, and if necessary challenge, the Council's estimate of the recognisable surplus.
- Consider the adequacy of the Council's disclosures in respect of the assumptions or judgements made in determining the level of recognisable surplus.

Audit risks and our audit approach

Revenue – Rebuttal of Significant Risk

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Due to the nature of the revenue within the sector we have rebutted this significant risk. We have set out the rationale for the rebuttal of key types of income in the table below.

Description of Income	Nature of Income	Rationale for Rebuttal
Council tax	This is the income received from local residents paid in accordance with an annual bill based on the banding of the property concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of properties in the area and the fixed price that is approved annually based on a band D property: it is highly unlikely for there to be a material error in the population.
Business rates	Revenue received from local businesses paid in accordance with an annual demand based on the rateable value of the business concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of businesses in the area and the fixed amount that is approved annually: it is highly unlikely for there to be a material error in the population.
Fees and charges	Revenue recognised from receipt of fixed fee services, in line with the fees and charges schedules agreed and approved annually.	The income stream represents high volume, low value sales, with simple recognition. Fees and charges values are agreed annually. We do not deem there to be any incentive or opportunity to manipulate the income.
HRA Income	The vast majority of this income relates to dwelling rents where revenue is recognised on a month by month basis in line with the rental agreement.	The income is highly predictable and is broadly known at the beginning of the year based on the number of properties rented out for a known amount. As a result: it is highly unlikely for there to be a material error in the population.
Grant income	Predictable income receipted primarily from central government, including for housing benefits.	Grant income at a local authority typically involves a small number of high value items and an immaterial residual population. These high value items frequently have simple recognition criteria and can be traced easily to third party documentation, most often from central government source data. There is limited incentive or opportunity to manipulate these figures.

Mandatory communications - additional reporting

Going concern

Under NAO guidance, including Practice Note 10 - A local authority's financial statements shall be prepared on a going concern basis; this is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganization) do not negate the presumption of going concern.

However, financial sustainability is a core area of focus for our Value for Money opinion.

Additional reporting

Your audit is undertaken to comply with the Local Audit and Accountability Act 2014 which gives the NAO the responsibility to prepare an Audit Code (the Code), which places responsibilities in addition to those derived from audit standards on us. We also have responsibilities which come specifically from acting as a component auditor to the NAO. In considering these matters at the planning stage we indicate whether:

Work is completed throughout our audit and we can confirm the matters are progressing satisfactorily OK	We have identified issues that we may need to report -	Work is completed at a later stage of our audit so we have nothing to report

We have summarised the status of all these various requirements at the time of planning our audit below and will update you as our work progresses:

Type	Status	Response
Our declaration of independence	OK	No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Issue a report in the public interest		We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters to date.
Provide a statement to the NAO on your consolidation schedule		This "Whole of Government Accounts" requirement is fulfilled when we complete any work required of us by the NAO to assist their audit of the consolidated accounts of DLUHC.
Provide a summary of risks of significant weakness in arrangements to provide value for money		We are required to report significant weaknesses in arrangements. Work to be completed at a later stage.
Certify the audit as complete		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.

Mandatory communications

Type	Statements
Management's responsibilities (and, where appropriate, those charged with governance)	Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error. Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.
Auditor's responsibilities	Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
Auditor's responsibilities – Fraud	This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.
Auditor's responsibilities – Other information	Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.
Independence	Our independence confirmation at page 25 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement partner and audit staff.

Tendring District Council

Value for money risk assessment

Our approach

Year ended 31 March 2024

April 2024

Value for money

For 2023/24 our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.

Our responsibility to conclude on significant weaknesses in value for money arrangements is unchanged.

The main output remains a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

Risk assessment processes

Our responsibility remains to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will continue to consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

Reporting

As with the prior year our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

Financial sustainability

How the body manages its resources to ensure it can continue to deliver its services.

Governance

How the body ensures that it makes informed decisions and property manages its risks.

Improving economy, efficiency and effectiveness

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

Value for money

Approach we take to completing our work to form and report our conclusion:

Process

Understanding the entity's arrangements → **Evaluation of entity's value for money arrangements** → **Value for money conclusion and reporting**

Understanding the entity's arrangements:
- Financial statements planning
- Internal reports, e.g. IA
- Management Inquiries
- External reports, e.g. regulators
- Assessment of key processes
- Annual report

Evaluation of entity's value for money arrangements:
- Targeted follow up of identified value for money significant risks
- Continual update of risk assessment

Value for money conclusion and reporting:
- Conclusion whether significant weaknesses exist

Outputs

Risk assessment to Audit Committee

Our risk assessment will provide a summary of the procedures undertaken and our findings against each of the three value for money domains. This will conclude on whether we have identified any significant risks that the entity does not have appropriate arrangements in place to achieve VFM. This is still ongoing at the time of this Audit committee

Value for money assessment

We will report by exception as to whether we have identified any significant weaknesses in arrangements.

Public commentary

Our draft public commentary will be prepared for the Audit Committee alongside our annual report on the accounts.

Public commentary

The commentary is required to be published alongside the annual report.

Value for money

Summary of work to date

We have not identified any risks of significant weaknesses from our initial work, however our risk assessment is continuing and we will provide our full risk assessment at the next Audit Committee.

Appendix

Audit team and rotation

Your audit team has been drawn from our specialist local government audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit partner and firm.

Emma is the director responsible for our audit. They will lead our audit work, attend the Audit Committee and be responsible for the opinions that we issue.

Harry is the manager responsible for our audit. They will co-ordinate our audit work, attend the Audit Committee and ensure we are co-ordinated across our accounts and VFM work.

To comply with professional standard we need to ensure that you appropriately rotate your external audit partner. There are no other members of your team which we will need to consider this requirement for:

This will be director's first year as your engagement lead. They are required to rotate every five years, extendable to seven with PSAA approval.

Audit cycle & timetable

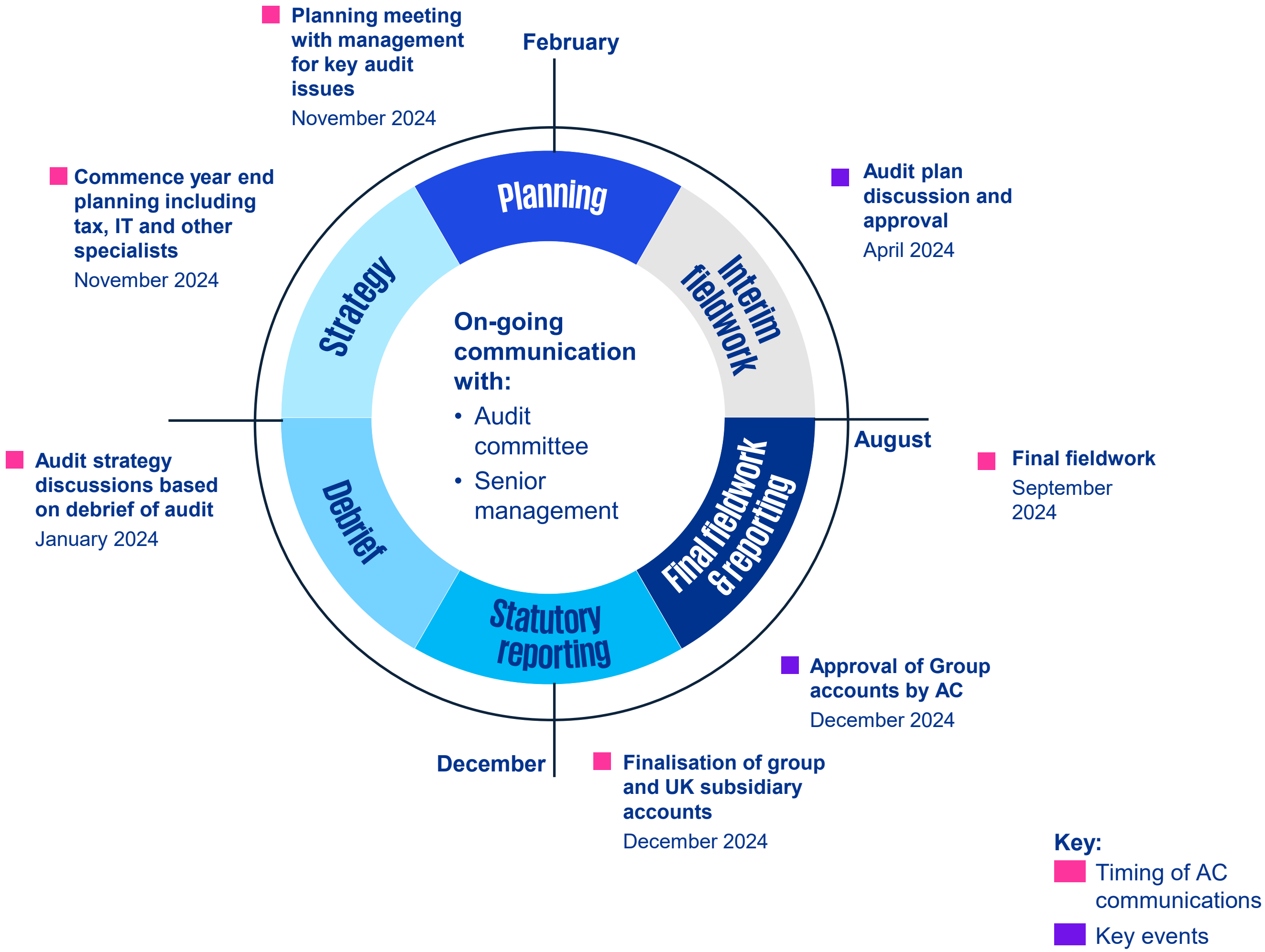
Our schedule
01 2024 – 12 2024

We have worked with management to generate our understanding of the processes and controls in place at the Council in it's preparation of the Statement of Accounts.

We have agreed with management an audit cycle and timetable that reflects our aim to sign our audit report by December 2024.

This being the first year of KPMG as auditor we have undertaken greater activities to understand the Council at the planning stage. This level of input may not be required in future years and may change our audit timings.

Given the large amount of consultation happening in regard to the scope and timing of local government this audit **schedule may be subject to change**.



Fees

Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£'000)
Statutory audit	162
ISA315r	TBC
ISA240	TBC
TOTAL	**162**

As per PSAA's Scale Fees Consultation, the fees do not include new requirements of ISA315 revised (risk of material misstatement); or ISA 240 (auditor's responsibilities relating to fraud. The fees also assume no significant risks are identified as part of the Value for Money risk assessment. Additional fees in relation to these areas will be subject to the fees variation process as outlined by the PSAA.

Billing arrangements

Fees will be billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

Basis of fee information

Our fees are subject to the following assumptions:

- The entity's audit evidence files are completed to an appropriate standard (we will liaise with you separately on this);
- Draft statutory accounts are presented to us for audit subject to audit and tax adjustments;
- Supporting schedules to figures in the accounts are supplied;
- The entity's audit evidence files are completed to an appropriate standard (we will liaise with management separately on this);
- A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.

We will provide a list of schedules to be prepared by management stating the due dates together with pro-formas as necessary.

Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

Any variations to the above plan will be subject to the PSAA fee variation process.

Confirmation of Independence

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

To the Audit and Risk Committee members

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

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

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

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

General procedures to safeguard independence and objectivity

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

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

We are satisfied that our general procedures support our independence and objectivity except for those detailed below where additional safeguards are in place.

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

Summary of non-audit services

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

Description of scope of services	Principal Threats to independence	Safeguards applied	Basis of fee	Value of services delivered in the year ended 31/3/23
Council's Pooling of Housing Capital Receipts Return for 20/21, 21/22, 22/23.	Assumption of management responsibilities Self interest	Standard language on non-assumption of management responsibilities is included in our engagement letter. The level of fees is not considered to cause a significant self interest threat	Fixed	20/21: 5k 21/22: 5k 22/23: 5k

Confirmation of Independence (cont.)

Summary of fees

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

Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0.08:1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2023/24
	£'000
Statutory audit	162
Other Assurance Services	15
Total Fees	**177**

Application of the FRC Ethical Standard 2019

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

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

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

Independence and objectivity considerations relating to other matters

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

Confirmation of audit independence

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

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

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

Yours faithfully

Emma Larcombe

KPMG LLP

KPMG's Audit quality framework

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

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

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

Commitment to continuous improvement

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

Performance of effective & efficient audits

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

Commitment to technical excellence & quality service delivery

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

Association with the right entities

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

Clear standards & robust audit tools

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

Recruitment, development & assignment of appropriately qualified personnel

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

ISA (UK) 315 Revised: Overview

Summary

In the prior period, ISA (UK) 315 Revised "Identifying and assessing the risks of material misstatement" was introduced and incorporated significant changes from the previous version of the ISA.

These were introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA was effective for periods commencing on or after **15 December 2021**.

The revised standard expanded on concepts in the existing standards but also introduced new risk assessment process requirements – the changes had a significant impact on our audit methodology and therefore audit approach.

What impact did the revision have on audited entities?

With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes result in additional audit awareness and therefore clear and impactful communication to those charged with governance in relation to (i) promoting consistency in effective risk identification and assessment, (ii) modernising the standard by increasing the focus on IT, (iii) enhancing the standard's scalability through a principle based approach, and (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

Implementing year 1 findings into the subsequent audit plan

Entering the second year of the standard, the auditors will have demonstrated, and communicated their enhanced insight into their understanding of your wider control environment, notably within the area of IT.

In year 2 the audit team will apply their enhanced learning and insight into providing a targeted audit approach reflective of the specific scenarios of each entity's audit.

A key area of focus for the auditor will be understanding how the entity responded to the observations communicated to those charged with governance in the prior period.

Where an entity has responded to those observations a re-evaluation of the control environment will establish if the responses by entity management have been proportionate and successful in their implementation.

Where no response to the observations has been applied by entity, or the auditor deems the remediation has not been effective, the audit team will understand the context and respond with proportionate application of professional scepticism in planning and performance of the subsequent audit procedures.

What will this mean for our on-going audits?

To meet the on-going requirements of the standard, auditors will each year continue to focus on risk assessment process, including the detailed consideration of the IT environment.

Subsequent year auditor observations on whether entity actions to address any control observations are proportionate and have been successfully implemented will represent an on-going audit deliverable.

Each year the impact of the on-going standard on your audit will be dependent on a combination of prior period observations, changes in the entity control environment and developments during the period. This on-going focus is likely to result in the continuation of enhanced risk assessment procedures and appropriate involvement of technical specialists (particularly IT Audit professionals) in our audits which will, in turn, influence auditor remuneration.

ISA (UK) 240 Revised: changes embedded in our practices

Ongoing impact of the revisions to ISA (UK) 240

ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) The auditor's responsibilities relating to fraud in an audit of financial statements included revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.

We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Area	Our approach following the revisions
Risk assessment procedures and related activities	1) Increased focus on applying professional scepticism – the key areas affected are: • the need for auditors not to bias their approach towards obtaining evidence that is corroborative in nature or excluding contradictory evidence; • remaining alert for indications of inauthenticity in documents and records, and • investigating inconsistent or implausible responses to inquiries performed. 2) Requirements to perform inquiries with individuals at the entity are expanded to include, amongst others, those who deal with allegations of fraud. 3) We will determine whether to involve technical specialists (including forensics) to aid in identifying and responding to risks of material misstatement due to fraud.
Internal discussions and challenge	We will have internal discussions among the audit team to identify and assess the risk of fraud in the audit, including determining the need for additional meetings to consider the findings from earlier stages of the audit and their impact on our assessment of the risk of fraud.

FRC's areas of focus

The FRC released their [Annual Review of Corporate Reporting 2021/22] in October 2022, along with a [summary of key matters] for the coming year, primarily targeted at CEOs, CFOs and Audit Committee chairs. In addition, they released six thematic reviews during the year which should be considered when preparing financial reports.

The reports identify where the FRC believes companies should be improving their reporting. Below is a high level summary of the key topics. We encourage management and those charged with governance to read further on those areas which are significant to the entity.

Reporting in uncertain times

Last year's Annual Review of Corporate Reporting from the FRC was prepared in the context of the current heightened economic and geopolitical uncertainty. The challenges of the Covid-19 pandemic, Russia's invasion of Ukraine and slowing of global economies has led to inflationary pressure worldwide and rising interest rates.

This makes meaningful disclosure more important than ever, and the FRC has stressed the need for companies to move beyond simply complying with the minimum requirements of the relevant accounting and reporting frameworks. They expect companies to provide high-quality, decision-useful information for investors, with companies continually assessing evolving risks and ensuring these are clearly explained in annual reports.

The potential effects of uncertainty on recognition, measurement and disclosure are numerous, and companies will need to think carefully about the impacts of uncertainty, in particular inflation, on their reporting. The Annual Review gives a number of examples including:

Strategic report: the impact of inflation on the business model, changes to principal risks and uncertainties, and the impact of inflation on stakeholders.

Discount rates: inputs need to follow a consistent approach in incorporating the effects of inflation.

Material assumptions: where inflation assumptions represent a source of significant estimation uncertainty, the FRC expects companies to provide explanation of how these have been calculated and sensitivity disclosures if appropriate.

Pension schemes: explain the effect of uncertainty on investment strategy and associated risks.

Climate-related reporting

Climate-related reporting has advanced significantly this year as premium listed entities are required by the Listing Rules to provide disclosures consistent with the Taskforce on Climate-Related Disclosures (TCFD) recommendations. This follows the expansion of the Streamlined Energy and Carbon Reporting (SECR) rules last year, which require quoted companies and large unquoted companies and LLPs to provide emissions reporting.

Climate has therefore been an area of ongoing focus for the FRC, with a thematic reviews in both 2021 and 2022 on aspects of climate reporting. From reviews of TCFD disclosures in the year, the FRC has highlighted five areas of improvement for companies to consider going forwards:

Granularity and specificity: disclosures should be granular and specific both to the company and the individual disclosure requirement, including a clear link to financial planning.

Balance: discussion of climate-related risks and opportunities should be balanced, and companies should consider any technological dependencies.

Interlinkage with other narrative disclosures: companies should ensure clear links between TCFD disclosures with other narrative disclosures in the annual report.

Materiality: companies should clearly articulate how they have considered materiality in the context of their TCFD disclosures.

Connectivity between TCFD and financial statements disclosures: the FRC may challenge those that disclose significant climate risks or net zero transition plans in narrative reporting, but do not explain how this is taken into account in the financial statements.

FRC's areas of focus (cont.)

Cash flow statements

This continues to be a particular area of concern as it is a recurring source of errors identified by the FRC, with 15 companies restating their cash flow statements in the review period as a result of the FRC's enquiries.

Companies are encouraged to consider the guidance in the 2020 thematic review on this topic, and to ensure that robust pre-issuance reviews of the financial statements have been undertaken.

Cash flows must be classified as operating, investing or reporting in line with the requirements of the standard, and amounts reported should be consistent with disclosures elsewhere in the report and accounts including the elimination of non-cash transactions.

Several errors identified by the FRC related to the parent company cash flow statement, and it should ensured that this statement also complies with the requirements of the standard.

Financial Instruments

Companies should ensure that disclosure is sufficient to enable users to evaluate the nature and extent of risks arising from financial instruments and the approach taken to risk management.

These disclosures should include the approach and assumptions used in the measurement of expected credit losses, and details of concentrations of risk. In times of economic uncertainty, disclosure of methods used to measure exposure to risks, and details of hedging arrangements put in place for interest rates or inflation are all the more important.

In addition, accounting policies should be provided for all material financing and hedging arrangements and any changes in these arrangements. Where companies have banking covenants, information about these should be provided (unless the likelihood of a breach is considered remote).

Income taxes

Where material deferred tax assets are recognised by historically loss-making entities, disclosures should explain the nature of the evidence supporting their recognition. In addition, any connected significant accounting judgements or sources of estimation uncertainty will also need to be disclosed.

On tax more generally, the FRC expects companies to ensure that tax-related disclosures are consistent throughout the annual report and accounts, and material reconciling items in the effective tax rate reconciliation are adequately explained.

For groups operating in several jurisdictions, effective tax reconciliations may be more meaningful if they aggregate reconciliations prepared using the domestic rate in each individual jurisdiction, with a weighted average tax rate applied to accounting profit.

Strategic report and other Companies Act 2006 matters

The strategic report needs to articulate the effects of economic and other risks facing companies, including inflation, rising interest rates, supply chain issues and labour relations. Mitigation strategies should be explained, with links, where relevant, to information disclosed elsewhere in the annual report.

Business reviews should discuss significant movements in the balance sheet and cash flow statement, and should not be limited to just an explanation of financial performance in the period.

The FRC has also identified instances of companies not complying with legal requirements around distributions, and companies are reminded of the need to file interim accounts to support distributions in excess of the distributable profits shown in the relevant accounts.

Revenue

Accounting policies should be provided for all significant performance obligations and should address the timing of revenue recognition, the basis for over-time recognition, and the methodology applied.

Inflationary features in contracts with customers and suppliers and the accounting for such clauses are under increased focus this year.

Alternative performance measures ('APMs')

APMs should not be presented with more prominence, emphasis or authority than measures stemming directly from the financial statements, and should be reconciled to the relevant financial statements line item.

FRC's areas of focus (cont.)

Provisions and contingencies

Companies should give clear and specific descriptions of the nature and uncertainties for material provisions or contingent liabilities, the expected timeframe and the basis for estimating the probable or possible outflow.

Inputs used in measuring provisions should be consistent in the approach to incorporating the effects of inflation, and details of related assumptions should be provided if material.

Presentation of financial statements and related disclosures

Material accounting policy information should be clearly disclosed, and additional company-specific disclosures should be provided when compliance with IFRS requirements is insufficient to adequately explain transactions.

Judgements and estimates

Economic uncertainty increases the likelihood of companies needing to make significant judgements when preparing financial statements. The FRC highlights two specific examples – going concern assessments and accounting for inflationary features in contracts – where disclosure is key.

More generally, the FRC highlights the need for disclosures to clearly distinguish between estimates with a significant risk of a material adjustment to the carrying amounts of assets/liabilities within the next year, and other sources of estimation uncertainty.

Significant estimates, and the associated disclosures should be updated at the balance sheet date. Sensitivity disclosures should be meaningful for readers, for example by sensitising the most relevant assumptions, and explaining any changes in assumption since the previous year.

Impairment of assets

Economic uncertainty may have a significant impact on impairment assessments, and this is an area where queries raised from the FRC could have been avoided by clearer disclosure.

Companies need to explain the sensitivity of recoverable amounts to changes in assumptions, especially where the range of possible outcomes has widened. This should include explanation of the effect of economic assumptions, such as reduction in customer demand and increased cost.

Inflation should be treated consistently in value in use calculations. Nominal cash flows are discounted at a nominal rate, and real cash flows are discounted at a real rate.

Lastly, the FRC stresses the importance of consistency between impairment reviews/disclosures and other disclosures in the annual report.

Thematic reviews

The FRC released six thematic reviews on corporate reporting last year, and companies are encouraged to consider the guidance in those reviews, where relevant, to enhance their financial reporting. The topics covered are:

- TCFD disclosures and climate in the financial statements
- Judgements and estimates
- IFRS 3 Business Combinations
- Discount rates
- Deferred Tax Assets (IAS 12)
- Earnings per Share (IAS 33)

2022/23 review priorities

The FRC has indicated that its 2022/23 reviews will focus on the extent to which companies' disclosures address risks and uncertainty in the challenging economic environment, including those relating to climate change. Companies need to clearly articulate the impact of these risks on their strategy, business model and viability. In particular, the FRC intends to prioritise reviews of companies operating in the following sectors:

- Travel, hospitality and leisure
- Construction materials
- Retail
- Gas, water and multi-utilities

kpmg.com/uk

ATTACHMENT 2

External Auditor’s Annual Report for the year ended 31 March 2024

Auditor's Annual Report for Tendring District Council

Year-ended 31 March 2024

—

13 February 2025

Contents

DRAFT

Key Contacts

Emma Larcombe
Director
Emma.Larcombe@KPMG.co.uk

Jodie Preston
Manager
Jodie.Preston@KPMG.co.uk

Raoul Le Joncour
Assistant Manager
raoul.lejoncour@kpmg.co.uk

This report is addressed to Tendring District Council (the Council). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

01

Executive Summary

Executive Summary

DRAFT

Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of Tendring District Council (the 'Council'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Council alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:

Accounts - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Council and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting ('the Code').

Narrative report - We assess whether the narrative report is consistent with our knowledge of the Council.

Value for money - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Council's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.

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

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

Findings

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

Accounts	We issued a disclaimed opinion on the Council accounts on [DATE]. This means we do not express an opinion on the financial statements. Due to the significance of the matter described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. In summary, this includes limitations set by the backstop date for gaining sufficient appropriate audit evidence over some 23/24 balances and opening balances. In addition to this, the errors in the valuation of property, plant and equipment cannot be quantified. We have provided further details of the key risks we identified and our response on page 8.
Narrative report	We did not identify any significant inconsistencies between the content of the narrative report and our knowledge of the Council.
Value for money	We are required to give an opinion as to whether the Council has appropriate arrangements in place to secure economy, efficiency, and effectiveness in the use of resources. Our opinion is that the Council does not have appropriate arrangements place due to the 1 significant weakness identified in respect of arrangements to secure economy, efficiency, and effectiveness in the use of resources. Further details are set out on page 17 onwards.
Other powers	See overleaf.

Executive Summary

DRAFT

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

Public interest reports

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

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

We have not issued a Public Interest Report this year.

Judicial review/Declaration by the courts

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

We have not applied to the courts this year.

Recommendations

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

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

We made no recommendations under Schedule 7 of the Local Audit and Accountability Act.

We have raised 5 other recommendations relating to Governance. For further details see pages 19 and 20.

Advisory notice

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

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

We have not issued an advisory notice this year.

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

02

Audit of the financial statements

Audit of the financial statements

DRAFT

KPMG provides an independent opinion on whether the Council's financial statements:

- Give a true and fair view of the financial position of the Council as at 31 March 2024 and of Council's income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We conduct our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We also fulfil our ethical responsibilities under, and ensure we are independent of the Council in accordance with, UK ethical requirements including the FRC Ethical Standard. We are required to ensure that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Our audit opinion on the financial statements

We issued a disclaimed opinion on the Council accounts on [DATE]. This means we do not express an opinion on the financial statements. Due to the significance of the matter described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. In summary, this includes limitations set by the backstop date for gaining sufficient appropriate audit evidence over some 23/24 balances and opening balances. In addition to this, the errors in the valuation of property, plant and equipment cannot be quantified. We have provided further details of the key risks we identified and our response on page 8.

Audit of the financial statements

DRAFT

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

Significant financial statement audit risk	Procedures undertaken	Findings
Management override of controls Fraud risk related to unpredictable way management override of controls may occur	- Evaluate the selection and application of accounting policies - In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments - Analyse all journals through the year and focus testing on those with a higher risk	We did not identify any material misstatements relating to this risk We raised a recommendation relating to the review of journals.
Valuation of post retirement benefit obligations The Council is a member of the Essex Pension Fund, a Local Government Pension Scheme. Accounting standards require that the value of the liabilities to be paid to current and future pensioners. The valuation of these liabilities is subject to complex actuarial judgements and assumptions. This means that a small change in an assumption or judgement can have a significant impact on the valuation reached.	- We evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations; - We evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability; - We challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data; - We confirmed that the accounting treatment and entries applied by the Council are in line with IFRS and the CIPFA Code of Practice; and - We assessed the level of surplus that should be recognised by the Council - We considered the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions. We did not identify any material misstatements relating to this risk. We considered the estimate to be balanced based on the procedures performed.	We did not identify any material misstatements relating to this risk. We considered the estimate to be balanced based on the procedures performed.

Audit of the financial statements (cont.)

DRAFT

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

Significant financial statement audit risk	Planned procedures	Findings
Valuation of land and buildings The carrying amount of revalued Land & Buildings differs materially from the fair value	We planned to perform the following procedures designed to specifically address the significant risk associated with the valuation. We have been unable to perform the following procedures specifically designed address the significant risk associated with valuation as a result of the backstop: - We will critically assess the independence, objectivity and expertise of the valuers used in developing the valuation of the Council's properties at 31 March 2024; - We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code. - We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information; - We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used; - We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement; - We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code; - We will utilise our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and - Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.	We have been unable to perform procedures over the significant risk associated with the valuation of land and buildings. The issues identified are detailed in the Year End Report to the Audit Committee.

03

Value for Money

Value for Money

DRAFT

Introduction

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or ‘value for money’. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:

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

Approach

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

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

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

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We make performance improvement observations where we identify opportunities to improve in areas where we have not identified any weaknesses.

Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	13	15	21
Identified risks of significant weakness?	✗ No	✓ Yes	✗ No
Actual significant weakness identified?	✗ No	✓ Yes	✗ No
2022-23 Findings	No significant weakness identified	No significant weakness identified	No significant weakness identified
Direction of travel	⇔	⇑	⇔

Value for Money

DRAFT

National context

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

Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable. Some Councils have initiated innovative plans to raise new funds, such as through increasing commercial activity. Some have questioned whether commercialisation activities open Councils to excessive risk or could be a poor use of taxpayer monies.

Some Councils have issued what are known as “section 114” notices, in this instance a declaration that they cannot generate sufficient resources to meet the costs they need to incur. In some instances, this has resulted in a need for exceptional financial support from central government (such as approval to sell council buildings to meet costs) and severe cutbacks to services.

Education

Many schools are now the responsibility of academy trusts, however some schools are still controlled and overseen by the local Council. Dedicated funding is provided by central government to run schools, however due to cost pressures many Councils have overspent against their central government allocation, particularly in relation to “high needs” expenditure (i.e. to support students with special educational needs and disability (SEND)). In response to this, the Department for Education has created the “safety valve” arrangement, where Councils are given additional funding whilst education costs are brought under control, with an expectation that schools reserves are brought back to break-even over time. When the safety valve arrangements end, some Councils are concerned that structural sustainability issues will not be resolved, and Councils will be financially unviable.

Housing Revenue Account (HRA)

Councils which operate a HRA are required by law to prevent the account running into deficit, and must operate it independently of the main operations of the Council. HRAs have experienced financial pressure over the past few years on account of high inflation rates increasing the cost of operating housing, whilst central government cap rent increases at or below the rate of inflation.

Following tragic deaths in housing estates in Kensington and Rochdale, there has been increased focus on the safety of social homes. Landlords are required to take remedial action to ensure homes are compliant with fire safety legislation and new regulations to improve building safety more generally. These regulations have increased the costs faced by landlords, caused loss of income where properties were void for repairs, and increased the risk of regulatory action should improvements not be made.

Local context

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

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

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

The Council have delivered on their capital programme for 2023/24 with numerous projects such as the Disabled Facilities Grants and Carnarvon House Demolition carried forward into 2024/25 due to spanning financial years. The capital programme is set to expand with the upcoming Levelling Up funding.

Financial Sustainability

DRAFT

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

We have considered the following in our work:

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

Budget setting and monitoring

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

Each service area is supported via a Finance Officer within the Corporate Finance Service who supports other Service areas in undertaking budget monitoring during the year. A comprehensive review of fees and charges is carried out each year including a benchmarking exercise. Monthly management team meetings take place to review key financial issues, performance management and delivery.

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

In 2023-24, the Council issued quarterly financial reports to Cabinet to monitor the forecast and delivery on savings. The Council has developed a savings plan for 2025/26 onwards including identification of options to deliver a sustainable position.

The Council also have a forecast risk fund of £6.4m (2023/24) in place to support the timing issues associated with annual budget setting including the delivery of savings, this includes the use of reserves. However, we note that the Council have a General Fund and Earmarked reserves balance of £34m 2023/24. At the date of our risk assessment, the forecast risk fund was estimated to remain in a surplus position over the remaining life of the current forecast period (up to and including 2026/27).

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

The Council have numerous risks relating to financial sustainability and performance within its Corporate Risk Register. These include lack of capacity to deliver core services, financial strategy and failure to collect levels of income required from council tax and non-domestic rates. The Corporate Risk Register is monitored bi-annually by Audit Committee and our review of the Risk Register confirmed that sufficient information was included to enable informed decision making. We do, however, recommend that risks around building safety, fire and mould which are current sector issues should be captured in the Corporate Risk Register. Additionally, some improvement is required to monitor service-line risks alongside the Council wide Risk Register.

Financial Sustainability

DRAFT

Budget outturn

The Council reported a £15.3m underspend in 2023/24 mostly due to carried forward projects into 2024/25, £15.3m was therefore added to the General Fund Reserve in-year. HRA reserves also increased by £2.8m due to carried forward projects and an additional contribution to HRA reserves in-year. The net underspend is £1.829m excluding carry forwards requested by Services.

At the date of our risk assessment, the on-going savings required to deliver financial sustainability was set to increase from £1.15m in 2024/25 to £4.25m in 2025/26, the Council have developed the new savings plan to reflect this.

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

Key financial and performance metrics:	2023-24	2022-23
Planned surplus/(deficit), excluding HRA	(13,518)	(21,123)
Actual surplus/(deficit), excluding HRA	1,782	(1,719)
Planned HRA surplus/(deficit)	(2,497)	(1,152)
Actual HRA surplus/(deficit)	96	839
Usable reserves	61,034	60,693
Gross debt compared to the capital financing requirement	0.86:1	0.86:1
Year-end borrowings	34,472	35,930
Year-end cash position	7,102	6,820

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

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

Governance

DRAFT

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

We have considered the following in our work:

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

Risk management

The Council assessed and managed risks through it's Risk Management Framework and Corporate Risk Register during the financial period. As the Risk Management Framework was last updated in 2018 we recommend updating.

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

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

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

Budget monitoring

The final 2023/24 budget was approved by Full Council on 14 February 2023. We have provided further commentary on the Council's budget setting process at ee 13.

The Council operate a one month budget monitoring cycle. On a monthly basis, key financial issues, performance management and delivery of budget is monitored at the monthly management meeting. The monthly management team meeting then has a standing agenda item as reported to the Audit Committee in order to escalate any significant performance issues or delivery hold ups. We note that there were no significant adverse variances in the revenue budget in 2023/24.

In terms of capital budgeting, from our risk assessment, we identified unauthorised expenditure in relation to a capital project in 2023/24, as well as budget overspends on a number of capital projects subsequent to their original budget . We also identified issues raised in relation to project management as a result of internal audit findings. We have therefore raised two significant risks in relation to this at pages 17 and 18.

Counter fraud

The Council's counter fraud and anti-corruption arrangements are included within the Council's Anti-Fraud and Corruption Strategy which is monitored via the Audit Committee, additionally, the roles and responsibilities of Council employees and Committees regarding fraud are included within the Council's Constitution. The strategy was last updated in January 2024 and reviewed at Audit Committee on 25 January 2024.

Governance

DRAFT

Compliance with laws and regulations and standards and behaviour

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

Decision making processes

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

Our review of a decision made within 2023/24 for Pantomime Procurement confirmed that the correct process was followed, including record of officers decision, letter of concurrence, completed consent form for use of special urgency procedure and appropriate documentation of purpose, decision and alternative options considered.

Based on the risk assessment procedures performed we have identified two significant risks associated with governance, further detail is set out on pages 17 and 18.

	2023-24	2022-23
Head of Internal Audit Opinion	Adequate Assurance	Adequate Assurance
Local Government Ombudsman findings	4 upheld complaints	2 upheld complaints
Housing Ombudsman findings	None	1 complaint
Ofsted rating	Tendring District Council Career Track – Good	No inspection carried out

Significant Value for Money Risk

DRAFT

1

Unauthorised expenditure and overspend on capital projects

Risk that value for money arrangements may contain a significant weakness linked to Governance.

Significant Value for Money Risk

Our risk assessment procedures identified unauthorised expenditure of £386k in 2023/24 on the Spendells capital project. Expenditure and legally binding instructions being given without the necessary budget in place can lead to pressure on the financial sustainability of the Council, specifically in relation to the Housing Revenue Account which is being used to fund the additional required budget to complete the Spendells Project. In addition to this, a number of capital projects have overspent beyond their original budget in 2023/24.

An A Further Update on Spendells House and Review of Budget and Reference under Section 5 of the Local Government and Housing Act 1989 to review the unauthorised expenditure in-year was taken to Cabinet on 24 May 2024. As well as unauthorised expenditure, the cost of the project has significantly escalated beyond the existing budget. We do note that a full independent investigation is underway and the Council have been transparent in their reporting of the issue. In response, a letter to all Senior Officers was also sent out by the Chief Executive speaking to the issue of unauthorised expenditure and the importance of following process to follow where overspends are expected or required.

Additionally, the Council have held a Senior Management Forum in September 2024 to refresh senior management on their roles and responsibilities, including budgets and financial procedure rules, procurement rules and the consequences of getting this wrong. The unauthorised expenditure in the year, combined with the overspends on a number of capital projects, raises the risk that there were not adequate arrangements in place in 2023/24 in relation to governance.

Our response

We performed the following procedures:

Review the process in place in 2023-24 for budget overspend to take place

Understand the failure in control that led to the overspend and unauthorised expenditure

Review and understand the actions the Council have taken since the issue was raised.

Our findings

Findings

We note that the unauthorised expenditure highlights that appropriate governance procedures to monitor approved expenditure on projects were not in place during 2023/24. We will therefore raise a significant weakness in relation to this. We note that with the upcoming Capital Programme and Levelling Up funding, there is increased potential value for money risk in the future.

Conclusion

Based on the findings above we have determined that there is a significant weakness in arrangements relating to Governance.

Significant Value for Money Risk

DRAFT

2 Failure to deliver projects on time and within budget

Risk that value for money arrangements may contain a significant weakness linked to Governance.

Significant Value for Money Risk

The Internal Audit team during their Project Management review, noted improvement is required due to major issues identified around multiple instances of projects failing to be delivered on time and within their original budget. Due to the nature of these projects, the values involved, and potential for further overspends, as well as the scale of the Council's capital programme and funding in the short and medium term, we have noted a significant risk around governance.

Due to the scale of overruns on capital projects, including Spendells and Sunspot, it will only take a few projects to create disproportionate variances which the Council needs to cover and we note this may require HRA reserves to be used.

The main internal audit findings included a lack of updates for major projects, failure to complete projects on time and within budget and a lack of central software to track project progress. We note that the Council have an action plan in place to address the internal audit findings, including a new Project Report, officer training on the requirements of the constitution and a new Project Board. Significant progress has been made against these actions, including investment in developing a project delivery unit agreed by Cabinet in July 2024 and a formal response sent to all officers setting out the rules, regulations and standards when managing projects to be sent out by the project lead once appointed.

The scale of overruns on capital projects and the internal audit findings noted on project management raises the risk that there were not adequate arrangements in place in 2023/24 in relation to governance.

Our response

We performed the following procedures:

Understand the internal audit findings in relation to Project Management

Review the action plan the Council have put in place to respond to the internal audit findings

Understand and review the progress made against the actions agreed

Our findings

Findings

The report from internal audit had two major findings, however, there is an adequate action plan in place to address the issues found and therefore, we will not raise a significant weakness. However, with the significant weakness identified in relation to unauthorised expenditure and the upcoming Capital Programme and Levelling Up funding, it is important that the actions agreed with internal audit are put in place to ensure future projects are robustly managed.

Conclusion

Based on the findings above we have not identified a significant weakness in arrangements relating to Governance.

Value for Money: Recommendations

DRAFT

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	Significant	We have identified a significant weakness relating to Governance. Unauthorised expenditure of £386k in 2023/24 has been identified on the Spendells capital project. In addition to this, a number of capital projects, including Spendells, have overspent their budget in 2023/24. The unauthorised expenditure highlights that appropriate governance procedures to monitor approved capital expenditure on projects were not in place during 2023/24. The Council is undertaking a formal investigation into how the unauthorised expenditure arose, but this is yet to be concluded at the date of our report. We recommend that the Council concludes its investigation as soon as possible and ensures that appropriate governance arrangements are in place to monitor the implementation of the recommendations arising from the investigation.	The outcome of the investigation into Spendells is due to be finalised and reported to Members shortly, and any emerging recommendations to strengthen the Council's project management / governance arrangements will be considered as timely as possible. In respect of the reference to capital projects overspending their budget in 2023/24, unlike the Spendells project where unauthorised expenditure was incurred, these broadly relate to projects where the associated budgets would have increased as necessary via the Council's existing governance arrangements. The overspending reference therefore relates to increases made to the associated budgets ahead of expenditure being incurred which would have been subject to separate standalone decisions or via the regular Financial Performance Reports presented to Cabinet. Such reports would have set out the reasons for the increase. It is also important to highlight that the Council has acknowledged the need to ensure sufficient capacity to deliver the Council's various ambitious projects, with the Project Delivery Unit recently being established.

Value for Money: Recommendations

DRAFT

Below we have set out our findings from following up recommendations identified in prior periods:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	Other	The Council should expediate the implementation of solutions identified to prevent any risk of being in breach of GDPR laws	Management response is that the arrangements to address the risk, have all been implemented post May 2023 local elections under the newly elected Council

Improving economy, efficiency and effectiveness

DRAFT

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

We have considered the following in our work:

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

Performance reporting

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

Other activities

We have not identified any materially under-performing services in 2023-24 and the Council has not initiated any commercialisation activities such as borrowing to invest or setting up subsidiaries to conduct novel commercial activity.

We note that no new significant outsourcing arrangements have been initiated in 2023/24.

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

Partnership work

The Council have a number of partnership arrangements including Levelling Up Partnerships and the Procurement partnership with Essex County Council. The Council have brought the work to deliver the Levelling Up Project in-house and additional capacity has been put in place to support this. We did not identify any significant risks in relation to these projects in 2023-24, but we note that there is potential future risk of deliverability as the projects increase in size.

Risk assessment conclusion

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

Value for Money: Recommendations

DRAFT

The recommendations raised as a result of our work in respect of performance observations in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	Other	The Internal Audit team during their Project Management review, noted improvement is required due to major issues identified around multiple instances of projects failing to be delivered on time and within their original budget. Due to the nature of these projects, the values involved, and potential for further overspends, as well as the scale of the Council's capital programme and funding in the short and medium term, we have noted a significant risk around governance. The report from internal audit on Project Management had two major findings, however, there is an adequate action plan in place to address the issues found. We recommend that the Council continue to implement and closely monitor the progress of the action plan.	Please see management response set out on page 19 for additional details. As recommended, the Council will continue to implement the necessary actions and monitor the progress of the action plan that will be complemented by the outcomes from the Spendells investigation and any other learning from other major projects that will be reported to members as set out in the Annual Governance Statement.
2	Other	Risks around building safety, fire and mould which are current sector issues are not currently captured in the corporate risk register. The Council also do not currently monitor service-line risks alongside the authority-wide risk register. We recommend that the Council ensure that health and safety risks are adequately captured in the risk register and service-line risks are monitored alongside the authority-wide risk register.	It is acknowledged that there is always a balance between operational / service risks and those captured within the Corporate Risk Register. The Council's current corporate risk register does capture Health and Safety and the Management of Assets as high level risks, but further consideration will be given to the recommendations made in terms of achieving this overall balance.
3	Other	Although the Council make tender exemption decisions individually, a central tender waiver register is not held. We recommend that the Council hold a central tender waiver register to be reviewed annually by Cabinet and the Audit Committee.	This will be considered as part of the upcoming annual governance review.
4	Other	The Council's risk management framework is now 6 years old, we recommend that this is reviewed and updated as required.	Although this will be considered as part of the on-going Corporate Risk Management activities and associated reports to the Audit Committee, it is important to highlight that it is broadly subject to review on a six monthly basis as part of the same process.

kpmg.com/uk

ATTACHMENT 3

External Auditor's Value for Money Report (2023/24)

Tendring District Council

Value for money

Value for money

For 2023/24 our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.

Our responsibility to conclude on significant weaknesses in value for money arrangements is unchanged.

The main output remains a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

Risk assessment processes

Our responsibility remains to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will continue to consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

Reporting

As with the prior year our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its Statement of Accounts online.

Financial sustainability

How the body manages its resources to ensure it can continue to deliver its services.

Governance

How the body ensures that it makes informed decisions and property manages its risks.

Improving economy, efficiency and effectiveness

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

Value for money

Approach we take to completing our work to form and report our conclusion:

Process

Understanding the entity's arrangements → **Evaluation of entity's value for money arrangements** → **Value for money conclusion and reporting**

Understanding the entity's arrangements:
- Financial statements planning
- Internal reports, e.g. IA
- Management Inquiries
- External reports, e.g. regulators
- Assessment of key processes
- Statement of Accounts

Evaluation of entity's value for money arrangements:
- Targeted follow up of identified value for money significant risks
- Continual update of risk assessment

Value for money conclusion and reporting:
- Conclusion whether significant weaknesses exist

Outputs

Risk assessment to Audit Committee

Our risk assessment will provide a summary of the procedures undertaken and our findings against each of the three value for money domains. This will conclude on whether we have identified any significant risks that the entity does not have appropriate arrangements in place to achieve VFM.

Value for money assessment

We will report by exception as to whether we have identified any significant weaknesses in arrangements.

Public commentary

Our draft public commentary will be prepared for the Audit Committee alongside our Auditor's annual report on the accounts.

Public commentary

The commentary is required to be published alongside the Statement of Accounts.

Summary of risk assessment

Summary of risk assessment

As set out in our methodology we have evaluated the design of controls in place for a number of the Council's systems, reviewed reports from external organisations and internal audit and performed inquiries of management. These procedures are consistent with prior year.

Based on these procedures the table below summarises our assessment of whether there is a significant risk that appropriate arrangements are not in place to achieve value for money at the Council for each of the relevant domains:

Domain	Significant risk identified?
Financial sustainability	No significant risks identified
Governance	Two significant risks identified
Improving economy, efficiency and effectiveness	No significant risk identified

As a result of our risk assessment, we have identified two significant risks at this stage.

Value for money arrangements

Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2023/24 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

Summary of risk assessment

Budget setting and monitoring

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

Each service area is supported via a Finance Officer within the Corporate Finance Service who supports other Service areas in undertaking budget monitoring during the year. A comprehensive review of fees and charges is carried out each year including a benchmarking exercise. Monthly management team meetings take place to review key financial issues, performance management and delivery.

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

In 2023-24, the Council issued quarterly financial reports to Cabinet to monitor the forecast and delivery on savings. The Council has developed a savings plan for 2025/26 onwards including identification of options to deliver a sustainable position.

The Council also have a forecast risk fund of £6.4m (2023/24) in place to support the timing issues associated with annual budget setting including the delivery of savings, this includes the use of reserves. However, we do note that the Council have a General Fund Earmarked reserves balance of £34m 2023/24. At the date of our risk assessment, the forecast risk fund was estimated to remain in a surplus position over the remaining life of the current forecast period (up to and including 2026/27).

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

Value for money arrangements

Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2023/24 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

Summary of risk assessment (cont.)

The Council have numerous risks relating to financial sustainability and performance within its Corporate Risk Register. These include lack of capacity to deliver core services, financial strategy and failure to collect levels of income required from council tax and non-domestic rates. The Corporate Risk Register is monitored bi-annually by Audit Committee and our review of the Risk Register confirmed that sufficient information was included to enable informed decision making. We do, however, recommend that risks around building safety, fire and mould which are current sector issues should be captured in the Corporate Risk Register. Additionally, some improvement is required to monitor service-line risks alongside the Council wide Risk Register.

Budget outturn

The Council reported a £15.3m underspend in 2023/24 mostly due to carried forward projects into 2024/25, £15.3m was therefore added to the General Fund Reserve in-year. HRA reserves also increased by £2.8m due to carried forward projects and an additional contribution to HRA reserves in-year. The net underspend is £1.829m excluding carry forwards requested by Services.

At the date of our risk assessment, the on-going savings required to deliver financial sustainability was set to increase from £1.15m in 2024/25 to £4.25m in 2025/26, the Council have developed the new savings plan to reflect this

Risk assessment conclusion

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

Value for money arrangements

Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The review and approval of the 2023/24 financial plan by the Authority, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- Controls in place to prevent and detect fraud;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

Summary of risk assessment

Risk management

The Council assessed and managed risks through it's Risk Management Framework and Corporate Risk Register during the financial period. As the Risk Management Framework was last updated in 2018 we recommend updating.

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

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

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

Budget monitoring

The final 2023/24 budget was approved by Full Council on 14 February 2023. We have provided further commentary on the Council's budget setting process at page 5.

The Council operate a one month budget monitoring cycle. On a monthly basis, key financial issues, performance management and delivery of budget is monitored at the monthly management meeting. The monthly management team meeting then has a standing agenda item as reported to the Audit Committee in order to escalate any significant performance issues or delivery hold ups. We note that there were no significant adverse variances in 2023/24.

From our risk assessment, we identified unauthorised expenditure in relation to a capital project in 2023/24, as well as budget overspends on a number of capital projects subsequent to their original budget. We also identified issues raised in relation to project management as a result of internal audit findings. We have therefore raised two significant risks in relation to this at pages 10 and 11.

Value for money arrangements

Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The review and approval of the 2023/24 financial plan by the Authority, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- Controls in place to prevent and detect fraud;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

Summary of risk assessment (cont.)

Counter fraud

The Council's counter fraud and anti-corruption arrangements are included within the Council’s Anti-Fraud and Corruption Strategy which is monitored via the Audit Committee, additionally, the roles and responsibilities of Council employees and Committees regarding fraud are included within the Council’s Constitution. The strategy was last updated in January 2024 and reviewed at Audit Committee on 25 January 2024.

Compliance with laws and regulations and standards and behaviour

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

Decision making processes

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

Our review of a decision made within 2023/24 for Pantomime Procurement confirmed that the correct process was followed, including record of officers decision, letter of concurrence, completed consent form for use of special urgency procedure and appropriate documentation of purpose, decision and alternative options considered.

Risk assessment conclusion

Based on the risk assessment procedures performed we have identified two significant risks associated with governance, further detail is set out on pages 10 and 11.

Value for money arrangements

Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with other stakeholder and wider partners in development of the organisation;
- How the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

Summary of risk assessment

Performance reporting

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

Other activities

We have not identified any materially under-performing services in 2023-24 and the Council has not initiated any commercialisation activities such as borrowing to invest or setting up subsidiaries to conduct novel commercial activity.

We note that no new significant outsourcing arrangements have been initiated in 2023/24.

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

Partnership work

The Council have a number of partnership arrangements including Levelling Up Partnerships and the Procurement partnership with Essex County Council. The Council have brought the work to deliver the Levelling Up Project in-house and additional capacity has been put in place to support this. We did not identify any significant risks in relation to these projects in 2023-24, but we note that there is potential future risk of deliverability as the projects increase in size.

Risk assessment conclusion

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

Value for money

1 Unauthorised expenditure and overspend on capital projects

Significant Value for Money risk linked to the domain of governance

Significant Value for Money Risk

Our risk assessment procedures identified unauthorised expenditure of £386k in 2023/24 on the Spendells capital project. Expenditure and legally binding instructions being given without the necessary budget in place can lead to pressure on the financial sustainability of the Council, specifically in relation to the Housing Revenue Account which is being used to fund the additional required budget to complete the Spendells Project. In addition to this, a number of capital projects have overspent beyond their original budget in 2023/24.

An addendum report to review the unauthorised expenditure in-year was taken to Cabinet on 24 May 2024. As well as unauthorised expenditure, the cost of the project has significantly escalated beyond the existing budget. We do note that a full independent investigation is underway and the Council have been transparent in their reporting of the issue. In response, a letter to all Senior Officers was also sent out by the Chief Executive speaking to the issue of unauthorised expenditure and the importance of following process to follow where overspends are expected or required.

Additionally, the Council have held a Senior Management Forum in September 2024 to refresh senior management on their roles and responsibilities, including budgets and financial procedure rules, procurement rules and the consequences of getting this wrong.

The unauthorised expenditure in the year, combined with the overspends on a number of capital projects, raises the risk that there were not adequate arrangements in place in 2023/24 in relation to governance.

Our response

We will perform the following procedures:

- Review the process in place in 2023-24 for budget overspend to take place
- Understand the failure in control that led to the overspend and unauthorised expenditure
- Review and understand the actions the Council have taken since the issue was raised.

Our findings:

We note that the unauthorised expenditure highlights that appropriate governance procedures to monitor approved expenditure on projects were not in place during 2023/24. We will therefore raise a significant weakness in relation to this. We note that with the upcoming Capital Programme and Levelling Up funding, there is increased potential value for money risk in the future.

Value for money

2 Failure to deliver projects on time and within budget

Significant Value for Money risk linked to the domain of governance

Significant Value for Money Risk

The Internal Audit team during their Project Management review, noted improvement is required due to major issues identified around multiple instances of projects failing to be delivered on time and within their original budget. Due to the nature of these projects, the values involved, and potential for further overspends, as well as the scale of the Council's capital programme and funding in the short and medium term, we have noted a significant risk around governance.

Due to the scale of overruns on capital projects, including Spendells and Sunspot, it will only take a few projects to create disproportionate variances which the Council needs to cover and we note this may require HRA reserves to be used.

The main internal audit findings included a lack of updates for major projects, failure to complete projects on time and within budget and a lack of central software to track project progress. We note that the Council have an action plan in place to address the internal audit findings, including a new Project Report, officer training on the requirements of the constitution and a new Project Board. Significant progress has been made against these actions, including investment in developing a project delivery unit agreed by Cabinet in July 2024 and a formal response sent to all officers setting out the rules, regulations and standards when managing projects to be sent out by the project lead once appointed.

The scale of overruns on capital projects and the internal audit findings noted on project management raises the risk that there were not adequate arrangements in place in 2023/24 in relation to governance.

Our response

We will perform the following procedures:

- Understand the internal audit findings in relation to Project Management
- Review the action plan the Council have put in place to respond to the internal audit findings
- Understand and review the progress made against the actions agreed

Our findings:

The report from internal audit had two major findings, however, there is an adequate action plan in place to address the issues found and therefore, we will not raise a significant weakness. However, with the significant weakness identified in relation to unauthorised expenditure and the upcoming Capital Programme and Levelling Up funding, it is important that the actions agreed with internal audit are put in place to ensure future projects are robustly managed.

kpmg.com/uk

ATTACHMENT 4

External Auditor’s Year End Report for the year ended 31 March 2024

Year End Report to the Audit Committee

Tendring District Council

Year end report for the year ended 31 March 2024

—

13 February 2025

KPMG required communications for all entities

Introduction

To the Audit Committee of Tendring District Council

We are pleased to have the opportunity to meet with you on 13 February to discuss the results of our audit of Tendring District Council as at and for the year ended 31 March 2024.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan, presented on 25 April 2024. We will be pleased to elaborate on the matters covered in this report when we meet.

The engagement team

We expect to be in a position to sign our audit opinion on the approval of the financial statements and auditor's representation letter by the 28th of February 2025, provided that the outstanding matters noted on page 3 of this report are satisfactorily resolved.

We will be issuing a disclaimer audit opinion for the reasons outlined on page 4.

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

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

Yours sincerely,

Emma Larcombe

Director

13 February 2025

How we deliver audit quality

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

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

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

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

Important notice

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

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

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of Tendring District Council (the 'Council'), prepared in accordance with [International Financial Reporting Standards ('IFRSs') as adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, as at and for the year ended 31 March 2024.

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

This report summarises the key issues identified during our audit.

Limitations on work performed

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

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

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit and implications of the statutory backstop

Page 4 'Our audit and the implications of the statutory backstop' explains the impact of the statutory backstop and our resulting conclusion to issue a disclaimer opinion on the financial statements.

Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status. Page 6 'Our Audit Findings' outlines the outstanding matters in relation to the audit.
Our conclusions will be discussed with you before our audit report is signed.

This report is addressed to Tendring District Council (the Council). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Our audit and the implications of the statutory backstop

Measures to resolve the backlog

The Government has introduced measures to resolve the local government financial reporting and audit backlog. Amendments have been made to the Accounts and Audit Regulations and NAO's Code of Audit Practice which have allowed auditors to give disclaimed opinions over any open, incomplete audits up to the period ending 31 March 2023. These were required to be delivered by 13th December 2024. For Tendring District Council this has resulted in a disclaimed audit opinion for 2 financial years to and including 2022/23.

Those same amendments to the Accounts and Audit Regulations require the Council to publish its audited 2023/24 financial statements and accompanying information on or before 28 February 2025. In accordance with the Code, as auditors we are required to provide our audit report on those financial statements in sufficient time to enable the Council to publish its audited financial statements by this date, irrespective of if the audit is complete or not.

The Appendix 'Local Audit - Reset and Recovery' provides more detailed information regarding this. The appendix also provides more detail on the implication of this in future audits, in respect of rebuilding assurance.

Impact on our audit of the financial statements

The impact of the above means that for the financial year 2023/24 we have not been able to obtain sufficient appropriate audit evidence in respect of the 2023/24 opening balances and the comparatives balances relating to 2022/23. The work we have performed in 2023/24 is explained on the next page.

As explained in the previously referenced appendix, the level of rebuilding assurance has been limited in 2023/24 as we have determined that there is insufficient time to complete our audit to obtain sufficient appropriate audit evidence, and, in our view, this is pervasive to the financial statements as a whole.

As a result of the above and irrespective of the level of work completed on 2023/24 balances, we intend to issue a disclaimer opinion on the financial statements. See Appendix for an extract of our draft audit opinion on page 29.

Other matters

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

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

Value for Money

The amendments to the Accounts and Audit Regulations do not impact on our responsibilities in relation to the Council's Value for Money arrangements. We are responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Page 17 provides a summary of our findings. Further details are also available in our Auditor's Annual Report for 2023/24.

DRAFT

Our audit and the implications of the statutory backstop

Work completed in 2023/24

Our audit plan, presented to you on 25 April 2024 set out our audit approach including our significant risks and other audit risks. We have updated our response to those significant risks, in the pages overleaf, identifying the work we have and have not been able to complete.

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

Specifically in relation to 2023/24 we have completed our work on the following areas in addition to our planning and risk assessment work:

Significant risks

- Management override of controls

Other areas

- Investment property
- Short Term Investments
- Cash and cash equivalents (23/24 opening and closing balances)
- Short and Long Term Borrowing
- Other Long Term Liabilities – Pensions
- Property, Plant and Equipment Additions
- In-year Expenditure
- In-year Income
- Housing Revenue Account Income and Expenditure Statement
- Collection Fund Income

We have been unable to complete our work on the following areas:

- Opening balances;
- Movements in usable and unusable reserves for the year ended 31 March 2024;
- Other work areas: the carrying value of property plant and equipment, short term Creditors, short term Debtors, Collection Fund Expenditure.

Significant challenges with progressing work

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

Quality of audit evidence:

- *Issues with the original listing provided for testing of rental income.*
- *Issues with the valuation of other land and buildings (see Page 15 for further detail)*

Number and scale of issues identified:

- Two significant risks identified on VFM and one subsequent significant weakness

We have considered the impact of these issues on our audit and have discussed fee variations with management. These are outlined on page 34.

We are working with management in advance of the 2024/25 audit to ensure these are addressed where possible.

Rebuilding assurance

We have detailed in Appendix 'Local Audit – Reset and Recover' the process we will follow to rebuild assurance over the coming years to return to an unmodified opinion.

DRAFT

Our audit findings

We have set out below the status of our work and key findings from the work we were able to perform before the backstop date. On page 4 we have discussed the reasons for the disclaimer audit opinion.

Significant audit risks	**Page 9**
Significant audit risks	**Our findings**
Management override of controls	We identified one control deficiency in relation to the approval of journals
Valuation of post retirement benefit obligations	We have not identified any issues in relation to the assumptions used within the valuation of the LGPS gross pension liability, except for salary increase assumption which is raised as an audit misstatement.
Key accounting estimates	**Page 14**
Valuation of Pension Liabilities/Assets	We involved KPMG actuarial specialists in reviewing the actuarial assumptions. Assumptions were found to be balanced

Number of Control deficiencies	**Page 37-39**
Significant control deficiencies	1
Other control deficiencies	6

Outstanding matters

Our audit is substantially complete except for the following outstanding matters

- Management representation letter
- Finalise audit report and sign

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

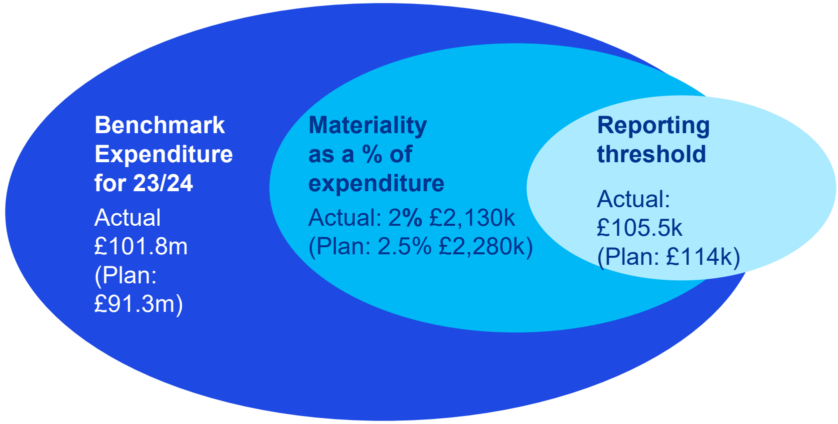
DRAFT

Key changes to our audit plan

We have not made any changes to our audit plan as communicated to you on 25 April 2024, other than as follows (excluding the implications of the statutory backstop which are dealt with on page 4):

Materiality

Materiality has been revised because the benchmark, expenditure for the 2023/24 financial year, has increased significantly since planning. We also revised materiality to 2% as opposed to 2.5% in line with industry standards.



Risk	Risk change and effect on audit strategy and plan
Fraud risk from expenditure recognition	The Council's General Fund and HRA reserves have increased in the current year, reducing the fraud risk. We noted that the additions balance in the current year was lower than expected at 5 times performance materiality and would therefore need to be significantly wrong for there to be a material misstatement. Following the completion of our risk assessment procedures, we have rebutted the fraud risk from expenditure recognition.

DRAFT

Significant risks and Other audit risks

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

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

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

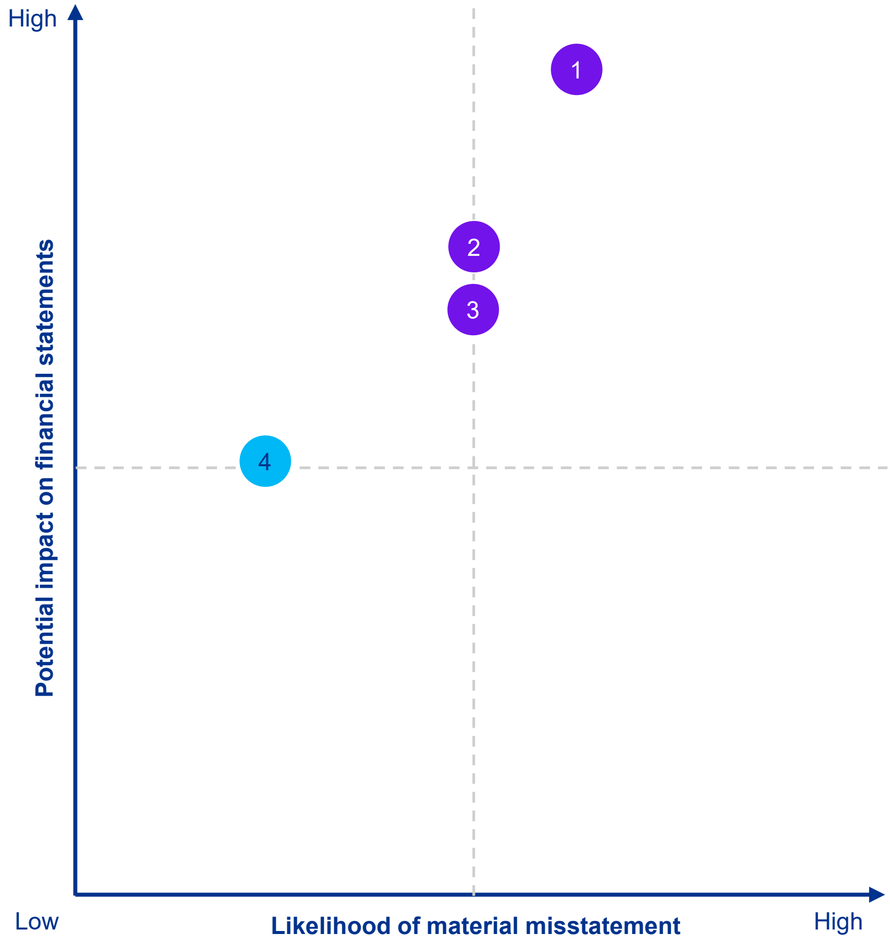
During our audit we identified changes in risks of material misstatement as highlighted on the graph – see also the following slides

In the pages overleaf we have reported the work we have completed on significant risks and other audit risks. Where work has not been completed in line with page 5 – we have not re-produced the slides that we presented in the audit plan.

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

Other audit risks	
4.	Recognition of the surplus on the net pension asset

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



DRAFT

Audit risks and our audit approach

1 Management override of controls[a]

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

Significant audit risk

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

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

Our response

Our audit methodology incorporates the risk of management override as a default significant risk. We have performed the following procedures designed to specifically address this significant risk:

- In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments.
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates. We note the change in accounting policy for infrastructure assets (coastal defence assets) from 20 years to 75 years following review by DSCEC Ltd.
- Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the normal course of business, or are otherwise unusual.
- In line with our audit plan, tested the operating effectiveness of controls over journal entries and post closing adjustments.
- We analysed all journals through the year and focus our testing on those with a higher risk, such as unusual debits and credits to cash and borrowings.

DRAFT

Audit risks and our audit approach (cont.)

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

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

Significant audit risk

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

Our findings

While we are disclaiming our audit opinion we are still required to identify our audit findings based on the work performed. We have identified no audit findings:

- We identified 7 journal entries and other adjustments meeting our high-risk criteria – our examination did not identify unauthorised, unsupported or inappropriate entries.
- Our procedures did not identify any significant unusual transactions.
- We did identify a control deficiency in relation to journals approval (see Page 37).

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

DRAFT

Audit risks and our audit approach (cont.)

2 Valuation of post retirement benefit obligations

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

Cautious | Neutral | Optimistic

Key: Prior year | Current year

Significant audit risk

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

Our planned response

We planned to perform the following procedures designed to specifically address this significant risk,

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

DRAFT

Audit risks and our audit approach (cont.)

2 Valuation of post retirement benefit obligations (cont.)

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

Cautious Neutral Optimistic

Key: Prior year Current year

Significant audit risk

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

Our findings

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

- We assessed the competency and objectivity of the Scheme actuaries and did not identify any reportable findings.
- Our actuaries have performed inquiries of the actuaries and have reviewed the underlying assumptions behind the calculation of the estimate. We have concluded that the overall assumptions are balanced relative to our central rates other than the salary increase assumption which is outside our reasonable range.
- The salary increase assumptions should be set as the employer's best estimate of their long term remuneration policy for their active membership in the fund. The actuary opinion, a prudent risk premium to the salary increase assumption for the purpose of calculating net asset position of fund. If the assumption was set in line with the Employer's best estimate assumption (in line with CPI) rather than the actuary's assumption (in line with CPI + 1%), we understand this would decrease the DBO by c.£1,600k based on the sensitivities disclosed in the Year-end report. Please refer to page 43 for the audit difference.
- The Actuarial Funding Valuation for the Fund, with an effective valuation date of 31 March 2022, was completed and signed in a prior accounting period. However, given this is a first-year audit, we have considered the impact of the 31 March 2022 valuation. An actuarial experience of £nil was allowed for in the 31 March 2022 IAS 19 results and hence within the accounting DBO. This is within the typical tolerance of 1% - 2% per annum. We have performed a reconciliation of the triennial funding valuation position to the opening IAS 19 figures as at 31 March 2022. Our checks are within our acceptable tolerances.
- We have assessed the level of surplus recognised by the Council and did not identify any reportable findings. The minimum funding contributions are higher than the future service cost and therefore no surplus is recognisable.
- In- line with International Auditing Standards, it is important for management to have ownership over the defined benefit pension valuation, even though this draws upon the expertise of actuarial experts engaged by the pension fund itself. While we are aware that management has discussed the assumptions to be used with the scheme actuary, this review and challenge by management has not been documented for our review in line with the requirements of auditing standards for an effective management review control. We have shared the disclosure recommendations with the management.

DRAFT

Audit risks and our audit approach (cont.)

Level of prudence compared to KPMG central assumptions

Audit misstatement | *Cautious* *Balanced* *Optimistic* | *Audit misstatement*

Reasonable range

Overall assessment of assumptions for audit consideration							*Balanced*	
Underlying assessment of individual assumptions		**Methodology**	**Consistent methodology to prior year?**	**Compliant methodology with accounting standard?**	**Employer**	**KPMG central**	**Assessment**	**Significant assumption**
Discount rate		AA yield curve	✓	✓	4.90%	4.81%		✓
CPI inflation		Deduction to inflation curve	✓	✓	2.90%	2.85%		✓
Pension increases		In line with CPI	✓	✓	2.90%	2.97%		
Salary increases		In line with most recent Fund valuation	✓	See next page	CPI + 1%	In line with long-term remuneration policy		
Mortality	Base tables	In line with most recent Fund valuation	✓	✓	110% of SAPS series 3 base tables	In line with best-estimate Fund experience		✓
	Future improvements	In line with most recent Fund valuation, updated to use latest available CMI model	✓ See page 11	✓	CMI 2022,1.25% long-term trend rate and default other parameters	CMI 2022,1.25% long-term trend rate and default other parameters		✓
Other demographics		In line with most recent Fund valuation	✓	✓	In line with most recent Fund valuation	In line with Fund experience		

DRAFT

Key accounting estimates and management judgements – Overview

Our view of management judgement

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

Cautious | Neutral | Optimistic

Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
Defined benefit plan	Neutral	137.3	0.6	Neutral	KPMG actuaries have reviewed the actuarial valuation for the Council, considered the disclosure implications and compared the actuarial valuation to our internal benchmarks. Overall, we consider the assumptions adopted to be balanced relative to our benchmark range, although salary increase assumption is outside our reasonable range
Defined benefit assets	Neutral	172.7	19.2	Neutral	The pension assets balance has increased by 11% in comparison to prior year. The rate of return confirmed by the pension fund is similar to the actuary's report, hence its on Neutral side.

DRAFT

Audit risks and where our audit approach

3 Valuation of land and buildings

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

Significant audit risk

- The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date.
- Land and buildings are valued either at existing use value (EUV) or for specialised assets at Depreciated Replacement cost (DRC) which includes assumptions made by the Valuer for relevant build costs, obsolescence and professional fees costs.
- There is therefore the risk for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the engaged valuer.

Our planned response

We planned to perform the following procedures designed to specifically address the significant risk associated with the valuation. We have been unable to perform the following procedures specifically designed address the significant risk associated with valuation as a result of the backstop as explained on page 4:

- We will critically assess the independence, objectivity and expertise of the valuers used in developing the valuation of the Council's properties at 31 March 2024;
- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We will utilise our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

DRAFT

Audit risks and our audit approach (cont.)

3 Valuation of land and buildings (cont.)

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

Significant audit risk

- The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date.
- Land and buildings are valued either at existing use value (EUV) or for specialised assets at Depreciated Replacement cost (DRC) which includes assumptions made by the Valuer for relevant build costs, obsolescence and professional fees costs.
- There is therefore the risk for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the engaged valuer.

Our findings

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

- The valuer have used the gross external area (GEA) to perform the valuation, rather than gross internal area (GIA) for specialised buildings within other land and buildings and an accurate value of this difference cannot be determined with the time constraints of the backstop date. We have raised a high priority control deficiency in this regard on Page 37.
- The Council do not hold sufficient data such as up to date floor plans for the asset portfolio revalued under other land and buildings. A full review of the Council's asset portfolio to ensure correct floor area data is held is recommended, we have raised a high priority control deficiency in this regard on Page 33.

DRAFT

Other significant matters

Control deficiencies

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

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

Key:

Red	These are significant control deficiencies which increase the likelihood and potential magnitude of a material misstatement in the financial statements. We have identified 1 significant control deficiencies in the current year.
Amber	These are matters of sufficient importance to note such as weaknesses which were subsequently corrected and matters that could be significant in the future if left unaddressed. We have identified 3 of such deficiencies in the current year.
Green	These are less significant weaknesses but which we considered to be of sufficient importance to merit management's attention. We have raised 3 related observations in the current year.

Other land and buildings (recurring)

- Review of valuation of land and buildings: Currently there is not a formalised review of the Council's valuer Wilks Head and Eve output. The Council do not hold sufficient data on the floor areas of their other land and buildings asset portfolio including up to date floor plans. We recommend that the Council undertake a full review of their asset portfolio and ensure up to date data is held on all asset floor areas. We also recommend that the Council undertake a formal review of the valuation on an annual basis.

This deficiency is currently unresolved.

DRAFT

Other matters

Narrative report

While we are disclaiming our audit opinion and not reporting on the narrative report, we have identified the following based on the work performed:

- We have not identified any inconsistencies between the contents of the Narrative Report and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the statements of the Council.

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

However, we note that we have not obtained sufficient appropriate audit evidence to issue an unmodified audit opinion. Due to this, and the possible consequential effect on the related disclosures in the Narrative Report, we are unable to determine whether there are material misstatements in the Narrative Report.

Annual Governance Statement

While we are disclaiming our audit opinion and not reporting on the Annual Governance Statement, we have identified the following based on the work performed:

- We have completed the work to consider it complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and
- It is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

However note that we have not obtained sufficient appropriate audit evidence to issue an unmodified audit opinion. Due to this, and the possible consequential effect on the related disclosures in the Annual Governance Statement, we are unable to determine whether there are material misstatements in the Annual Governance Statement.

Whole of Government Accounts

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

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

Independence and Objectivity

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

Audit Fees

Our PSAA 2023/24 audit scale fee for the audit was £162,000 plus VAT. We have discussed proposed fee variations of £31,456 to date with management. Refer to page 34 for more details.

We have not completed any non-audit work at the Council during the year.

Value for money

Value for money

We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources irrespective of the statutory backstop as explained on page 4.

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

Commentary on arrangements

We have prepared our Auditor's Annual Report and a copy of the report is included within the papers for the Committee alongside this report. The report is required to be published on your website alongside the publication of the annual report and accounts.

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

As noted on the right, we have identified 2 risks of a significant weakness in the Council's arrangements to secure value for money. On the pages overleaf we have set out the risks, our response and findings.

As a result of the work we have identified 1 significant weakness.

Performance improvement observations

As part of our work we have identified 4 Performance Improvement Observations, which are suggestions for improvement but not responses to identified significant weaknesses. These are set out within our Auditor's Annual Report.

Summary of findings

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

Domain	Risk assessment	Summary of arrangements
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	2 significant risks identified	Significant weakness identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

We have identified recommendations to significant weaknesses on page 23.

Significant value for money risks

1 Unauthorised expenditure and overspend on capital projects

Risk that value for money arrangements may contain a significant weakness linked to Governance.

Significant Value for Money Risk

Our risk assessment procedures identified unauthorised expenditure of £386k in 2023/24 on the Spendells capital project. Expenditure and legally binding instructions being given without the necessary budget in place can lead to pressure on the financial sustainability of the Council, specifically in relation to the Housing Revenue Account which is being used to fund the additional required budget to complete the Spendells Project. In addition to this, a number of capital projects have overspent beyond their budget in 2023/24.

A Further Update on Spendells House and Review of Budget and Reference under Section 5 of the Local Government and Housing Act 1989 to review the unauthorised expenditure in-year was taken to Cabinet on 24 May 2024. As well as unauthorised expenditure, the cost of the project has significantly escalated beyond the existing budget. We do note that a full independent investigation is underway and the Council have been transparent in their reporting of the issue. In response, a letter to all Senior Officers was also sent out by the Chief Executive speaking to the issue of unauthorised expenditure and the importance of following process to follow where overspends are expected or required.

Additionally, the Council have held a Senior Management Forum in September 2024 to refresh senior management on their roles and responsibilities, including budgets and financial procedure rules, procurement rules and the consequences of getting this wrong.

The unauthorised expenditure in the year, combined with the overspends on a number of capital projects, raises the risk that there were not adequate arrangements in place in 2023/24 in relation to governance.

Our response

Response

We performed the following procedures:

Review the process in place in 2023-24 for budget overspend to take place

Understand the failure in control that led to the overspend and unauthorised expenditure

Review and understand the actions the Council have taken since the issue was raised.

Our findings

Findings

We note that the unauthorised expenditure highlights that appropriate governance procedures to monitor approved expenditure on projects were not in place during 2023/24. We will therefore raise a significant weakness in relation to this. We note that with the upcoming Capital Programme and Levelling Up funding, there is increased potential value for money risk in the future.

Conclusion

Based on the findings above we have determined that there is a significant weakness in arrangements relating to Governance.

Significant value for money risks

2 Failure to deliver projects on time and within budget

Risk that value for money arrangements may contain a significant weakness linked to Governance

Significant Value for Money Risk

Description

The Internal Audit team during their Project Management review, noted improvement is required due to major issues identified around multiple instances of projects failing to be delivered on time and within budget. Due to the nature of these projects, the values involved, and potential for further overspends, as well as the scale of the Council's capital programme and funding in the short and medium term, we have noted a significant risk around governance.

Due to the scale of overruns on capital projects, including Spendells and Sunspot, it will only take a few projects to create disproportionate variances which the Council needs to cover and we note this may require HRA reserves to be used.

The main internal audit findings included a lack of updates for major projects, failure to complete projects on time and within budget and a lack of central software to track project progress. We note that the Council have an action plan in place to address the internal audit findings, including a new Project Report, officer training on the requirements of the constitution and a new Project Board. Significant progress has been made against these actions, including investment in developing a project delivery unit agreed by Cabinet in July 2024 and a formal response sent to all officers setting out the rules, regulations and standards when managing projects to be sent out by the project lead once appointed.

The scale of overruns on capital projects and the internal audit findings noted on project management raises the risk that there were not adequate arrangements in place in 2023/24 in relation to governance.

Our response

Response

We performed the following procedures:

Understand the internal audit findings in relation to Project Management

Review the action plan the Council have put in place to respond to the internal audit findings

Understand and review the progress made against the actions agreed

Our findings

Findings

The report from internal audit had two major findings, however, there is an adequate action plan in place to address the issues found and therefore, we will not raise a significant weakness. However, with the significant weakness identified in relation to unauthorised expenditure and the upcoming Capital Programme and Levelling Up funding, it is important that the actions agreed with internal audit are put in place to ensure future projects are robustly managed.

Conclusion

Based on the findings above we have not identified a significant weakness in arrangements relating to Governance.

Recommendations

We raised the following recommendations in response to significant weaknesses identified in our value for money procedures.

#	Recommendation	Management Response
1	The Council is undertaking a formal investigation into how the unauthorised expenditure arose, but this is yet to be concluded at the date of our report. We recommend that the Council concludes its investigation as soon as possible and ensures that appropriate governance arrangements are in place to monitor the implementation of the recommendations arising from the investigation.	The outcome of the investigation into Spendells is due to be finalised and reported to members shortly, and any emerging recommendations to strengthen the Council's project management / governance arrangements will be considered as timely as possible.

03
Tendring District Council Appendices

Year ended 31 March 2024

—

13 February 2025

Appendices

Contents	Page
Local Audit – Reset and Recovery	26
Extract from our draft report	29
Required communications	33
Fees	34
Confirmation of independence	35
Deficiencies	37
ISA (UK) 240 Revised: changes embedded in our practices	40
ISA (UK) 315 Revised: changes embedded in our practices	41
ISA (UK) 600 Revised: summary of changes	42
Audit Differences	43

Local Audit - Reset and Recovery

Background

It has been widely reported the level of delays in Local audit had grown to an unacceptable level. As a result, Central Government has been working with the Financial Reporting Council (FRC), as incoming shadow system leader and other system partners to develop proposals to address issues in the local audit. These consist of three stages:

Phase 1: **Reset** involving clearing backlog of historical audit opinions.

Phase 2: **Recovery** from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycle.

Phase 3: **Reform** involving address systemic challenge in the local audit system and embedding timely financial reporting and audit.

Implementation of Reset and Recovery

The Accounts and Audit (Amendment) Regulations 2024, introduced backstop dates by which local bodies must publish audited accounts and the NAO have also issued the revised 'Code of Audit Practice 2024 **Code of Audit Practice** that requires auditors to give an opinion in time to enable local bodies to comply with the backstop date. The table overleaf identifies the backstop dates and the status of your audits where impacted.

The NAO has also published Local Audit Rest And Recovery Implementation Guidance (LARRIGs), which have been prepared and published with the endorsement of the FRC and are intended to support auditors in meeting their requirements under the Act https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors

DRAFT

Local Audit - Reset and Recovery

Financial year	Date
Up to 2022/23	13 December 2024
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

Recovery period and audit work

The implication of receiving a modified opinion in 2020/21 and a disclaimed audit opinion for 2 financial years to and including 2022/23 means that for the financial year 2023/24 we have not been able to rely on the opening balances from 2022/23.

To obtain sufficient appropriate audit evidence over opening balances, auditing standards identify two approaches. One of those is to use the working papers and other information available on the prior year audit file, which as noted above has not been possible as the outgoing auditor has not been able to complete their audit. An alternative approach is the performance of specific audit procedures to obtain evidence regarding opening balances.

The LARRIGs, in particular LARRIG 05 *Rebuilding assurance following a disclaimed audit opinion,* was only finally published in September 2024 and further guidance, mentioned in the LARRIG in the format of a case study was only released in December 2024.

We also note there is an ongoing sector wide process, convened by the Financial Reporting Council (FRC) with other stakeholders to determine the appropriate level of work to perform to obtain sufficient appropriate audit evidence over opening balances. This, along with the backstop date for 2022/23 being only 2 months prior to that of the 2023/24 period, has limited the extent of building back assurance that has been possible in 2023/24.

During our audit of 2023/24 we have completed certain work on the closing balances for 2023/24 and in year transactions (see pages 4 to 6) and this will contribute to rebuilding assurance.

The table overleaf identifies an indicative pathway to returning to an unmodified opinion. However, it must be noted this is only an indicative pathway and the speed of progress will depend on a range of factors including the level of work required to provide assurance on opening balances, in particular PPE balances and reserves balances.

DRAFT

Local Audit – Reset and Recovery

Rebuilding assurance

Given the importance and complexity of reserves balances and management, a detailed risk assessment will be undertaken to understand the level of work required to obtain sufficient appropriate audit evidence on the reserves balances. As noted on the previous page, there is an ongoing sector wide process with other stakeholders to determine the appropriate level of work to perform to obtain sufficient appropriate audit evidence over opening balances.

We note there may be other factors which impact on the speed of this work – such as the support provided by the audited entity and availability and quality of audit evidence. Where such support is not provided and the availability and quality of audit evidence is not present this will significantly impact on the time taken to build back assurance and the likely cost of such a process in terms of audit fees. As we complete our debrief with management, we can discuss how assurance can be gained on individual account balances and ultimately lead to a position that unmodified opinions can be issued in future years.

Indicative pathway based is reproduced from the LARRIGs

2023/2024	Disclaimer of Opinion	Auditors will begin work to rebuild assurance, gaining sufficient assurance over some, but not all, closing balances. No assurance will be possible over brought forward balances from 2022-23 or comparatives, therefore this will lead the audit to be disclaimed as it cannot be concluded that the financial statements are free from material and pervasive misstatement.
2024/2025	Disclaimer of Opinion / Qualified (Except For)	Auditors will now have obtained sufficient evidence over most, if not all, closing balances in 2024-25, but does not yet have assurance over the brought forward balances that were not audited in 2023-24. This will likely lead the auditor to disclaim, however where auditors have gained assurance over in-year movements, they may be able to issue a qualified opinion instead.
2025/2026	Qualified (Except For)	Auditors should have assurance over the opening and closing balances plus in year movements, but may not have sufficient assurance over the comparative figures. This will likely lead to a qualification by limitation of scope to exclude assurance over the comparative figures – a material, but not pervasive misstatement.
2026/2027 2027/2028	Unmodified	It is expected that most audits, will have assurance over opening balances, closing balances, in-year movements and prior year comparatives. This will result in an unmodified opinion being issued.

DRAFT

Extract of our draft audit opinion

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TENDRING DISTRICT COUNCIL

REPORT ON THE AUDIT OF THE COUNCIL'S FINANCIAL STATEMENTS

Disclaimer of opinion

We were engaged to audit the financial statements of Tendring District Council ("the Council") for the year ended 31 March 2024 which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement, Collection Fund Income an Expenditure Statement, Housing Revenue Account and the related notes, including the Expenditure and Funding Analysis and the accounting policies in note 2.

We do not express an opinion on the financial statements. Due to the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

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

We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. These areas include, but were not limited to, the carrying value of property, plant and equipment , short term creditors, short term debtors , collection fund expenditure and the movements in usable and unusable reserves for the year ended 31 March 2024.

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

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

Identified material misstatement

In addition, included within other land and buildings are specialised buildings valued at depreciated replacement cost with a reported carrying amount of £20.355m as at 31 March 2024 that have been valued on the basis of the gross external areas of the assets concerned, rather than the gross internal areas. As a result, the valuation of these assets, and the associated amount recorded in the revaluation reserve, are overstated as at 31 March 2024. Because of the time constraints created by the Backstop Date, the Council has not instructed the valuer to carry out a detailed analysis of the valuations to determine the amount by which the value of the relevant assets has been overstated at that date. As no detailed analysis has been performed, it is not practicable for us to quantify the effect of this departure on the financial statements.

DRAFT

Extract of our draft audit opinion (cont.)

Fraud and breaches of laws and regulations – ability to detect

As stated in the Disclaimer of opinion section of our report, we do not express an opinion on the financial statements due to the reasons described in the Basis for disclaimer of opinion section of our report.

Other information

The Assistant Director of Finance and IT is responsible for the other information, which comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Any opinion on the financial statements would not cover the other information and we do not express an opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

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

Assistant Director of Finance and IT and Audit Committee's responsibilities

As explained more fully in the statement set out on page [X], the Assistant Director of Finance and IT is responsible for the preparation of financial statements in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and that give a true and fair view. They are also responsible for: such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 they have been informed by the government of the intention to either cease the services provided by the Council or dissolve the Council without the transfer of its services to another public sector entity.

The Audit Committee of the Council is responsible for overseeing the Council's financial reporting process.

Auditor's responsibilities

Our responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing (UK), and to issue an auditor's report. However, due to the significance of the matter described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

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

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the "NAO Code of Audit Practice"), we are required to report to you if we identify any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency and effectiveness in its use of resources.

Except for the matters explained below, we have nothing to report in this respect.

DRAFT

Extract of our draft audit opinion (cont.)

Significant Weakness - Governance

We have identified a significant weakness relating to Governance. Unauthorised expenditure of £386k in 2023/24 has been identified on the Spendells capital project. In addition to this, a number of capital projects, including Spendells, have overspent their budget in 2023/24. The unauthorised expenditure highlights that appropriate governance procedures to monitor approved capital expenditure on projects were not in place during 2023/24.

Recommendation

The Council is undertaking a formal investigation into how the unauthorised expenditure arose, but this is yet to be concluded at the date of our report. We recommend that the Council concludes its investigation as soon as possible and ensures that appropriate governance arrangements are in place to monitor the implementation of the recommendations arising from the investigation.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

As explained more fully in the statement set out on page [X], the Council is responsible for ensuring that it has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are required under section 20(1) of the Local Audit and Accountability Act 2014 to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively. We are also not required to satisfy ourselves that the Council has achieved value for money during the year.

We planned our work and undertook our review in accordance with the NAO Code of Audit Practice and related statutory guidance, having regard to whether the Council had proper arrangements in place to ensure financial sustainability, proper governance and to use information about costs and performance to improve the way it manages and delivers its services. Based on our risk assessment, we undertook such work as we considered necessary.

Statutory reporting matters

We are required by Schedule 2 to the NAO Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 and Schedule 7 of the Local Audit and Accountability Act 2014; or
- we make written recommendations to the Council under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in this respect.

Extract of our draft audit opinion (cont.)

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the members of the Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

As at the date of this audit report, we have not yet completed our work in respect of the Council's Whole of Government Accounts consolidation pack for the year ended 31 March 2024.

Until we have completed this work, we are unable to certify that we have completed the audit of the financial statements of the Tendring District Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the NAO Code of Audit Practice.

Emma Larcombe

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square, E14 5GL

[date]

DRAFT

Required communications

Our response to these required communications reflects the status of the audit at the point of the backstop.

Type		Response
Our draft management representation letter	OK	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2024.
Adjusted audit differences	OK	There were nil adjusted audit differences.
Unadjusted audit differences	OK	The aggregated surplus impact of unadjusted audit differences would be nil.
Related parties	OK	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	OK	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	OK	We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing on 13 February 2025.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	OK	No actual or suspected fraud involving Council management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Issue a report in the public interest	OK	We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit.

Type		Response
Significant difficulties	OK	No significant difficulties were encountered during the audit.
Modifications to auditor's report	X	Our audit opinion will be disclaimed. See page 29 for further details.
Disagreements with management or scope limitations	OK	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	OK	No material inconsistencies were identified related to other information in the annual report, Strategic and Directors' reports. The Strategic report is fair, balanced and comprehensive, and complies with the law.
Breaches of independence	OK	No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
Accounting practices	OK	Over the course of our audit, we have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	OK	There were no significant matters arising from the audit.
Certify the audit as complete	OK	We have not yet certified the audit as complete because our work on payroll, members allowances and cash opening balances is outstanding.
Provide a statement to the NAO on your consolidation schedule	OK	We will issue our report to the National Audit Office following the completion of our work.

DRAFT

Fees

Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£'000)
Statutory audit	162
ISA315r	13
VFM	8
Other	4
Disclaimer	4.5-5.5
TOTAL	**191.5-192.5**

Billing arrangements

- Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.
- As per PSAA's Scale Fees Consultation, the scale fees did not include new requirements of ISA315 revised (risk of material misstatement).
- We have also charged additional fees for rental income, housing benefits income and expenditure and value for money significant risks.
- Additional fees will be subject to the fees variation process as outlined by the PSAA.

DRAFT

Confirmation of Independence

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

To the Audit and Risk Committee members

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

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

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

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

General procedures to safeguard independence and objectivity

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

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

We are satisfied that our general procedures support our independence and objectivity [except for those detailed below where additional safeguards are in place].

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

Summary of non-audit services

There are no non-audit services applicable.

DRAFT

Confirmation of Independence (cont.)

Summary of fees

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

Fee ratio

	2023/24
	£'000
Statutory audit	162
ISA315r	13
VFM	8
Other	4
Disclaimer	4.5-5.5
Total Fees	**191.5-192.5**

Application of the FRC Ethical Standard 2019

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

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

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

Independence and objectivity considerations relating to other matters

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

Confirmation of audit independence

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

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

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

Yours faithfully

Emma Larcombe

KPMG LLP

DRAFT

Control Deficiencies

Although we are disclaiming our audit opinion we have reported recommendations as a result of our work in the current year are as follows:

Priority rating for recommendations

1 **Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

2 **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.

3 **Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	1	Review of valuation of land and buildings: Currently there is not a formalised review of the Council's valuer Wilks Head and Eve output. The Council do not hold sufficient data on the floor areas of their other land and buildings asset portfolio including up to date floor plans. We recommend that the Council undertake a full review of their asset portfolio and ensure up to date data is held on all asset floor areas. We also recommend that the Council undertake a formal review of the valuation on an annual basis.	This will be reviewed as part of the preparation of the 2024/25 Statement of Accounts, but it is acknowledged that it may have to undertaken on a phased approach over more than one year given the expected scale of the associated work involved. Updates will be provided to Members as necessary.
2	2	Review of journals: There is no documentation to the review of journals other than the initials of the reviewer. All journals posted below £100k have no approval or review process. We recommend that the Council formalise their review process for journals including full documentation of the review e.g. purpose of the journal, as well as review of some journals below the threshold.	It is important to highlight that journals are only undertaken by finance officers within the Corporate Finance Team rather than a wider issue across the Council and journals involve the movement of money internally between budget lines. Although it is accepted that there is a risk of misstatement to the accounts via the journals process, there are already complementary controls in place that adequately address such risks and therefore it is not proposed to consider the implementation of this recommendation.

DRAFT

Control Deficiencies (cont.)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
3	2	As part of our VFM work we identified capital projects with budgetary overspends which were flagged as part of an Internal Audit review as well as unauthorised expenditure on a capital project. We consider this to indicate an internal control environment weakness in regards to the establishment of structures, reporting lines and appropriate authorities and responsibilities in the pursuit of objectives. Please refer to Page 23 for our recommendation.	In respect of the reference to capital project overspending, unlike the Spendells project where unauthorised expenditure was incurred, these relate to projects where the associated budgets would have increased as necessary via the Council's existing governance arrangements. The overspending reference therefore relates to increases made to the associated budgets ahead of expenditure being incurred which would have been subject to separate standalone decisions or via the regular Financial Performance Reports presented to Cabinet. Such reports would have set out the reasons for the increase.
4	2	During our VFM work, we identified an instance of unauthorised expenditure and have raised a significant weakness in this regard. The Council were conducting an external investigation into the reasons the unauthorised expenditure was able to occur, however, this was not concluded at the time of us completing our value for money work and reporting and we will therefore raise a control deficiency in relation to the timeliness of the investigation being concluded and recommend it is concluded as soon as possible.	The outcome of the investigation into Spendells is due to be finalised and reported to Members shortly, and any emerging recommendations to strengthen the Council's project management / governance arrangements will be considered as timely as possible.
5	3	Declarations of interest (DOI): KPMG had requested up to date DOI for each councillor to agree to interests recorded in the Register of interests for related party purposes. The council does not hold an up to date DOI from two councillors due to non-response. We recommend that the Council continue to reiterate the importance of each councillor providing an up to date DOI annually.	This issue relates to the email sent out to Members at the end of each financial year reminding them to confirm that their DOI's are up to date that in turn informs the associated reporting within the Statement of Accounts where encesary. It is not necessarily that their DOI's are not up to date but a matter of them confirming that is the case or otherwise at the end of each year. The importance of the required action from Members will be included within the upcoming request at the end of 2024/25.
6	3	Payroll reconciliation: Differences were noted between the payroll report and general ledger during our testing of the remuneration report, we therefore recommend that the Council perform a reconciliation between the payroll report and general ledger for the purposes of the salary bandings disclosed within the officers remuneration report to understand any reconciling items.	It is important to emphasise that a reconciliation of the payroll system and the general ledger is undertaken, with this recommendation therefore referring to a specific reconciliation relating to the officers' remuneration note within the Statement of Accounts as referenced. The recommendation action will be undertaken in respect of the upcoming preparation of the 2024/25 Statement of Accounts.
7	3	Management review of actuarial assumptions: We inquired with the audited entity to understand the pension process. We understood that the Finance Head reviews the assumptions and methodologies used in the calculation of the FRS 102 Report. This is based on their understanding of the pension scheme, the accounting standard and the business process and circumstances. The documentation is not formalised and may consist of email or corresponding and verbal confirmations. However, the audited entity was not able to provide the evidence of performing the control. We recommend that management produce formal documentation of their review of the assumptions and methodologies used in the calculation of the FRS 102 Report.	Although a review is undertaken as referred to, formal documentation will be produced in respect of the upcoming preparation of the 2024/25 Statement of Accounts.

DRAFT

Control Deficiencies (cont.)

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

Total number of recommendations	Number of recommendations implemented	Number outstanding (repeated below):
2	4	2

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (February 2025)
1	1	Other land & buildings (DRC method): The council could not provide the floor plans to substantiate the GIAs used in arriving at the value of the buildings. The existing floor plans were not retained by the Council post-valuation. The GIAs are key inputs and without any evidence, the value of the assets could be materially misstated. The council should ensure that an appropriate Business Disaster Recovery Plan is in place. This will make certain that all updated floor plans are stored and retained adequately for all the areas of buildings measured professionally.	Please see response set out on page 37. The reference to Business Disaster recovery plan will be explored further with the External Auditor to better understand the specific risks that is this is seeking to address.	Not yet implemented based on our recommendation, see Page 34 for further information.
2	3	Related parties – out of date declarations: Two (2) councillors had out of date declarations and updates were not obtained in March 2021. This was then subsequently raised to the client and up to date declarations were obtained post-year end. There is a risk that transactions between related parties are not identified, disclosed and are not arm's length. We recommend that management should monitor the declaration process regularly to ensure that up to date declarations are obtained by year end.	Please see response to item 5 on page 38.	Not yet implemented based on our recommendation, see Page 38 for further information.

ISA (UK) 240 Revised: changes embedded in our practices

Ongoing impact of the revisions to ISA (UK) 240

ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) The auditor's responsibilities relating to fraud in an audit of financial statements included revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.

We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Matters related to fraud that are, in our judgement, relevant to the responsibilities of Those Charged with Governance

Our assessment of the risks of material misstatement due to fraud may be found on page 9. We also considered the following matters required by ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements*, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud:

- Concerns about the nature, extent and frequency of management's assessments of the controls in place to prevent and detect fraud and of the risk that the financial statements may be misstated.
- A failure by management to address appropriately the identified significant deficiencies in internal control, or to respond appropriately to an identified fraud.
- Our evaluation of the entity's control environment, including questions regarding the competence and integrity of management.
- Actions by management that may be indicative of fraudulent financial reporting, such as management's selection and application of accounting policies that may be indicative of management's effort to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity's performance and profitability.
- Concerns about the adequacy and completeness of the authorization of transactions that appear to be outside the normal course of business.

Based on our assessment, we have no matters to report to Those Charged with Governance.

DRAFT

ISA (UK) 315 Revised: changes embedded in our practices

Summary

In the prior period, ISA (UK) 315 Revised "Identifying and assessing the risks of material misstatement" was introduced and incorporated significant changes from the previous version of the ISA.

These were introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA was effective for periods commencing on or after **15 December 2021**.

The revised standard expanded on concepts in the existing standards but also introduced new risk assessment process requirements – the changes had a significant impact on our audit methodology and therefore audit approach.

What impact did the revision have on audited entities?

With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes result in additional audit awareness and therefore clear and impactful communication to those charged with governance in relation to (i) promoting consistency in effective risk identification and assessment, (ii) modernising the standard by increasing the focus on IT, (iii) enhancing the standard's scalability through a principle based approach, and (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

Implementing year 1 findings into the subsequent audit plan

Entering the second year of the standard, the auditors will have demonstrated, and communicated their enhanced insight into their understanding of your wider control environment, notably within the area of IT.

In year 2 the audit team will apply their enhanced learning and insight into providing a targeted audit approach reflective of the specific scenarios of each entity's audit.

A key area of focus for the auditor will be understanding how the entity responded to the observations communicated to those charged with governance in the prior period.

Where an entity has responded to those observations a re-evaluation of the control environment will establish if the responses by entity management have been proportionate and successful in their implementation.

Where no response to the observations has been applied by entity, or the auditor deems the remediation has not been effective, the audit team will understand the context and respond with proportionate application of professional scepticism in planning and performance of the subsequent audit procedures.

What will this mean for our on-going audits?

To meet the on-going requirements of the standard, auditors will each year continue to focus on risk assessment process, including the detailed consideration of the IT environment.

Subsequent year auditor observations on whether entity actions to address any control observations are proportionate and have been successfully implemented will represent an on-going audit deliverable.

Each year the impact of the on-going standard on your audit will be dependent on a combination of prior period observations, changes in the entity control environment and developments during the period. This on-going focus is likely to result in the continuation of enhanced risk assessment procedures and appropriate involvement of technical specialists (particularly IT Audit professionals) in our audits which will, in turn, influence auditor remuneration.

DRAFT

ISA (UK) 600 Revised: Summary of changes

Summary

ISA (UK) 600 (Revised): Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors) is effective for periods commencing on or after 15 December 2023.

The new and revised requirements better aligns the standard with recently revised standards such as ISQM 1, ISA (UK) 220 (Revised) and ISA (UK) 315 (Revised). The revisions also strengthen the auditor's responsibilities related to professional skepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and documentation.

Area	Summary of changes and impact	Effect on audit effort
Risk-based approach	The nature and extent of risk assessment procedures performed by the group auditor at group level may increase, which may include further inquires of group and/or component management and those charged with governance; analytical procedures, attendance of walkthroughs at components, and inspection and/or observation of additional component information. Consequently, while we will continue to work across the group audit to be as efficient in our interactions with you as possible, group and component management will typically receive additional, and more specific/granular requests, for information from both the group and component auditors.	
Group auditor responsibilities	Through a more targeted audit response to address the group Risks of Material Misstatement, we may perform audit work and communicate with component management at a greater number of components within the group, and we may request less information from component management at certain components where we previously performed full scope audits for the Group audit, if we determine that a full scope audit is no longer necessary. While statutory audit requirements will still apply, this change may be beneficial for overall audit effort where a statutory audit is not required.	
Flexibility in defining components	You may also see changes in the planned scope and timing of the audit in communications to group management and those charged with governance, such as changes to the identification of components and the work to be performed on their financial information, and/or changes to the nature of the group auditor's planned involvement in the work to be performed by component auditors. The impact will be greater where there are more components.	
Quality management	Enhanced leadership, direction, supervision and review responsibilities of the group engagement partner may result in the group engagement partner needing to engage more extensively with group management, your component management and component auditors throughout the audit.	
Robust communication	If the group auditor determines that the increased work effort is needed, this determination will impact how much, and the type of, information you will need to provide to the group auditor or component auditors. The group auditor is required to prescribe required work at a more granular level. This may mean there is increased work for component auditors, particularly in year one, to align the requirements of the group audit and local statutory audits. We will continue to work closely to minimise this.	
Application of materiality and aggregation risk	Changes in component performance materiality may result in changes to the nature, timing and extent of component auditor's work. If so, this may impact how much, and the type of, information you will need to provide to the group auditor or component auditors.	
Revised independence principles	This may make it more challenging to address auditor rotation and other independence requirements for component auditors we may plan to involve in the group audit and mean more matters impacting independence may need to be communicated to you. Potential changes to the component auditor firms engaged to perform work on financial information of components.	

DRAFT

Audit Differences

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

Unadjusted audit difference (£'000s)				
No	Detail	Dr £000	Cr £000	Comment
1	Dr Net Defined benefit plan liabilities	1,600		The salary increase assumption should be set as the Employer's best estimate of their long-term remuneration policy for their active membership in the Fund. Hence, KPMG requested confirmation from the Employer as to whether this is the case. The Employer confirmed that when preparing their medium-term financial forecast, they would use a salary increase assumption set in line with CPI. Therefore, from the Employer's perspective, the actuary has applied a prudent risk premium to the salary increase assumption for the purpose of calculating the net asset/liability position of the fund.
	Cr Remeasurements of defined benefit liability-OCI		1,600	

kpmg.com/uk

ATTACHMENT 5

The Council's Statement of Accounts 2023/24 for Publication (Including the Annual Governance Statement)

Tendring District Council

PRO BONO OMNIUM

FOR THE GOOD OF ALL

STATEMENT OF ACCOUNTS

2023/24

Commentary set out within these Statement of Accounts (including the Annual Governance Statement) is based on information that was known at the time that the unaudited version of the accounts was published on 31 May 2024. Given the ongoing external audit delays highlighted within the following narrative statement, a number of elements of the Council's internal financial reporting cycle have been undertaken, along with other events, since the publication date referenced above. These include extending the forecast period, associated budgetary changes, events such as confirmation of the statutory backstop dates for the publication of audited accounts and progress on the annual governance action plan. Such events provide an updated context along with additional information to the commentary currently included.

However, it is important to highlight that the above does not have a direct impact on the Council's Statements as at the end of March 2024, or the associated notes that follow, as the updated information highlighted above would not adversely conflict with the commentary or statements set out.

Therefore, no changes have been made to the commentary included within the following statements, but for transparency and to assist the reader of the accounts, the reports associated with the subsequent events highlighted above are available on the Council's website.

TENDRING DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2023/24

CONTENTS

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

13 February 2025

NARRATIVE REPORT 2023/24

INTRODUCTION

During each year the Leader of the Council makes a number of key announcements such as the introduction to the Council's annual budget and the 'Annual State of the Tendring District' Statement, which provide a helpful summary on a range of subjects, with some key highlights included in his announcements to Full Council earlier in 2024 as follows:

In various parts of the country, including some closer to home in Essex, Chief Finance Officers have resorted to issuing Section 114 notices, prompting Councils to consider voluntary redundancies, and to seek permission from the government to enable them to borrow money to bridge the gap in funding required for essential services. The media has often labelled Section 114 notices as bankruptcy, and, although not entirely accurate in the context of councils, it does encapsulate the dire financial predicament they find themselves in – i.e. unable to meet their financial obligations.

It's evident that we have a culture here at Tendring District Council, which undoubtedly contributes to our success. This culture was highlighted in a recent discussion I had with Cabinet members from other Borough, City and District councils, where many were surprised to learn about the regular interaction between our Officers and Members. I believe that such collaborative relationships are vital for effective governance, financial resilience and achieving our priorities set out in our Corporate Plan.

It is through this joint working that we have been able to identify, and confront, significant challenges. We are expected to find an additional £3 million in savings over the next three years. We must recognise the necessity of making tough decisions in the face of these challenges, albeit with gratitude for the Forecast Risk Fund, which provides some breathing space for thoughtful decision-making.

Additionally, new obligations surrounding the Regulator for Social Housing, OFLOG, and recently announced performance reviews, place significant strain on our resources and capacity at a time when we are already stretched thin.

Internally, we are grappling with inflation, escalating energy costs, and increasing staff salaries, all of which impact our budgets. Furthermore, our ongoing efforts to address coastal protection issues demand attention, as we endeavour to understand the true costs associated with safeguarding both property and our coastline in the years ahead.

It is disappointing that our previous Auditors have yet to finish the 2020/21 accounts or even start on those from 2021/22 and 2022/23. It is crucial to have an independent assessment of our Council's finances, especially given the challenges the public sector is facing, with some councils facing severe financial difficulties.

The significant array of challenges we face highlights the critical importance of getting the budget right. Failing to do so will impose a substantial burden on our residents and businesses, impacting them for years to come. While our tenure as Members may be brief, the repercussions for our District will extend far into the future.

It is important to note that there are still opportunities amid these challenges. We have several ongoing projects that are well-funded through external sources, but even they may require extra resources for successful delivery. Our aim is to strike a balance between pursuing ambitious endeavours and ensuring financial viability and sustainability.

I looked to our Corporate Plan, agreed upon by this Council, and to one of the priorities that talked about financial sustainability and openness. The words we set out under this heading put a good marker down about how we intend to continue to meet these challenges and are therefore worth repeating as follows:

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

I think the above captures our intentions clearly and reflects this Council's continued commitment to strong financial stewardship. It is worth acknowledging the reference to capacity, as while we will continue to be ambitious, the *scale and speed that we can deliver the things we want to do will always need to be balanced against our available resources.*

I can report that we have already taken action to meet this commitment, as we have been committed to this approach from day one and I would like to share several examples:

- *Maximising external funding opportunities such as those associated with the Government's Levelling Up agenda. This not only includes specific capital projects in Clacton and Dovercourt but also involves exploring further key improvements across the district via the wider Levelling Up Partnership and the High Streets Accelerator scheme. We expect to be granted over £60m in the coming years specifically earmarked for regenerating Clacton and Dovercourt town centres.*

- *Extending the period that council tax premiums on empty properties become payable along with looking to introduce premiums on second homes from April 2025.*

- *Recognising the reputational and economic importance of the Clacton Airshow, with a commitment to continue the show for at least the next four years, which is reflected in the budget for 2024/25.*

- *Commencing a wider review of external funding the Council provides to other local organisations.*

- *Commencing a review of the Council's Careline Service, with the outcome due to be presented to Cabinet later this year.*

- *Engaging EELGA to support the Council through the processes associated with the upcoming tender of the Waste and Street Cleansing Contract.*

- *Completing and opening the new car park and flexible space in Dovercourt known as Orwell Place.*

- *Completing and opening the new flexible workspaces in Jaywick known as The Sunspot.*

- *Instigating a review of our housing provision and identifying additional capacity to support the work associated with the new era of Social Regulation.*

- *Introducing three new Housing Policies which will improve the services we provide while undoubtedly helping to reduce the ongoing financial impact on the Council in terms of homelessness.*

As we have discussed before, having a reputation for getting things done will continue to stand us in good stead when potential funding partners look to us in the future.

In turning to the budget proposals for 2024/25 it is worth reflecting on some further points made last year which helps set the context of the forecast and budget setting process this year. Last year highlighted several major global, national and local issues, which included:

- *Russia's continuing conflict with Ukraine*
- *Supply chain disruption*
- *Commodity market volatility*
- *Weak GDP growth across the world*
- *Workforce shortages*
- *An environment of high Interest rates*
- *The highest UK inflation for a generation*

It is fair to say that these have not gone away, with their impact still being felt in 2024/25 and probably beyond in areas such as:

- *Increases in the cost of delivering projects.*
- *Increased contracts / goods and services*
- *Higher staff costs*
- *Increases in the cost of homelessness.*
- *Energy prices*

In terms of the increased costs above, some of these costs are effectively being met from the Forecast Risk Fund until such time as corresponding ongoing savings are identified.

In terms of securing the savings we need, this work is on-going in consultation with Portfolio Holders and will continue over the coming months, with updates provided via separate reports or alternatively within the regular financial performance reports presented to Members during the year.

The cost pressures currently included in the budget for 2024/25 broadly reflect unavoidable items. However, there is a significant level of additional items that remain subject to ongoing review. These items will therefore be considered outside of the budget setting process and prioritised accordingly. Any decisions required will be set out in future reports, which will also set out the use of any one-off funding that is required to support them.

In terms of further transparency, it is also proposed to ensure that the list of further potential cost pressures that will be maintained on a 'live' basis, will be made available to Members accordingly.

In earlier versions of the forecast, we aimed to avoid being overly optimistic about the money expected from the Government. However, recognising the ongoing challenges faced by Councils, the Government has decided to maintain increased funding for the 2024/25 period. With this increased funding, the total expected from the Government in 2024/25 is just over £2.2 million.

The level of council tax remains a key part of the funding jigsaw puzzle for Councils. It is with reluctance, but with this in mind, that the council tax will be increased by 2.99% compared to last year. This brings the total annual amount payable for Tendring Council Services to £193.73 in 2024/25 which is an increase of £5.62, based on a Band D property. Similarly to last year, this is a below inflation increase, which itself creates underlying pressure elsewhere in the budget. This remains a relatively small amount compared with the overall bill that people receive through their letterboxes which includes amounts for ECC, Police and Fire. The £193.73 that would be receivable by the Council has to support a range of services and works out to be £3.73 per week.

The report also highlights this Council's inclusion, for the first time, of income from the New Homes Bonus and membership of the Essex Business Rates Pool in its base budget. Previously, such income was not included due to the risk of it not being available year on year. This shift reflects our aim to strike a balance between optimism and pessimism, understanding that the truth often lies somewhere in between.

However, it is important to note that the all these factors contributing to the more favourable position in 2024/25 are not necessarily expected to be repeated in 2025/26 and beyond. While this cautious approach is prudent for now, ongoing efforts will refine the forecast in the coming months to better grasp any associated risks, allowing for necessary revisions if needed.

Although this does not alleviate the need to find ongoing savings, what it does do is provide additional time and flexibility to help us make well informed decisions instead of short-term knee-jerk ones.

The Forecast Risk Fund is estimated to remain in surplus over the remaining life of the forecast period.

What we must do for the sake of our residents, businesses and visitors is not to shy away from the challenges at hand, but deliver on a packed and ambitious agenda spread over the next four years. It is essential we continue this Council's sound approach to financial management and planning, whilst balancing the delivery of priorities alongside sound stewardship and ambition.

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

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

Organisational Overview and External Environment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Governance and Operational Model

The outcome from the annual review of the Council's governance framework is set out within the Annual Governance Statement (an annex to this Statement of Accounts) with many activities undertaken during the year to strengthen/enhance all areas of the framework. The design of the statement continues to be based on the key principles of being accessible and setting out the key activities that the Council has undertaken during the year along with highlighting a number of key/planned activities in 2024/25. Progress against the actions included are reported to and monitored by the Council's Audit Committee during the year.

Along with the Council's performance management framework which is discussed further on, the Council's budget and Long Term Financial Plan articulate the use of resources with the position for 2024/25 and beyond summarised within the following Chief Finance Officer's (S151 Officer) report to Council in February 2024 as part of the budget process:

Robustness of the Estimates

Financial Management / Governance Arrangements

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

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

Although annual budget deficits are forecast across the remaining years of the plan, the overall financial forecast risks are underwritten by the use of a dedicated forecast risk fund, which is estimated to remain in a surplus position over the remaining life of the current forecast period (up to and including 2026/27).

The need to continue to deliver against the long term forecast is clearly recognised within the Council and will remain a key focus in 2024/25. Taking a longer-term view of the forecast also enables the Council to respond to any significant financial impacts over several years rather than as part of an annual budget cycle, which strengthens financial resilience in the long term. This was brought into even sharper focus last year given the significant global / national events that continue to have a major impact on the Council's financial position.

2023 saw a New Administration within the Council along with a number of new Members and the various induction activities included a focus on the Council's current key financial issues. Work has also continued with the New Executive, with the development of the Council's financial plans being a key consideration at both formal and informal meetings. This has been supported with key meetings between the Leader, Chief Executive and S151 Officer throughout the development of the current forecast and budget for 2024/25.

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

As has been the case in prior years, key financial issues are routinely considered as part of the preparation of the Council's Annual Governance Statement with the required leadership demonstrated at the most senior level. As part of a direct response to previous year's outturn positions and in looking ahead to the on-going financial challenges, the Chief Executive established a regular cycle of Budget, Performance and Delivery Review meetings with Management Team and other Senior Officers across the Council. These meetings continue to cover a range of issues such as taking a high level review of the in-year budget position for each Directorate / Department to draw out any potential financial issues ahead of the associated impact on the budget, to promote and oversee any associated decision making / governance processes, to identify financial pressures that may impact on the Council's long term financial plan and to review the in-year performance against the Council's key aims and objectives and other key delivery targets.

The past 12 months have seen a number of Local Authority S151 Officer's issue S114 notices. In reviewing the content of such reports, a major issue faced by Councils is not having the necessary practical and pragmatic plans in place to identify the savings required to balance their budgets, with some of their identified options for savings being seen as high risk and potentially unachievable.

As set out in earlier reports, developing 'a savings framework' against the context of the Corporate Plan remains a key activity over the coming months. Senior Managers are continuing to work alongside Portfolio Holders to bring this information together so that it can be considered against the context of the recently agreed Corporate Plan. Based on the most up to date forecast, savings in excess of £2.5m are currently included in the forecast across 2025/26 to 2026/27, which will be subject to ongoing review, as essentially the level of savings required will continue to also act as a 'safety valve' in terms of offsetting any increases in cost pressures or other unavoidable increases in net expenditure.

The scale of the savings required remain significant against the Council's overall net budget and presents a major challenge for the Council. A number of savings have already been identified and included within the 2024/25 budget, but they are not expected to continue on an on-going basis at the same level currently recognised. The associated activities will include a number of strands of work such as zero based reviews, balancing discretionary and statutory service requirements, reviewing service standards, exploring opportunities for efficiencies and how things could potentially be done differently.

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

The current forecast period finishes at the end of 2026/27 and following Council's approval of the budget for 2024/25, the opportunity to extend the forecast period will be considered further. This will undoubtedly provide further financial flexibility and allow further opportunities to respond to the structural annual budget deficit that is still estimated to remain at the end of 2026/27.

Regular and comprehensive monitoring of the budget will continue to be undertaken during 2024/25 as part of the well-established and comprehensive financial performance reporting process, so issues can be identified and action taken at the earliest opportunity if and when appropriate.

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

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

Budget Assumptions

2022/23 and 2023/24 saw a number of emerging issues both nationally and globally that continue to have a significant impact on the Council's own financial position e.g. inflation, supply chain disruption, energy cost, commodity price volatility along with associated secondary impacts.

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

Salary estimates have over recent years presented a significant challenge. In effect the savings 'targets' included within 2024/25 and later years of the forecast largely reflect the money required to fund such cost pressures on an on-going basis as they have essentially been funded from reserves in the short term. Future increases in costs have been reflected in the forecast based on the Bank of England's inflation forecasts but this significant element of the budget will be reviewed on an on-going basis heading into 2024/25, with any potential adverse issues being reported to Management Team and Members as soon as possible.

The budget for 2024/25 largely includes unavoidable cost pressures, which were identified by maintaining a 'live' list of potential items that could emerge in consultation with Officers and Portfolio Holders. Similarly to savings, a number of items are expected to be one-off or time limited along with being subject to further decision making / review e.g. Careline [a telecare service to the Public]. In terms of unfunded cost pressures, further comments are set out within the risk section below.

Where there is significant uncertainty around specific lines of the future year's forecast, these have been treated as initially one-off in nature and subject to further review during 2024/25.

The detailed budget for 2024/25 has been prepared within the above context and clear rationale has been stated in respect of the formulation of the financial forecast and how it has been translated into the detailed budgets. This has been supported by a risk assessment of each line of the forecast.

The budget presented for 2024/25 sets out a balanced position, although it includes the use of one-off funding in the short term as has been the case in previous years. However, the long term forecast still provides an effective method of managing financial risks. The on-going impact from various financial challenges is still evolving and it is therefore important to highlight that the money set aside in the forecast risk fund continues to reflect a balanced and realistic approach and provides the flexibility and time to consider the longer term plan and savings that will be required in a more informed way rather than having to potentially taking quick / short term decisions.

It is essential that the Council continues to work towards delivering in-year balanced budgets as soon as possible over the forecast period rather than continue to rely on reserves, which is not sustainable in the longer term. However, the reduced call on the forecast risk fund in 2024/25 compared with initial estimates earlier in the financial year does provide some additional flexibility in this context. It is also worth highlighting that even when the savings currently included in the forecast in 2025/26 and 2026/27 are identified and secured, a structural annual budget deficit is still estimated to remain at the end of 2026/27. Support will be provided to Management Team and Members to ensure that the Council uses the time and flexibility that the forecast risk fund has provided to secure the level of savings required to deliver a sustainable financial future for the Council.

Delivering a positive outturn position each year

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

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

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

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

Financial Risks

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

One of the previous primary risks to the forecast related to the COVID 19 pandemic, which were replaced in 2022/23 and 2023/24 with wider global / national economic challenges, with their impact continuing in 2024/25 and potentially beyond. The Financial Performance reports presented during the year set out more details around these challenges, which have also been reflected in the forecast as necessary.

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

The revised forecast continues to seek to better balance any optimism / pessimism bias that is inherent in any forecasting process. Given the scale of the current financial challenges faced by the Council, the forecast now includes the use of one-off funding such as the New Homes Bonus in the short term. Based on historical averages, the forecast also now includes additional income from remaining a member of the Essex Business Rates Pool. This is a significant departure from previous years where the Council has historically refrained from using potentially one-off money to support the underlying budget. Although there are no long term guarantees around such sources of funding, it is expected that they will continue in the short term, which reduces the risk over the remaining years of the forecast. This revised approach will continue to be reviewed on an on-going basis and if any information comes to light that indicates an increased risk, then the forecast will be updated and reported to Members as soon as practicable.

As highlighted earlier, the mitigation of cost pressures will continue to form an important element of the Council's financial plans. Although the cost pressures included within the budget to date largely reflect unavoidable items, it is acknowledged that there are likely to be significant financial demands on the Council's resources, such as those relating to the repairs and maintenance of property and other assets, supporting 'spend to save' initiatives and items to support the delivery of the corporate priorities and objectives. With this in mind it is proposed to review these items using a risk based approach, but outside of the annual 'base' budget setting cycle, with any associated decisions subject to separate reports or included within other key financial reports during the year.

Work remains in progress to identify potential sources of funding within the Council's existing resources to support the above approach. This could include the use of existing budgets and reserves such as the reserve set aside to invest in the Council's assets along with the favourable outturn variance carried forward from 2022/23. It may also be possible to review fees and charges with the aim of supporting / complimenting such funding, which in turn could support any associated cost pressures as necessary.

Historically the money receivable from the Government via the annual financial settlement process has been treated as one-off income and subject to the next annual announcement for the following financial year. However, given the Government's historic commitment to date to continue to provide some level of funding to Local Authorities, a cautiously optimistic level of funding has now been included in later years of the forecast. Similarly to the use of the New Homes Bonus, this does increase future financial risk if the Government cease or significantly reduce such funding streams. It is expected that the Government will continue to engage with the Local Authority sector in future years to enable a pragmatic and joined up approach to how Local Councils are funded and in a worst case scenario it would be expected that transitional arrangements would apply in any adverse circumstances. The Council will therefore need to continue to engage / lobby the Government either on its own or with partners with the aim of reducing any potential funding volatility in future years where possible.

Similarly to the above, the favourable position in respect of income from business rates in 2024/25 has been treated as broadly one-off in nature. More work will be undertaken during 2024/25 with the aim of providing more certainty to the level of income from this source of funding which is becoming increasingly more challenging given the complexities involved.

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

Adequacy of the Reserves / Financial Standing

An integral part of the Council's overall strategy is that the level of reserves is sufficient to support identified risks along with supporting a sustainable budget position in the longer term.

The report to Cabinet in December 2023 set out a review of reserves, which is undertaken annually as part each year's budget setting cycle. This was complimented by a review of the Council's uncommitted reserve during the budget setting process set against the broadly increasing risks faced by the Local Councils. When taken together with the Forecast Risk Fund, which supports overlapping risks, the current level of this reserve (£4.000m) remains adequate.

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

- *the Council has prudently set aside money for other significant risks in the forecast such as **£1.758m** (NDR Resilience Reserve) and **£1.000m** (Benefits Reserve), which can be taken into account during the period of the forecast if necessary;*

- *As highlighted earlier [Report to Council 13 February 2024], **£1.019m** remains set side to mitigate cost pressures associated with the repair and maintenance of Council assets along with supporting the Council's commitment to carbon neutrality; and*

The above, along with the on-going / annual review of reserves, continues to help the Council demonstrate that the current level of reserves remain adequate / prudent to 'underwrite' risks and uncertainties that are inherent within the forecasting process. No significant adjustments have been required in 2024/25 that weaken the overall longer term approach to the forecast.

It is also important to highlight that although they have yet to complete their work on the Council's 2020/21, 2021/22 and 2022/23 Statement of Accounts yet, the Council's previous External Auditor have highlighted in their most recent summary report that they have not identified any risks of significant weakness to date in respect of the Council's use of resources.

It is also worth mentioning the very important issues relating to the Best Value Duty placed on Local Authorities that has been highlighted during the year by the Council's Monitoring Officer. By maintaining a focus on this key duty, it should support a number of cross cutting financial and governance themes that in turn support robust financial management and sustainability that is expected of well-functioning local authority.

The proposed budget for 2024/25 resulting from the above processes and governance arrangements is therefore robust / deliverable, and underwritten / supported by reserves.

The impact from the global/economic challenges that emerged during 2022/23 continue to have a significant impact on the Council's financial position in 2024/25 and beyond. These issues are discussed in more detail further on within this narrative statement.

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

As highlighted in previous years, there is a revised approach to the use of resources assessment following a change in the associated code and guidance. The outcome from the work of the External Auditor is now based on a commentary on the Council's value for money arrangements rather than a conclusion or opinion.

Although the Council awaits its first such report due to External Audit delays (details set further on in this statement), the commentary will cover the following 3 headings:

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

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

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

As set out in the attached Annual Governance Statement, given the broad areas of governance that the Value for Money assessment will cover, there is unsurprisingly a large overlap with the existing Annual Governance Statement activities, where many of the issues are already being addressed or are planned to be addressed or strengthened. The Council is therefore in a strong position to respond to the revised assessment, and it is proposed that the outcomes from the work of the External Auditor will be brought together and monitored via the existing Annual Governance Statement processes going forward.

As indicated earlier, there has been significant External Audit delays, which is a well-publicised and national issue and in no way reflects any wrong-doing by those Council's adversely affected. At the time of preparing these Accounts the Council's Statement of Accounts for 2020/21, 2021/22 and 2022/23 remained subject to being audited by the External Auditor.

In response to the on-going External Audit delays, the Government continue to work towards a solution, which is based on introducing a series of statutory deadlines for account preparers and auditors to clear the backlog. It is expected that Auditors would still report any significant concerns they may have on an organisation's financial controls and financial reporting, as well as financial resilience, governance and risk. Where necessary, it is understood that auditors may need to limit or disclaim their opinion, making clear to the user of the accounts where this has been the case. Auditors' statutory duty to report on value for money arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) will remain a high priority.

Risks and Opportunities

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

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

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

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

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

Mitigating actions have reduced the residual risk against each risk item within the categories above to at or below the Council's acceptable risk tolerance level apart from the following items, which were included in the latest report to the Council's Audit Committee on 25 April 2024:

Risk	How the Risk is Controlled/Mitigated
Ineffective Cyber Security Physical and Application (software) Based Protection Management - Failure to adopt, implement and deliver effective Cyber Security protective arrangements leading to a catastrophic or significant IT cyber security breach or loss of personal, sensitive, or vulnerable persons' data or inability to provide IT services and applications supporting Council services (or significant operational difficulties arising from)	Tendring District Council has robust cyber-security including physical devices (Firewalls), network segregation, protective software applications to protect the Council from the daily occurrences of external Cyber-attack. Cyber-security is an essential part of our induction training. In addition, phishing awareness campaigns are also ongoing. With council cyber-attacks growing exponentially in both volume and complexity the council must consider that it is not IF but WHEN a successful cyber-attack is made and we continue to plan, train and exercise accordingly. Having implemented an 'immutable backup' regime we have data restoration capabilities from locked-down safe sources. That said, in a restoration scenario we will lose any recent made data changes so an element of recovery will still be necessary. Councillors adopting identical working practices to Officers adoption of managed-devices by all and cyber-security posture control council-wide -has achieved This is a significant step-change in minimising the number of attack vectors' (pathways) that a hacker can use to attack and attempt to exploit vulnerabilities to gain access to networks/ computers/ digital devices/ information/ data. We will continue to move towards a Zero trust Network Architecture as a direction of travel over the next 12 months.
Coastal Defence - The Council has a coastline of 60km and maintains the sea defence structures along 18.5km of this frontage. These defences protect the towns of Harwich, Dovercourt, and Walton on the Naze, Frinton on Sea, Holland on Sea, Clacton and Brightlingsea. The cliffs are prone to stability issues because of steep slopes in many areas, historical structures, and past shortage of funds for maintenance. Unforeseen expenditure may be required on sea defences, which if left to deteriorate could cause catastrophic cliff failure and impact safety of residents/visitors nearby. The East Coast of the UK is vulnerable to a phenomenon called a North Sea Tidal Surge.	Conducting annual inspections of coast protection structures and responding swiftly to public reporting of minor faults. An annual maintenance programme for the coastal frontage is set each year with an appropriate budget to cover the works. Each year sections of the sea defences are improved as part of a rolling programme of special maintenance schemes funded from the Council's Revenue Budgets. Works undertaken range from day-to-day maintenance of promenades and seawalls to schemes costing millions of pounds. Larger capital schemes attracting grant in aid are produced to comply with Defra guidelines and their High-Level Targets for coast protection. At present there are identified areas of current cliff instability where funding to conduct necessary major projects would need to be identified.

Financial Strategy - The impact of achieving a balanced budget in an ever-tightening financial environment on service delivery objectives	Long Term Financial Plan updated on an ongoing basis. • Financial Strategy / Forecast Preparation including identifying and capturing significant risks such as changes to government funding, and the identification of savings which will require some challenging decisions. • Robust and timely Budget Monitoring Processes. • Engagement with key stakeholders, members, and senior management as early as possible. Key financial items discussed at dedicated / regular meetings of Management Team • Responding to and implementing recommendations and advice issued by the Council's External Auditor. A framework in which to deliver required savings is currently being developed with the aim of capturing key financial information to support the associated decision-making process alongside the corporate plan / priorities process. This will also sit alongside a review of cost pressures across three key strands as set out in the report to full Council of the 13 Feb 2024. A review of the length of the financial planning cycle is subject to review during 2024/25. However, in the event that the long-term approach is unable to support the delivery of the intended outcomes, then the Council can revert to the more traditional / short term approach to setting the budget.
Loss of sensitive and/or personal data through malicious actions loss theft and/or hacking	Multi-firewall network segregation implemented with role-based access to systems necessary for work. Governance procedures/ policies/ responsibilities quarterly reviewed by the Information Governance Policy Unit. All remote working is protectively 'tunnelled' utilising Microsoft VPN technology. To-date all information breaches have been down to human-error. We have robust security breach reporting arrangements, and each such breach is investigated and lessons-learned in terms of reducing the operating risk or providing additional staff training etc. Procedures are in place to manage agreements where appropriate, where partner organisations are managing data on behalf of the Council. Consultation with the Council's Data Protection Officer should be undertaken prior to agreements being formed. This will ensure risk to the organisation is managed effectively. Councillors adopting identical working practices to Officers - adoption of managed-devices by all and cyber-security posture control council-wide – has achieved step-change in minimising the number of attack vectors' (pathways) that a hacker can use to attack and attempt to exploit vulnerabilities to gain access to networks/ computers/ digital devices/ information/ data. These actions would have significantly reduced the likelihood of data loss.

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

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

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

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

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

A review of the Council's Risk Management approach and Corporate Risk Register is planned in 2024/25, which will include a review of the risks currently 'captured' along with the consideration of any changes or additions to reflect the most up to date position / challenges faced by the Council.

Strategy and Resource Allocation

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

The updated long term forecast presented to Full Council on 13 February 2024 included revised annual forecasts over the remaining years of the 10 year plan which are set out in the table below (including estimated balances on the Forecast Risk Fund that supports the delivery of a balanced budget year on year):

Year	Net Budget Position (including adjusting for prior use of reserves etc. to balance the budget)	Forecast Risk Fund - Estimated Surplus Balance at the end of the year
2025/26	£2.027 million (Deficit)	£4.166 million
2026/27	£2.297 million (Deficit)	£2.118 million

The figures in the table above are after taking into account 'required savings targets' of £1.000 million and £1.500 million in 2025/26 and 2026/27 respectively.

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

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

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

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

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

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

As mentioned within the risk section earlier, a framework in which to deliver required savings is currently being developed alongside the on-going development of the forecast and corporate plan / priorities process. This is also reflected as a key item within the Annual Governance Statement.

Council Performance 2023/24

Non-Financial Performance

Performance reports are presented to Management Team and Members during the year, which includes updates against key projects/‘highlight’ priorities. Following the local elections in May 2023 and the appointment of a New Administration, the new Leader of the Council emphasised his commitment to focus on delivering projects and priorities that the Council had already committed to. This would run alongside the development of the revised Corporate Plan referred to earlier. With this in mind, the performance against the Council’s existing commitments from 2022/23 are set out below:

Highlight Action	Year End Status
Minimise Waste; Maximise Recycling	On its way
Effective Regulation and Enforcement	On its way
Net Carbon Neutral by 2030	Delivered
North Essex Garden Communities	Delivered
Jaywick Sands – More and Better Housing	On its way
Building and Managing Our Own Homes	On its way
10 Year Financial Plan	On its way
Effective and Positive Governance	Delivered
Use of Assets to Support Priorities	On its way
Develop and Attract New Businesses	Delivered
Support Existing Businesses	On its way
Promote Tendring's Tourism, Cultural and Heritage Offers	Delivered
Health and Wellbeing – For Effective Services and Improved Public Health	Delivered
Education – For Improved Outcomes	Delivered
Joined Up Public Services for the Benefit of Our Residents and Businesses	On its way

More details on the above can be found on the Council's website using the following link - Performance Outturn Report 22-23 (tendringdc.gov.uk)

At its meeting on 12 March 2024, Cabinet agreed a number of 'Highlight Priorities' for 2024/25 which can be found on the Council's website using the following link - A2 Appendix B - 2024-25 Highlight Priorities - Final (tendringdc.gov.uk). Progress against these priorities will be reported during the year.

Financial Performance

Continuing from previous years, the various strands representing the overall financial performance of the Council have been brought together in one report that is reported to members on a quarterly basis. This approach follows the commitment made to provide regular updates on the long term financial forecast and to bring the reporting of key financial performance and budget monitoring together in one report. The report therefore sets out the overall financial position of the Council in one place and includes a risk assessed approach to each strand of the forecast. The financial performance reports that were presented to Members during 2023/24, which are available on the Council's website, also include the consideration of cost pressures / investment opportunities.

The Council is meeting its long term forecasted position supported by the forecast risk fund that was set up to 'underwrite' the risks associated with the long term approach. In respect of 2024/25, there is an estimated use of the forecast risk fund of £0.449 million. £5.943 million is forecast to be 'held' within the forecast risk fund at the end of 2024/25 to continue to support the long term plan in 2025/26 and beyond.

Financial Performance 2023/24 including comparison with the 2023/24 Budget

The detailed outturn position for 2023/24 has been finalised and will be available on the Council's website from July 2024. A summary is set out below that follows a similar format of the Expenditure and Funding analysis within the Statement of Accounts:

Summary of General Fund Revenue Financial Performance 2023/24

	Budget 2023/24 £m	Outturn 2023/24 £m	Variance £m
Net Cost of Services *	**32.641**	**16.942**	**(15.699)**
Other Income and Expenditure			
Revenue Support for Capital Investment	2.200	1.375	(0.825)
Financing Items	(7.090)	(4.585)	2.505
Business Rates (including Tariff and Levy)	(3.150)	(4.408)	(1.258)
Revenue Support Grant	(0.696)	(0.719)	(0.023)
Collection Fund Surplus/Deficit	(0.784)	(0.784)	-
Income from Council Tax Payers	(9.603)	(9.603)	-
Total Other Income and Expenditure	**(19.123)**	**(18.724)**	**0.399**
(Surplus) or Deficit on Provision of Services **	**13.518**	**(1.782)**	**(15.300)**
Opening General Fund Balances	(36.352)	(36.352)	-
(Surplus) or Deficit on General Fund in Year	13.518	(1.782)	(15.300)
Closing General Fund Balances at 31 March	**(22.834)**	**(38.134)**	**(15.300)**

* the budget of £32.641 million included in the table above is £10.406 million more than the figure (£22.235 million) presented to Full Council in February 2023 when the original budget was agreed, which is primarily due to the amounts carried forward from 2022/23 into 2023/24.

** the difference between budget and actuals is primarily due to requested carry forwards into 2024/25, with some significant items as follows:

- Garden Communities Project - £0.415 million
- General Contingency Budget to support utility costs - £ 0.410 million
- New Burdens Grant Funded Activities - £0.745 million
- Community Housing Trust Grant - £0.611 million
- New Homes Bonus Grant Funded Projects - £1.479 million
- Healthy Homes Grant Funded Projects - £0.736 million
- Revenue Financing of Capital - £0.857 million
- Levelling Up Grant Funded Regeneration Project Delivery - £2.427 million

The above figures relate to the General Fund only which explains the difference with the figures set out in the Expenditure and Funding Analysis that also includes the Housing Revenue Account. The Expenditure and Funding analysis set out within the Statement of Accounts shows a Net Cost of Services figure for 2023/24 of £16.847. million. When the HRA is excluded (£0.096 million), the outturn position relating to the Net Cost of Services is £16.942 million as included in the table above.

Within the £15.300 million variance on the (Surplus) or Deficit on Provision of Services above, a general contribution of £1.829 million was made to reserves representing the overall outturn variance for the year. Significant items behind the overall outturn variance for the year included the following:

- Increased External Investment Income - £0.116 million
- Increased Net Income from Business Rates – (in excess of) £1.200 million
- Increased Parking Income - £0.226 million
- Increased Net Income from the Council’s Three Main Leisure Facilities - £0.232 million

Summary of General Fund Capital Programme 2023/24

Expenditure is capitalised when it is spent on the acquisition, creation or enhancement of assets that have a value to the Council or the community for more than one year. Examples of capital expenditure incurred by the Council during the year were disabled facilities grants and major repairs/enhancements to assets. As capital schemes span financial years, amounts are proposed to be carried forward to continue the schemes and projects in 2024/25, with significant items as follows:

- Disabled Facilities Grants - £9.436 million
- Starlings and Milton Road Development - £0.266 million
- Carnarvon House Demolition (Supporting Levelling Up Scheme) - £0.342 million

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

	Budget 2023/24	Outturn 2023/24	C/fwds	Variance
	£m	£m	£m	£m
Capital Expenditure	15.460	3.804	11.604	(0.052)

Funding of Capital Expenditure	**Budget 2023/24**	**Outturn 2023/24**	**To Fund C/fwds**	**Variance**
	£m	£m	£m	£m
External Sources of Finance	0.889	0.493	0.392	(0.004)
S106	0.245	0.240	0.006	0.001
Government Grants	11.371	1.861	9.540	0.030
Capital Receipts	1.000	0.106	0.815	(0.079)
Revenue Contributions	0.224	0.271	-	0.047
Use of Earmarked Reserves	1.731	0.833	0.851	(0.047)
Total	**15.460**	**3.804**	**11.604**	**(0.052)**

General Fund Reserves

The overall level of reserves at the end of 2023/24 is £38.134 million, made up of £19.708 million for earmarked commitment reserves, £14.426 million for other earmarked reserves and £4.000 million for uncommitted reserves.

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

Housing Revenue Account 2023/24

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 2023/24 £m	Outturn 2023/24 £m	Variance £m
Net Cost of Services	**2.497**	**(0.096)**	**(2.593)**
(Surplus) or Deficit on Provision of Services *	**2.497**	**(0.096)**	**(2.593)**
Opening HRA Revenue Reserves	(6.340)	(6.340)	-
(Surplus) or Deficit on HRA in Year	2.497	(0.096)	(2.593)
Closing HRA General Balance at 31 March	**(3.843)**	**(6.436)**	**(2.593)**

* the difference between budget and actuals is primarily due to carry forwards totalling £2.267 million along with an additional contribution to reserves of £0.520 million.

The overall level of reserves at the end of 2023/24 of £6.436 million is made up of £2.267 million for earmarked commitment reserves and £4.169 million for uncommitted reserves.

Housing Revenue Account 2023/24 – Capital Expenditure

	Budget 2023/24 £m	Outturn 2023/24 £m	C/fwds £m	Variance £m
HRA Capital Expenditure	12.730	8.034	4.687	(0.009)

A summary of how this capital expenditure was financed in 2023/24 is set out below:

	Budget 2023/24	Outturn 2023/24	To Fund C/fwds	Variance
	£m	£m	£m	£m
Major Repairs Reserve	4.164	4.164	-	-
S106	0.308	0.308	-	-
Capital Receipts	4.114	1.281	2.834	0.001
External Contributions (incl. grants)	2.004	1.993	-	(0.011)
Revenue funding from the HRA	2.140	0.288	1.853	0.001
Total	**12.730**	**8.034**	**4.687**	**(0.009)**

The overall variance primarily reflects a minor underspend against one capital scheme.

The Council's Overall Balance Sheet

The Council's balance sheet as at the end of March 2024 is set out within the Statement of Accounts. Some significant matters to highlight are as follows:

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

- **Long Term Investments / Other Long Term Liabilities – Pensions**
  At the end of 2023/24 there is an overall pension surplus attributable to the Council of £54.652 million (£34,791 million surplus for 2022/23). In a change to previous years accounting treatment and in-line with IFRIC 14 and its interpretation by Auditors and guidance issued by CIPFA, an asset ceiling approach has been applied by the scheme's Actuary that reflects the underlying nature of any accounting surplus in the pension fund - the accounting standards state *that if an employer has an accounting surplus, it should only be recognised to the extent that it is able to recover the surplus either through reduced contributions in the future, or through refunds. The present value of such economic benefits is commonly referred to as the "asset ceiling"*

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

  The changes between years included within the balance sheet therefore reflect this change in approach with no surplus recognised at the end of March 2024.

- **Short Term Creditors**
  The change between years is primarily due to the level of COVID 19 grant funding received from the Government that was being 'held' at the end 2022/23, for either distribution in 2023/24 or to be repaid to the Government during the year. There are no balances held at the end of 2023/24.

- **Capital Grants Receipts In Advance**

  The change between years primarily relates to initial tranches of grant funding receivable from the Government in respect of Levelling Up / Capital Regeneration Projects with further details set out later on in this statement.

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 2024/25 that was 'built' on this approach is set out below:

General Fund

The Council's overall net General Fund revenue budget for 2024/25 (excluding amounts carried forward from 2023/24) is £15.123 million with a summary below, including how it is financed:

	2024/25 Original £m
Net Cost of Services	20.884
Revenue Support for capital investment	0.070
Financing items	(5.070)
Net Expenditure	**15.884**
Net Use of Earmarked Reserves	(0.761)
Total Net Budget	**15.123**
Financed by:	
Business Rates (excl. S31 Govt. Grant funding)	(3.357)
Revenue Support Grant	(0.767)
Collection Fund (Surplus)/Deficit	(0.951)
Council Tax Requirement (for Tendring District Council)	**10.048**

A summary of planned Capital Expenditure in 2024/25 (excluding amounts carried forward from 2023/24) and how it is financed is as follows:

	2024/25 Original Budget £m
Expenditure	0.827
Financing	
Government Grants	0.757
Capital Receipts	-
Earmarked Reserves	-
Direct Revenue Contributions	0.070
Total Financing	0.827

The current long term forecast going into 2025/26 and beyond reflects items such as the on-going impact from changes in government funding and the potential for income growth from council tax and business rates, including amounts from property growth. The expected / proposed changes to business rates nationally remains as a significant risk to Councils and will continue to be monitored and reflected in the forecast accordingly. On the expenditure side of the forecast, inflation such as on salaries are also included along with an estimate of cost pressures and savings.

The Government have stated their intention to undertake a 'fairer funding' review, which therefore also poses a significant risk in future years, which the Council will need to remain alert to, and the forecast adjusted accordingly.

Current global volatility makes it difficult to forecast the speed and scale of future economic growth and the impact on the Council's own financial position. However this will be kept under review and reflected in the long term forecast that will be updated on an on-going basis during 2024/25.

Housing Revenue Account

A summary of the HRA Revenue Budget for 2024/25 is summarised below:

	2024/25 Original Budget £m
Direct Expenditure	10.252
Direct Income	(16.720)
Indirect Income/Expenditure including Financing Costs	5.975
Net (Surplus)/Deficit	(0.493)
Contribution to/(from) Reserves	0.493

A summary of the HRA Capital Programme for 2024/25 is set out below:

	2024/25 Original Budget £m
Expenditure	3.928
Financing	
Major Repairs Reserve	3.314
Capital Receipts	-
Revenue funding from the HRA	0.614
Total Financing	3.928

The Council continues to take steps to deliver existing projects along with developing a number of projects and priorities, with a summary of some key items set out below:

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

The Government have awarded the Council over £26 million of financial support for investment in capital regeneration projects in Clacton and Dovercourt. Work remains in progress with partners to deliver these two important capital schemes over the next two years. The Council is the accountable body for these two schemes with a number of assurance and governance processes required, which are highlighted within the attached Annual Governance Statement

➢ **Levelling Up Partnerships, Long Term Plan for Towns and High Street Accelerator Funding**

In addition to the £26 million highlighted above, the Government have also awarded the Council a total of over £40 million to support a number of economic and regeneration activities to be undertaken within the district. Work remains in progress to take the opportunities that they present forward, which will also need to be supported by similar governance arrangements mentioned above.

➢ **Freeport East**

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

Freeport East Ltd was incorporated on 6 December 2022 as a not-for-profit company created by the following 10 partners:

- East Suffolk Council
- Mid Suffolk District Council
- Tendring District Council
- Suffolk County Council
- Essex County Council
- New Anglia Local Enterprise Partnership Ltd
- University of Essex
- Harwich International Port Ltd
- The Felixstowe Dock and Railway Company
- Gateway 14 Ltd

East Suffolk act as the accountable for the partners and as at the end of March 2024, they held:

- £0.800 million of Forward Funding for Skills, Innovation & Clean Growth from the partner authorities; and
- £12 million of 'Seed Capital' from DLUHC

In terms of Freeport East Ltd as a standalone company, their accounts for the year ending 31 March 2024 are due to be published / submitted by September 2024, with a summary of their financial position as follows:

Expenditure - £679,633

Income:

Capacity Grant Funding - £545,140

Interest Earned on grant funding held - £149,979

Total Income - £695,119

Net Surplus for the Year - £15,486

The transactions of the company are not deemed material at this stage to require the consideration of preparing group accounts, although this will remain under review in 2024/25 and beyond as necessary.

The Council has recently approved an associated Freeport Business Plan along with a Business Rates Retention Policy, with the latter underpinning the ‘sharing’ of business rates generated within the associated tax sites to support the company’s operational costs along with providing additional ‘base’ income to the relevant Local Authority and enabling investment in delivering the tax sites and wider investment in the relevant districts. With the above in mind, £0.092 million of income was generated in 2023/24 which is being held in reserves pending further decisions / discussions with the partner organisations during 2024/25.

With such significant projects being undertaken by the Council, the capacity to ensure successful delivery will be essential. Work is underway to identify the necessary resources which is referenced within the attached Annual Governance Statement.

➢ **Spendells House Capital Programme**

The attached Annual Governance Statement references a Section 5 Report of the Council’s Monitoring Officer that relates to unauthorised expenditure being incurred against this project along with other additional costs emerging. Associated reports were presented to Cabinet on 24 May 2024 which are available on the Council’s website.

The reports referred to above demonstrated a value for money case to continue with the project that will provide much needed temporary accommodation for homeless households along with identifying additional funding of £0.860 million to complete the project. It was agreed that this funding would be met from the Housing Revenue Account General Reserve in the first instance, which will be kept under review during the year as a more favourable alternative mix of funding may emerge.

Although this does not have a direct impact on the 2023/24 accounts, it is important to highlight the issue and the potential impact on the Housing Revenue Account in 2024/25 given the proposed use of reserves.

➢ **Homelessness Costs**

Although a number of general financial pressures have been mentioned above (e.g. inflation), the increasing cost of providing mandatory temporary accommodation to households that find themselves homeless is being experienced by many Local Authorities across the country. Although the Government provide grant funding, it is not enough to fully meet these costs, which therefore requires Local Council’s to fund any shortfall themselves. During the year, the Council provided additional funding of £0.500 million towards the cost of temporary accommodation, but the final outturn position for the year was in excess of this amount by a further £0.591 million.

In looking ahead to 2024/25, the budget has already been increased by £0.500 million. Although the Department remains committed to exploring options to reduce the on-going financial impact on the Council, this issue will need to be kept under on-going review during the year as further additional funding may be required.

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

Due to the External Audit delays mentioned earlier and the fact that previous years accounts still remain subject to being audited, it is understood that some Local Authority S151 Officers are finding it increasingly difficult to confirm that the current years accounts provide a 'true and fair view' of the Council's financial position at the end of March 2024.

The Council's S151 Officer has signed off these accounts as providing a 'true and fair view' of the Council's financial position at the end of March 2024 on the following basis:

- These accounts have been prepared in accordance with the associated code of practice / accounting standards and that the financial transactions of the authority have been recorded and presented correctly;
- the Council is aware of the external audit issues still outstanding for 2020/21, which are not expected to have a material impact on the latest position.
- All known material matters have been reflected within these accounts as necessary
- All other significant / relevant matters have been referred to / disclosed within this narrative statement

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 2023/24 (The Code). The detailed financial statements that are required are explained below; these are split into 'core statements' and 'supplementary statements'.

ACCOUNTING AND RESPONSIBILITY STATEMENTS

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

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

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

CORE FINANCIAL STATEMENTS

The following four statements comprise the 'core statements' and are directly followed in the Statement of Accounts by comprehensive notes 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 66). These are consistent with the fundamental accounting concepts of:

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

Estimation Techniques

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

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

The Director Finance and IT's Responsibilities

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

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

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

The Director Finance and IT has also:

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

Director Finance and IT's Certificate

I certify that the accounts set out in this document give a true and fair view of the financial position of the Authority at the 31 March 2024 and the income and expenditure for the year then ended.

R C Barrett
Director Finance and IT
Date: 13 February 2025

Chair of the Audit Committee Certificate

I can confirm that the Audit Committee at the meeting held on the 13 February 2025 approved these accounts.

Councillor G Sudra on behalf of Tendring District Council
Chair of the meeting approving the accounts
Date: 13 February 2025

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
TENDRING DISTRICT COUNCIL
YEAR ENDED 31 MARCH 2024

Disclaimer of opinion

We were engaged to audit the financial statements of Tendring District Council ("the Council") for the year ended 31 March 2024 which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement, Collection Fund Income an Expenditure Statement, Housing Revenue Account and the related notes, including the Expenditure and Funding Analysis and the accounting policies in note 2.

We do not express an opinion on the financial statements. Due to the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

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

We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. These areas include, but were not limited to, the carrying value of property, plant and equipment , short term creditors, short term debtors , collection fund expenditure and the movements in usable and unusable reserves for the year ended 31 March 2024.

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

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

Identified material misstatement

In addition, included within other land and buildings are specialised buildings valued at depreciated replacement cost with a reported carrying amount of £20.355m as at 31 March 2024 that have been valued on the basis of the gross external areas of the assets concerned, rather than the gross internal areas. As a result, the valuation of these assets, and the associated amount recorded in the revaluation reserve, are overstated as at 31 March 2024. Because of the time constraints created by the Backstop Date, the Council has not instructed the valuer to carry out a detailed analysis of the valuations to determine the amount by which the value of the relevant assets has been overstated at that date. As no detailed analysis has been performed, it is not practicable for us to quantify the effect of this departure on the financial statements.

Fraud and breaches of laws and regulations – ability to detect

As stated in the Disclaimer of opinion section of our report, we do not express an opinion on the financial statements due to the reasons described in the Basis for disclaimer of opinion section of our report.

Other information

The Director of Finance and IT is responsible for the other information, which comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Any opinion on the financial statements would not cover the other information and we do not express an opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

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

Director Finance and IT and Audit Committee's responsibilities

As explained more fully in the statement set out on page two, the Director Finance and IT is responsible for the preparation of financial statements in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and that give a true and fair view. They are also responsible for: such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 they have been informed by the government of the intention to either cease the services provided by the Council or dissolve the Council without the transfer of its services to another public sector entity.

The Audit Committee of the Council is responsible for overseeing the Council's financial reporting process.

Auditor’s responsibilities

Our responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing (UK), and to issue an auditor’s report. However, due to the significance of the matter described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

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

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the “NAO Code of Audit Practice”), we are required to report to you if we identify any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency and effectiveness in its use of resources.

Except for the matters explained below, we have nothing to report in this respect.

Significant Weakness - Governance

We have identified a significant weakness relating to Governance. Unauthorised expenditure of £386k in 2023/24 has been identified on the Spendells capital project. In addition to this, a number of capital projects, including Spendells, have overspent their budget in 2023/24. The unauthorised expenditure highlights that appropriate governance procedures to monitor approved capital expenditure on projects were not in place during 2023/24.

Recommendation

The Council is undertaking a formal investigation into how the unauthorised expenditure arose, but this is yet to be concluded at the date of our report. We recommend that the Council concludes its investigation as soon as possible and ensures that appropriate governance arrangements are in place to monitor the implementation of the recommendations arising from the investigation.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

As explained more fully in the statement set out on page two, the Council is responsible for ensuring that it has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are required under section 20(1) of the Local Audit and Accountability Act 2014 to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively. We are also not required to satisfy ourselves that the Council has achieved value for money during the year.

We planned our work and undertook our review in accordance with the NAO Code of Audit Practice and related statutory guidance, having regard to whether the Council had proper arrangements in place to ensure financial sustainability, proper governance and to use information about costs and performance to improve the way it manages and delivers its services. Based on our risk assessment, we undertook such work as we considered necessary.

Statutory reporting matters

We are required by Schedule 2 to the NAO Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 and Schedule 7 of the Local Audit and Accountability Act 2014; or
- we make written recommendations to the Council under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in this respect.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the members of the Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

As at the date of this audit report, we have not yet completed our work in respect of the Council's Whole of Government Accounts consolidation pack for the year ended 31 March 2024.

Until we have completed this work, we are unable to certify that we have completed the audit of the financial statements of the Tendring District Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the NAO Code of Audit Practice.

Emma Larcombe
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square, E14 5GL

13 February 2025

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2024

Restated 2022/23 Expenditure £000	Restated 2022/23 Income £000	Restated 2022/23 Net £000		2023/24 Expenditure £000	2023/24 Income £000	2023/24 Net £000	Note Ref
			EXPENDITURE ON SERVICES				
2,214	(1,312)	902	Assets	2,376	(1,633)	743	
2,547	(108)	2,439	Corporate Finance and Governance	2,427	(103)	2,324	
11,578	(2,641)	8,937	Environment	11,221	(2,692)	8,529	
64,262	(58,576)	5,686	Housing and Planning	68,564	(57,722)	10,842	
3,578	(1,680)	1,898	Partnerships	3,443	(1,003)	2,440	
2,858	(1,263)	1,595	Economic Growth, Regeneration and Tourism	3,425	(1,924)	1,501	
8,813	(4,493)	4,320	Leisure and Public Realm	9,176	(5,705)	3,471	
946	(264)	682	Budgets Relating to Non Executive Functions	1,135	(348)	787	
96,796	(70,337)	26,459	**Net Cost of Services**	101,767	(71,130)	30,637	
6,859	(2,457)	4,402	Other Operating Income and Expenditure	2,838	(542)	2,296	11
1,475	(1,862)	(387)	Financing and Investment Income and Expenditure	1,332	(6,209)	(4,877)	12
6,235	(35,047)	(28,812)	Taxation and Non-Specific Grant Income and Expenditure	7,480	(35,718)	(28,238)	13
		1,662	**(Surplus) or Deficit on Provision of Services**			(182)	
		(11,760)	(Surplus) or deficit on revaluation of non-current assets			(21,477)	10(a)
		(20,407)	Remeasurements of the net defined benefit liability (asset)			2,112	10(c)
		(32,167)	**Other Comprehensive Income and Expenditure**			(19,365)	
		(30,505)	**Total Comprehensive Income and Expenditure**			(19,547)	

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 2022 brought forward	38,071	5,202	5,536	1,380	9,216	59,405	203,659	263,064	
Movement in reserves during the year									
Total comprehensive expenditure and income	(3,273)	1,611	-	-	-	(1,662)	32,167	30,505	
Adjustments between accounting basis and funding basis under regulations	1,554	(473)	(645)	74	2,440	2,950	(2,950)	-	7
Increase/(Decrease) in Year	(1,719)	1,138	(645)	74	2,440	1,288	29,217	30,505	
Restated Balance at 31 March 2023 carried forward	36,352	6,340	4,891	1,454	11,656	60,693	232,876	293,569	8,10
Balance at 1 April 2023 brought forward	36,352	6,340	4,891	1,454	11,656	60,693	232,876	293,569	
Movement in reserves during the year									
Total comprehensive expenditure and income	4,032	(3,850)	-	-	-	182	19,365	19,547	
Adjustments between accounting basis and funding basis under regulations	(2,250)	3,945	(449)	(233)	(854)	159	(159)	-	7
Increase/(Decrease) in Year	1,782	95	(449)	(233)	(854)	341	19,206	19,547	
Balance at 31 March 2024 carried forward	38,134	6,435	4,442	1,221	10,802	61,034	252,082	313,116	8,10

BALANCE SHEET

AS AT 31 MARCH 2024

Restated 31/03/2023 £000		31/03/2024 £000	Note Ref
	Long Term Assets		
268,140	- Property Plant and Equipment	286,250	14
193	- Heritage Assets	189	
2,364	- Investment Property	2,284	15
1	- Intangible Assets	-	
-	- Long Term Investments - Pensions	-	27
271	- Long Term Debtors	271	16
270,969	**Total Long Term Assets**	288,994	
	Current Assets		
74,351	- Short Term Investments	68,001	16
823	- Assets Held for Sale	823	18
35	- Inventories	53	
10,391	- Short Term Debtors	8,887	19
6,820	- Cash and Cash Equivalents	7,102	20
92,420	**Total Current Assets**	84,866	
	Current Liabilities		
(1,693)	- Short Term Borrowing	(2,694)	16
(30,880)	- Short Term Creditors	(20,893)	21
(834)	- Provisions	(595)	
(796)	- Capital Grants Receipts in Advance	(3,532)	23
(34,203)	**Total Current Liabilities**	(27,714)	
	Long Term Liabilities		
(960)	- Long Term Creditors	(937)	
(33,277)	- Long Term Borrowing	(30,841)	16
(1,380)	- Other Long Term Liabilities - Pensions	(1,252)	27
(35,617)	**Total Long Term Liabilities**	(33,030)	
293,569	**Total Net Assets**	313,116	
	Financed by:		
60,693	Usable Reserves	61,034	9
232,876	Unusable Reserves	252,082	10
293,569	**Total Reserves**	313,116	

R C Barrett
Director Finance and IT
13 February 2025

CASH FLOW STATEMENT

Restated 2022/23 £000		2023/24 £000	£000
(1,662)	**Net surplus or (deficit) on the provision of services**		**182**
	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements:		
11,021	Depreciation, revaluation and impairment of non-current assets	13,340	
(256)	Movement in Investment Property Values	80	
9	Amortisation of Intangible Assets	1	
(4,262)	(Increase)/decrease in creditors	1,559	
1,559	Increase/(decrease) in debtors	2,436	
3,417	Movement in pension liability	(2,240)	
(215)	Contributions to/(from) provisions	(239)	
4,567	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	450	
73	Other items	(18)	15,369
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:		
(5,183)	Capital Grants credited to surplus or deficit on the provision of services	(4,392)	
(2,456)	Proceeds from the sale of property, plant and equipment	(540)	(4,932)
6,612	**Net cash flows from Operating Activities***		**10,619**
	Investing Activities:		
(10,070)	Purchase of property, plant and equipment, investment property and intangible assets		(10,543)
(727,503)	Purchase of short term investments		(470,200)
2,458	Proceeds from the sale of property, plant and equipment		540
722,700	Proceeds from short term investments		477,000
5,134	Other receipts from investing activities		7,715
(7,281)	**Net cash flows from investing activities**		**4,512**
	Financing Activities:		
(2,221)	Repayments of short and long term borrowing		(1,423)
7,730	Other payments for financing activities		(2,157)
(8,060)	Other receipts from financing activities		(11,269)
(2,551)	**Net cash flows from financing activities**		**(14,849)**
(3,220)	**Net increase or (decrease) in cash and cash equivalents**		**282**
10,040	Cash and cash equivalents at the beginning of the reporting period		6,820
6,820	**Cash and cash equivalents at the end of the reporting period**		**7,102**

*The cash flows for operating activities include Interest Received of £3.779 million (£1.107 million in 2022/23) and Interest paid of £1.229 million (£1.286 million in 2022/23).

NOTES TO CORE FINANCIAL STATEMENTS

1 Expenditure and Funding Analysis

Restated 2022/23 Expenditure Chargeable to GF and HRA Balances	Restated 2022/23 Adjustment between Funding and Accounting basis	Restated 2022/23 Net Expenditure in the CIES		2023/24 Expenditure Chargeable to GF and HRA Balances	2023/24 Adjustment between Funding and Accounting basis	2023/24 Net Expenditure in the CIES	Note Ref
£000	£000	£000		£000	£000	£000	
			EXPENDITURE ON SERVICES				
902	-	902	Assets	743	-	743	
(6,947)	9,386	2,439	Corporate Finance and Governance	(6,205)	8,529	2,324	
8,937	-	8,937	Environment	8,529	-	8,529	
3,214	2,472	5,686	Housing and Planning	5,581	5,261	10,842	
1,898	-	1,898	Partnerships	2,440	-	2,440	
1,595	-	1,595	Economic Growth, Regeneration and Tourism	1,501	-	1,501	
4,320	-	4,320	Leisure and Public Realm	3,471	-	3,471	
682	-	682	Budgets Relating to Non Executive Functions	787	-	787	
14,601	11,858	26,459	**Net Cost of Services**	16,847	13,790	30,637	
(14,020)	(10,777)	(24,797)	Other Income and Expenditure	(18,724)	(12,095)	(30,819)	
581	1,081	1,662	**(Surplus) or Deficit on Provision of Services**	(1,877)	1,695	(182)	
(43,273)			Opening General Fund and HRA Balances	(42,692)			
581			(Surplus) or Deficit on General Fund and HRA Balances in Year	(1,877)			
(42,692)			**Closing General Fund and HRA Balances at 31 March**	(44,569)			8

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

Restated 2022/23					2023/24			
Adjustments for Capital Purposes (see a below)	Pensions Adjustments (see b below)	Other Differences (see c below)	Total Adjustments		Adjustments for Capital Purposes (see a below)	Pensions Adjustments (see b below)	Other Differences (see c below)	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
				EXPENDITURE ON SERVICES				
747	-	8,639	9,386	Corporate Finance and Governance	903	-	7,626	8,529
3,252	344	(1,124)	2,472	Housing and Planning	6,109	(68)	(780)	5,261
3,999	344	7,515	11,858	**Net Cost of Services**	7,012	(68)	6,846	13,790
(2,401)	3,073	(11,449)	(10,777)	Other Income and Expenditure	(3,361)	(2,172)	(6,562)	(12,095)
1,598	3,417	(3,934)	1,081	**(Surplus) or Deficit on Provision of Services**	3,651	(2,240)	284	1,695

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

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

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

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

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

2 Accounting Policies

The Council is required to prepare a Statement of Accounts for each financial year by the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021 in accordance with proper accounting practices as set out in the Chartered Institute of Public Finance and Accountancy 2023/24 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 66).

3 Critical judgements in applying accounting policies

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

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

IFRS16 on leases was issued in January 2016 but adoption is only compulsory from 1 April 2024. The standard makes no changes to the reporting of leases as lessor, but for leases where the Council is lessee all current operating leases effectively become finance leases, which will bring a right of use asset and a lease liability onto the balance sheet. During 2023/24 an exercise has been undertaken to identify all assets leased in by the Council. The Council has set the level below which assets are considered too small to include at £10,000, which is consistent with the level at which capital items are recognised as capital rather than revenue. Additionally, assets under a lease with less than 12 months to run at 1 April 2024 are not brought onto the balance sheet. Where the implicit rate in the lease is known, the right of use asset and corresponding lease liability have been calculated based on this rate. Where the implicit rate is not known, the Council has used the rate for the relevant remaining life of the lease available from the Public Works Loans Board (PWLB) as at 2 April 2024, as this information is readily available and if the Council were to borrow it would be from the PWLB.

The result of this assessment has been to identify some items of horticultural plant and machinery and also contract hire vehicles with a total right of use/lease liability value of £0.224 million. There are also two coastal pieces of land that are leased in with a total right of use/lease liability value of £0.021 million. Therefore, the Council does not consider IFRS16 will have a material impact on the statement of accounts for 2024/25. The Council has no sale and leaseback arrangements.

Other standards issues not adopted are:

- Amendments to IAS1 over the classification of liabilities as current or non-current and non-current liabilities with Covenants.
- Amendments to IAS12 which only apply to multinational groups and amendments to IAS7 and IFRS7 around supplier finance arrangements.

None of these amendments are anticipated to have any impact on Tendring District Council.

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

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

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

a) Property, Plant and Equipment Valuations

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

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

b) Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged (via Essex County Council) to provide the Authority with expert advice about the assumptions to be applied. The latest actuarial assessment as at 31 March 2024 shows that the discount rate applied by the actuary has increased from 4.8% at 31 March 2023 to 4.9% at 31 March 2024. The impact of this combined with a decline in assumed life expectancy following the full revaluation of the Fund by the actuary as at 31 March 2022 has been to move the Pension liability into a Pension asset at 31 March 2024, showing the scheme funding is more than the estimated liability at that date.

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1.970 million.

However, the assumptions interact in complex ways. During 2023/24, the Authority’s actuaries advised that the net pensions liability had decreased by £19.863 million as a result of updating a number of factors and assumptions.

6 Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Director Finance and IT on 31 May 2024. Consideration for events arising after the Balance Sheet date is given up to the date the accounts are authorised for issue.

7 Adjustments between Accounting Basis and Funding Basis Under Regulations

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

Restated 2022/23						2023/24				
General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve		General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
					Adjustments to the Revenue Resources					
					Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
3,073	344	-	-	-	Pensions costs (transferred to/from the Pensions Reserve)	(2,172)	(68)	-	-	-
(3,798)	-	-	-	-	Council Tax and Business Rates (transferred to/from the Collection Fund Adjustment Account)	251	-	-	-	-
(131)	(5)				Holiday pay (transferred to the Accumulated Absences Reserve)	29	4	-	-	-
					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):					
3,047	8,002	-	-	-	- Depreciation, revaluation and impairment of non-current assets	2,083	11,525	-	-	-
(256)					- Movement in Investment Property Values	80	-	-	-	-
8	1	-	-	-	- Amortisation of intangible assets	-	1	-	-	-
1,943	8,342	-	-	-	**Total Adjustments to Revenue Resources**	271	11,462	-	-	-

Restated 2022/23						2023/24				
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					
(37)	(2,419)	-	-	2,456	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve and Deferred Capital Receipts	(51)	(489)	-	-	540
2,786	1,781	-	-	-	Amounts of non-current assets written off to the Capital Adjustment Account on disposal	-	450	-	-	-
-	17	-	-	(17)	Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	9	-	-	(9)
(1,740)	(3,443)	-	4,190	-	Transfer of capital grants, contributions and donated assets income credited to the Comprehensive Income and Expenditure	(2,324)	(2,069)	-	2,972	-
1	-	-	-	(1)	Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-	-	-	-	-
-	(3,294)	3,294	-	-	Posting of HRA resources from revenue to the Major Repairs Reserve	-	(3,714)	3,714	-	-
(201)	(1,414)	-	-	-	Provision for the repayment of debt (transfer from the Capital Adjustment Account)	(193)	(1,414)	-	-	-
-	-	-	-	-	Mitigation of Finance Lease costs in accordance with regulation	-	-	-	-	-
993	-	-	-	-	Revenue expenditure financed from capital under statute (transfer from the Capital Adjustment Account)	1,421	-	-	-	-
(2,191)	(43)	-	-	-	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,375)	(289)	-	-	-
(389)	(8,815)	3,294	4,190	2,438	**Total Adjustments between Revenue and Capital Resources**	(2,522)	(7,516)	3,714	2,972	531
					Adjustments to Capital Resources					
-	-	-	-	-	Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-	(1,385)
-	-	(3,939)	-	-	Use of the Major Repairs Reserve to finance capital expenditure	-	-	(4,163)	-	-
-	-	-	(4,116)	-	Application of capital grants to finance capital expenditure	-	-	-	(3,205)	-
-	-	-	-	2	Cash payments in relation to deferred capital receipts	-	-	-	-	-
-	-	(3,939)	(4,116)	2	**Total Adjustments to Capital Resources**	-	-	(4,163)	(3,205)	(1,385)
1,554	(473)	(645)	74	2,440	**Total Adjustments**	(2,251)	3,946	(449)	(233)	(854)

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 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31 March 2023 £000	Transfers Out 2023/24 £000	Transfers In 2023/24 £000	Balance at 31 March 2024 £000
General Fund:							
Revenue Commitments Reserve	14,745	(14,661)	17,084	17,168	(13,660)	14,972	18,480
Capital Commitments Reserve	3,877	(3,908)	2,077	2,046	(2,046)	1,228	1,228
Forecast Risk Fund	3,205	(431)	541	3,315	(304)	3,415	6,426
Asset Refurbishment/Replacement Reserve	1,269	(250)	-	1,019	-	-	1,019
Benefit Reserve	1,000	-	-	1,000	-	-	1,000
Building for the Future Reserve	1,654	-	686	2,340	(2,340)	-	-
Business Rate Resilience Reserve	4,998	(3,528)	-	1,470	-	289	1,759
Commuted Sums Reserve	507	(22)	-	485	(32)	145	598
Crematorium Reserve	154	(154)	-	-	(11)	240	229
Election Reserve	60	-	30	90	(120)	30	-
Haven Gateway Partnership Reserve	75	-	-	75	-	-	75
Leisure Capital Projects Reserve	51	(36)	50	65	(97)	39	7
Planning Inquiries and Enforcement Reserve	59	(20)	-	39	(20)	-	19
Section 106 Agreements Reserve	2,417	(390)	1,213	3,240	(458)	512	3,294
Total General Fund Earmarked Reserves	34,071	(23,400)	21,681	32,352	(19,088)	20,870	34,134
General Fund Balance	4,000	-	-	4,000	-	-	4,000
Total General Fund	38,071	(23,400)	21,681	36,352	(19,088)	20,870	38,134

	Balance at 1 April 2022	Transfers Out 2022/23	Restated Transfers In 2022/23	Balance at 31 March 2023	Transfers Out 2023/24	Transfers In 2023/24	Balance at 31 March 2024
	£000	£000	£000	£000	£000	£000	£000
Housing Revenue Account:							
General Reserve	4,246	(195)	762	4,813	(644)	-	4,169
Housing Revenue Account Commitments Reserve	956	(956)	1,527	1,527	(1,527)	2,267	2,267
Total Housing Revenue Account	5,202	(1,151)	2,289	6,340	(2,171)	2,267	6,436

9 Usable Reserves

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

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

a) General Fund Balance

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

b) Capital Receipts

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

c) Capital Grants Unapplied

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

d) Earmarked Reserves

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

i) Revenue Commitments Reserve

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

ii) Capital Commitments Reserve

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

iii) Forecast Risk Fund

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

iv) Asset Refurbishment/Replacement Reserve

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

v) Benefit Reserve

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

vi) Building for the Future Reserve

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

vii) Business Rates Resilience Reserve

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

viii) Commuted Sums Reserve

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

ix) Crematorium Reserve

To finance future ongoing maintenance costs to the crematorium plant and equipment at Weeley.

x) Election Reserve

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

xi) Haven Gateway Partnership Reserve

To support the costs associated with the Haven Gateway Partnership.

xii) Leisure Capital Projects Reserve

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

xiii) Planning Inquiries and Enforcement Reserve

To meet associated costs relating to planning services.

xiv) Section 106 Agreements Reserve

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

e) Housing Revenue Account

i) General Reserve

Resources available to meet future running costs for council houses.

ii) Housing Revenue Account Commitments Reserve

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

10 Unusable Reserves

Restated 2022/23 £000		2023/24 £000
97,258	Revaluation Reserve	116,541
135,340	Capital Adjustment Account	135,419
(1,380)	Pensions Reserve	(1,252)
1,810	Collection Fund Adjustment Account	1,559
(152)	Other Unusable Reserves	(185)
232,876		252,082

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.

Restated 2022/23			2023/24	
£000	£000		£000	£000
	90,230	**Balance at 1 April**		97,258
15,229		Upward revaluation of assets	23,873	
(3,469)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,397)	
	11,760	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		21,476
(1,720)		Difference between fair value depreciation and historical cost depreciation	(2,023)	
(3,012)		Accumulated gains on assets sold or scrapped	(170)	
	(4,732)	Amount written off to the Capital Adjustment Account		(2,193)
	97,258	**Balance at 31 March**		116,541

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.

Restated 2022/23			2023/24	
£000	£000		£000	£000
	134,073	**Balance at 1 April**		135,340
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(11,049)		Charges for depreciation, revaluation and impairment of non-current assets	(13,608)	
256		Movement in Investment Property Values	(80)	
(9)		Amortisation of Intangible Assets	(1)	
(993)		Revenue expenditure funded from capital under statute	(1,421)	
(4,567)		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	(450)	
(16,362)			(15,560)	
4,732		Adjusting amounts written out of the Revaluation Reserve	2,194	
	(11,630)	Net written out amount of the cost of non-current assets consumed in the year		(13,366)
		Capital financing applied in the year:		
-		Use of the Capital Receipts Reserve to finance new capital expenditure	1,385	
3,939		Use of the Major Repairs Reserve to finance new capital expenditure	4,163	
5,109		Application of grants, donated assets and contributions to capital financing	4,626	
1,615		Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances	1,607	
2,234		Capital expenditure charged against General Fund or HRA	1,664	
	12,897	Total amount of capital financing applied in the year		13,445
	135,340	**Balance at 31 March**		135,419

c) Pensions Reserve

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

2022/23			2023/24	
£000	£000		£000	£000
	(18,370)	**Balance at 1 April**		(1,380)
	20,407	Remeasurements of the net defined benefit liability (asset)		(2,112)
(6,362)		Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(1,411)	
2,945		Employer's pensions contributions and direct payments to pensioners payable in the year	3,651	
	(3,417)	Total adjustments to revenue resources		2,240
	(1,380)	**Balance at 31 March**		(1,252)

d) Collection Fund Adjustment Account

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

	Council Tax	Business Rates	Total
	£000	£000	£000
Balance at 1 April 2022	594	(2,582)	(1,988)
Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	113	3,685	3,798
Balance at 31 March 2023	707	1,103	1,810
Balance at 1 April 2023	707	1,103	1,810
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory	(627)	376	(251)
Balance at 31 March 2024	80	1,479	1,559

11 Other Operating Expenditure

2022/23		2023/24
£000		£000
2,273	Parish Council Precepts	2,378
1	Payments to the Government Housing Capital Receipts Pool	-
2,128	(Gains)/losses on the disposal of non-current assets	(82)
4,402	Total	2,296

12 Financing and Investment Income and Expenditure

2022/23		2023/24
£000		£000
1,301	Interest payable and similar charges	1,252
430	Net interest on the defined benefit liability (asset)	(1,752)
(1,638)	Interest receivable and similar income	(4,229)
(256)	Movement in Investment Property Values	80
(224)	Rental Income from Investment Property	(228)
(387)	Total	(4,877)

13 Taxation and Non-Specific Grant Income and Expenditure

2022/23		2023/24
£000		£000
11,823	Council tax income	11,831
9,951	Retained Business Rates Income	12,571
(6,235)	Business Rates Tariff and Levy	(7,480)
9,083	Non-Ringfenced Government Grants	8,344
4,190	Capital Grants, Contributions and Donated Assets	2,972
28,812	Total	28,238

Further details for the Non-Ringfenced and Capital Grants disclosed above are provided on note 23.

14 Property, Plant and Equipment

a) Movement on Balances

Movements in 2023/24	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equip-ment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construc-tion	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2023	167,415	59,483	6,359	59,851	558	46	3,597	297,309
Additions	4,222	863	508	521	58	-	4,245	10,417
Accumulated depreciation and impairment written off to Gross Carrying Amount	(1,761)	(631)	-	-	-	-	-	(2,392)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	18,170	3,421	-	-	-	3	-	21,594
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,880)	(3,568)	-	-	-	-	-	(7,448)
Derecognition - Disposals	(386)	(67)	(154)	-	-	-	-	(607)
Assets reclassified (to)/from Assets Held for Sale	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Assets Under Construction	-	5,550	-	-	-	-	(5,550)	-
Other Movements in cost or valuation	(349)	-	-	-	(27)	-	-	(376)
At 31 March 2024	183,431	65,051	6,713	60,372	589	49	2,292	318,497

Movements in 2023/24	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and 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 2023	(440)	(230)	(4,617)	(23,847)	(35)	-	-	(29,169)
Depreciation Charge for 2023/24	(3,498)	(764)	(402)	(1,155)	(1)	-	-	(5,820)
Accumulated depreciation written off to Gross Carrying Amount	1,761	631	-	-	-	-	-	2,392
Impairment losses/(reversals) recognised in the Revaluation Reserve	(49)	(68)	-	-	-	-	-	(117)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(48)	(18)	-	-	-	-	-	(66)
Derecognition - Disposals	3	-	154	-	-	-	-	157
Derecognition - Other								-
Other Movements in depreciation and impairment	349	-	-	-	27	-	-	376
At 31 March 2024	(1,922)	(449)	(4,865)	(25,002)	(9)	-	-	(32,247)
Net Book Value								
at 31 March 2024	181,509	64,602	1,848	35,370	580	49	2,292	286,250
at 1 April 2023	166,975	59,253	1,742	36,004	523	46	3,597	268,140

Restated Comparative Movements in 2022/23	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equip-ment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construc-tion	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2022	161,771	58,206	6,558	58,873	550	2,415	382	288,755
Additions	4,256	1,390	279	1,102	8	-	3,215	10,250
Accumulated depreciation and impairment written off to Gross Carrying Amount	(3,244)	(863)	-	-	-	(15)	-	(4,122)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	9,203	2,542	-	-	-	15	-	11,760
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,625)	386	-	-	-		-	(4,239)
Derecognition - Disposals	(946)	(2,178)	(478)	(124)	-	(1,546)	-	(5,272)
Assets reclassified (to)/fromt Assets Held for Sale	1,000	-	-	-	-	(823)	-	177
At 31 March 2023	167,415	59,483	6,359	59,851	558	46	3,597	297,309

Restated Comparative Movements in 2022/23	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equip-ment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construc-tion	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000
Depreciation and impairments								
At 1 April 2022	(438)	(489)	(4,663)	(21,591)	(35)	-	-	(27,216)
Depreciation Charge for 2022/23	(3,251)	(687)	(428)	(2,380)	-	(29)	-	(6,775)
Accumulated depreciation written off to Gross Carrying Amount	3,244	863	-	-	-	15	-	4,122
Derecognition - Disposals	5	83	474	124	-	14	-	700
At 31 March 2023	(440)	(230)	(4,617)	(23,847)	(35)	-	-	(29,169)
Net Book Value								
at 31 March 2023	166,975	59,253	1,742	36,004	523	46	3,597	268,140
at 1 April 2022	161,333	57,717	1,895	37,282	515	2,415	382	261,539

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 2023/24 on a straight-line basis over the expected life of the Council's non-current assets after allowing for residual values, based on information provided by the Council's valuer.

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

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

Life	**Asset Categories**
56 years	Car park buildings
50-54 years	Beach changing kiosks, beach huts, chapels, crematorium, deck chair kiosks, depots and industrial properties, garages, kiosks, Princes Theatre, pavilions, miscellaneous properties, museums, offices, public halls, swimming pools
49 years	Public conveniences, former public conveniences
41-50 years	Historic buildings, bandstand
39 years	Seafront shelters
25 years	All weather pitch, roller skating rink
46 years	Clacton Leisure Centre

- Land – this is not depreciated.
- Vehicles, Plant, Furniture and Equipment – 4 to 20 years.
- Infrastructure – 20 years in 2022/23 revised to 75 years from 2023/24 following external professional advice.

c) Capital Commitments

At 31 March 2024, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment with 2024/25 and future years budgeted to cost £3.855 million. Similar commitments as 31 March 2023 were £3.250 million.

d) Revaluations

A desk top revaluation of the Council's Housing Stock and General Fund was undertaken as at 30 September 2023 by P C Smith, BSc (Hons) MRICS, IRRV (Hons) RICS Registered Valuer, Associate Partner of Wilks Head and Eve LLP in accordance with the following guidance:

- CIPFA Code 2023/24
- International Financial Reporting Standards (IFRS)
- Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards (issued November 2021 and effective January 2022) and the RICS Valuation – Global Standards 2017: UK National Supplement (issued November 2018 and effective from 14 January 2019)
- RICS Global Standards 2017: UK National Supplement – UK VPGA 4 Valuation of local authority assets for accounting purposes.

A market review estimate was also obtained from Wilks Head and Eve LLP as to the change in value from 30 September 2023 to 31 March 2024 of all the Authority's non-current assets. The Council considers the range of movements identified to be immaterial overall so they are not reflected in the Balance Sheet. The Supplementary Financial Statement for the HRA sets out additional valuation details relating to the Council's housing stock.

15 Investment Properties

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

2022/23 £000		2023/24 £000
(224)	Rental Income from Investment Property	(228)
(224)	Net gain/loss	(228)

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

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

2022/23 £000		2023/24 £000
2,108	Balance at start of year	2,364
256	Net Gains/(losses) from fair value adjustments	(80)
2,364	Balance at end of the year	2,284

a) Fair Value hierarchy

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

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

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

For further details of the Valuers used see Note 14 on Property, Plant and Equipment.

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

b) Highest and best use of investment properties

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

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

16 Financial Instruments

a) Categories of Financial Instruments

Long Term 31 March 2023 £000	Restated Current 31 March 2023 £000		Long Term 31 March 2024 £000	Current 31 March 2024 £000
		Financial assets at amortised cost		
-	74,351	Investments	-	68,001
271	3,939	Trade and other receivables	271	3,036
-	6,820	Cash and Cash Equivalents	-	7,102
271	85,110	**Total Financial Assets at amortised cost**	271	78,139
		Financial liabilities at amortised cost		
33,277	1,693	Borrowing from Public Works Loan Board (PWLB)	30,841	2,694
960	-	Section 106 agreements	937	-
-	4,985	Trade and other payables	-	4,806
34,237	6,678	**Total Financial Liabilities at amortised cost**	31,778	7,500

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

b) Reclassifications

There have been no reclassifications of financial assets or liabilities in 2023/24.

c) Income, Expense, Gains and Losses

2022/23 Financial Liabilities measured at amortised cost	2022/23 Financial Assets measured at amortised cost	2022/23 Total		2023/24 Financial Liabilities measured at amortised cost	2023/24 Financial Assets measured at amortised cost	2023/24 Total
£000	£000	£000		£000	£000	£000
1,272	-	1,272	Interest expense	1,217	-	1,217
-	8	8	Fee expense	-	7	7
1,272	8	1,280	**Total expense in Surplus or Deficit on the Provision of Services**	1,217	7	1,224
-	(1,638)	(1,638)	Interest income	-	(4,229)	(4,229)
-	(1,638)	(1,638)	**Total income in Surplus or Deficit on the Provision of Services**	-	(4,229)	(4,229)
1,272	(1,630)	(358)	**Net (gain)/loss for the year**	1,217	(4,222)	(3,005)

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 2023			31 March 2024	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
34,970	35,671	PWLB borrowing	33,535	32,463
960	960	Long term Section 106 agreements	937	937
5,529	5,529	Trade and other payables	4,805	4,805

The fair value of PWLB loans of £33.535 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.

Restated 31 March 2023			31 March 2024	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
74,351	74,351	Investments	68,001	68,001
271	271	Long term trade and other receivables	271	271
3,939	3,939	Short term trade and other receivables	3,036	3,036

17 Nature and Extent of Risks arising from Financial Instruments

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

a) Credit Risk

Credit risk arises from deposits with banks and other financial institutions and from credit advanced to the Council's customers. The Balance Sheet figures for financial assets are not representative of the normal level of exposure at any particular time. Positive cash flows in the early part of each financial year can lead to a considerably higher level of total investments. The maximum exposure during 2023/24 was £102.445 million.

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

The Council has had no experience of default on investments and does not expect any losses, nor has credit risk increased significantly since initial recognition, so no loss allowance has been made for investments. This is because investments are all held at amortised cost.

The Authority allows credit for some customers where payment in advance of service provision is not practicable. £0.409 million of the £1.247 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;

2022/23		2023/24
£000		£000
78	Less than three months	101
34	Three to six months	10
36	Six months to one year	33
234	More than one year	265
382		409

Impairments of Sundry Debtors at 31 March 2024 totalled £0.569 million (£0.541 million at 31 March 2023).

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:

2022/23 Principal £000	Interest £000	Total £000		2023/24 Principal £000	Interest £000	Total £000
1,422	1,217	2,639	Less than one year	2,881	1,147	4,028
2,623	1,147	3,770	Between one and two years	2,421	1,056	3,477
5,932	2,938	8,870	Between two and five years	4,601	2,764	7,365
5,067	4,110	9,177	Between five and ten years	4,684	3,972	8,656
3,191	3,522	6,713	Between ten and fifteen years	2,850	3,434	6,284
16,464	9,496	25,960	More than fifteen years	16,098	8,840	24,938
34,699	22,430	57,129		33,535	21,213	54,748

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

c) Market Risk

- **Interest Rate Risk**

  At 31 March 2024 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 2024, 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	339
Increase in interest receivable on variable rate investments	(869)
Impact on Surplus or Deficit on the Provision of Services	(530)
Share of overall impact relating to the HRA	425

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

- **Price Risk**

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

- **Foreign Exchange Risk**

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

18 Assets Held for Sale

The Council offices and depot at Weeley ceased operational use at the end of 2021/22 when they were reclassified as surplus. In April 2023 the Council decided on disposal to a developer for housing in return for 9 Council dwellings. Therefore, for accounting purposes the buildings have been treated as being disposed of at nil consideration and the land has transferred to Assets Held for Sale at 31 March 2023. The legal agreement with the developer is still being finalised but is expected to be completed by 31 March 2025.

2022/23 £000		2023/24 £000
1,000	Balance Brought Forward	823
823	Assets reclassified to held for sale in year	-
(1,000)	Assets declassified from held for sale in year	-
823	**Balance carried forward**	823

19 Debtors

Restated 2022/23				2023/24		
Gross Amount	Impairment Allowance	Net		Gross Amount	Impairment Allowance	Net
£000	£000	£000		£000	£000	£000
484	(280)	204	Council tenants arrears	571	(295)	276
3,799	(562)	3,237	Trade debtors	2,906	(590)	2,316
1,992	(1,494)	498	Housing benefit overpayments	1,775	(1,331)	444
3,567	(1,756)	1,811	Business rates and Council Tax Payers	3,849	(2,441)	1,408
1,337	-	1,337	Amounts due from government and preceptors for Business Rates and Council Tax	3,307	-	3,307
3,296	-	3,296	Other amounts due from government	1,110	-	1,110
8	-	8	Other	26	-	26
14,483	(4,092)	10,391	**Balance at 31 March**	13,544	(4,657)	8,887

20 Cash and Cash Equivalents

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

2022/23 £000		2023/24 £000
	Current Assets:	
1,264	Bank current accounts	1,261
5,547	Call accounts	5,833
9	Petty cash	8
6,820		7,102

21 Creditors

Restated 2022/23 £000		2023/24 £000
330	Council tenants	395
4,124	Trade creditors	4,071
861	Capital creditors	735
5,430	Amounts due to government and preceptors for Business Rates and Council Tax	3,840
11,278	COVID-19 grant funding	-
7,807	Other amounts due to government and preceptors	11,050
1,045	Receipts in Advance for Council Tax and Business Rates	797
5	Other	5
30,880	**Balance at 31 March**	20,893

22 Expenditure and Income Analysed by Nature

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

Restated 2022/23 £000		2023/24 £000
	Expenditure	
22,820	Employee Expenses	21,893
69,182	Other Services Expenses	74,014
11,030	Depreciation, Amortisation, Impairment	13,341
(256)	Movement in Investment Property Values	80
1,301	Interest Payable and Similar Charges	1,252
430	Pension Interest and Return on Pension Assets	-
2,273	Precepts and Levies	2,378
1	Payments to Housing Capital Receipts Pool	-
4,584	Loss on the Disposal of Non-Current Assets	459
111,365	**Total Expenditure**	113,417
	Income	
(35,724)	Fees and Charges and Other Service Income	(36,561)
(2,457)	Gain on Disposal of Non-Current Assets	(541)
(1,862)	Interest and Investment Income	(4,457)
-	Pension Interest and Return on Pension Assets	(1,752)
(11,823)	Income from Council Tax	(11,831)
(9,951)	Income from Business Rates	(12,571)
(47,886)	Government Grants and Contributions	(45,886)
(109,703)	**Total Income**	(113,599)
1,662	**(Surplus) or Deficit on the Provision of Services**	(182)

23 Grant Income

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

2022/23 £000		2023/24 £000
	Credited to Taxation and Non-Specific Grant Income	
	Non-Ringfenced Grants:	
445	Revenue Support Grant	719
231	Lower Tier Services Grant	-
349	Services Grant	205
-	Funding Guarantee	767
1,595	New Homes Bonus Grant	735
485	New Burdens Grant	234
4,703	NDR Section 31 Business Rate Grants	5,133
1,213	Section 106 Agreements	509
62	Other Government Grants	42
9,083		8,344
	Capital Grants, Contributions and Donated Assets	
	Government Funding	
537	- Dept of Levelling Up and Communities	939
2,192	- South East Local Enterprise Partnership	-
973	Local Authority - Essex County Council	1,649
	Other Capital Contributions	
403	- Section 106	126
85	- Football Foundation	258
4,190		2,972
	Other Significant Grants Credited to Services	
145	Asylum Dispersal Grant	147
70	Apprenticeship Training Grant	64
36,642	Benefits	35,794
100	Big Lottery Funding	25
1,300	Health Partner Initiatives Grants	(184)
196	Collection Investment/Hardship Administration Grant	405
103	Community Safety	44
154	COVID-19 Grants	-
993	Disabled Facilities Grant	1,267
383	Discretionary Energy Grants	(3)
1,064	Major Preceptors - Technical Agreement Contribution	396
978	Homelessness Grants	1,095
2	Levelling Up Fund and Regeneration Schemes	385
200	Supporting People	-
-	Swimming Support Fund	389
106	UK Shared Prosperity Fund	193
103	Urban Tree Challenge	72
42,539		40,089

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:

2022/23 £000		2023/24 £000
	Capital Grants Receipts in Advance	
	Government Funding:	
523	Dept of Levelling Up and Communities	3,446
152	Home and Communities Agency	-
121	Local Authority Funding	86
796		3,532

24 Related Parties

The Council is required to disclose material transactions with related parties (bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council). The Officers this applies to are deemed to be the Senior Employees listed in Note 26. Material related party transactions which are not disclosed elsewhere in the Statement of Accounts were as follows:

2022/23			2023/24	
Receipts £000	Payments £000		Receipts £000	Payments £000
3,212	1,166	Essex County Council	3,479	934
319	760	Other Local Authorities	441	447
		Transactions with organisations related by a declared interest of Council Members or Senior Officers:		
3	-	Other	15	10
3,534	1,926	Total Related Party Transactions	3,935	1,391

25 Members' Allowances

The Authority paid £0.469 million to members of the Council during the year (£0.475 million in 2022/23). Full details are available on the Transparency page of the Council's website.

26 Officers' Remuneration

a) Analysis of "senior employees" remuneration

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

			2023/24		
Post Title	**note**	**Salary, Fees and Allowances**	**Total remun-eration excluding Pension Contributions**	**Employer's Contributions to Pension**	**Total Remun-eration**
		£	£	£	£
Chief Executive		108,513	108,513	-	108,513
Corporate Director - Operations and Delivery		96,137	96,137	21,150	117,287
Assistant Director - Governance		87,464	87,464	19,242	106,706
Assistant Director - Finance and IT		83,734	83,734	18,421	102,155
Assistant Director - Partnerships		73,768	73,768	16,229	89,997
Assistant Director - Strategic Planning and Place		77,370	77,370	17,022	94,392
Corporate Director - Place and Economy		98,245	98,245	21,614	119,859

			2022/23		
Post Title	**note**	**Salary, Fees and Allowances**	**Total remun-eration excluding Pension Contributions**	**Employer's Contributions to Pension**	**Total Remun-eration**
		£	£	£	£
Chief Executive		105,380	105,380	-	105,380
Corporate Director - Operations and Delivery		90,514	90,514	18,193	108,707
Assistant Director - Governance		82,570	82,570	16,597	99,167
Assistant Director - Finance and IT		79,280	79,280	15,935	95,215
Assistant Director - Partnerships		69,648	69,648	13,999	83,647
Assistant Director - Strategic Planning		74,485	74,485	14,971	89,456
Corporate Director - Place and Economy	1	61,697	61,697	12,401	74,098

Notes

1. Post appointed to on 1 August 2022.

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:

2022/23 Number of Total	Remuneration Band	2023/24 Number of Total
7	£50,000 - £54,999	9
1	£55,000 - £59,999	4
1	£60,000 - £64,999 *	3
3	£65,000 - £69,999	4
1	£70,000 - £74,999	2
-	£75,000 - £79,999	1
1	£80,000 - £84,999	-
1	£105,000 - £109,999 **	-

* This band includes the financial strain payment referred to in note c) below.
** In 2022/23 this band included the £51,508 exit package in note c) below

Where the £5,000 bands included no officers in both 2022/23 and 2023/24, they have been excluded from the note.

c) Exit Packages

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

Exit package cost band (including special payments)	**2023/24 Number of compulsory redundancies**	**Number of other departures agreed**	**Total Number of exit packages by cost band**	**Total cost of exit packages in each band**
				£
£0 - £20,000	-	1	1	1,535
£20,001-40,000	-	-	-	-
£60,001-80,000*	-	-	-	60,822
Total cost included in Comprehensive Income and Expenditure Statement				62,357

The 1 exit package of £1,535 listed above was paid in 2023/24 and was due to a redundancy.

* The £60,822 payment listed above was the financial strain payable to the pension fund for the exit package of £24,978 accrued in financial year 2022/23. This was due to the pension fund rather than the individual directly.

Exit package cost band (including special payments)	**2022/23 Number of compulsory redundancies**	**Number of other departures agreed**	**Total Number of exit packages by cost band**	**Total cost of exit packages in each band**
				£
£0 - £20,000	-	1	1	1,000
£20,001-40,000	-	1	1	24,978
£60,001-80,000	-	1	1	51,508
Total cost included in Comprehensive Income and Expenditure Statement				77,486

Of the 3 exit packages listed above 2 were accrued in the financial year 2022/23 but will be paid in 2023/24. Of the total of £77,486 paid, £75,934 was due to redundancy and £1,552 was due to financial strain payable to the Pension Fund rather than to an individual directly.

27 Defined Benefit Pension Schemes

a) Participation in Pension Schemes

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

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

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

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

b) Transactions Relating to Post-Employment Benefits

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

2022/23 Local Government Pension Scheme £000	Comprehensive Income and Expenditure Statement	2023/24 Local Government Pension Scheme £000
	Cost of Services	
	Service cost comprising:	
5,831	Current service cost	2,931
-	Past service costs	112
-	(gain)/loss from settlements	-
101	Administration Expenses	120
	Financing and Investment Income and Expenditure	
430	Net interest expense	(1,752)
6,362	***Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services***	1,411
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
3,905	Return on plan assets (excluding the amount included in the net interest expense)	(12,898)
-	Actuarial gains and losses arising on changes in demographic assumptions	(1,970)
(75,838)	Actuarial gains and losses arising on changes in financial assumptions	(3,116)
15,355	Experience gains and losses on defined benefit obligation	363
36,171	Changes in effect of Asset Ceiling	19,733
-	Other Actuarial gains and losses on assets	-
(14,045)	***Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement***	3,523
	Movement in Reserves Statement	
(6,362)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(1,411)
	Actual amount charged against the General Fund Balance for pensions in the year:	
2,945	Employer's contributions payable to scheme	3,651

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:

2022/23 Local Government Pension Scheme £000		2023/24 Local Government Pension Scheme £000
137,927	Present value of the defined benefit obligation	137,347
(172,718)	Fair Value of plan assets	(191,999)
36,171	Impact of Asset Ceiling	55,904
1,380	**Net liability (asset) arising from defined benefits obligation**	1,252

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

2022/23 Local Government Pension Scheme £000		2023/24 Local Government Pension Scheme £000
175,458	Opening fair value of scheme assets	172,718
4,520	Interest income	8,249
	Remeasurement gain/(loss):	
(3,905)	The return of plan assets, excluding the amount included in the net interest expense	12,898
-	Other actuarial gains/(losses)	-
2,945	Contributions from employers	3,651
889	Contributions from employees into the scheme	1,003
(7,088)	Benefits paid	(6,400)
-	Other - Settlement prices received / (paid)	-
(101)	Other - Administration	(120)
172,718	**Closing fair value of scheme assets**	191,999

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)

2022/23 Local Government Pension Scheme £000		2023/24 Local Government Pension Scheme £000
193,828	Opening Balance at 1 April	137,927
5,831	Current service cost	2,931
4,950	Interest cost	6,497
889	Contributions from scheme participants	1,003
	Remeasurement (gain)/loss:	
	Actuarial gains/losses arising from changes in demographic assumptions	(1,970)
(75,838)	Actuarial gains/losses arising from changes in financial assumptions	(3,116)
15,355	Experience gains and losses on defined benefit obligation	363
-	Past service cost	112
(7,088)	Benefits paid	(6,400)
-	Liabilities extinguished on settlements	
137,927	**Closing Balance at 31 March**	137,347

f) Local Government Pension Scheme Assets comprised:

2022/23 Quoted Prices in Active Markets £000	2022/23 Unquoted Prices (not in Active Markets) £000	2022/23 Total £000		2023/24 Quoted Prices in Active Markets £000	2023/24 Unquoted Prices (not in Active Markets) £000	2023/24 Total £000
			Fair Value of Scheme Assets			
-	5,571	5,571	Cash and cash equivalents	-	4,736	4,736
-	-	-	Equities - UK	-	-	-
90,851	-	90,851	Equities - Overseas	98,095	-	98,095
2,526	-	2,526	Gilts UK index Linked Government Securities	3,430	-	3,430
-		-	Bonds - Corporate (UK)	-	-	-
3,278	10,868	14,146	Property	2,881	10,371	13,252
-	8,636	8,636	Private Equity	-	8,255	8,255
-	17,821	17,821	Infrastructure	-	18,697	18,697
-	6,055	6,055	Timber	-	6,487	6,487
-	3,460	3,460	Private Debt	-	4,007	4,007
-	23,652	23,652	Other Managed Funds	-	35,040	35,040
96,655	76,063	172,718		104,406	87,593	191,999

g) Basis for Estimating Assets and Liabilities

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

The Local Government Pension Scheme liabilities have been estimated by Barnett Waddingham, an independent firm of actuaries for the Essex County Council Fund, based on the latest full valuation of the scheme as at 31 March 2022 which has been rolled forward using financial assumptions that comply with IAS19.

Regulations in respect of the McCloud and Sargent judgements mentioned within last year's accounts came into force on the 1 October 2023. An allowance for the McCloud remedy has been made in the above liabilities where necessary, which is consist with the method adopted at the last actuarial valuation.

The significant assumptions used by the actuary have been:

2022/23 Local Government Pension Scheme		2023/24 Local Government Pension Scheme
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.1	Men	20.8
23.5	Women	23.3
	Longevity at 65 for future pensioners:	
22.3	Men	22.0
25.0	Women	24.7
2.95%	Rate of inflation - CPI Increases	2.90%
3.95%	Rate of increase in salaries	3.90%
2.95%	Rate of increase in pensions	2.90%
4.80%	Rate for discounting scheme liabilities	4.90%

The demographic assumptions used are in line with those used for the most recent fund valuation, which was carried out as at 31 March 2022. For the assumptions as at 31 March 2024 the CMI_2022 model has been used, which is a change from last year where the CMI_2021 model was used.

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

	Increase in Assumption £000	Decrease in Assumption £000
Defined Benefit Obligation in the Scheme		
Longevity (increase or decrease in 1 year - mortality age rating)	143,420	131,564
Rate of increase in salaries (increase or decrease by 0.1%)	137,509	137,187
Rate of increase in pensions (increase or decrease by 0.1%)	139,243	135,498
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	135,377	139,367

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. In July 2024, the Court of Appeal dismissed the appeal brought by Virgin Media Ltd against aspects of the June 2023 decision. The conclusions reached by the Court in this case may have implications for other UK defined benefit plans. Developments in terms of whether there is expected to be any impact on LGPS Funds are being monitored and any implications will be considered. As a result, it is not considered necessary to make any allowance for the potential impact of the Virgin Media case in these financial statements.

h) Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% using the actuarial valuation assumptions. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2025.

The authority expects to pay contributions totalling £3.714 million to the scheme in 2024/25.

The weighted average duration of the defined benefit obligation for scheme members is 15 years, 2023/24 (16 years 2022/23).

28 External Audit Costs

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

2022/23 £000		2023/24 £000
45	Fees payable with regard to external audit services carried out by the appointed auditor for the year	162
41	Fees paid in respect of other services provided by the external auditor during the year *	15
86	**Total Audit Fees Payable**	**177**

* This relates to the Council's former External Auditor and reflects the non-statutory work eg, certification of Government Claims/Returns

29 Capital Expenditure and Capital Financing

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

2022/23 £000		2023/24 £000
41,798	**Opening Capital Financing Requirement**	40,183
	Capital Investment:	
10,289	Property, Plant and Equipment	10,417
993	Revenue expenditure funded from capital under statute	1,421
	Sources of Finance:	
-	Capital receipts	(1,386)
(5,109)	Government grants and other contributions	(4,624)
(3,939)	Major Repairs Reserve	(4,164)
	Sums set aside from revenue:	
(2,234)	Direct revenue contributions	(1,664)
(201)	MRP/loans fund principal	(193)
(1,414)	Voluntary MRP - HRA	(1,414)
40,183	**Closing Capital Financing Requirement**	38,576
	Explanation of movements in year	
(1,615)	Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	(1,607)
(1,615)	**Increase/(Decrease) in Capital Financing Requirement**	(1,607)

30 Operating Leases - Authority as Lessor

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

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

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

2022/23		2023/24
£000		£000
456	Not later than one year	418
1,387	Later than one year and not later than five years	1,326
3,653	Later than five years	3,554
5,496		5,298

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

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

HOUSING REVENUE ACCOUNT –
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2024

Restated 2022/23 £000		2023/24 £000	£000	Note Ref
	EXPENDITURE			
4,470	Repairs and Maintenance	5,482		
2,970	Supervision and Management	3,568		
133	Rents, Rates, Taxes and Other Charges	89		
7,974	Depreciation and Impairments of Non-Current Assets	11,256		5,6
66	Debt Management Costs	72		
89	Movement in the allowance for bad debts	36		
1	Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	1		
15,703	**Total Expenditure**		20,504	
	INCOME			
(13,533)	Dwelling rents	(14,589)		
(245)	Non dwelling rents	(306)		
(587)	Charges for Services and Facilities	(646)		
(279)	Contributions towards expenditure	(74)		
(14,644)	**Total Income**		(15,615)	
1,059	Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		4,889	
276	HRA Share of Corporate and Democratic Core		276	
1,335	Net Expenditure / (Income) for HRA Services		5,165	
	HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:			
(621)	(Gain) or loss on sale of HRA Non-current Assets		(30)	
1,262	Interest Payable and Similar Charges		1,208	
(3,443)	Capital Grants and Contributions Receivable		(2,069)	
(143)	Interest and Investment Income		(424)	
(1,610)	**(Surplus) / Deficit for the year on HRA Services**		3,850	

HOUSING REVENUE ACCOUNT – MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

Restated 2022/23 £000		2023/24 £000	£000
4,246	Balance on the HRA as at the end of the previous year		4,812
1,610	Surplus or (Deficit) on the HRA Income and Expenditure Statement	(3,850)	
	Adjustments between accounting basis and funding basis under regulations:		
4,708	Reversal of Revaluation Changes and Impairment	7,968	
1	Reversal of Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	1	
(621)	Reversal of (Gain) or Loss on sale of HRA Non-current assets	(30)	
(3,443)	Reversal of Capital Grants and Contributions Receivable	(2,069)	
(5)	Reversal of Short Term Accumulating Compensated Absences	4	
(43)	Capital Expenditure Funded by the HRA	(288)	
(1,414)	Debt Repayment & Credit arrangements	(1,414)	
344	HRA share of contributions to or from the Pension Reserve	(68)	
1,137	Net increase or (decrease) before transfer to or from Reserves	254	
	Transfer (to) or from Reserves:		
-	Transfer (to)/from Major Repairs Reserves	(158)	
(571)	Transfers (to)/from Earmarked Reserves	(740)	
566	Increase or (decrease) in year on the HRA		(644)
4,812	**Balance on the HRA as at 31 March**		4,168

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

1 Housing Revenue Account Balances

HOUSING REVENUE ACCOUNT RESERVES

Restated 2022/23				2023/24		
Housing Revenue Account	Housing Commitments Reserve	Total		Housing Revenue Account	Housing Commitments Reserve	Total
£000	£000	£000		£000	£000	£000
4,246	956	5,202	Balances as at 1 April	4,813	1,527	6,340
567	571	1,138	Surplus/(deficit) for year	(644)	740	96
4,813	1,527	6,340	**Balances as at 31 March**	4,169	2,267	6,436

2 Housing Assets

As at 31 March 2024, the Council was responsible for managing the following council housing assets:

01/04/2022 Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	31/03/2023 Balance Sheet Value £000		01/04/2023 Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	31/03/2024 Balance Sheet Value £000
					Dwellings					
1,449	2	6	1,445	58,186	Flats	1,445	5	5	1,445	61,270
995	21	8	1,008	76,085	Houses	1,008	6	2	1,012	84,597
345	-	-	345	23,574	Bungalows	345	-	-	345	26,315
290	-	-	290	8,223	Sheltered Accommodation	290	-	-	290	8,347
9	-	1	8	888	Do-It-Yourself Shared Ownership (DIYSO)	8	-	1	7	964
3,088	23	15	3,096	166,956		3,096	11	8	3,099	181,493
					Other Land and Buildings					
62	-	-	62	2,002	Shared Equity Plots of Land	62	-	2	60	1,965
361	-	-	361	1,363	Garages	361	1	-	362	1,349
429	-	-	429	95	Ground Rents re: sold council flats	429	-	-	429	95
1	-	-	1	485	Community Centre	1	-	-	1	505
5	-	-	5	486	Other non-domestic properties	5	1	-	6	1,733
14	1	1	14	1,627	Land	14	-	-	14	2,121
3,960	24	16	3,968	173,014	**Totals**	3,968	13	10	3,971	189,261

In addition to the above table, the Council also held assets under construction with a balance sheet value of £2.002 million as at 31 March 2024 (2022/23 £3.434 million).

2022/23 £000		2023/24 £000
439,709	Vacant Possession Value *	456,530
(167,047)	Less: Existing Use Values (Social Housing)	(181,509)
272,662	Economic Cost of Providing Social Housing	275,021

* This is the market value of dwellings as at 31 March 2024.

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 2024.

3 Capital Expenditure and Financing

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

2022/23 £000		2023/24 £000
	Capital Investment:	
3,939	Operational Assets	3,025
3,412	Property Acquisition and New Build	5,009
7,351		8,034
	Sources of Finance:	
3,939	Major Repairs Reserve	4,163
43	Direct Revenue Financing	288
328	Section 106 Funding	308
2,756	External Funding	1,505
285	New Homes Bonus	489
-	Capital Receipts	1,281
7,351		8,034

4 Housing Capital Receipts Reserve

There is a requirement to 'pool' part of the capital receipts received by the Council and pay it to the Secretary of State. The amounts to pool on disposal reflect the age and type of dwelling. For 2023/24 there is no requirement to 'pool' part of the capital receipts received by the Council in respect of Right to Buy sales.

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

2022/23 £000		2023/24 £000
6,535	Balance as at 1 April	8,937
	Capital Receipts in the year:	
1,107	Council house sales (net of administration costs)	432
10	Repayment of Discount on Shared Equity Sales	-
131	DIYSO property sales	-
1,153	Other Land Sales	-
-	Shared Equity Sales of Land	49
2	Mortgage principal repayments	1
8,938		9,419
	Less:	
(1)	Capital receipts pooling contribution payable to the Government	(1)
-	Capital receipts used for financing capital expenditure	(1,281)
8,937	Balance as at 31 March	8,137

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.

2022/23 £000		2023/24 £000
3,234	Dwellings	3,477
17	Do-It-Yourself Shared Ownership (DIYSO)	19
27	Garages	27
8	Community Centre	8
7	Other Non-Domestic Properties	25
1	Equipment	1
3,294	**Depreciation Charged to the HRA I & E Account for the Year**	3,557

6 Impairment Charges

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

2022/23 £000		2023/24 £000
4,978	Impairment charge for works to the Council's dwelling stock	8,241
(298)	Reversal of previous Impairment Losses due to increase in asset values	(541)
4,680	Impairment charge for the year	7,700

Tendring District Council has elected to recover all losses on non-dwellings from the period 2012-2017 to the HRA Reserve. In 2023/24 there were gains of £0.268 million returned to the HRA Reserve (in 2022/23 there were gains of £0.028 million). The balance currently left to recover is £0.991 million.

7 Rent Arrears and the Provision for Bad and Doubtful Debts

The rent arrears at 31 March 2024 were £0.572 million (2022/23 - £0.400 million), which equates to 3.73% (2.87% for 2022/23) of the rent roll due for the year, excluding rents foregone on empty properties and housing benefit overpayments, but inclusive of service charges.

The HRA Provision for Bad and Doubtful Debts at 31 March 2024 is £0.295 million after the following movements on the account during 2023/24:

2022/23 £000		2023/24 £000
226	Balance as at 1 April	280
89	Provision for year	36
(35)	Arrears written off	(21)
280	Balance as at 31 March	295

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

2022/23 Council Tax £000	2022/23 Business Rates £000	2022/23 Total £000		2023/24 Council Tax £000	2023/24 Business Rates £000	2023/24 Total £000	Note Ref
			INCOME				
(100,564)	-	(100,564)	Council Tax Payers	(106,211)	-	(106,211)	2
-	(23,970)	(23,970)	Income from Business Ratepayers	-	(26,872)	(26,872)	3
(100,564)	**(23,970)**	**(124,534)**	**Total Income**	**(106,211)**	**(26,872)**	**(133,083)**	
			EXPENDITURE				
			Precepts:				4
69,905	-	69,905	Essex County Council	74,031	-	74,031	
3,758	-	3,758	Essex Fire and Rescue	4,098	-	4,098	
10,902	-	10,902	Essex Police and Crime Commissioner	11,918	-	11,918	
11,386	-	11,386	Tendring District Council	11,981	-	11,981	
			Shares of Business Rates Income:				3
-	11,777	11,777	Central Government	-	14,189	14,189	
-	2,120	2,120	Essex County Council	-	2,554	2,554	
-	236	236	Essex Fire and Rescue	-	284	284	
-	9,422	9,422	Tendring District Council	-	11,351	11,351	
2,704	(8,788)	(6,084)	Share of Collection Fund Balance	4,019	767	4,786	5
			Other Business Rates Payments:				
-	288	288	Costs of Collection	-	290	290	
-	70	70	Transitional Protection	-	(3,676)	(3,676)	
-	359	359	Renewable Energy Schemes	-	445	445	
-	-	-	Designated Areas Freeport	-	92	92	
			Bad Debt and Other Provisions:				6
615	(659)	(44)	Provisions	4,899	54	4,953	
299	339	638	Write Offs	574	180	754	
-	(408)	(408)	Provisions for Appeals	-	(598)	(598)	
99,569	**14,756**	**114,325**	**Total Expenditure**	**111,520**	**25,932**	**137,452**	
(995)	**(9,214)**	**(10,209)**	**(Surplus)/Deficit for the Year**	**5,309**	**(940)**	**4,369**	

2022/23 Council Tax £000	2022/23 Business Rates £000	2022/23 Total £000		2023/24 Council Tax £000	2023/24 Business Rates £000	2023/24 Total £000	Note Ref
			Collection Fund Balance				
(4,981)	6,456	1,475	Balance brought forward	(5,976)	(2,758)	(8,734)	
(995)	(9,214)	(10,209)	(Surplus)/Deficit for the year	5,309	(940)	4,369	
(5,976)	**(2,758)**	**(8,734)**	**Balance Carried Forward**	**(667)**	**(3,698)**	**(4,365)**	5
			Allocated to:				
-	(1,379)	(1,379)	Central Government	-	(1,849)	(1,849)	
(4,348)	(248)	(4,596)	Essex County Council	(483)	(333)	(816)	
(236)	(28)	(264)	Essex Fire and Rescue	(27)	(37)	(64)	
(685)	-	(685)	Essex Police and Crime Commissioner	(77)	-	(77)	
(707)	(1,103)	(1,810)	Tendring District Council	(80)	(1,479)	(1,559)	
(5,976)	**(2,758)**	**(8,734)**		**(667)**	**(3,698)**	**(4,365)**	

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 2023/24 was £1,998.60 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 2023/24

2022/23	Band	Valuation	Pro-portion	Full Charge	Paying 75%	Paying 50%	2nd Homes	Empty Properties	Exempt	Total Excluding LCTS	LCTS Scheme 100%	Total
9	*A	Up to £40,000	5/9	10	4	-	-	-	-	14	(3)	11
10,359	A	Up to £40,000	6/9	4,638	7,357	20	974	104	501	13,594	(3,083)	10,511
15,426	B	£40,001 to £52,000	7/9	9,749	7,246	29	618	50	276	17,968	(2,391)	15,577
19,411	C	£52,001 to £68,000	8/9	13,424	7,071	42	632	32	363	21,564	(1,963)	19,601
11,014	D	£68,001 to £88,000	9/9	8,286	2,985	46	343	15	171	11,846	(485)	11,361
5,322	E	£88,001 to £120,000	11/9	4,250	1,131	37	138	11	60	5,627	(113)	5,514
1,924	F	£120,001 to £160,000	13/9	1,590	318	32	61	4	24	2,029	(31)	1,998
866	G	£160,001 to £320,000	15/9	700	120	34	37	3	6	900	(8)	892
66	H	Over £320,000	18/9	47	1	7	6	3	1	65	-	65
64,397				42,693	26,233	247	2,809	222	1,403	73,607	(8,077)	65,530
51,435		Number of equivalent full charge Band D dwellings (unscaled tax base)										52,629
(1,543)		Less Provision for changes in valuation list, discounts and doubtful debts										(1,579)
49,892		Tax base for tax setting purposes										51,050

* Band A – entitled to Disabled Relief

Analysis of the Council Tax

Council Tax for a Band D Dwelling

2022/23 Average £		2023/24 Average £
	Tendring District Council:	
171.18	General Expenses	175.50
11.46	Special Expenses	12.61
45.56	Town and Parish Councils	46.58
1,401.12	Essex County Council	1,450.17
75.33	Essex Fire and Rescue	80.28
218.52	Essex Police and Crime Commissioner	233.46
1,923.17		1,998.60

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:

2022/23		2023/24
£80.332m	Rateable Value on 31 March	£92.336m
	Non-Domestic Rate per £	
49.9p	Small Businesses	49.9p
51.2p	Standard	51.2p

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

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

4 Precepts

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

5 Share of Collection Fund Balance

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

2022/23 Council Tax	2022/23 Business Rates	2022/23 Total		2023/24 Council Tax	2023/24 Business Rates	2023/24 Total
£000	£000	£000		£000	£000	£000
			Allocated to:			
-	(4,394)	(4,394)	Central Government	-	383	383
1,966	(791)	1,175	Essex County Council	2,928	69	2,997
108	(88)	20	Essex Fire and Rescue	157	8	165
306	-	306	Essex Police and Crime Commissioner	457	-	457
324	(3,515)	(3,191)	Tendring District Council	477	307	784
2,704	**(8,788)**	**(6,084)**		**4,019**	**767**	**4,786**

Therefore, the year end surplus of £0.667 million (£5.976 million in 2022/23) on Council Tax and the surplus of £3.698 million (£2.758 million in 2022/23) on Business Rates together with balances paid over to precepting authorities in 2024/25, will form part of the assessment made in January 2025.

6 Bad Debt and Other Provisions

Provision for Bad and Doubtful Debt

2022/23 Council Tax £000	2022/23 Business Rates £000	2022/23 Total £000		2023/24 Council Tax £000	2023/24 Business Rates £000	2023/24 Total £000
			Movements in Year:			
914	(320)	594	Contributions to provisions in year	5,473	234	5,707
(299)	(339)	(638)	Less: Amounts written off in the year	(574)	(180)	(754)
615	(659)	(44)	Net change in provisions	4,899	54	4,953
			Balances on provisions:			
5,870	1,610	7,480	Balance Brought Forward	6,485	951	7,436
615	(659)	(44)	Net change in provisions	4,899	54	4,953
6,485	951	7,436	Balance Carried Forward	11,384	1,005	12,389

Provisions for Appeals (Business Rates only)

2022/23 £000		2023/24 £000
2,494	Balance Brought Forward	2,086
(408)	Contributions to provisions in year	(598)
2,086	Balance Carried Forward	1,488

ACCOUNTING POLICIES

a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2023/24 financial year and its position at the year end of 31 March 2024. 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 2023/24 and the Service Reporting Code of Practice 2024/25, supported by International Financial Reporting Standards (IFRS).

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

b) Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the requirements set out in the contract.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenditure in relation to services received (including services provided by employees) is recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. The only exceptions to this are with regard to certain revenue transactions where the accruals concept has not been applied (for example, non-housing rental income, electricity and similar regular quarterly/monthly payments) as the change from year to year is recurring in nature and the sums involved are not material compared with total expenditure and income, and where appropriate when expenditure is being funded by external grant, depending on the requirements specified in the conditions of grant. As this policy is applied consistently each year, it has no material effect on the year's accounts. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

c) Cash and Cash Equivalents

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

d) Charges to Revenue for Non-Current Assets

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

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

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

e) Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and Non-Domestic Rates

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

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

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

f) Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

The Local Government Pension Scheme

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

- The liabilities of the Essex County Council pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate. The discount rate used is such that the net present value of the notional cash flows, discounted at this single rate, equates to the net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve.

- The assets of Essex County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

  - Quoted securities – current bid price;
  - Unquoted securities – professional estimate.
  - Unitised securities – current bid price;
  - Property – market value.

- The change in the net pensions liability is analysed into the following components:

  Service cost comprising:

  - **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

  - **Past service cost/gain** – the increase/decrease in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited/credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Finance and Corporate Resources.

  - **Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority** – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

  Remeasurements comprising:

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

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

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

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

Discretionary Benefits

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

g) Events after the Reporting Period

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;

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

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

h) Financial Instruments

Financial Liabilities

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

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

Financial Assets

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the investments that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Expected Credit Loss Model

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or a lifetime basis. The expected credit loss model also applies to lease receivables. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

i) Government Grants and Contributions

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

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

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

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

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

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

j) Investment Property

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

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

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

k) Leases

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

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

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

The Authority as Lessor – Operating Leases

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

l) Overheads and Support Services

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

m) Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following basis:

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

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. All components were derecognised in 2022/23 as the difference in the depreciation charge was not significant.

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

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

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

n) Provisions

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

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

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

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

o) Reserves

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

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

p) Revenue Expenditure Funded from Capital under Statute

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

q) Value Added Tax (VAT)

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

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

r) Fair Value Measurement of Non-Financial Assets

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

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

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

OTHER INFORMATION

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

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

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

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

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

GLOSSARY OF TERMS USED IN THE STATEMENT OF ACCOUNTS

Accounting Period

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

Accumulated Absences Account

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

Accruals

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

Asset

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

Bad or Doubtful Debts

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

Balance Sheet

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

Billing Authority

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

Budget

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

Business Rates

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

Capital Expenditure

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

Capital Financing

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

Capital Programme

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

Capital Receipt

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

Capital Receipt Pooling

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

Cash Flow Statement

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

Collection Fund

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

Community Assets

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

Council Tax

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

Creditors

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

Current Assets

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

Current Liabilities

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

Debtors

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

Deferred Capital Receipts

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

Defined Benefit Scheme

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

Depreciation

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

Earmarked Reserve

A sum set aside to meet commitments in future years.

General Fund

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

Government Grants

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

Housing Revenue Account (HRA)

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

Impairment

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

Intangible Assets

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

Inventories

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

Leasing

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

❖ Operating leases where an annual payment is made to an external supplier for the use of an asset which is then returned at the end of the lease.

❖ Finance Lease where an annual payment is made as above although the payment comprises of a principal element and an interest element and a substantial part of the risks and rewards of ownership pass to the lessee.

Major Repairs Reserve (MRR)

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

Minimum Revenue Provision (MRP)

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

Non-Current Assets

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

Precept

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

Precepting Authority

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

Provisions

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

Prudential Code

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

Public Works Loan Board (PWLB)

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

Reserves

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

Revenue Support Grant (RSG)

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

Revenue Account

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

Revenue Expenditure Funded from Capital under Statute

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

Tendring District Council

PRO BONO OMNIUM
FOR THE GOOD OF ALL

Annual Governance Statement 2023-24

TENDRING DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2023-24

1. ACKNOWLEDGEMENT OF RESPONSIBILITY FOR A SOUND SYSTEM OF GOVERNANCE

Tendring District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council acknowledges that it is responsible for: -

- **putting in place proper arrangements for a sound system of governance and internal control;**
- **facilitating the effective exercise of its functions; and**
- **management of risk.**

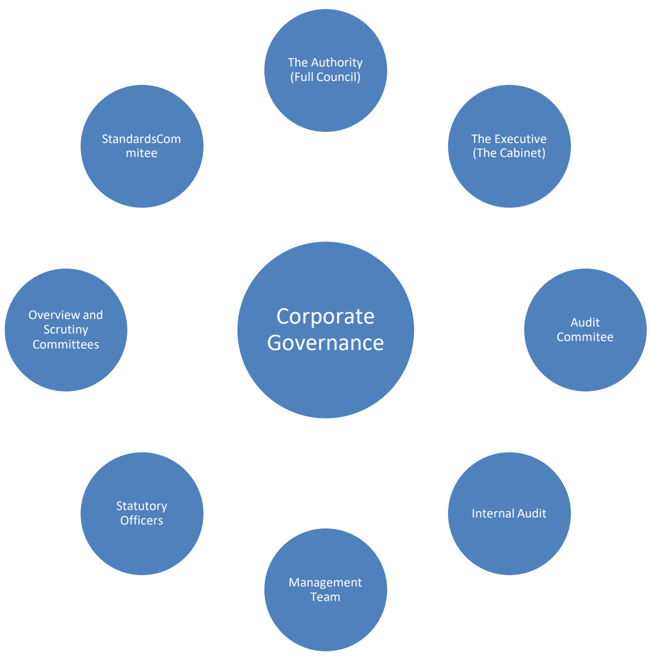
The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the **CIPFA / SOLACE** ***Delivering Good Governance in Local Government Framework (2016 Edition)***. A copy of the Council's Code is available to be viewed or downloaded from the website (www.tendringdc.gov.uk) or can be obtained by contacting the Assistant Director - Governance.

This statement explains how the Council has complied with the Code, and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1), which requires all relevant councils to, each financial year: -

(a) conduct a review of the effectiveness of the system of internal control
(b) prepare an Annual Governance Statement

This Annual Governance Statement covers the period from 01 April 2023 up until its publication with the Council's Statement of Accounts on 31st May 2024.

2. ROLES OF THOSE RESPONSIBLE FOR THE DEVELOPMENT AND MAINTENANCE OF THE GOVERNANCE ENVIRONMENT



The Leader of the Council and the Chief Executive play key leadership roles in embedding good governance and driving on-going improvements within the Council. Other key roles and responsibilities in respect of the development and maintenance of the governance environment can be summarised as follows: -

The Authority (Full Council)	**The Executive (The Cabinet)**
• Approve Constitution and Policy Framework • Approve Council's overall budget • Approve matters reserved by law or by the Constitution to Full Council	• Undertake the Council's Executive functions • Making decisions within the Budget and Policy Framework
Standards Committee	**Overview and Scrutiny Committees**
• Promote and maintain high standards of conduct • Develop culture of openness, transparency, trust and confidence • Embed a culture of strong ethical and corporate governance	• Review or scrutinise Executive decisions • Assist with policy formulation and review • Scrutinise performance in relation to the Council's Corporate Plan, Priorities and Projects and the Budget • Report to Council / Cabinet on council functions/ matters affecting the area or its inhabitants
Audit Committee	**Management Team**
• Approve the Council's Statement of Accounts • Independent assurance of adequacy of risk management framework • Consider Internal / External Audit work and recommendations arising	• Develop and maintain the Council's strategic direction • Ensure capacity to deliver key functions, priorities and agreed targets in service areas • Review overall performance, both financial and non-financial, and change management
Statutory Officers	**Internal Audit**
• **Head of Paid Service** – discharge of council functions • **Monitoring Officer** – lawfulness and fairness of decision making, including scope of powers • **Chief Financial Officer (S151)** – lawfulness of Council's financial prudence of decision making	• Provide an independent and objective assurance function • Improve effectiveness of risk management, control and governance processes

3. EFFECTIVENESS OF THE KEY ELEMENTS OF THE CORPORATE GOVERNANCE FRAMEWORK

Purpose of the Governance Framework

The governance framework comprises: -

- **The systems and processes, culture and values by which the authority is directed and controlled**
- **Its activities through which it accounts to, engages with and leads its communities**

It enables the authority to monitor: -

- **The achievement of its strategic objectives**
- **To consider whether those objectives have led to the delivery of appropriate services and value for money**

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to: -

- ***identify and prioritise the risks to the achievement of the Council's policies, aims and objectives***
- ***evaluate the likelihood and potential impact of those risks being realised***
- ***manage those risks efficiently, effectively and economically***

The Governance Framework has been in place within the Council for the year ended 31 March 2024 and reviewed up to the date of approval of the statement of accounts.

The Governance Framework

The key elements that comprise the Council's governance arrangements include:

1. The Council's Constitution, Budget and Policy Framework

- The **Council's Constitution,** which sets out the Council's decision making framework, enabling decisions to be taken efficiently and effectively; provides a means of holding decision makers to public account; a structure to deliver cost effective quality services to the community; and defines roles and responsibilities
- A **Corporate Plan** which identifies the Council's vision, its aims, opportunities and values
- **Budget and Policy Frameworks** covering key policies and plans that must be approved or adopted by full Council, including its Budget, Council Tax, HRA Business Plan / Housing Strategy, Local Development Plans, Licensing Policies, Procurement Strategy and Information Governance.

2. Other Strategies, Policies and Procedures

- Clear **Codes of Conduct** which set behavioural expectations for all individuals representing the Council
- **Human Resources Policies and Procedures** covering an extensive range of good employment practices
- **Whistleblowing** and **Complaints Procedures** that provide individuals with opportunities to report issues within the Council
- **Information** and **IT Policies and Procedures** protecting data held by the Council

- A wide range of strategies, policies and procedures providing governance frameworks over functions and activities of the Council

3. Examples of Good Governance

- The identification of **Priorities and Projects** and their translation into clear goals enabling the targeting of work by departments
- **Performance Management** and **Budget Monitoring Frameworks** providing a review of key activities against targets set, delivery of projects, and financial performance
- The Publication of **Agendas, Reports, Minutes and Decisions** providing accurate and reliable information to the public
- A **Corporate Risk Management Framework** providing a structure for risk management within the Council, and a **Corporate Risk Register** identifying the key risk that the Council is exposed to that is subject to regular review
- **External Standards Compliance** including compliance with accounting and auditing codes and standards, and conformance of the Council's financial management arrangements with the governance requirements of the CIPFA Statement on "*The Role of the Chief Financial Officer in Local Government*"
- Robust governance arrangements for working, engaging and consulting with the Council's stakeholders, partners and the public

The Code of Corporate Governance provides a framework of the governance arrangements in place in the Council, and includes additional detail for each of the above headings. The Code is subject to periodic review to reflect changes to the Council's Governance Framework, and any update to the CIPFA / SOLACE framework.

As part of the Annual Review of the Council's Governance Framework, a number of activities and actions have been identified and undertaken during **2023/24** strengthening the Council's Governance Framework. The key activities and actions are set out below against the **Core Principles of Good Governance** identified in the Council's Code of Corporate Governance.

Principle A

Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

Behaving with integrity

Regular discussions are held with the Leader, Portfolio Holders and Statutory Officers regarding potentially contentious matters within the governance framework

Annual declaration of interests by Members reported to the Standards Committee

Leader of the Council be authorised to agree the specific milestones for reporting against the adopted highlight priority actions for 2024/25

The Cabinet reports have included Statutory Officer comments reflecting the draft guidance issued by Government on complying with the Council's Best Value Duty, highlighting the relevant themes for the purpose of the report and for the decision makers to take into account

Review of the Council's Whistleblowing Policy undertaken and approved.

Demonstrating strong commitment to ethical values

Induction training undertaken for all District Councillors on a range of governance matters, including the Members' Code of Conduct which also included reference to Sensitive Interests.

The Council live streams all meetings of Committees to enhance access and reach a wider audience to public meetings, including a Standards Hearing

Updates concerning Members' Code of Conduct matters are provided to the Standards Committee

The MO and S151 are both members of Management Team as of right and attend all meetings

Taxi / Private Hire Policy adopted

To reflect emerging requirements from the regulator for Social Housing, a number of policies were revised / renewed / adopted including the new requirements to self-assess against the Housing Ombudsman's Complaint Handling Code.

Respecting the rule of law

A review of the Constitution was conducted (supported by a Member Working Party) including various procedure rules including access to information, overview and scrutiny and finance, Members referral scheme to planning applications and delegated functions and powers, officer employment procedure rules ensuring they complied with the legislation

Cabinet considered reports of the Monitoring Officer issued under Section 5 of the Local Government and Housing Act 1989 to formally inform Members that the Council:
- had, for reasons beyond its control, failed to publish its certified draft accounts for the 2022/23 financial year by the statutory deadline of 1 Jun 23 and
- failure to comply with the Council's Financial Procedure Rules in respect of the Spendells House project

Ombudsman's findings of maladministration were reported to Cabinet / Full Council.

Principle B
Ensuring openness and comprehensive stakeholder engagement

Openness

In July 23 Cabinet approved the process of preparing a new Corporate Plan for 2024-28 which included extensive public consultation through an external social research company enabling the Council to capture Tendring specific data. Consultation on the initial emerging themes included residents, businesses, various stakeholders, Members and staff along with Overview and Scrutiny Committees

The outcome of the consultation referred to above was reported to Cabinet on 10 Nov 23 with final proposals for 'Our Vision' were approved and recommended to Full Council for adoption

Engagement with Members at all stages in developing the key and highlight priorities, actions and initiatives; along with involvement with partners. There are also Cross Party Working Parties established to look at some key initiatives

Draft Sport and Activity Strategy was approved for consultation and a range of improved and updated Housing strategies

Engaging comprehensively with institutional stakeholders

Through consultation on the Corporate Plan, Cabinet requested the review of the Council's Communication Strategy and Community Engagement Strategy and their operation, with outcomes being presented to a later meeting

All Member Briefings have continued. Internal / External speakers have presented covering specialised subject areas

Oversight of shared projects at the Regeneration Board with Essex County Council and Health Partners

Continued and thorough Community Leadership Overview & Scrutiny work programme

Agreements / partnership arrangements entered into with a number of partners across a range of key projects and priorities (e.g. with Essex University, Colchester City and Essex County Councils, Local Health Partners)

Established two Boards to support the delivery of key projects and reflecting the funding requirements (Levelling Up Long Term Plan for Towns Board and High Street Accelerator Board)

Engaging with citizen stakeholders

Initial stage of a review of Grant Funding across the Council was considered by Cabinet. Further work identifying gaps and other key considerations to be undertaken including the impact of Subsidy Control legislation and procurement requirements

Consultation was undertaken on the Elmstead Neighbourhood Development Plan and associated Order

Ardleigh, Great Holland and Tendring Village Conservation Area Appraisals and Management Plans were approved for consultation with the public and other interested parties

Draft Jaywick Sands Place Plan was approved for consultation with the public and other interested parties

Communications Strategy 2024 - 2028 was approved and adopted

Tendring Colchester Borders Garden Community Joint Committee received representation in response to regulation 19 consultation in readiness for public examination

Principle C
Defining outcomes in terms of sustainable economic, social and environmental benefits

Defining outcomes

New Corporate Vision 24-28 was adopted and Cabinet's priorities were agreed for 2024/25

Outturn reports produced and agreed by Cabinet reflecting key considerations including setting aside funding to support investment in priorities etc.

Development and delivery of Town Centre Regeneration Plans, the High Street Accelerator and the Capital Regeneration Projects in Dovercourt Town Centre, including capacity building

Support the continuation of delivering the Clacton Air Show for the years 2024-2027, with annual reviews to be undertaken

The Council agreed additional Council Tax Premiums reflecting new legislation

The Council adopted a Retail, Hospitality and Leisure Mandatory Business Rate Relief scheme for both 2023/24 and 2024/25

Events on Council owned Land Policy adopted

Funding agreements signed with Essex County as part of delivering the Levelling Up Projects in Clacton and the Capital Regeneration Projects in Dovercourt

Sustainable economic, social and environmental benefits

Full Council approved the Annual Capital and Treasury Strategy for 2023/24

Acceptance of Government funding associated with the Levelling Up and Capital Regeneration projects along with agreeing delegation to support their effective delivery

Addressing Health Inequalities – Advice, Support and Mental Health Subsidy Scheme for 23/24 was approved

The progress against the Council's Climate Action Plan was reported to Audit Committee during the year which highlighted a measured reduction in direct and electricity carbon emissions of over 500 tonnes of carbon reduced since baseline year in 2018/19

The work of the Tendring Education Strategic Board (TESB) and associated priorities/projects was reported to Cabinet during the year with a commitment to continue the Council's support.

Assets of Community were reviewed / agreed during the year

The adopted Corporate Plan reflects a number of themes included as part of the consultation, which included 'Championing the Local Environment', 'Pride in our Area' and 'Financial Sustainability and Openness'

Principle D
Determining the interventions necessary to optimise the achievement of the intended outcomes

Determining interventions

The Council has internal governance arrangements to support delivery of major projects, which includes scheduling regular meetings attended by senior officers

The Council's Chief Executive is Chair of the Essex Anchors Network and Vice Chair of the County Health and Wellbeing Board

A review of the Spendells House project was undertaken, which set out a value for money case for continuing

Continued and thorough Resources and Services Overview & Scrutiny work programme, which included a review of the proposed budget before recommendations were made to Full Council

A review of the Council's Careline Service was commenced during the year with the outcome proposed to be report to Cabinet in 2024/25.

Planning interventions

The Council continues to deliver a long term financial sustainability plan with the underlying key aim of protecting services

Work remains in progress to dispose of the Council's Weeley Office site to support the delivery of local homes for local people

Development of governance structures for Town Centre regeneration in Clacton and Dovercourt

The Council worked with key partners to determine the financial sustainability risks to the Council of its continuing membership of the North Essex Parking Partnership (NEPP), which informed the decision made and steps to be undertaken during 2024/25.

The establishment of a Waste Board to oversee / inform the upcoming procurement of the Council's Waste, Recycling and Street Cleansing Contract

An external review of the Council's housing provision was undertaken and reported to the Audit Committee. An action plan has been developed as part of the Council's response.

Optimising achievement of intended outcomes

Approves the updated Housing Revenue Account (HRA) 30 year Business Plan. Which included a recommended 7.7% increase in dwelling rents in 2024/25, along with the detailed HRA Budget proposals for 2024/25

Completion of the Sunspot Business Units and Market in Jaywick Sands, shortlisted for national awards and occupied over 80% within 9 months

Significant progress and completion of key capital projects were achieved during the year

A review was undertaken of the Cabinet and Overview and Scrutiny Protocol with no amendments required to current working practices

Principle E
Developing the Council's entity, including the capacity of its leadership and the individuals within it

Developing the Council's capacity

Cabinet noted the progress of the existing partnership with ECC in delivering procurement functions and agreed that the Council forms part of a wider partnership of Councils to explore the Shared Procurement Service for parts of Essex. The Partnership has increased compliance with Council Procurement Procedure Rules, through improved documentation and training, Social Value considerations and emerging national policy and legislation, with additional funding allocated to support this approach

Term of Office for Independent Persons was extended for a further year in order to explore options across Essex

The Council reviewed the delivery model associated with the Levelling Up and Capital Regeneration Projects, with the decision to bring the work in-house. Additional capacity building has taken place to support this agreed approach

The Council commissioned key elements of work from external partners / advisors to support the Waste, Recycling and Street Cleansing Contract. It also commissioned support for the changing Housing requirements

Developing the capability of the Council's leadership and other individuals

Topical learning and development activities for staff continue to be delivered and available for individual topics and areas across the Council

New e-learning portal purchased for continued development of Officers and Members

MBTI and leadership development workshop for Economic Development Culture and Sports Directorate management team

Ongoing dedicated Member Development Programme including attendance at Local Government Association & District Council Network Conferences and programmes for the Leader and Cabinet Members new to the roles.

Monitoring Officer provided training to Cabinet Members on Best Value Duty requirements and decision making, understanding the roles and responsibilities of Portfolio Holders, exercising delegated powers and declarations of interests.

Directors / Assistant Directors working with Portfolio Holders, supported by programmed / regular meetings

Principle F
Managing risks and performance through robust internal control and strong public financial management

Managing risks, performance and data

Regular financial performance reports to Management and Members setting out a snapshot of key financial information

Senior Officers continue to attend the Council's Audit Committee when required in order to support them in their assurance work and in responding to significant governance issues

Programme Boards set up to support the delivery of Major Capital Schemes receive monthly monitoring information.

A number of key activities are undertaken supported by the relevant Director and S151 Officer to deliver against key governance elements of major projects funded by the Government in-line with the associated Local Authority Assurance Frameworks.

The Internal Audit Team has an open dialogue with the Council's Senior Management Team on the organisation's risks and risk appetite

The Council promotes horizon scanning to manage risks and responds to them and will link in with departmental plans as necessary

Cabinet endorses projects in alignment with the Council's Corporate Vision

The Council remains alert to the emerging requirements from the Office for Local Government (OFLOG) and includes appropriate references / comments as part of its decision making processes.

Robust internal control and strong public financial management

The financial forecast/budget was updated and regularly reported to senior managers and Members during the year and included separate and detailed reviews by the Finance and Governance Portfolio Holder in consultation with the Section 151 Officer and Chief Executive

Separate monthly meetings of the Council's Management Team work to a standard agenda that includes priorities, budgets, performance, delivery and governance issues

Key corporate risks were reviewed by the Audit Committee in addition to independent /regular review by the Council's Senior Management Team which included following up against key risks where appropriate

Cabinet / Council approved the Financial Forecast / Budget for 2024/25 which included a comprehensive review of cost pressures along with the identification of initial savings that contribute to the longer term savings targets.

The review of cost pressures is undertaken on a regular basis to inform the financial forecast / in-year budget management

The Treasury Management Strategy and end of year performance was presented to the Members during the year, which reflected emerging requirements from legislation / codes of practice.

The Leader has instructed Portfolio Holders to work with Senior Managers to identify potential savings options to be considered alongside the development of the forecast

Principle G
Implementing good practices in transparency, reporting and audit to deliver effective accountability

Implementing good practices in transparency

Regular meetings and discussions between the three Statutory Officers and (Internal Audit on individual cases where relevant), strengthening the efficiency of the 'golden triangle'

The outturn performance of key priority actions with milestones for 2022/23 was produced and published on the Council's website.

Priorities agreed for 2024/25 under new Corporate Plan.

Chief Executive sends a bulletin most evenings to All Members and Management Team of key issues affecting the District and shares the Local Government Bulletin with all Members highlighting national and local issues

Implementing good practices in reporting

Regular scheduled time is set aside for the Statutory Officers, Namely the Chief Executive, Monitoring Officer, Section 151 Officer, in order to consider any issues or emerging Financial and Governance matters

Meetings with the Group Leaders continue in order to discuss a range of topics across political groups, adopting a 'one council' approach

Internal Audit continues to attend key project boards and working parties through the development of schemes and initiatives rather than just at the end of the process

Regular reporting to the Management Team of key health and safety issues during the year

Best Value Duty and standards expected through Guidance being included within reports.

Complaints reported to Cabinet and Council following ombudsman decisions with learning identified

Assurance and effective accountability

Completion of the necessary governance and assurance processes relating to the Council's accountable body status and acceptance of significant capital grant funding from the Government under the Levelling Up and Capital Regeneration Schemes.

S.151 & MO comments routinely included in Cabinet reports, highlighting relevant issues to be considered

Group Leaders can attend all Cabinet meetings as a matter of right and can question the Leader and Cabinet on any matters contained within the agenda

A comprehensive addendum report was submitted to Cabinet that supported a Section 5 Report that represents good practice.

A hearing under the Members' Code of Conduct arrangements was held in public and live streamed. Guidance on best practice for Overview and Scrutiny functions was reviewed with an outcome of no requirement to amend practices.

4. **Other Governance Issues:**

As highlighted within the Narrative Statement within the Statement of Accounts 2023/24, the Council's Statement of Accounts for 2020/21, 2021/22 and 2022/23 remain subject to being audited due to External Audit delays. Although this is a national issue and in no way reflects any wrong-doing by those Council's adversely affected, it unfortunately contributed to the delay in the publication of the 2022/23 accounts, which were statutorily required to be published by the end of May 2023.

Due to the delays highlighted above, the Council's Monitoring Officer issued an associated Section 5 Report, which is available on the Council's website. By publishing its 2022/23 Statement of Accounts by 1 August 2023, the period of time the Council remained in breach of its statutory responsibilities was limited. The Council Published the 2023/24 Statement of Accounts on 13 December 2024 in line with the statutory deadlines.

It is also important to highlight that cyber security remains a significant issue for many organisations, including Local Government. This is a significant and growing risk and the Council has undertaken a range of initiatives which include working with DLUHC on a number of actions to strengthen the Council's resilience. This work will continue in 2024/25 and supported by an associated Member Working Group. This important risk is included within the Council's Corporate Risk Register with the latest position reporting the move to a Zero trust Network Architecture (ZTNA) as a direction of travel over the next twelve months.

(ZTNA means that in addition to monitoring infrastructure hardware for security vulnerabilities, every user device connecting to services is routinely checked for access rights and vulnerabilities in the background)

5. **Use of Council Resources.**

Each year, the External Auditor provides an opinion on the Council's use of its resources / value for money. Following the publication of associated guidance, the outcome from the work of the External Auditor has now moved to a commentary on such arrangements rather than a conclusion or opinion.

The commentary covers the following 3 headings:

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

B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and

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

The Cabinet report template includes these headings for additional governance assurance to be provided, the use of resources and the Corporate Investment Plan approach.

Given the external audit delays discussed earlier, the Council has not received a value for money commentary for three years. This is a significant issue and the Council has been given assurances by the External Auditor that such a report will be provided to the Council during 2024. Notwithstanding the above, the Council's S151 Officer provides their own assurances as part of the budget process each year, but an independent view is essential in providing a greater degree of assurance.

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

6. OPINION ON THE LEVEL OF ASSURANCE THAT THE GOVERNANCE ARRANGEMENTS CAN PROVIDE

The Council is required by the Accounts and Audit Regulations 2015 to undertake an effective Internal Audit to evaluate the effectiveness of its risk management, internal control and governance processes, taking into account the Public Sector Internal Auditing Standards (PSIAS).

The Public Sector Internal Audit Standards (PSIAS) state that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The role of the Head of Internal Audit (Internal Audit Manager), in accordance with the PSIAS, is to provide an opinion based upon, and limited to, the work performed on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes.

All guidance from the Chartered Institute of Public Finance and Accountancy is also considered in line with the Accounts and Audit Regulations and the PSIAS when delivering a Head of Internal Audit annual opinion.

As set out in the Public Sector Internal Audit Standards (PSIAS) there is a requirement under PSIAS 2450 that the Chief Audit Executive must provide an annual report to the Audit Committee, timed to support the Annual Governance Statement. This must include:

- An annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment);
- A summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies); and
- A statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme.

The Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council must ensure that there is a sound system of internal control which facilitates the effective exercise of the Council's functions, and which includes arrangements for the management of risk. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

Therefore, the Council continues to adopt a 'Three Lines of Defence' assurance model which is taken from the following sources;

1. ***Senior Management and Departmental Leadership***

Under the first line of defence, operational management has ownership, responsibility and accountability for directly assessing, controlling and mitigating risks.

2. ***Internal Governance***

The second line of defence consists of activities covered by several components of internal governance (Statutory Officers, Corporate Oversight Functions, Quality Control, IT Security, Data Protection and other control departments). This line of defence monitors and facilitates the implementation of effective risk management practices by operational management and assists the risk owners in reporting adequate risk related information up and down the organisation.

3. ***Internal Audit***

The requirement for an internal audit function in local government is detailed within the Accounts and Audit Regulations 2015, which
states that a relevant body must:

- Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

Internal Audit Approach

The Internal Audit function undertakes a programme of audits each year to provide the Council and its Audit Committee with assurance on the adequacy of its system of internal control, governance and risk management arrangements. The audit programme was developed using a risk based approach that incorporates a number of independent reviews of the Councils activities to be able to give an overall opinion on the areas mentioned above.

The internal audit team maintain an agile approach to auditing, seeking to maximise efficiencies and effectiveness in balancing time and resource commitments with the necessity to provide comprehensive, compliant and value adding assurance.

Aspects considered when developing an audit plan and delivering an effective internal audit service can be broken down into the graphic below;

As well as incorporating all of the above areas into the Internal Audit service, we endeavour to ensure that the service is agile and includes the following aspects into our planning and implementation processes;

- Flexibility – Utilising different options to build engagement that allow varied deliverables
- Value creation – Enhancing or improving deliverables while considering culture, organisation maturity and stakeholder needs
- Innovation – Considering new and different ways of delivering audit efficiency, risk coverage and overall value
- Systematic approach – Considering options and making decisions in an orderly way

Communication between Internal Audit, Leadership and the Audit Committee has been effective and remain consistent which provides reasonable assurance around the effectiveness and transparency of reporting arrangements.

Internal Audit has continued to work with services on a consultancy basis to support the implementation of new processes, identify and analyse route cause if necessary and ensure that all relevant employees have the appropriate training to competently carry out their role. This includes advising service areas transformation projects, procurement, ad-hoc investigations and any further advice on procedural changes.

Independent investigatory work has also been undertaken throughout the year as and when required to support Senior Management when internal control issues arise within service areas.

In 2023/24, only one audit from a total of 24 reviews undertaken received an overall audit opinion of **"Improvement Required"** where high severity issues were identified. The audit was Project Management.

The Monitoring Officer has also issued a Section 5a report relating to the Spendells Temporary Housing project due to unauthorised spend, resulting in a substantial overspend against the contract. The S151 Officer has also raised concerns via an addendum report which set out a number of actions that needed to take place at the request of the Chief Executive to ensure that a formal review of the Spendells project is undertaken and effective governance arrangements are in place for all projects going forwards. This corresponds with the significant governance issues identified within the project management audit and supports the need for a corporate review of project management going forward.

Improvement actions have been recommended for the mentioned audit areas which are followed up by the Internal Audit function to assess the progress of implementation. All significant issues are reported to the Audit Committee with required improvement actions throughout the year to provide a continuous update on the councils control environment, governance arrangements and material issues identified.

Annual Opinion 2023/24

The Head of Internal Audit annual assurance opinion is based on the following:

- Internal Audit work completed during the course of the year;
- observations from consultancy/ advisory support;
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- a review of assurance from other providers including those from first and second lines of defence, independent regulators and peer reviews;
- the extent of resources available to deliver the internal audit work; and
- the quality and performance of the Internal Audit service and the extent of compliance with the Public Sector Internal Audit Standards

Limitations to the Annual Opinion

There are no limitations to report on the ability to deliver the Internal Audit Plan and provide an annual opinion on the effectiveness of governance, risk management and internal control. There were changes to the audit plan throughout the year due to emerging risks and changes to service provision. Any changes to the audit plan were in consultation with the Audit Committee and Management Team to fit with the resources available at the time.

The Head of Internal Audit Annual Opinion

The majority of audits in the 2023/24 Internal Audit plan received a satisfactory level of assurance. There was a total of 26 moderate issues raised throughout the year which is less than the 39 raised in 2022/23. This represents some improvement with regards to the internal control and governance framework across the organisation. However, this must be caveated by the fact that the majority of 'non-financial' audits are in different service areas from the 2022/23 financial year.

There were two major issues raised in 2023/24, both of which relate to project management. In a different year, this alone may not have had a material impact on the Head of Internal Audit opinion. However, when you combine this with the Section 5a report raised by the Monitoring Officer, the S151 Officers addendum report and the Chief Executives formal review instructions; it does raise serious governance concerns.

The Council has committed to major Levelling Up projects in the realm of £60m in total which could result in financial difficulties and significant reputational damage if not managed in a structured and effective way. The Council does have good governance frameworks in place, they have not been followed in the most effective and disciplined way for a number of projects completed to date. With this in mind, it does conclude that issues raised relating to the Councils current project management arrangements need to be addressed before moving too far ahead with the Levelling Up projects.

Governance arrangements and internal controls have been evaluated in all audits within the plan, albeit with varying levels of scope. Senior Management continue to review strategic risks on a regular basis within Management Team and the Corporate Risk Register is reviewed bi-annually with any feedback reported to Management Team for consideration.

The Internal Audit Manager has considered assurances obtained through:

- All of the information reported above
- Internal Audit outcomes
- Annual Risk Management Review
- The Council's assurance framework
- Management assurance through the Annual Governance Statement process
- External inspections
- Ongoing engagement with the business
- Monitoring and reporting the implementation of agreed management actions

All major actions due have been reported to the Audit Committee and all moderate actions are managed through the audit follow-up process with the service area.

The Internal Audit Manager is satisfied that sufficient work was completed in 2023/24 to draw a reasonable conclusion on the adequacy and effectiveness of the Council's activities. The internal control environment continues to remain stable with some significant changes in specific service areas which have been reported to the Audit Committee throughout the year as part of the periodic reporting arrangements. An open dialogue with Senior Management on risk remains in place and a generally sound system of internal control has been assessed across the majority of the Councils operational areas.

The governance issues relating to project management have made the overall decision more difficult due to the challenges that the Council face in the next few years to deliver significant benefits to Tendring residents via levelling up funding. If the current issues are not addressed and the same issues arise with future projects, it will be very difficult to provide an unqualified opinion in future years.

After considering all of the above, an overall unqualified opinion of **'Adequate Assurance'** can be provided for the 2023/24 financial year with a commitment from Management Team that all significant issues raised by the Councils statutory officers are addressed as soon as possible.

In noting this opinion, it should be acknowledged that Internal Audit has not reviewed all risks and assurances and cannot provide absolute assurance on the internal control environment.

- **External Audit**

  The Council is subject to an annual programme of external audit work associated with the Council's Statement of Accounts and value for money arrangements.

  Each year the auditor's overall findings are brought together in an Audit Results Report and Annual Audit Letter (available on the Council's website). Action is taken on issues identified, with any material ongoing issues incorporated within Significant Governance Issues below.

  It is however important to highlight that given the External Audit delays mentioned earlier, the Council has not received Final Audit Results Reports or Annual Audit Letters for three years. However it is hoped that this will be rectified via the work being undertaken by the Government to support the sector in returning to more timely reporting schedules as soon as possible.

- **Other Review Agencies and Inspectorates**

  The Council is subject to inspection and review by a number of other agencies and inspectorates. The Council aims to take action to address any issues that arise from such inspections and reviews, and to improve governance arrangements where it is appropriate to do so.

- **Senior Managers**
  In addition to the review work undertaken above to review and strengthen the Council's Governance Framework, the Council's senior managers (including the Head of the Paid Service, Monitoring Officer and S151 Officer) have participated in a review of the effectiveness of the system of internal control providing assurance regarding the governance / control environment for their areas of responsibility.

7. ISSUES RAISED IN THE PREVIOUS YEAR'S ANNUAL GOVERNANCE STATEMENT AND ON-GOING ACTIONS 2024/25

In respect of the governance issues identified as part of last year's Annual Governance Statement, the most up to date position against the identified actions is set out below. (All of the items remain on-going and have therefore been carried forward into 2024/25 and updated as necessary)

On-Going / Outstanding Items at the End of 2023/24 Carried Forward into 2024/25		
Governance Principle & Issue	**Required Action(s)**	**Update / Additional Comments**
Implementing good practices in transparency, reporting and audit to deliver effective accountability. Ensuring compliance of the Council's governance arrangements through project board reviews. Utilising the Council's systems to implement best practice for drafting, reporting and decision making.	• Review of project outcome being undertaken by the Project Board to support future decision making and delivery. • Continuation of the roll out of the functionality of Modern.gov over a phased approach in 2022/23 – completed areas – training record for Councillors, TDC representatives on outside bodies, E petitions function, automated e mails, submission of final reports for Planning Committee, Cabinet, Council, Committee and Management Team dates published, Environmental Health licensing decisions published, report writing functionality. **<u>ADDITIONAL FOCUS FOR 2024/25</u>** Performance monitoring within services and decision implementation and project management.	The outcome from key projects will be reported to Members following completion of the associated project. Upcoming reports will include Jaywick Flexible Workspaces, Starlings and the Office Transformation Project. Modern.Gov – While use of several additional functions of the Modern.Gov system have progressed and have assisted the Council to demonstrate good decision making, report management was not implemented as intended. A revised programme into early 2025 has been prepared. To some extent this roll out has been frustrated by a server upgrade requirement from the Modern.Gov supplier (Civica) and from the report management functionality using a file type (*.bat) that would conflict with the Council's IT security requirements. The server upgrade has been commissioned and is being programmed following approval for the additional budget to meet the related cost. Liaison between Democratic Services, IT and Civica is ongoing at the time of this update to find a solution to the file type issue that does not compromise IT security for the Council corporately. The programme for implementation of report management functionality will be kept under review given these constraints on implementation. The new, automated process to Town and Parish Councils for Planning notifications has been rolled- out.

Developing the Council's entity, including the capacity of its leadership and the individuals within it. Effectively manage the transition to a new Administration following the local elections in May 2023. **REVISED FOCUS FOR 2024/25:** **Capacity to deliver the Council's Corporate Plan and its Priorities, together with new emerging initiatives.**	• Continuation of delivery of the Member Development Programme. • Cabinet focus on new Corporate Plan, project prioritisation, financial sustainability and robust decision-making. **<u>REVISED FOCUS FOR 24/25:</u>** Work is now underway to develop a number of milestone against the highlight priorities as part of delivering against the Corporate Plan themes. Departmental Plans within services will continue to be reviewed against the themes and highlight priorities during the year, with particular focus on governance issues, such as monitoring and implementing decisions, managing risks & budgets. Capacity requirements to be reviewed in light of the new a range of competing capital project	**WORK COMPLETED:** An extensive Development Programme was implemented as part of the Induction arrangements for the newly elected/returning Councillors. This made use of written material, in-person and online events and the opportunity to interact directly with officers from a wide range of services across the Council. The Development Programme has continued and has included arrangements with mock hearings and similar delivered in-house for both Planning and Licensing Committee Members and hearings based training for Members of the Standards Committee delivered by specialist external trainers. Use has been made of LGA in-person and online training and events to further enhance the development offer and this has included specific training for several Cabinet Members through a residential course provided by the LGA. A refresh of the skills audit undertaken at the start of the Municipal Year in 2023 is now planned to inform Member Development for the coming year and beyond. A revised Corporate Plan and Vision was approved by Full Council at its meeting on 28 Nov 23, which included six themes, one of which was Financial Sustainability and Openness. A new online training provider which offers a wider range of courses to develop individuals, including both mandatory and optional courses, has been introduced.

	timescales, resources for projects and existing service provision.	
Determining the interventions necessary to optimise the achievement of the intended outcomes. Managing risks and performance through robust internal control and strong public financial management.	• Review of existing Risk Management / Business Continuity arrangements. • Conduct an audit review in relation to the effectiveness of the Council's response to COVID-19, including a review of the lessons learnt from the Council's response and longer-term consequences. • Review of the effectiveness of the Audit Committee. • Develop and implement a Corporate policy and strategy 'register' to ensure that these are reviewed and updated in a timely manner and to support decision making.	It is now planned to undertake a review in 2024/25 which is later than originally planned, but it remains a key issue for consideration alongside the wider annual review of the Council's governance arrangements. This continues to form part of the ongoing work of Internal Audit, which will also reflect any learning points that may emerge from the national public inquiry currently underway. It is planned to undertake a review in consultation with the Audit Committee and other key partners as soon as possible. Although this is later than originally planned this remains a key activity along with developing an associated action plan as necessary. The recommendations emerging from the Redmond review will be kept under review along with the identification of an action plan as necessary. The development of the register has commenced and is held on the Council's website as part of its commitment to transparency. It will be added to as strategies and policies are adopted and reviewed. Services have also been requested to reference the relevant strategy or policy within reports supporting decision making.
Behaving with integrity, demonstrating strong commitment to ethical values and	• Review and update the Local Code of Corporate Governance and key policies and procedure.	The commitment remains in place to undertake this review and will be considered as part of the wider governance statement activities that will be reported to the Audit Committee later in the year.

respecting the rule of law. Maintaining an up to date Local Code of Corporate Governance along with key policies and procedures.		
Implementing good practices in transparency, reporting and audit to deliver effective accountability. Delegated decision making.	• Awareness and further strengthening of good decision making incorporating the Council's policies and framework.	Work remains in progress to increase the understanding of key principles including consultation, business planning, budget, and procurement, legal. Concept papers and PIDS to be completed comprehensively to ensure successful delivery within the governance framework. It is planned to undertake/continue a number of activities to increase the understanding of key principles including consultation, business planning, budget, and procurement, legal requirements. Concept paper and PIDs to completed comprehensively to ensure successful delivery within the governance framework. This will also focus on robust project management, to provide oversight on financial and non-financial issues especially in key areas such as: Levelling Up Fund / Regeneration Project, waste contract renewal, and housing review recommendations. External funding guidance to be produced, incorporating existing requirements, due to the level of external funding being applied for and managed by the Council.

Managing risks and performance through robust internal control and strong public financial management In terms of business continuity this is especially important given the current global/economic climate	• Departmental Plans to be subject to review to reflect any updated Council objectives and priorities including the associated management of risk. • Develop the financial planning process with the aim of strengthening the Council's long term financial sustainability. **<u>ADDITIONAL FOCUS FOR 2024/25</u>** To implement / embed the necessary processes to support the identification of the required level of savings set out in the long term forecast.	As highlighted above reviews of the Departmental Plans will be conducted alongside the new Corporate Plan and emerging highlight priorities. During 2024/25 reviews of the Departmental Plans will be undertaken to align with the new Corporate Vision and Risk Management approach, along with any Peer Reviews as relevant. Review to incorporate resources / capacity to deliver priorities, projects and service provision. A balanced budget was presented to Full Council in Feb 24 with work ongoing as part of the financial sustainability and openness priority highlighted above which will aim to identify the necessary saving to support the Council's long term financial position. The dedicated / regular Officer Management Team meetings will remain ongoing with a focus on financial and non-financial issues along with performance and delivery.
Defining outcomes in terms of sustainable economic, social and environmental benefits. **Determining the interventions necessary to optimise the achievement of**	• Preparation / reporting updates against the Climate Change for approval by both the Cabinet and Council to form part of the Council's Policy Framework.	The Corporate Director, Place and Economy, attended the Oct 23 meeting of the Audit Committee and provided a comprehensive update. A further update is due to be presented to Cabinet in 2024/25.

the intended outcomes. To set out the Council's vision following the Council's Climate Emergency declaration of the Council's activities being 'carbon neutral' by 2030.		

To support the Council in addressing some of the key issues and improvements that have emerged from the annual review of effectiveness, including any items identified as part of the work of the External Auditor, the following actions have been identified over and above the on-going items carried forward from 2023/24 as set out in the table above:

New Items for 2024/25	
Governance Principle & Issue	**Required Action(s)**
Ensuring openness and comprehensive stakeholder engagement Approach to Community Engagement, consultation and participation to be reviewed following adoption of the	• Officers be requested to review the Council's Community Engagement Strategy and its operation, taking into account the feedback received through the Corporate Plan consultation with the public, partners and businesses, with a view to the outcomes being presented to a future meeting of the Cabinet. • Review Article 10 of the Council's Constitution which sets out how the Council will promote Community Consultation and Participation through a range of opportunities.

Corporate Plan and Communications Strategy.	
Managing risks and performance through robust internal control and strong public financial management In response to the Section 5 of Local Government & Social Housing Act 1989 report from the Council's Monitoring Officer on Spendells House	The Chief Executive: (a) Has instructed that a formal review be undertaken to provide further clarity on how the issue arose and developed (including the governance arrangements associated with issuing verbal orders), which in turn can inform any further actions along with informing decision making and project delivery in the future; (b) has issued a directive to all Senior Managers relating to financial and budget management, which explains the consequences and expectations of them in their roles and will be supported by further collective meetings with Senior Officers over the coming weeks / months; and (c) has commenced arrangements for the implementation of a Senior Officer Project 'Board' that in turn will report directly to the Council's Senior Management Team on a regular basis. Statutory Officers to re-deliver governance awareness at the upcoming Senior Managers' Forum, where attendance is mandatory.

Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law. *(Although this action is expected to cut across all seven of the key governance principles (A to G) set out above)*	Review OFLOG requirements and revised Best Value Guidance, CIPFA Codes / guidance to identify areas of weakness and improvement and develop an action plan (including learning from external reviews, inspections, and self-assessments).

Progress regarding these governance issues will be monitored throughout the forthcoming year by the Council's Audit Committee.

7. CONCLUSION

We have been advised on the implications of the result of the review of the effectiveness of the governance framework (which will be monitored by the Audit Committee during the year) and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

We propose over the coming year to take steps to address the governance issues identified in this statement, and to further enhance our governance arrangements. We are satisfied that these steps will address the issues identified in our review of effectiveness and will monitor their implementation as part of our next annual review.

Ian Davidson
Chief Executive

Date: 13 February 2025

Councillor Mark Stephenson
Leader of the Council

Date: 13 February 2025

.