

# *Tendring* *District Council*



SUBJECT TO

## **STATEMENT OF ACCOUNTS**

**2018/19**

# TENDRING DISTRICT COUNCIL

## STATEMENT OF ACCOUNTS

2018/19

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# NARRATIVE REPORT 2018/19

## 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 as follows:

*[The budget agreed on 5 February 2019] is a budget crafted to enable us to carry on being the outstanding local authority that we have become over the past few years; leading our communities, delivering high-quality services for our residents and helping our businesses to prosper and our visitor numbers to soar.*

*We talked about the need to keep delivering against the new long-term approach to build confidence in it – 2018/19 was delivered and we are presented with a budget that delivers again for 2019/20.*

*It is important to highlight that we have already set aside significant amounts of money to keep moving our priorities forward. These are not reserves; this is money we have allocated and are about to spend on major projects that will greatly enhance and benefit this District, for example:*

- *Over £2 million for business, investment and growth,*
- *Over £1 million for office transformation,*
- *£1 million for public realm projects in Harwich,*
- *Two and a half million pounds for homes in Jaywick Sands including support from within the Housing Revenue Account,*
- *£4.6 million for cliff stabilisation work,*
- *Over £1 million for digital transformation.*

*The balance we are trying to find is to spend the one-off money we do have on things that either raise money, save money, or protect us from increased costs. This seems both logical and pragmatic.*

*Examples to demonstrate our genuine commitment to this approach are the office transformation project and the changes we have made to the waste and recycling contract, which together will save the Council in excess of £500 thousand pounds per year – half a million pounds that will support front line services next year, the year after and for the future.*

*When we set out our long-term approach to the forecast, we stated that we wanted to protect front line services as far as possible. The £5 increase [in the level of council tax in 2019/20] is only one ingredient to the overall budget, and it is a compromise we have to make to help deliver on this promise – let's not forget we still have one of the lowest levels of council tax in Essex and we are in the bottom quartile nationally.*

*The £5 increase [highlighted above] is the right balance and the most financially prudent thing to do in the long term – let's not forget we will be protecting front line services by doing so.*

*As I said last year, the evidence is there to show that as a Council we will always find new ways and different approaches to deliver our services, a challenge we have lived up to in the past and one we will continue to do going forward.*

*We continue to work closely with Government on a number of issues such as supporting the Jaywick Sands project. It is great to see the various strands of that work finally coming together and it genuinely feels that we are as close as we have ever been to making the long-lasting changes so desperately needed to lift the area out of the difficulties it has faced over so many generations.*

*I think the Government are now getting the same feeling and they have asked us what they can do to support our plans. We need to be honest but pragmatic and put our points forward, most of which do not necessarily need the Government to put their hand in their pocket – they are more about technical and legalistic issues such as the time limit placed on right to buy capital receipts retained locally, which do not help us formulate a longer term plan.*

*We are being listened to and one reason why is that the Government see us as a “can do” council. That’s a reputation we want to keep delivering against, not just in words, but in what happens on the ground, as that is where we will be judged by our residents, our businesses and our visitors.*

*One of the major successes that the long-term approach could deliver, when we do finally emerge from one of the toughest financial environments that Local Authorities have ever been faced with, is that the level of services we currently provide have been protected as far as possible.*

*Success is relative and such a judgement will be made by comparing this Council with how other Local Authorities have fared across the same period – when this day arrives I genuinely believe that we would be up there with the best and continue to be there for our residents – we are here to provide an extensive range of public services and I hope that that range will be as extensive as possible and of the quality expected of us.*

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 and Operational Model
- Risk and Opportunities
- Strategy and Resource Allocation
- Non-Financial and Financial Performance
- Outlook

## **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 approximately 450 (full time equivalents) of which many are Tendring residents

The preparation of the Council's Corporate Plan (covering the period 2016 to 2020) is set against the context of a changing environment for Councils with continuing financial pressure and an increased focus on the Council's Community Leadership role and involvement across a range of issues. It is recognised that effective partnership working will be an important element of delivering against key priorities within the district in the years ahead.

Delivery of a long term financial sustainability plan is the overriding priority for this Council with this having an influence on other projects and priorities, targets, delivery and performance management. The overriding pressure on the budget is the on-going reduction in Central Government funding which will decrease by a further £1.070 million over the next 2 years (8% of the Councils 2018/19 net budget)

The core driver behind the Corporate Plan is that Community Leadership is at the heart of everything the Council does. The Corporate Plan aims to show what the Council wants to achieve against the three key priorities:

***Our Council Our Community***

- Deliver high quality affordable services
- Balance our budget
- Good Governance
- Transform the Way we work
- Make the most of our assets
- Engagement with the Community
- Support the vulnerable
- Support rural communities
- Effective partnership working

***Health and Housing***

- Promote healthier lifestyles and wellbeing
- Support improved community health
- Deliver a quality living environment
- Local regeneration
- Council house building

***Employment and Enjoyment***

- Support business growth
- Enable better job prospects
- Facilitate improved qualification and skills attainment
- First rate leisure facilities
- Attractive events programme

It is from this central role that we undertake services or work with partners with the aim of tackling the key challenges in the District such as:

- *Poor health* (factors being health, wellbeing, living conditions and environment);
- *Pockets of high unemployment*
- *Low economic activity* (factors being job opportunities, qualifications and skills)
- *Reducing budgets whilst delivering key services* (factors being governance, structure, ways of working, 'more for less' approach)
- *Poor infrastructure* (factors being single lane A120, road congestion, infrequency of rail and bus services)

The Corporate Plan sets out opportunities for the Council such as:

- *Clear vision for economic growth and prosperity*
- *Our Coast*
- *Tourism, culture and sport*
- *Sea, road and rail connectivity*

The Corporate Plan also sets out the values that Members and Officers strive to uphold whilst delivering on our priorities and the opportunities that will assist us in achieving our outcomes.

The high level priorities articulated in the Corporate Plan are complemented by specific actions to be taken which form part of the Council's performance reporting activities over the course of the year with further details in the next section of this report.

### **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. It is worth highlighting that the Acting Audit and Governance Manager proposes to issue an unqualified audit opinion for 2018/19.

The Annual Governance Statement also highlights a number of key actions and planned activities going into 2019/20.

The following sets out the Chief Finance Officer (S151 Officer) report to Council as part of the budget process for 2019/20:

*As part of the new Long Term Financial Sustainability Plan introduced during 2017/18, the forecast and budget setting process is built on the following 5 key strands:*

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

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

*In respect of cost pressures, this presents one of the more significant risks to the long term plan. For 2019/20 the funding for the cost pressures agreed remains broadly in-line with the £0.150 million annual amount set out in the long term plan. As has been the case in previous years, a number of cost pressures emerge and are usually formed of a mix of where there is no option, such as reductions in external funding, and where there is a choice whether to fund or not. The long term approach to the forecast requires a compromise in terms of the speed at which the Council can spend money on items where it has a choice to do so or not. This may involve areas where the additional expenditure may support income growth or the Council's reputation. A hard but fair and considered approach is being taken in terms of how much additional expenditure by way of cost pressures can be accommodated within the long term forecast. It is also acknowledged that some of the more significant cost pressures relate to the maintenance of the Council's key assets. These are usually of a one-off nature and money is available within the budget and related reserves to fund such items where possible and so reducing the pressure on the underlying revenue position set out in the long term forecast.*

*In addition to the above, a number of significant cost pressures have been mitigated via actions such as negotiating alternative service provision with suppliers or through redesigning the delivery of the service with an example being the waste, recycling and street cleansing contract.*

*The detailed budget for 2019/20 has been prepared within the above framework. Clear rationale has been stated in respect of the formulation of the financial forecast and how it has been translated into the detailed budgets for 2019/20. This has been supported by a risk assessment of each line of the forecast, which was introduced during 2018/19.*

*The on-going review of reserves continues to demonstrate that the Council's current level of reserves remain adequate to 'underwrite' risks and uncertainties that are also inherent within the forecasting process, supported by a specific Forecast Risk Fund. No significant adjustments have been required in 2019/20 that weakens this approach.*

*The financial forecasting process continues to remain alert to government announcements and the impact of external issues such as funding receivable from elsewhere within the public sector. The forecast also aims to reflect the outturn position from the previous year along with cost pressures which also allow it to remain alert to potential changes to its financial position.*

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

*The Council's External Auditor recently highlighted as part of their value for money work that the Council's process for setting the budget is sound and that the forecast has identified the key assumptions expected to underpin the budget process. The Auditor also raised a number of recommendations which form part of a wider financial action plan that remains in progress within the Council.*

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

*The need to continue to deliver against the 10 year forecast is clearly recognised and remains the key focus for the Council in 2019/20 to enable it to continue to provide quality services and investment in its priorities. Self-sufficiency underpins the Council's 10 year forecast along with maximising opportunities through investment and maximising savings opportunities over a longer time period. Taking a longer term view of the forecast also enables the Council to respond to any significant financial impacts over several years rather than as part of an annual budget cycle, which strengthens financial resilience in the long term.*

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

*The Council was subject to a Peer Review in 2018, with a number of financial actions identified. These included revisiting spending profiles, introducing risk scoring against key areas of the forecast, and maintaining an on-going key projects plan that reflects a corporate appraisal and business planning approach. Actions have either been fully implemented or remain in progress going into 2019/20.*

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

*The Council remains alert to the risks associated with the highly complex area of the budget introduced via the local retention of business rates. A separate Business Rates Resilience Reserve has been established to support the Council through periods where income may be volatile, which provides the Council with a longer recovery period through a self-sufficiency approach.*

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

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

*Regular and comprehensive monitoring of the budget will continue to be undertaken during 2019/20 as part of the well-established and comprehensive financial performance reporting process so issues can be identified and action taken at the earliest opportunity if and when appropriate. Also any savings identified during the year will continue to be transferred to the Forecast Risk Fund where possible, to further strengthen the approach taken in 'underwriting' the risks associated with a 10 year forecasting period.*

*The proposed budget resulting from this process is therefore robust and deliverable and is supported by reserves.*

## **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 current Corporate (Strategic) risk register groups risks together under the following themes:

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

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

Risk	Description	How the Risk is Controlled/Mitigated
Failure to deliver a balanced and sustainable budget	The impact of achieving a balanced budget in an ever-tightening financial environment on service delivery objectives.	<ul style="list-style-type: none"> <li>• Long Term Financial Plan updated on an ongoing basis.</li> <li>• 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.</li> <li>• Robust and timely Budget Monitoring Processes.</li> <li>• Engagement with key stakeholders, members and senior management as early as possible.</li> <li>• Responding to and implementing recommendations and advice issued by the Council's External Auditor.</li> <li>• Material savings options to be individually risk assessed</li> </ul>

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
- The Garden Communities Project
- Building Council Homes
- Coastal Defences

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

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

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

## Strategy and Resource Allocation

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

The updated long term forecast presented to Full Council on 5 February 2019 included revised annual forecasts over the remaining years of the 10 year forecast which are set out in the table below:

Year	Net Budget Position (including adjusting for prior use of reserves to balance the budget)
2020/21	£1.167m (Deficit)
2021/22	£0.918m (Deficit)
2022/23	£0.664m (Deficit)
2023/24	£0.401m (Deficit)
2024/25	£0.133m (Deficit)
2025/26	£0.142m (Surplus)
2026/27	£0.424m (Surplus)

*The long term forecast will be updated again during the first half of 2019/20, but to date the annual position set out above is broadly in line with initial projections and therefore remains on target.*

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

➤ **Increases to Underlying Income**

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

➤ **Controlling Net Expenditure Inflationary Pressure**

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

➤ **Savings and Efficiencies**

Savings still feature within the forecast, albeit at a much more modest annual rate than would otherwise have been the case and provide opportunities to maximise savings over a longer period.

➤ **Delivering a favourable Outturn Position**

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

➤ **Cost Pressure Mitigation**

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

Where a need for a cost pressure is identified, the following questions need to be asked:

- 1) Can the expenditure be delayed until such time as there is a surplus in the forecast?
- 2) Can mitigating action be put in place or an alternative option implemented?
- 3) Can the cost pressure be supported by one-off money in the short term?
- 4) Can the cost pressure be mitigated via corresponding budget reductions within departmental budgets?

Although this may be difficult for larger items, it may be possible for more modest amounts.

The Council continues to deliver against the above strands of work e.g. office rationalisation, digital transformation, a reduction in the number of members, staff restructuring along with the implementation of a revised waste collection and recycling contract which was negotiated as part of the extension to the existing contract.

In March 2019, the Council approved a revised Capital and Treasury Strategy which set out a number of key factors to be included in future capital investment decisions such as:

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

## Council Performance 2018/19

### Non-Financial Performance

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

PROJECTS	TARGETS	INFLUENCING ROLE
Transforming the way we work	Fly Tipping	Education
Property Management	Missed Bins	Community Safety
Holland Haven and Seafront Opportunities	Recycling Rate	Manningtree Infrastructure
Jaywick Sands Regeneration and Renaissance	Handling of Planning Applications	Housing Strategy
Cliff Stabilisation (Protecting our Coastline)	5 Year Housing Land Supply Approvals	Health and Wellbeing
Venetian Bridge	Sickness and Authorised Covert Surveillance	Improved Broadband.
Local Plan	Complaints	
Harwich and Dovercourt Public Realm		
Economic Development Delivery		
Maximising Tourism and Leisure Opportunities		
Garden Community		
Waste Recycling and Street Cleaning Contract Renewal		

The following sets out the position at the end of March 2019 for key items within the above table:

# Transforming the way we work (Council and Community)

*“Deliver the agreed elements of the Transformation Programme relating to office accommodation, digital transformation, customer service and people effectively, on time, on quality and on budget.”*

Martyn Knappett – Deputy Chief Executive

Finance and Corporate Resources Portfolio Holder



Office Accommodation		
Milestones	Current Position	To be Completed
Westleigh House site in use as car park.	Tenders for demolition work including demolition of adjoining redundant public convenience are being prepared. Tracing of services is completed. The reconnection of electricity to the multi-story car park has been completed. Depending on tender outcomes work will start in late May to June 19. At the time of writing Tenders for the demolition have been invited. Disconnection of the electricity supply to Westleigh House has been ordered (timing to be confirmed by demolition contractor) and a CCTV camera has been moved in preparation for the works.	Nov 18 *Revised Dec 18, Feb 19, Apr 19 and now <b>Jun 19</b>
Pier Avenue refurbishment complete.	The office areas and new reception became fully operational on 10 Dec 18.	<b>Complete Dec 18</b>
Barnes House extension complete.	All consents and arrangements are in place. Construction began on 25 Feb 19. At the time of writing foundations, ground floor structure and temporary works are all in place and wall construction has reached first floor window sill height.	Apr 19 *Revised Jun 19

**Exception:** Revised dates represent previously reported exceptions. Some redesigning around openings and existing services at Barnes House is taking time at present. Design and procurement of the revised car park surface is yet to be completed.

Customer Experience		
Milestones	Current Position	To be Completed
Access to the Print and Post Hub as a default print facility to enable a complete support service for all print and post requirements.	All bulk users now have capability to print directly to the Print Hub. Officers will be sending out a short 'How To' and monitoring usage.	<b>Complete May 18</b>
Close Pier Avenue reception and relocate to the Town Hall.	Reception now located back at Pier Avenue as building works complete.	<b>Complete May 18</b>
Review service needs and create a roadmap for the digitisation of processes with consultants.	Roadmap agreed.	<b>Complete Jul 18</b>
Self serve portal online and first services available to Customers.	Garden waste has been tested by the Customer Service team and signed off by the Head of Service. It will be used internally and released to the general public after the local elections on 2 May 19. Work strand 2 begins 8 Apr 19 and will run for 10 weeks. Aiming to have 5 completed services by the end of this period.	Oct 18 *Revised Nov 18 <b>Complete</b> *Revised Jan 19 *Revised May 19
Amalgamation of the contact centre/switchboard, building repairs/housing reception and the admin function within Environmental to create a Customer Service Team.	Staff relocated and working together as a Customer Service team.	<b>Complete Dec 18</b>
Back scanning and secure disposal of existing documentation.	Still on target to complete paper scanning on time. The microfiche scanning will need to go our to tender as the cost is likely to be in excess of £50k.	Jul 19

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People		
Milestones	Current Position	To be Completed
'Transformation' training programme to be drafted and agreed by Project Board. This will be based on training priorities identified by Managers and Officers.	Remote Working Policy and Flexible Working Hours Scheme and Time Off In Lieu (TOIL) published on Ping! Manager and staff training are currently taking place and ongoing as training needs identified.	<b>Complete</b> Jan 19
Manager training programme to be delivered across the organisation.	Training will continue as the project progresses and different training needs are identified.	Ongoing
Staff training programme to be delivered across organisation.	Training on-going as needs identified. Date changed in line with project timetable.	Aug 19
'Transformation' Communications Plan to be agreed by Project Board to ensure effective communication with Public/Officers and Councillors.	Communication plan was presented to the Transformation Board on 21 May 18. Staff updates provided every 4-6 weeks, via a Transformation Bulletin.	<b>Complete</b> Jul 18
IIP Gold Accreditation Re-assessment.	Full assessment process completed. IIP assessment report received Mar 19, awarded gold status.	<b>Complete</b> Dec 18
Equality Impact Assessments (EQIA) prepared across services. - Revised policy agreed. - Training delivered.	Review of current practices is ongoing. Feedback from National Inclusion Standards has been provided. EQIA webinar completed providing training for all managers/supervisors (26 managers participating from different locations). Guidance and a new EQIA assessment form prepared and available on intranet.	<b>Complete</b> Sept 18 *Revised Nov 18  <b>Complete</b> Dec 18
Equality Impact Assessments prepared and kept under regular review across services.		Ongoing

# Transforming the way we work (Council and Community)

*“Deliver the agreed elements of the Transformation Programme relating to office accommodation, digital transformation, customer service and people effectively, on time, on quality and on budget.”*

Martyn Knappett – Deputy Chief Executive

Finance and Corporate Resources Portfolio Holder



## Digital

Milestones	Current Position	To be Completed
General Data Protection Regulation (GDPR) compliance achieved against Information Commissioner's Office (ICO) action plan.	Tendring District Council achieved GDPR/ UK Data Protection Regulation 2018 compliance on 25 May 18 as required by legislation. There is work on-going to maintain/ monitor compliance standards through our Information Governance regime, which includes the implementation of a new case management and monitoring application (DataWise). The nomination of Service Information Governance Coordinators to cover data protection, freedom of information and environmental information requirements within each of the departments is underway and additional training will be provided to these officers.	<b>Complete</b> May 18
Self-service portal procured and technical implementation complete.	Firmstep product recommended and purchased w/e 19 Jul 18. Product demonstrated to Senior Managers' Forum 26 Jul 18. Technical installation and training complete.	<b>Complete</b> Jul 18
Events App developed	Development has now been completed for both Apple IOS and Android operating system App. The Head of Sport & Leisure Services is ensuring that when the App does go live it contains information and 'breaking news' on a large number of events for 2019. The App is ready to go live but will be held in test until after the local elections to ensure that we have plenty of time to ensure that it is fully tested.	Jul 18 *Revised Dec 18 *Revised Jan 19 *Revised Mar 19 <b>*Revised May 19</b>
Town Hall & Pier/ Barnes network low level design (cabled & Wi-Fi) completed and implementation commenced.	The re-cabling works and roll-out of new Cisco Meraki WiFi is being carefully coordinated to support the Office Transformation works and programme. Pier Avenue staff have been live Cisco Meraki WiFi users since Jan 19. Clacton Leisure Centre and Northbourne were upgraded to Cisco Meraki WiFi at the end of March coinciding with a network upgrade to increase their data network link speed from 2Gbt/sec to 10Gbt/sec. Work is now commencing on re-cabling the South side (carpark side) of the Town Hall, initially to facilitate removal/ relocation of the server cabinet situated in the now empty 'Housing Services area' so that work can commence on the new Town Hall Committee room.	<b>Ongoing</b> (each office area is being re-cabled with new WiFi installed as per Office Transformation plan).



# Transforming the way we work (Council and Community)

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## Digital

Milestones	Current Position	To be Completed
Compliance achieved against Public Services Network (PSN) (audit renewal).	The Council passed its annual National Cyber Security Centre (NCSC) Public Services Network (PSN) cyber security audit and been re-certified for 18/19. The IT team is routinely undertaking cyber security scanning tools using 'in house' skills. Work has commenced to programme resources for our 2019/2020 IT Health Check, remediation and NCSC submission which all starts again in Apr 19.	Completed 24 Jul 18  Now scheduling resources for Jul 19 cycle.
Website integration with new customer portal completion.	Work is ongoing in our test environment with service user testing also ongoing behind the scenes. The re-design work has effectively become a re-iterative process which will remain ongoing as each facet of the Firmstep portal is being delivered. Work is also ongoing on website re-design to improve accessibility in accordance with the new EU public sector website directive.	On-going Testing commenced Nov 18
Customer Portal integration with IDOX, Northgate and E Payment systems.	E-Payments integration and testing is complete. Northgate related services (C/Tax balance, Housing Repairs, Council property rent balance) are scheduled in 'delivery train two' which will be delivered in a ten week period during Apr and May 2019.	Dec 18 *Revised Feb 19 *Ongoing revised completion May 19
Cyber awareness training and security initiatives.	Members and officers continue to receive regular 'all staff/member' education emails. In March all staff and members were emailed an educational cyber security guidance note based around the premise that EU-Exit is being perceived by criminals as a cyber attack opportunity. A further phishing exercise look place during March 2019. Our continued network investment includes a range of new security monitoring tools. As our Cloud migration plans and knowledge develop we are adopting yet further Cyber Security protection tools available via the Microsoft Azure platform to enhance our network security and data protection. We are in the final analysis of tendered costs for our cyber security/ Firewall contract renewal.	On-going
Cloud migration programme planning complete & 40% of services migrated.	Migration programme approved. Migration and testing of 2018/19 application migration (Agresso/ Exchange/ Office 365/ Skype for business) is ongoing with the IT Team migrated/ testing/ learning. Our first 'user' services migration is anticipated to take place in Apr 19 as per the plan as we are working to avoid any IT changes during the EU-Exit period and then the May Elections.	Apr 19

# Jaywick Sands Regeneration and Renaissance

## (Health and Housing)



*"To increase the stock of new affordable/Council homes."*

Paul Price – **Corporate Director**      Housing Portfolio Holder

**Delivery Mechanism:** Bring forward at least one development at Jaywick. Work with Essex County Council (ECC) and other potential partners to develop options for residential and other development. Develop options for consideration to establish a housing company to facilitate development. Work with Planning to develop urban design layout.

**Update:** This month's progress comments are noted next to each individual milestone in the table below.

Milestones	Current Position	To be Completed
Commence development of one of the three identified preferred development sites and construct 10 houses.	Piling for electrical substation commenced. Contractor appointed and on site for construction for foundations and up to first floor for houses.	Aug 18 *Revised Oct 18 *Commenced Feb 19
Development vehicle/mechanism agreed.	Linked in with HAT project work – viability assessment, flood resilience and re-insurance work underway.	May 18 *Revised Sep 18 <b>Currently on hold</b>
Identify funding mechanisms.	As above.	On-going
Work with Jaywick Sands Renewal Advisory Panel (JSRAP) and Coastal Community Team (CCT) to develop project plan.	On-going. This is on hold pending the development of the prospectus - being produced in collaboration with a legal company national housing consultancy and Housing and Finance Institute (HFI) and needs to be considered in context of potential spatial plan pause.	Jul 18 <b>Currently on hold</b>
Develop local lettings and sales plans for first 10 units.	(On-going) New Policy/Strategy manager now in post. Linked to Draft Housing Strategy.	Jul 18 *Revised Mar 19
Place Plan and Infrastructure Assessment completed.	HAT has moved on to second phase with initial assumptions being tested – EA coastal team engaged and flood re-evaluating potential project initiation. Outline of scope explained to Jaywick sands Annual General Meeting.	Oct 18 <b>Currently on hold</b>

**Exception:** HAT to continue with the Spatial Plan as commissioned. Prototype homes to be further investigated. Funding to be agreed as general fund or HRA depending on the wider context of the outcomes. Update meeting to be held with Environment Agency. Proposal received for filming on housing development and design in Jaywick Sands. Ensure that Planning is involved in any discussions.

# Economic Development Delivery

## (Employment and Enjoyment)

*“To deliver against the objectives of the Council’s Economic Development Strategy. The Council’s approach focuses on the development and delivery of projects already in the pipeline and on those linked to the opportunities afforded by: Offshore Renewables in Harwich; the A120 Growth Corridor; and links with the University of Essex and its Knowledge Gateway.”*

Ewan Green – **Corporate Director**

Investment and Growth Portfolio Holder



**Delivery Mechanism:** Projects and other interventions will be developed and delivered in-house and in partnership with the Council’s key public and private sector partners.

**Update:** Consultants (Black Radley Limited) appointed in 2018 to prepare a Creative and Cultural Strategy for Tendring, focussed on business growth and job creation. Consultants have prepared a baseline assessment, staged a range of consultation events to inform their work, and in March submitted their 5th draft strategy for the Client Team’s comments. Work is currently being concluded on the revised draft Strategy and Implementation Plan. The Council’s SME Growth Fund remains popular with business applicants. Cabinet approved in Dec 18 to allocate additional funding to support the scheme. A number of projects applications are in the pipeline and are currently the subject of assessment.

Milestones	Current Position	To be Completed
Complete and launch Creative Cultural Strategy.	A draft strategy has been completed and the Team is now working with project partners, Arts Council for England (ACE), to create a Delivery Plan for 2019-2021. This will be subject to internal consultation and be reported to in Aug 19.	Oct 18 *Revised Jul 19 *Revised Aug 19
Support 10 businesses through the Small Medium Enterprise Growth Fund programme.	Cabinet approval secured in Dec 18 to allocate additional funding to support the scheme. The number of applications in the pipeline and subject to assessment is on target to meet the target outputs.  8 businesses supported by the programme to date, 3 of which were in 2018/19 with 6 applications currently being assessed.	Ongoing.



# Maximising Tourism and Leisure Opportunities

*“To deliver our key events to a high standard, working with partners to showcase the District and encourage tourism and inward investment. These high-profile events should contribute towards the Council's aspiration to stage a year round tourism programme.”*



**Delivery Mechanism:** The Clacton Air Show will be delivered by the Council's Tourism and Events Team, with support from our partners in the emergency services and private and voluntary sectors. Tendring are the primary organiser of the Tour de Tendring. The Mayflower 400 will involve working with private and voluntary sector partners, together with the other key destinations involved in the Mayflower story.

**Update:** This month's progress comments are noted next to each individual milestone in the table below.

Milestones	Current Position	To be Completed
<p>Mayflower 400: Series of events and projects to build up to the celebrations in 2020, including:-</p> <ul style="list-style-type: none"> <li>- Agree projects and events for Mayflower 400.</li> <li>- Develop, with the Harwich Society, an interactive exhibition venue.</li> <li>- Finalise proposals and present Mayflower 400 report for consideration by Cabinet by May 18.</li> <li>- Deliver Illuminate Festival by Nov18.</li> <li>- Work with partners to finalise the Harwich Mayflower Trail and a high quality physical tourism product by Mar 19.</li> </ul>	<p>A Mayflower 400 report and accompanying action plan was approved by Cabinet on 14 Dec 18. Project Planning is now taking place to ensure the projects are all complete in time for the commemorations. The projects include: A Welcome/Heritage Centre for Mayflower 400; The installation of a Mayflower Trail around Historic Harwich; A programme of M400 Events and wider promotion of the commemorations. An announcement has already been made about the house of Captain Christopher Jones, which will be opened up to visitors during 2020. Discussions are taking place with potential funders and private sector organisations for additional finance for the project. There are now 10 Mayflower tours on sale in the US, with Harwich in the itinerary. There has been a total of £500k awarded to the national group from Central Government, which has been allocated to spend on promoting the trail in the US and for digital resources for visitors. A national programme launch took place in Dec 18 at the House of Commons. Preparation is taking place with event organisers to announce the Mayflower events programme in early Apr 19. The next National Partnership Meeting takes place in Leiden in May 19. All projects are well under way and timings are on schedule. A project team to develop the historical content for the trail, visitor centre and house has been put in place and includes local historians and archivists. Plans for the 2019 Illuminate Festival are being progressed as this will be the event which launches the anniversary year in all the partner destinations, including the US and Holland.</p>	<p><b>Complete</b></p> <p>May 18 *Revised Dec 18</p> <p><b>Complete</b></p> <p>Nov 18 Mar 19</p>
<p>Tour de Tendring.</p>	<p>The Tour de Tendring (TDT) took place on 13 May 18 and the event ran smoothly. The peripheral entertainment was scaled back for this year, as it has not been a feature for participants in recent years. Approximately 780 cyclists took part in this year's TDT, which is down on the previous year's total of around 900. Historically, weather plays a key role in numbers and inclement weather in the early part of the day, was considered to have been a key factor in this. The 2019 event date will be Sun Jun 2nd and will include a Harwich Skate Park Jam in the programme.</p>	<p><b>Complete</b></p> <p>May 18</p>





# Maximising Tourism and Leisure Opportunities Continued...



## (Employment and Enjoyment)

*“To deliver our key events to a high standard, working with partners to showcase the District and encourage tourism and inward investment. These high-profile events should contribute towards the Council’s aspiration to stage a year round tourism programme.”*

Paul Price – **Corporate Director** Leisure and Tourism Portfolio Holder

**Delivery Mechanism:** The Clacton Air Show will be delivered by the Council’s Tourism and Events Team, with support from our partners in the emergency services and private and voluntary sectors. Tendring are the primary organiser of the Tour de Tendring. The Mayflower 400 will involve working with private and voluntary sector partners, together with the other key destinations involved in the Mayflower story.

**Update:** This month’s progress comments are noted next to each individual milestone in the table below.

Milestones	Current Position	To be Completed
Beside the Seaside.	The Harwich Festival Team have once again led on the Beside the Seaside Events. The Clacton event was held on 22 Jul 18, with large crowds present, perfect weather and excellent feedback. This year there was a greater focus on trade stands to add value to the event. The live music programme, which is a key feature was exceptionally well received. The event at Dovercourt Bay took place in Aug 18 and was very well received. Although the weather was overcast, good numbers attended. Following on from feedback, additional porta-loos were provided and additional food stands. The Council worked with the Frinton Beach Hut Association and other community groups for a further event which took place in Frinton on 26 Jul 18, under the Beside the Seaside banner. This was attended by approximately 2,000 people and was deemed very successful. The debrief took place in Oct 18 and learning points are now being discussed with a view to planning events in 2019. The dates for 2019 will be announced shortly.	<b>Complete</b> Jul 18 & Aug 18  <b>Complete</b> Debrief: Oct 18
Clacton Airshow, with a theme relating to the 100 <sup>th</sup> anniversary of the end of WW1.	The 2018 Clacton Airshow was a huge success, with an estimated 250,000 visitors attending over the two days. The evening flying programme on the first day was twice the duration of previous years and tens of thousands of people stayed behind to watch. In the 100th anniversary of the end of the First World War, the Great War Display Team were a welcome addition and added an element of poignancy which was very well received. The multi-agency partnerships worked very efficiently and communications were considered a real positive outcome. The official debrief took place in Oct 18, which allowed partners to scrutinise the event and decide on learning points for future years. A presentation on the event will be made at an All Member Briefing later in the year. The formal bids have been submitted for the 2019 display and the Red Arrows have announced that they will be locating to North America during next year’s display season, so will not be available for the Clacton Airshow. Work is taking place with our flight team to establish the 2019 programme and announcements are scheduled to commence soon.	<b>Complete</b> Aug 18  <b>Complete</b> Debrief—Oct 18



# Maximising Tourism and Leisure Opportunities Continued...



## (Employment and Enjoyment)

*“To deliver our key events to a high standard, working with partners to showcase the District and encourage tourism and inward investment. These high-profile events should contribute towards the Council's aspiration to stage a year round tourism programme.”*

Paul Price – **Corporate Director** Leisure and Tourism Portfolio Holder

**Delivery Mechanism:** The Clacton Air Show will be delivered by the Council's Tourism and Events Team, with support from our partners in the emergency services and private and voluntary sectors. Tendring are the primary organiser of the Tour de Tendring. The Mayflower 400 will involve working with private and voluntary sector partners, together with the other key destinations involved in the Mayflower story.

**Update:** This month's progress comments are noted next to each individual milestone in the table below.

Milestones	Current Position	To be Completed
District Wide Tourism Strategy.	The Tourism Strategy is largely complete in draft form and was presented to the Resources and Services Committee in Nov 18, prior to a consultation exercise being undertaken. It is anticipated that the final strategy will be presented to Cabinet in Jun 19 prior to adoption.	<b>Complete</b> R&S Committee Nov 18 Cabinet Summer 19
Princes Theatre - Delivery of Annual Pantomime. - Deliver two events/exhibitions. - Work towards continual service Improvements of the Theatre under a regime of self sufficiency and impact on the local tourism offer. - Replacement of the main Princes Theatre PA system.	Princes Theatre – March 19  6 Shows, 2 Large Hires, Hosted the Pride Of Tendring Award Ceremony, 3 free E-safety events. Selection process for the Pantomime company completed and new company chosen.  <b>Key Points of the year</b> <ul style="list-style-type: none"> <li>• Online sales now make up 51% of all ticket sales, (Target 45%).</li> <li>• Online Booking Fees have reached over £30,400. This additional income means that not only are we taking ticket income for the shows but we are raising funds by the very act of selling tickets.</li> <li>• A record £500,000+ ticket income (NET of VAT) for shows in the above period has been achieved this year and has set a very good target for the following years.</li> <li>• Ticket income is up by £99,000 from the previous year 2017 – 2018 (net of VAT).</li> <li>• The Princes Theatres Restoration fund has raised an additional revenue stream of £33,000 which is used to re-invest in the theatres physical infrastructure for repairs and modernisation.</li> </ul>	<b>Complete</b> PA work <b>Complete</b> Panto Dec 18

# Garden Community (Employment and Enjoyment)



*“Innovative joint work with Colchester Borough Council (CBC), Braintree District Council (BDC) and Essex County Council (ECC) to develop a number of communities in North Essex based on Garden City principles.”*

Ewan Green – Corporate Director

Leader

**Delivery Mechanism:** Selection of locations to be part of the Local Plan process. The Leader (supported by the Chief Executive) sits on North Essex Garden Communities Ltd board (NEGC). The Corporate Director and Head of Planning Services sit on senior officer Steering Group and Legal, Finance and Planning Officers participating in topic work streams. Close collaboration on Local Plan process re Garden Communities approach. A shared Chapter 1 of the Plan and specific requirements of any proposed Garden Community proposals across North Essex agreed by each Council. NEGC Ltd has formed Local Delivery Vehicles to progress each Garden Community Area allocated in the Local Plan (although potential Development Corporation could change the role of the LDVs).

**Update:** This month’s progress comments are noted next to each individual milestone in the table below.

Milestones	Current Position	To be Completed
Council approval of North Essex Garden Communities Ltd Business Plan.	NEGC Business Plan 2018-19 was agreed by Cabinet in Dec 18.	Jun 18 <b>Complete</b> Dec 18
Work with partners to develop a detailed proposal for A120 / A133 Link Road for submission to Government.	A Stage 2 Housing Infrastructure Fund (HIF) funding bid is being developed, led by ECC in partnership with TDC and NEGC Ltd. This seeks funding for the proposed link road and a rapid transit initiatives. The bid was submitted to Government by 31 Mar 19.	Nov 18 submission Mar 19
Work with partners to develop a proposition and mandate for a North Essex Garden Communities Development Corporation.	Dialogue and engagement between LA partners, NEGC Ltd and Government is ongoing. LA partners are working through a range of related issues in order to inform a draft proposition for future consideration of Members.	Dec 18 <b>*Revised TBC</b>
Land Negotiations.	On-going.	On-going
Continue to engage with communities as part of the on-going process for the preparation of Development Plans.	Work on development plan documents for the garden communities will be programmed to follow gathering further evidence about the garden communities proposals in Section 1 of the Local Plan that has been requested by the Examination in Public Inspector.	On-going





# Housing Strategy

## (Health and Housing)

*“Revised and updated Housing Strategy.”*

Paul Price – **Corporate Director**

*Housing Portfolio Holder*

**Delivery Mechanism:** Consultation with relevant officers and other key stakeholders to produce Housing Strategy to be agreed by Full Council.

**Update:** Research has been undertaken and other Council’s housing strategies have been reviewed. The Government published its Housing Green paper in August 18 which provides some indication on the Governments future policy direction. The Executive Projects Manager is now in post and working on a project plan to include the key milestones in the development of the strategy.

Milestones	Current Position	To be Completed
Develop draft Housing Strategy.  *Housing Green Paper, will inform strategy.	The housing strategy was presented to Management Team on 26 Mar 19 and some amendments were suggested.	May 18 *Revised Dec 18 *Revised Jan 19 *Revised Feb 19 Complete Mar 19
Seek Cabinet approval.	It is intended to take the strategy to ICAB on 25 Jun and then Cabinet on 28 Jun 19.	Jul 18 *Revised Dec 18 *Revised Jul 19

**Exception:** The uncertainty from government around their housing strategy has made it difficult to draft a document that could require major revisions should the policy direction alter significantly. However, the recently published Green Paper and announcement on the proposed lifting of the Housing Revenue Account borrowing cap has helped to address some of this uncertainty.



# Health & Wellbeing (Health and Housing)

*“Seek to influence and assist partners in the delivery of improved health and wellbeing outcomes for residents and visitors to the area. Produce a long term sustainable scheme around Sport England grant funding”*

Paul Price – **Corporate Director**      Health and Education Portfolio Holder

**Delivery Mechanism:** Working with partners to identify shared opportunities to help drive improvements.

**Update:** This month’s progress comments are noted next to each individual milestone in the table below.

Milestones	Current Position	To be completed
Sport England Local Delivery Pilot.	The LDP co-ordinator is continuing to make good progress establishing links to community organisations and individual influencers throughout Tendring, and is working in partnership with CVS on an Alliance funded community asset mapping exercise. The Sport England lottery fund agreement is being reviewed by the ECC legal team, the LDP core team is awaiting a briefing which will be shared with TDC.	Ongoing
Tendring Health and Wellbeing Board – Terms of Reference (TOR)	The Tendring Health and Wellbeing Board agreed TOR at November meeting.	Complete Nov 18
Tendring Health and Wellbeing Board – Strategy	This was refreshed and updated and was presented at the Board meeting on 5 Nov 18.	Complete Nov 18
Tendring Health and Wellbeing Board – Workstreams	A Tendring Health and Wellbeing Board was held on 1 April 19. This was well attended and featured a number of key speakers from the Essex wide Health and Wellbeing Board of 20 March 19.	Complete
My Weight Matters Programme	Continues to be delivered at the Clacton and Weeley council offices. Attendance at Weeley has improved. Recently obtained figures for the period 07/18 to 12/18 show a total of 49 individuals have completed the 12 week course at the two sites with a total of 327 attendances and a total weight loss of 63.6kg.	Ongoing
Attended Staff benefits and Tendring Show to promote Livewell.	Good public engagement at Tendring Show to highlight awareness of Livewell with information and water bottles with the logo have been provided to promote and advertise Livewell.	Complete
Active Tendring	Marathon Kids Launch, TDC were approached by a national charity Kids Run Free with 16 fully funded opportunities to deliver a programme called Marathon Kids (MK) to primary schools in Tendring over 2 years. This programme increases physical activity using personalised goal setting and celebrating every achievement. Public Health and the Exec Projects Manager identified schools with a higher % of children affected by income deprivation and receiving free school meals, and worked with the Healthy Schools co-ordinator to offer MK. MK has now been launched in 7 primary schools against a target of 8 for this academic year (see also Education entry).	On-Going

## Financial Performance

In a significant change 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 revised approach follows the commitment made to provide regular updates on the long term financial forecast as agreed as part of the move to a long term financial sustainability plan last year and to bring the reporting of key financial performance and budget monitoring together in one report. The report therefore sets out the overall financial position of the Council in one place and includes a risk assessed approach to each strand of the forecast. Three such financial performance reports were presented to Members during 2018/19 and are available on the Council's website.

The Council is meeting its long term forecasted position with only a limited use of the forecast risk fund that was set up to 'underwrite' the risks associated with the new long term approach in 2019/20. In respect of 2019/20, the estimated use of the forecast risk fund is £0.027 million, with £3.497 million in the fund at the end of March 2019 to continue to support the long term plan in 2020/21 and beyond.

### Financial Performance 2018/19 including comparison with the 2018/19 Budget

A comprehensive outturn report was presented to the Council's Portfolio Holder for Finance and Corporate Resources on 31 May 2019, with a summary set out below that follows a similar format of the Expenditure and Funding analysis within the Statement of Accounts:

#### Summary of General Fund Revenue Financial Performance 2018/19

	Budget £m	Outturn £m	Variance £m
<b>Net Cost of Services</b>	<b>22.142</b>	<b>11.802</b>	<b>(10.340)</b>
<b>Other Income and Expenditure</b>			
<i>Revenue Support for Capital Investment</i>	4.192	0.733	(3.459)
<i>Financing Items</i>	(0.859)	(2.105)	(1.246)
<i>Business Rates (including Tariff and Levy)</i>	(4.812)	(4.689)	0.123
<i>Revenue Support Grant</i>	(1.070)	(1.070)	-
<i>Collection Fund Surplus/Deficit</i>	(0.652)	(0.652)	-
<i>Income from Council Tax Payers</i>	(7.602)	(7.602)	-
<b>Total Other Income and Expenditure</b>	<b>(10.803)</b>	<b>(15.385)</b>	<b>(4.582)</b>
<b>(Surplus) or Deficit on Provision of Services *</b>	<b>11.339</b>	<b>(3.583)</b>	<b>(14.922)</b>
Opening General Fund Balances	(27.624)	(27.624)	
(Surplus) or Deficit on General Fund in Year	11.339	(3.583)	(14.922)
<b>Closing General Fund Balances at 31 March</b>	<b>(16.285)</b>	<b>(31.207)</b>	<b>(14.922)</b>

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

- Garden Communities Project - £1.650 million
- Local Plan - £1.124 million
- Business Investment and Growth - £1.653 million

The above figures relate to the General Fund only which explains the difference with the figures set out in the Expenditure and Funding Analysis which include the Housing Revenue Account. The Expenditure and Funding analysis set out within the Statement of Accounts shows a Net Cost of Services figure for 2018/19 of £11.461 million. When the HRA is excluded (£0.341 million), the outturn position relating to the Net Cost Of Services is £11.802 million as included in the table above.

Within the £3.583 million (Surplus) or Deficit on Provision of Services above, a general contribution of £0.843 million was made to reserves representing the overall outturn variance for the year. The main reasons behind this variance are summarised below:

- Increased Income from Business Rates - £0.213 million
- Reduced Housing Benefit and Rent Rebates Net Costs- £0.427 million
- Increase in Net Cost of the Council's leisure facilities - £0.182 million

### Summary of General Fund Capital Programme 2018/19

Expenditure is capitalised when it is spent on the acquisition, creation or enhancement of assets that have a value to the Council or the community for more than one year. Examples of capital expenditure incurred by the Council during the year were disabled facilities grants and major repairs / enhancements to assets. As capital schemes span financial years, amounts have been carried forward to continue the schemes and projects in 2019/20, with significant items as follows:

- Disabled Facilities Grants - £3.124 million
- Harwich Public Realm - £1.000 million
- Cliff Stabilisation Scheme - £1.506 million

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

	<b>Budget 2018/19</b>	<b>Outturn 2018/19</b>	<b>C/fwds</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Capital Expenditure	13.737	4.831	8.954	0.048
<hr/>				
<b>Funding of Capital Expenditure</b>	<b>Budget 2018/19</b>	<b>Outturn 2018/19</b>	<b>To Fund C/fwds</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
External Sources of Finance	0.282	0.202	0.059	(0.021)
S106	0.183	0.168	0.015	-
Government Grants	8.195	3.688	4.510	0.003
Capital Receipts	0.884	0.040	0.843	(0.001)
Revenue Contributions	0.954	0.165	0.856	0.067
Use of Earmarked Reserves	3.239	0.568	2.671	-
<b>Total</b>	<b>13.737</b>	<b>4.831</b>	<b>8.954</b>	<b>0.048</b>

## General Fund Reserves

The overall level of reserves at the end of 2018/19 is £31.207 million, made up of £16.669 million for earmarked commitment reserves, £10.538 million for other earmarked reserves and £4.000 million for uncommitted reserves.

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

## Housing Revenue Account 2018/19

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 £m	Outturn £m	Variance £m
<b>Net Cost of Services</b>	<b>(3.051)</b>	<b>0.342</b>	<b>3.393</b>
<b>Other Income and Expenditure</b>	-	-	-
<b>(Surplus) or Deficit on Provision of Services *</b>	<b>(3.051)</b>	<b>0.342</b>	<b>3.393</b>
Opening HRA Revenue Reserves	8.441	8.441	-
(Surplus) or Deficit on HRA in Year	(3.051)	0.342	3.393
<b>Closing HRA General Balance at 31 March</b>	<b>5.390</b>	<b>8.783</b>	<b>3.393</b>

\* the difference between budget and actuals is primarily due to carry forwards.

## Housing Revenue Account 2018/19 – Capital Expenditure

	Budget 2018/19 £m	Outturn 2018/19 £m	C/fwds £m	Variance £m
HRA Capital Expenditure	8.113	4.283	3.535	(0.295)

A summary of how this capital expenditure was financed in 2018/19 is set out below:

	Budget 2018/19 £m	Outturn 2018/19 £m	To Fund C/fwds £m	Variance £m
Major Repairs Reserve	4.096	3.224	0.577	(0.295)
Government Grants	0.080	0.080	-	-
Capital Receipts	0.037	0.037	-	-
External Contributions	0.667	0.600	0.067	-
Revenue funding from the HRA	3.233	0.342	2.891	-
<b>Total</b>	<b>8.113</b>	<b>4.283</b>	<b>3.535</b>	<b>(0.295)</b>

The overall variance of £0.295 million is largely due to the timing and programme of works which will continue in 2019/20 and beyond supported by the Major Repairs Reserve within a wider stock condition/refurbishment programme.

## **The Council's Overall Balance Sheet**

The Council's balance sheet as at the end of March 2019 is set out within the Statement of Accounts. Some significant issues to highlight are as follows:

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

- **Other Long Term Liabilities - Pension Liability** - At the end of 2018/19 there is an overall pension deficit attributable to the Council of £42.347 million (£48.294 million for 2017/18) which has been included in the Balance Sheet as at 31 March 2019. This reflects the calculations carried out in accordance with IAS19 based on actuarial assumptions which were subject to a comprehensive triennial review as at 31 March 2016. The next triennial review is due in 2019. The deficit reported for 2018/19 highlights that to date the current benefit obligations of the fund are greater than the current value of the assets of the fund although it is important to note that the figures calculated under IAS19 differ from those calculated as part of the triennial actuarial review. Statutory arrangements for funding the deficit calculated via the triennial actuarial review mean that the deficit on the local government scheme will be made good by contributions over the remaining working life of employees, as assessed by the scheme actuary.

The scheme's actuary has applied a discount rate of 2.4% compared to a rate of 2.55% used last year in determining the liabilities for retirement benefits

### ➤ **Long Term Borrowing**

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

The Council manages its debt portfolio with advice from external consultants. No new borrowing was undertaken during 2018/19 in respect of either the General Fund or Housing Revenue Account. The total external debt of the Council as at 31 March 2019 stood at £42.075 million compared to its capital financing requirement (which represents the overall borrowing requirement) as at 31 March 2019 of £47.445 million. The difference between external debt and the capital financing requirement is the amount met by internal resources.

## Outlook

Although the thinking and philosophy behind the long term financial sustainability plan has been referred to earlier on in this report, the detailed budget for 2019/20 that was 'built' on this position is set out below:

### General Fund

The Council's overall net General Fund revenue budget for 2019/20 (excluding amounts carried forward from 2018/19) is £13.557 million with a summary below, including how it is financed:

	2019/20 Original £m
Net Cost of Services	18.205
Revenue Support for capital investment	1.214
Financing items	(5.830)
<b>Net Expenditure</b>	<b>13.589</b>
Net Use of Earmarked Reserves	(0.032)
<b>Total Net Budget</b>	<b>13.557</b>
<b>Financed by:</b>	
Business Rates (excl. S31 Govt. Grant funding)	(4.470)
Revenue Support Grant	(0.422)
Collection Fund (Surplus)/Deficit	(0.710)
<b>Council Tax Requirement (for Tendring District Council)</b>	<b>7.955</b>

A summary of planned Capital Expenditure in 2019/20 (excluding amounts carried forward from 2018/19) and how it is financed is as follows:

	2019/20 Original Budget £m
<b>Expenditure</b>	<b>2.637</b>
<b>Financing</b>	
Government Grants	1.360
Capital Receipts	0.064
Earmarked Reserves	1.113
Direct Revenue Contributions	0.100
<b>Total Financing</b>	<b>2.637</b>

The current long term forecast going into 2020/21 and beyond reflects on items such as the on-going reduction in government funding and the potential for income growth from council tax and business rates, including amounts from property growth. The proposed changes to business rates nationally remains as a significant risk to Councils and will continue to be monitored and reflected in the forecast accordingly. On the expenditure side of the forecast, inflation such as salaries and the living wage are also included along with an estimate of cost pressures and potential savings.

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

As highlighted elsewhere, the Council has embarked on the following project:

### **Garden Communities**

Along with 3 other Local Authority partners, the Council continues to develop a major housing/regeneration project to the west of the Tendring District based on the principle of taking a much more direct approach to ensure that the proposed Garden Community meets the high standards expected in terms of housing quality and design, open space provision, roads, schools, healthcare facilities and sustainable transport systems. This is a long term project and to date the Council has identified a total of £2.250 million from within its budgets to support its continued development.

With the recent introduction of the potential option to establish locally led Development Corporations, the Councils continue to explore the most effective way to take this major project forward. Although significant financial investment may be required, this will form part of a business plan approach and separate decision making processes within the Council and will be considered against the context of the long term financial sustainability plan.

In terms of the position reflected in the Statement of Accounts, the four Councils involved set up a separate company in 2016/17 to develop this project. The company, North Essex Garden Communities Ltd was incorporated on 9 August 2016. Although there has been no significant trading activity undertaken in 2016/17, 2017/18 or 2018/19, a note is included within the Statement of Accounts setting out further details about this arrangement.

### **Housing Revenue Account**

A summary of the HRA Revenue Budget for 2019/20 is summarised below:

	2019/20 Original Budget £m
Direct Expenditure	6.532
Direct Income	(13.437)
Indirect Income/Expenditure including Financing Costs	6.830
<b>Net (Surplus)/Deficit</b>	<b>(0.075)</b>
<b>Contribution to/(from) Reserves</b>	<b>0.075</b>

A summary of the HRA Capital Programme for 2019/20 is set out below:

	2019/20 Original Budget £m
<b>Expenditure</b>	3.176
<b>Financing</b>	
Major Repairs Reserve	3.176
<b>Total Financing</b>	3.176

As highlighted last year, the Council continues to take forward and develop the following major project:

### **Regeneration of Jaywick Sands**

Following on from purchases in previous years, the Council continues to explore further opportunities in Jaywick Sands as part of the first phase of providing housing/regeneration improvements. To correct historic market failure within the Jaywick area the Council purchased land at a price in excess of what a private developer may wish to pay for it. The difference in values is charged to the Housing Revenue Account as impairment. The Council is in a position to take such an approach as it can view its investments over a longer term than the private sector. However the Council's actions in Jaywick Sands continue to build confidence in the market which has seen an increase in land values. This has resulted in the previous impairment charges being reversed out with a total credit of £0.285 million being made to the HRA up to and including 2018/19. Although the impairment charge remaining in the HRA of £1.317 million at the end of 2018/19 will inevitably limit the scale and speed of future investment in Jaywick Sands, it is not expected to have a direct impact on the underlying HRA position which remains in good health to enable the Council to continue to provide quality housing and associated services to its tenants.

The Council is also developing a Housing Strategy along with an associated 30 year HRA Business Plan which are planned to be presented to Members during 2019/20.

### **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 2018/19 (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 Head of Finance, Revenues and Benefits 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 73). These are consistent with the fundamental accounting concepts of:

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

## Estimation Techniques

These are the methods adopted by the Council to arrive at estimated amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and charges to the Reserves. Where the basis of measurement for the amount to be recognised under accounting policies is uncertain, an estimation technique is applied. In the Council's accounts, estimation techniques continue to be applied for the calculation of depreciation, provision for doubtful debt, pension assets/liabilities, some grant amounts claimed from Government and the valuation of Property, Plant and Equipment. Methods used are further explained in the separate section on accounting policies (see page 73).

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## **The Authority's Responsibilities**

The Authority is required to:

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

## **The Head of Finance, Revenues and Benefits' Responsibilities**

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

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

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

The Head of Finance, Revenues and Benefits has also:

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

## **Head of Finance, Revenues and Benefits' Certificate**

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

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

The Head of Finance, Revenues and Benefits has certified the formal financial statements, which are held by the Head of Finance, Revenues and Benefits and can be reviewed upon request.

This is reserved for the Chair of Audit Committee to sign.

SUBJECT TO AUDIT

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
TENDRING DISTRICT COUNCIL  
YEAR ENDED 31 MARCH 2019**

This is reserved for the Auditor's opinion.

SUBJECT TO AUDIT

This is reserved for the Auditor's opinion.

SUBJECT TO AUDIT

This is reserved for the Auditor's opinion.

SUBJECT TO AUDIT

This is reserved for the Auditor's opinion.

SUBJECT TO AUDIT

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

Expenditure	2017/18			2018/19		Note	
	Income	Net		Expenditure	Income		Net
£000	£000	£000		£000	£000	Ref	
<b>EXPENDITURE ON SERVICES</b>							
250	-	250	Leader	100	-	100	
2,298	(175)	2,123	Finance and Corporate Resources	2,834	(317)	2,517	
8,510	(3,560)	4,950	Environment	9,255	(3,735)	5,520	
79,195	(78,468)	727	Housing	75,349	(74,397)	952	
499	(48)	451	Health and Education	516	(32)	484	
3,496	(2,542)	954	Corporate Enforcement	3,600	(2,444)	1,156	
564	(132)	432	Investment and Growth	693	(150)	543	
10,491	(4,379)	6,112	Leisure and Tourism	10,595	(4,509)	6,086	
1,041	(323)	718	Budgets Relating to Non Executive Functions	823	(279)	544	
<b>106,344</b>	<b>(89,627)</b>	<b>16,717</b>	<b>Net Cost of Services</b>	<b>103,765</b>	<b>(85,863)</b>	<b>17,902</b>	
3,388	(1,839)	1,549	Other Operating Expenditure	2,496	(772)	1,724	10
3,153	(468)	2,685	Financing and Investment Income and Expenditure	3,667	(713)	2,954	11
5,723	(26,102)	(20,379)	Taxation and Non-Specific Grant Income and Expenditure	5,858	(29,121)	(23,263)	12
		<b>572</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(683)</b>	
		(6,372)	(Surplus) or deficit on revaluation of non-current assets			(4,935)	9(a)
		1	(Surplus) or deficit on revaluation of available for sale financial assets			-	
		(8,353)	Remeasurements of the net defined benefit liability (asset)			(9,363)	9(c)
		<b>(14,724)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(14,298)</b>	
		<b>(14,152)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(14,981)</b>	

## 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	
<b>Balance at 1 April 2017 brought forward</b>	29,642	8,286	4,485	166	5,031	47,610	104,289	151,899	
<b>Movement in reserves during the year</b>									
Total comprehensive expenditure and income	(598)	26	-	-	-	(572)	14,724	14,152	
Adjustments between accounting basis and funding basis under regulations	(1,420)	129	373	-	692	(226)	226	-	6
<b>Increase/(Decrease) in Year</b>	<b>(2,018)</b>	<b>155</b>	<b>373</b>	<b>-</b>	<b>692</b>	<b>(798)</b>	<b>14,950</b>	<b>14,152</b>	
<b>Balance at 31 March 2018 carried forward</b>	27,624	8,441	4,858	166	5,723	46,812	119,239	166,051	7,9
<b>Balance at 1 April 2018 brought forward</b>	27,624	8,441	4,858	166	5,723	46,812	119,239	166,051	
<b>Movement in reserves during the year</b>									
Total comprehensive expenditure and income	440	243	-	-	-	683	14,298	14,981	
Adjustments between accounting basis and funding basis under regulations	3,143	99	(47)	-	555	3,750	(3,750)	-	6
<b>Increase/(Decrease) in Year</b>	<b>3,583</b>	<b>342</b>	<b>(47)</b>	<b>-</b>	<b>555</b>	<b>4,433</b>	<b>10,548</b>	<b>14,981</b>	
<b>Balance at 31 March 2019 carried forward</b>	31,207	8,783	4,811	166	6,278	51,245	129,787	181,032	7,9

# BALANCE SHEET

## AS AT 31 MARCH 2019

31/03/2018		31/03/2019	Note
£000		£000	Ref
	Long Term Assets		
210,862	- Property Plant and Equipment	213,977	13
11	- Heritage Assets	7	
3,100	- Investment Property	2,300	14
257	- Intangible Assets	158	15
485	- Long Term Debtors	483	16
<b>214,715</b>	<b>Total Long Term Assets</b>	<b>216,925</b>	
	Current Assets		
52,057	- Short Term Investments	57,126	16
33	- Assets Held for Sale	533	
57	- Inventories	68	
6,022	- Short Term Debtors	5,296	18
4,812	- Cash and Cash Equivalents	3,716	19
<b>62,981</b>	<b>Total Current Assets</b>	<b>66,739</b>	
	Current Liabilities		
(2,156)	- Short Term Borrowing	(2,085)	16
(11,615)	- Short Term Creditors	(12,260)	20
(1,191)	- Provisions	(1,385)	21
(5,144)	- Capital Grants Receipts in Advance	(2,531)	26
<b>(20,106)</b>	<b>Total Current Liabilities</b>	<b>(18,261)</b>	
	Long Term Liabilities		
(1,169)	- Long Term Creditors	(1,712)	20
(42,076)	- Long Term Borrowing	(40,312)	16
(48,294)	- Other Long Term Liabilities - Pensions	(42,347)	31
<b>(91,539)</b>	<b>Total Long Term Liabilities</b>	<b>(84,371)</b>	
<b>166,051</b>	<b>Total Net Assets</b>	<b>181,032</b>	
	<b>Financed by:</b>		
46,812	Usable Reserves	51,245	8
119,239	Unusable Reserves	129,787	9
<b>166,051</b>	<b>Total Reserves</b>	<b>181,032</b>	

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

The Head of Finance, Revenues and Benefits has certified the formal financial statements, which are held by the Head of Finance, Revenues and Benefits and can be reviewed upon request.

## CASH FLOW STATEMENT

2017/18		2018/19	Note
£000		£000	£000 Ref
(572)	Net surplus or (deficit) on the provision of services		683
	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements:		
8,337	Depreciation, revaluation and impairment of non-current assets	8,657	
144	Movement in Investment Property Values	800	
234	Amortisation of Intangible Assets	134	
1,460	Increase/decrease in creditors	967	
499	Increase/decrease in debtors	579	
(259)	Movement in pension liability	3,416	
163	Contributions to/(from) provisions	194	
1,645	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	604	
(15)	Other items	(9)	15,342
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:		
(1,834)	Capital Grants credited to surplus or deficit on the provision of services	(4,737)	
(2,049)	Proceeds from the sale of property, plant and equipment	(892)	(5,629)
7,753	Net cash flows from Operating Activities	10,396	22
(6,988)	Investing Activities	(9,620)	23
(1,480)	Financing Activities	(1,872)	24
(715)	Net increase or (decrease) in cash and cash equivalents	(1,096)	
5,527	Cash and cash equivalents at the beginning of the reporting period	4,812	
4,812	Cash and cash equivalents at the end of the reporting period	3,716	

# NOTES TO CORE FINANCIAL STATEMENTS

## 1 Expenditure and Funding Analysis

Expenditure Chargeable to GF and HRA Balances	2017/18 Adjustment between Funding and Accounting basis	Net Expenditure in the CIES		Expenditure Chargeable to GF and HRA Balances	2018/19 Adjustment between Funding and Accounting basis	Net Expenditure in the CIES	Note Ref
£000	£000	£000		£000	£000	£000	
<b>EXPENDITURE ON SERVICES</b>							
250	-	250	Leader	100	-	100	
(2,268)	4,391	2,123	Finance and Corporate Resources	(4,308)	6,825	2,517	
4,950	-	4,950	Environment	5,520	-	5,520	
1,282	(555)	727	Housing	1,336	(384)	952	
451	-	451	Health and Education	484	-	484	
954	-	954	Corporate Enforcement	1,156	-	1,156	
432	-	432	Investment and Growth	543	-	543	
6,112	-	6,112	Leisure and Tourism	6,086	-	6,086	
718	-	718	Budgets Relating to Non Executive Functions	544	-	544	
<u>12,881</u>	<u>3,836</u>	<u>16,717</u>	<b>Net Cost of Services</b>	<u>11,461</u>	<u>6,441</u>	<u>17,902</u>	
(11,018)	(5,127)	(16,145)	Other Income and Expenditure	(15,386)	(3,199)	(18,585)	
<u>1,863</u>	<u>(1,291)</u>	<u>572</u>	<b>(Surplus) or Deficit on Provision of Services</b>	<u>(3,925)</u>	<u>3,242</u>	<u>(683)</u>	
(37,928)			Opening General Fund and HRA Balances	(36,065)			
1,863			(Surplus) or Deficit on General Fund and HRA Balances in Year	(3,925)			
<u>(36,065)</u>			<b>Closing General Fund and HRA Balances at 31 March</b>	<u>(39,990)</u>			7

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

2017/18				2018/19			
Adjustments for Capital Purposes (see a below)	Pensions Adjustments (see b below)	Other Differences (see c below)	Total Adjustments	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
<b>EXPENDITURE ON SERVICES</b>							
432	-	3,959	4,391	2,958	-	3,867	6,825
719	155	(1,429)	(555)	787	180	(1,351)	(384)
<b>Net Cost of Services</b>				<b>Net Cost of Services</b>			
1,151	155	2,530	3,836	3,745	180	2,516	6,441
(1,481)	(414)	(3,232)	(5,127)	(3,871)	3,236	(2,564)	(3,199)
<b>(Surplus) or Deficit on Provision of Services</b>				<b>(Surplus) or Deficit on Provision of Services</b>			
(330)	(259)	(702)	(1,291)	(126)	3,416	(48)	3,242

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

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

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

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

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

## **2 Accounting Policies**

The Council is required to prepare a Statement of Accounts for each financial year by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices as set out in the Chartered Institute of Public Finance and Accountancy 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

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

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

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

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

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

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual results Differ from Assumptions</b>
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that the annual depreciation charge for buildings would increase by £0.454 million for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged (via Essex County Council) to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £2.922 million.  However, the assumptions interact in complex ways. During 2018/19, the Authority's actuaries advised that the net pensions liability had decreased by £5.947 million primarily as a result of updating the assumptions and increases in the value of the fund assets.
Business Rate Appeals	Estimation of the settlement of existing and future backdated Business Rate appeals under the 2010 and 2017 Rate Revaluations. Uncertainty over the level of settlement of existing outstanding appeals and the extent to which they will be backdated to 1 April 2010 and 1 April 2017 respectively.	The total provision for Business Rate appeals is £3.334 million, the Council's share is £1.334 million (40%). This has been estimated on the basis that following the settlement of appeals there is an average reduction in net rate income of 4.7%. If this increased by 0.5% the increase in the provision would be £0.355 million, the Council's share being £0.142 million.

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

**5 Events after the Reporting Period**

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

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## 6 Adjustments between Accounting Basis and Funding Basis Under Regulations

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

2017/18					2018/19				
General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
					<b>Adjustments to the Revenue Resources</b>				
					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:				
(414)	155	-	-	-	3,235	181	-	-	-
					Pensions costs (transferred to/from the Pensions Reserve)				
(702)	-	-	-	-	(48)	-	-	-	-
					Council Tax and Business Rates (transferred to/from the Collection Fund Adjustment Account)				
					Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):				
2,729	5,620	-	-	-	2,709	5,948	-	-	-
					- Depreciation, revaluation and impairment of non-current assets				
144	-	-	-	-	800	-	-	-	-
					- Movement in Investment Property Values				
213	21	-	-	-	113	21	-	-	-
					- Amortisation of intangible assets				
1,970	5,796	-	-	-	6,809	6,150	-	-	-
					<b>Total Adjustments to Revenue Resources</b>				

2017/18					2018/19					
General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve		General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
					<b>Adjustments between Revenue and Capital Resources</b>					
(16)	(2,033)	-	-	2,049	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve and Deferred Capital Receipts	(207)	(685)	-	-	892
210	1,435	-	-	-	Amounts of non-current assets written off to the Capital Adjustment Account on disposal	120	484	-	-	-
-	44	-	-	(44)	Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	13	-	-	(13)
(1,643)	(191)	-	623	-	Transfer of capital grants credited to the Comprehensive Income and Expenditure Statement	(4,057)	(680)	-	3,638	-
308	-	-	-	(308)	Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	302	-	-	-	(302)
-	(3,173)	3,174	-	-	Posting of HRA resources from revenue to the Major Repairs Reserve	-	(3,177)	3,177	-	-
(246)	(1,664)	-	-	-	Provision for the repayment of debt (transfer from the Capital Adjustment Account)	(236)	(1,664)	-	-	-
5	-	-	-	(5)	Mitigation of Finance Lease costs in accordance with regulation	5	-	-	-	(5)
1,309	-	-	-	-	Revenue expenditure financed from capital under statute (transfer from the Capital Adjustment Account)	1,140	-	-	-	-
(3,317)	(85)	-	-	-	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(733)	(342)	-	-	-
<b>(3,390)</b>	<b>(5,667)</b>	<b>3,174</b>	<b>623</b>	<b>1,692</b>	<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(3,666)</b>	<b>(6,051)</b>	<b>3,177</b>	<b>3,638</b>	<b>572</b>
					<b>Adjustments to Capital Resources</b>					
-	-	-	-	(1,006)	Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-	(77)
-	-	(2,801)	-	-	Use of the Major Repairs Reserve to finance capital expenditure	-	-	(3,224)	-	-
-	-	-	(623)	-	Application of capital grants to finance capital expenditure	-	-	-	(3,638)	-
-	-	-	-	6	Cash payments in relation to deferred capital receipts	-	-	-	-	60
<b>-</b>	<b>-</b>	<b>(2,801)</b>	<b>(623)</b>	<b>(1,000)</b>	<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>(3,224)</b>	<b>(3,638)</b>	<b>(17)</b>
<b>(1,420)</b>	<b>129</b>	<b>373</b>	<b>-</b>	<b>692</b>	<b>Total Adjustments</b>	<b>3,143</b>	<b>99</b>	<b>(47)</b>	<b>-</b>	<b>555</b>

## 7 Transfers to/from General Fund and HRA Balances

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

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

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

## 8 Usable Reserves

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

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

a) **General Fund Balance**

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

b) **Capital Receipts**

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

c) **Capital Grants Unapplied**

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

d) **Earmarked Reserves**

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

i) **Revenue Commitments Reserve**

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

ii) **Capital Commitments Reserve**

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

iii) **Forecast Risk Fund**

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

iv) **Asset Refurbishment/Replacement Reserve**

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

v) **Beach Recharge Reserve**

To fund future costs of recharging the beaches along the Clacton to Holland coastline.

vi) **Benefit Reserve**

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

vii) **Building for the Future Reserve**

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

- viii) **Business Rates Resilience Reserve**  
To support the Council in reacting to potential future changes in Business Rate appeals and income.
- ix) **Careline System Replacement Reserve**  
To finance future equipment/investment.
- x) **Commuted Sums Reserve**  
Established from commuted sums paid to the Council to cover such items as maintenance costs of Open Spaces and CCTV.
- xi) **Crematorium Reserve**  
To finance future replacement and improvement works to the crematorium plant and equipment at Weeley.
- xii) **Election Reserve**  
To finance future costs associated with holding District Elections on a periodic basis.
- xiii) **Haven Gateway Partnership Reserve**  
To support the costs associated with the Haven Gateway Partnership.
- xiv) **Leisure Capital Projects Reserve**  
This reserve has been established to fund ongoing investment in Leisure Facilities.
- xv) **Planning Inquiries and Enforcement Reserve**  
To meet associated costs relating to planning services.
- xvi) **Public Convenience Reserve**  
To provide resources to manage the condition and provision of public conveniences operated by the Council. The balance on this reserve was fully utilised in 2017/18.
- xvii) **Residents Free Parking Reserve**  
To support the continuation of the residents' free parking initiative in the District.
- xviii) **Specific Revenue Grants Reserve - Homelessness**  
This reserve holds the grants received from the Government for which a restriction on their use has been placed by the Government.

e) **Housing Revenue Account**

i) **General Reserve**

Resources available to meet future running costs for council houses.

ii) **Housing Repairs Reserve**

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

iii) **Housing Revenue Account Commitments Reserve**

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

9 **Unusable Reserves**

2017/18		2018/19
£000		£000
32,385	Revaluation Reserve	36,487
133,849	Capital Adjustment Account	134,360
(48,294)	Pensions Reserve	(42,347)
335	Deferred Capital Receipts Reserve	275
1,098	Collection Fund Adjustment Account	1,146
(134)	Accumulated Absences Account	(134)
<hr/>		<hr/>
119,239		129,787
<hr/>		<hr/>

a) **Revaluation Reserve**

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

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

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

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

b) **Capital Adjustment Account**

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

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

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

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

c) **Pensions Reserve**

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

2017/18		2018/19	
£000		£000	£000
(56,906)	<b>Balance at 1 April</b>		(48,294)
8,353	Remeasurements of the net defined benefit liability (asset)		9,363
(5,516)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,506)	
5,775	Employer's pensions contributions and direct payments to pensioners payable in the year	2,090	
	Total adjustments to revenue resources		(3,416)
<u>(48,294)</u>	<b>Balance at 31 March</b>		<u>(42,347)</u>

d) **Deferred Capital Receipts Reserve**

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

2017/18		2018/19	
£000		£000	
341	<b>Balance at 1 April</b>		335
(6)	Transfer to the Capital Receipts Reserve upon receipt of cash		(60)
<u>335</u>	<b>Balance at 31 March</b>		<u>275</u>

e) **Collection Fund Adjustment Account**

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

	Council Tax	Business Rates	Total
	£000	£000	£000
<b>Balance at 1 April 2017</b>	385	11	396
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(43)	745	702
<b>Balance at 31 March 2018</b>	342	756	1,098
<b>Balance at 1 April 2018</b>	342	756	1,098
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(46)	94	48
<b>Balance at 31 March 2019</b>	296	850	1,146

f) **Accumulated Absences Account**

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

**10 Other Operating Expenditure**

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

**11 Financing and Investment Income and Expenditure**

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

## 12 Taxation and Non-Specific Grant Income and Expenditure

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

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

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### 13 Property, Plant and Equipment

#### a) Movement on Balances

Movements in 2018/19	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equipment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>								
At 1 April 2018	126,831	48,388	5,687	50,395	512	35	730	232,578
Additions	4,012	399	269	411	2	-	2,846	7,939
Accumulated depreciation and impairment written off to Gross Carrying Amount	(2,616)	(715)	-	-	-	-	-	(3,331)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,971	1,964	-	-	-	-	-	4,935
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,271)	891	-	-	-	-	-	(2,380)
Derecognition - Disposals	(486)	(122)	-	-	-	-	(2)	(610)
Assets reclassified (to)/from Assets Under Construction		(500)	-	-	-	-	-	(500)
Other Movements in cost or valuation	1	-	-	-	-	-	(1)	-
At 31 March 2019	127,442	50,305	5,956	50,806	514	35	3,573	238,631

<b>Movements in 2018/19</b>	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
<b>Depreciation and impairments</b>								
At 1 April 2018	(1,586)	(2,738)	(3,917)	(13,443)	(32)	-	-	(21,716)
Depreciation Charge for 2018/19	(2,625)	(1,254)	(416)	(1,960)	(1)	-	-	(6,256)
Accumulated depreciation written off to Gross Carrying Amount	2,616	715	-	-	-	-	-	3,331
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(23)	-	-	-	-	-	-	(23)
Derecognition - Disposals	4	2	-	-	-	-	-	6
Other Movements in depreciation and impairment	-	-	4	-	-	-	-	4
At 31 March 2019	(1,614)	(3,275)	(4,329)	(15,403)	(33)	-	-	(24,654)
<b>Net Book Value</b>								
at 31 March 2019	125,828	47,030	1,627	35,403	481	35	3,573	213,977
at 1 April 2018	125,245	45,650	1,770	36,952	480	35	730	210,862

## Comparative Movements in 2017/18

	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equipment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>								
At 1 April 2017	128,468	45,746	5,298	50,148	512	30	287	230,489
Additions	3,010	55	556	247	-	-	593	4,461
Accumulated depreciation and impairment written off to Gross Carrying Amount	(4,003)	(964)	-	-	-	-	-	(4,967)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,552	2,816	-	-	-	5	-	6,373
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,876)	931	-	-	-	-	-	(1,945)
Derecognition - Disposals	(1,454)	(196)	(167)	-	-	-	(16)	(1,833)
Assets reclassified (to)/from Assets Under Construction	134	-	-	-	-	-	(134)	-
At 31 March 2018	126,831	48,388	5,687	50,395	512	35	730	232,578

## Comparative Movements in 2017/18

	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equipment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construc-tion	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Depreciation and impairments</b>								
At 1 April 2017	(2,890)	(2,370)	(3,703)	(11,487)	(32)	-	-	(20,482)
Depreciation Charge for 2017/18	(2,718)	(1,334)	(381)	(1,956)	-	-	-	(6,389)
Accumulated depreciation written off to Gross Carrying Amount	3,977	964	-	-	-	-	-	4,941
Accumulated impairment written off to Gross Carrying Amount	26	-	-	-	-	-	-	26
Derecognition - Disposals	19	2	167	-	-	-	-	188
At 31 March 2018	(1,586)	(2,738)	(3,917)	(13,443)	(32)	-	-	(21,716)
<b>Net Book Value</b>								
at 31 March 2018	125,245	45,650	1,770	36,952	480	35	730	210,862
at 1 April 2017	125,578	43,376	1,595	38,661	480	30	287	210,007

## b) Depreciation

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

In accordance with these requirements, depreciation has been provided in 2018/19 on a straight-line basis over the expected life of the Council's non-current assets after allowing for residual values, based on information provided by the Council's valuer.

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

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

Life	Asset Categories
13-70 years	Public conveniences
57 years	Princes Theatre, Crematorium buildings
45-50 years	Council offices, Chapels, cemetery buildings, historic buildings, public halls, Frinton and Walton pool
32-37 years	Clacton leisure centre, squash courts, Dovercourt pool, Cliff Park building Harwich
30 years	Jaywick starter units, Beach office, Milton Road car park building, former cash offices, print unit, first aid station, Walton information bureau, kiosks, miscellaneous buildings, sea cadet station, shops and kiosks, museums
20-30 years	Sports pavilions, depots, beach changing facilities
20 years	Beach huts, High Street car park building, deck chair kiosks, garages
2-17 years	Seafront Shelters
10 years	Alexandra Road Garage
2 years	Dovercourt all-weather pitch

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

## c) Capital Commitments

At 31 March 2019, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment with 2019/20 and future years budgeted to cost £3.391 million. Similar commitments as 31 March 2018 were £0.979 million. The major commitments over £25,000 as at 31 March 2019 or entered into before the publication of the accounts are:

➤ **General Fund**

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

➤ **Housing Revenue Account**

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

d) **Revaluations**

A desk top revaluation of the Council's Housing Stock and most General Fund properties was undertaken as at 30 September 2018 by Ian Pitt, MRICS and Martin Wilson, MRICS of Bruton Knowles in accordance with the RICS Valuation Standards – Professional Standards 2015 as issued by the Royal Institution of Chartered Surveyors. A full revaluation of General Fund properties where there had been significant changes since 2017/18 was also undertaken as at 30 September 2018.

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

**14 Investment Properties**

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

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

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

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

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

(a) **Fair Value hierarchy**

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

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

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

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

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

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

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

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

**15 Intangible Assets**

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

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

## 16 Financial Instruments

### a) Categories of Financial Instruments

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

Long Term 31 March 2018 £000	Current 31 March 2018 £000		Long Term 31 March 2019 £000	Current 31 March 2019 £000
		<b>Investments</b>		
-	46,086	Loans and receivables	-	-
-	5,971	Available-for-sale financial assets	-	-
-	-	Financial assets at amortised cost	-	57,126
<b>-</b>	<b>52,057</b>	<b>Total Investments</b>	<b>-</b>	<b>57,126</b>
		<b>Debtors</b>		
310	-	Loans and receivables	-	-
175	2,788	Financial assets at contract amounts	184	2,297
-	-	Financial assets at amortised cost	299	-
<b>485</b>	<b>2,788</b>	<b>Total Debtors</b>	<b>483</b>	<b>2,297</b>
<b>485</b>	<b>54,845</b>	<b>Total Financial Assets</b>	<b>483</b>	<b>59,423</b>
		<b>Borrowings</b>		
42,076	2,156	Financial liabilities at amortised cost	40,312	2,085
<b>42,076</b>	<b>2,156</b>	<b>Total Borrowings</b>	<b>40,312</b>	<b>2,085</b>
		<b>Creditors</b>		
1,169	3,689	Financial liabilities at amortised cost	1,712	-
-	-	Financial liabilities at contract amount	-	3,691
<b>1,169</b>	<b>3,689</b>	<b>Total Creditors</b>	<b>1,712</b>	<b>3,691</b>
<b>43,245</b>	<b>5,845</b>	<b>Total Financial Liabilities</b>	<b>42,024</b>	<b>5,776</b>

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

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

b) **Reclassifications**

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

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

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

d) **Fair Values of Assets and Liabilities**

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

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

The fair values calculated are as follows:

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

The fair value of PWLB loans of £58.050 million measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the reduced interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

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

## 17 Nature and Extent of Risks arising from Financial Instruments

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

### a) Credit Risk

Credit risk arises from deposits with banks and other financial institutions and from credit advanced to the Council's customers. The Balance Sheet figures for financial assets are not representative of the normal level of exposure at any particular time. Positive cash flows in the early part of each financial year can lead to a considerably higher level of total investments. The maximum exposure during 2018/19 was £79.795 million.

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

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

The Authority allows credit for some customers where payment in advance of service provision is not practicable. £0.468 million of the £1.013 million sundry debtor balance is past its due date for payment. The past due, but not impaired, amount can be analysed by age as follows;

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

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

b) **Liquidity Risk**

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

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

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

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

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

c) **Market Risk**

➤ **Interest Rate Risk**

At 31 March 2019 the Council's borrowing for more than one year was all at fixed rates of interest with the PWLB. The Annual Treasury Strategy draws together the Council's Prudential Indicators and its expected treasury operations, including an expectation of interest rate movements. The effects of movements in interest rates on investments are immaterial as the sums invested are at fixed interest rates for short periods.

At 31 March 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been:

	£000
Increase in interest payable on variable rate borrowings	430
Increase in interest receivable on variable rate investments	(686)
Increase in government grant receivable for financing costs	-
	<hr/>
Impact on Surplus or Deficit on the Provision of Services	(256)
	<hr/>
Share of overall impact relating to the HRA	303
	<hr/> <hr/>

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

➤ **Price Risk**

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

➤ **Foreign Exchange Risk**

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

## 18 Debtors

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

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

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

## 19 Cash and Cash Equivalents

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

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

## 20 Creditors

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

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

## 21 Provisions

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

## 22 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

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

## 23 Cash Flow Statement – Investing Activities

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

## 24 Cash Flow Statement – Financing Activities

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

## 25 Expenditure and Income Analysed by Nature

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

2017/18 £000		2018/19 £000
	<b>Expenditure</b>	
17,470	Employee Expenses	18,740
86,027	Other Services Expenses	82,091
8,571	Depreciation, Amortisation, Impairment	8,791
144	Movement in Investment Property Values	800
1,550	Interest Payable and Similar Charges	1,662
1,459	Pension Interest and Return on Pension Assets	1,205
1,600	Precepts and Levies	1,698
308	Payments to Housing Capital Receipts Pool	302
1,479	Loss on the Disposal of Non-Current Assets	497
<u>118,608</u>	<b>Total Expenditure</b>	<u>115,786</u>
	<b>Income</b>	
(29,478)	Fees and Charges and Other Service Income	(32,279)
(1,839)	Gain on Disposal of Non-Current Assets	(772)
(468)	Interest and Investment Income	(713)
(9,154)	Income from Council Tax	(9,588)
(10,716)	Income from Business Rates	(10,958)
(66,381)	Government Grants and Contributions	(62,159)
<u>(118,036)</u>	<b>Total Income</b>	<u>(116,469)</u>
<u>572</u>	<b>(Surplus) or Deficit on the Provision of Services</b>	<u>(683)</u>

## 26 Grant Income

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

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

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

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

## 27 Related Parties

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

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

## 28 Members' Allowances

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

## 29 Officers' Remuneration

### a) Analysis of "senior employees" remuneration

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

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

#### Notes

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

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

#### Notes

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

b) **Analysis of 'non-senior employees'**

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

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

Where the £5,000 bands included no officers in both 2017/18 and 2018/19, they have been excluded from the note.

c) **Exit Packages**

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

Exit package cost band (including special payments)	2017/18		Total Number of exit packages by cost band	Total cost of exit packages in each band £
	Number of compulsory redundancies	Number of other departures agreed		
£0 - £20,000	1	3	4	35,329
£20,001 - £40,000	-	2	2	48,656
<b>Total cost included in Comprehensive Income and Expenditure Statement</b>				<b>83,985</b>

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

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

The compulsory redundancy was due to a service restructure.

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

### **30 Termination Benefits**

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

### **31 Defined Benefit Pension Schemes**

#### **a) Participation in Pension Schemes**

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

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

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

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the separate section on accounting policies (see page 73).

#### **b) Transactions Relating to Post-Employment Benefits**

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

2017/18 Local Government Pension Scheme £000	<b>Comprehensive Income and Expenditure Statement</b>	2018/19 Local Government Pension Scheme £000
	<b>Cost of Services</b>	
	<i>Service cost comprising:</i>	
4,016	Current service cost	4,250
41	Administration Expenses	51
	<i>Financing and Investment Income and Expenditure</i>	
1,459	Net interest expense	1,205
5,516	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	5,506
	<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	
	<i>Remeasurement of the net defined benefit liability comprising:</i>	
(5,340)	Return on plan assets (excluding the amount included in the net interest expense)	(7,055)
-	Actuarial gains and losses arising on changes in demographic assumptions	(9,742)
(3,013)	Actuarial gains and losses arising on changes in financial assumptions	7,434
(2,837)	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	(3,857)
	<b>Movement in Reserves Statement</b>	
(5,516)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(5,506)
	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	
5,775	Employer's contributions payable to scheme	2,090

c) **Pensions Assets and Liabilities Recognised in the Balance Sheet**

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

2017/18		2018/19
Local		Local
Government		Government
Pension		Pension
Scheme		Scheme
£000		£000
174,396	Present value of the defined benefit obligation	175,923
(126,102)	Fair Value of plan assets	(133,576)
<b>48,294</b>	<b>Net liability arising from defined benefits obligation</b>	<b>42,347</b>

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

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

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

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

2017/18			2018/19	
Local Government Pension Scheme			Local Government Pension Scheme	
£000			£000	
173,640	Opening Balance at 1 April		174,396	
4,016	Current service cost		4,250	
4,623	Interest cost		4,386	
688	Contributions from scheme participants		746	
	<i>Remeasurement (gain)/loss:</i>			
-	Actuarial gains/losses arising from changes in demographic assumptions		(9,742)	
(3,013)	Actuarial gains/losses arising from changes in financial assumptions		7,434	
(5,558)	Benefits paid		(5,547)	
<b>174,396</b>	<b>Closing Balance at 31 March</b>		<b>175,923</b>	

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

2017/18				2018/19		
Quoted Prices in Active Markets	Unquoted Prices (not in Active Markets)	Total		Quoted Prices in Active Markets	Unquoted Prices (not in Active Markets)	Total
£000	£000	£000		£000	£000	£000
			<b>Fair Value of Scheme Assets</b>			
-	4,337	4,337	Cash and cash equivalents	-	3,518	3,518
-	-	-	Equities - UK	6,007	-	6,007
76,502	-	76,502	Equities - Overseas	71,015	-	71,015
			Gilts UK index Linked Government Securities	7,090	-	7,090
8,389	-	8,389	Bonds - Corporate (UK)	7,807	-	7,807
4,685	-	4,685	Property	4,404	7,473	11,877
4,326	7,635	11,961	Private Equity	-	6,140	6,140
-	5,798	5,798	Infrastructure	-	6,713	6,713
-	5,790	5,790	Derivatives	-	-	-
(629)	-	(629)	Timber	-	4,028	4,028
-	2,140	2,140	Private Debt	-	2,283	2,283
-	2,014	2,014	Other Managed Funds	-	7,098	7,098
-	5,115	5,115				
<b>93,273</b>	<b>32,829</b>	<b>126,102</b>		<b>96,323</b>	<b>37,253</b>	<b>133,576</b>

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

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

The Local Government Pension Scheme liabilities have been estimated by Barnett Waddingham, an independent firm of actuaries for the Essex County Council Fund, based on the latest full valuation of the scheme as at 31 March 2016.

No allowance has been made for the recent McCloud judgement which relates to age discrimination within the New Judicial Pension Scheme. It is currently unclear how this judgement may affect LGPS members' past or future service benefits. The Pension Fund Actuary continues to participate in discussions with the governing bodies of the LGPS to understand how this may affect mechanisms within the scheme, however, at the time of producing the Pension Accounting Disclosure Report no guidance or indication of the likely impact of this ruling has been provided to funds.

The significant assumptions used by the actuary have been:

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

The mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI\_2018, which was released in March 2019. At the last accounting date, the CMI\_2015 Model was adopted. The effect of updating to the most recent model is reflected in the *Change in demographic assumptions* figure.

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

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

	Increase in Assumption £000	Decrease in Assumption £000
<b>Impact on the Defined Benefit Obligation in the Scheme</b>		
Longevity (increase or decrease in 1 year - mortality age rating)	182,775	169,333
Rate of inflation (increase or decrease by 0.1%)	178,620	173,272
Rate of increase in salaries (increase or decrease by 0.1%)	176,197	175,651
Rate of increase in pensions (increase or decrease by 0.1%)	178,620	173,272
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	173,001	178,898

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

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

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

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

**32 External Audit Costs**

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

2017/18 £000		2018/19 £000
59	Fees payable with regard to external audit services carried out by the appointed auditor for the year	46
13	* Fees payable in respect of other services provided by the external auditor during the year - certification of Pooling of Housing Capital Receipts for 2017/18	3
<b>72</b>	<b>Total Audit Fees Payable</b>	<b>49</b>

\* For 2017/18 this also included fees payable in respect of the certification of the housing benefit subsidy claim.

### 33 Capital Expenditure and Capital Financing

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

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

### 34 Leases

#### a) Authority as Lessee

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

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

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

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

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

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

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

b) **Authority as Lessor**

➤ **Finance Leases**

The Authority has leased out 2 properties under finance leases:

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

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

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

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

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

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

➤ **Operating Leases**

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

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

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

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

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

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

### **35 Contingent Liabilities**

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

### **36 Subsidiary Companies**

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

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

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

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

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

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

### 37 Material items of Income and Expenditure

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

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

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

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

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

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

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

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

## HOUSING REVENUE ACCOUNT – MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

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

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

### 1 Housing Revenue Account Balances

#### HOUSING REVENUE ACCOUNT RESERVES

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

## 2 Housing Assets

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

01/04/2017					31/03/2018					01/04/2018					31/03/2019					
Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value	
					£000										£000					
<b>Dwellings</b>																				
1,481	-	15	1,466	44,201	Flats	1,466	2	6	1,462	44,058	1,006	1	4	1,003	54,253	1,466	2	6	1,462	44,058
1,024	1	19	1,006	53,542	Houses	1,006	1	4	1,003	54,253	335	-	-	335	15,974	1,006	1	4	1,003	54,253
336	-	1	335	15,974	Bungalows	335	-	-	335	15,974	321	-	-	321	6,130	335	-	-	335	15,974
321	-	-	321	6,101	Sheltered Accommodation	321	-	-	321	6,130	16	-	1	15	852	321	-	-	321	6,130
17	-	1	16	934	Do-It-Yourself Shared Ownership (DIYSO)	16	-	1	15	852	3,179	1	36	3,144	120,752	16	-	1	15	852
<hr/>										<hr/>										
3,179	1	36	3,144	120,752						3,144	3	11	3,136	121,267						
<b>Other Land and Buildings</b>																				
62	-	-	62	1,060	Shared Equity Plots of Land	62	-	-	62	1,116	415	-	-	415	1,233	62	-	-	62	1,116
415	-	-	415	1,233	Garages	415	3	-	418	1,345	389	15	-	404	81	415	3	-	418	1,345
389	15	-	404	81	Ground Rents re: sold council flats	404	11	-	415	83	1	-	-	1	561	404	11	-	415	83
1	-	-	1	561	Community Centre	1	-	-	1	440	3	1	-	4	341	1	-	-	1	440
3	1	-	4	341	Other non-domestic properties	4	-	-	4	341	10	1	-	11	1,217	3	1	-	4	341
10	1	-	11	1,217	Land	11	1	-	12	1,236	<hr/>					<hr/>				
<hr/>										<hr/>					<hr/>					
4,059	18	36	4,041	125,245	<b>Totals</b>	4,041	18	11	4,048	125,828										

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

2017/18 £000		2018/19 £000
331,783	Vacant Possession Value	328,628
(128,276)	Less: Existing Use Values (Social Housing) at 30 September	(127,754)
<u>203,507</u>	Economic Cost of Providing Social Housing	<u>200,874</u>

A desktop revaluation of all HRA assets was undertaken by the external valuer during the year with resulting changes and other adjustments being reflected in the Balance Sheet value as at 31 March 2019.

### 3 Capital Expenditure and Financing

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

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

#### 4 Housing Capital Receipts Reserve

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

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

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

#### 5 Depreciation

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

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

## 6 Impairment Charges

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

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

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

## 7 Rent Arrears and the Provision for Bad and Doubtful Debts

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

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

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

# COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

2017/18

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

## 1 General

The Collection Fund reflects the statutory requirement for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and business rates. There is no requirement for a separate Collection Fund Balance Sheet. Instead, Collection Fund balances are distributed across the Balance Sheets of the billing authority, the Government and precepting authorities according to the provisions of the Code.

## 2 Council Tax

The average Council Tax levy for 2018/19 was £1,660.11 for a Band D dwelling. This rate of tax, which covers estimated net expenditure of the Council, Essex County Council, Essex Fire and Rescue, Essex Police and Crime Commissioner and the Parish and Town Councils, was assessed on the tax base set out below:

### Calculation of the Tax Base for 2018/19

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

\* Band A – entitled to Disabled Relief

## Analysis of the Council Tax

### Council Tax for a Band D Dwelling

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

### 3 Business Rates

The Council collects Business Rates for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government:

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

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

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

#### 4 Precepts

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

#### 5 Share of Collection Fund Balance

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

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

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

## 6 Bad Debt and Other Provisions

### Provision for Bad and Doubtful Debt

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

Movements in Year:

Contributions to provisions in year

Less: Amounts written off in the year

Net change in provisions

Balances on provisions:

Balance Brought Forward

Net change in provisions

Balance Carried Forward

### Provisions for Appeals (Business Rates only)

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

# ACCOUNTING POLICIES

## a) **General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the Service Reporting Code of Practice 2018/19, supported by International Financial Reporting Standards (IFRS).

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

## b) **Accruals of Income and Expenditure**

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

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

c) **Cash and Cash Equivalents**

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

d) **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

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

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

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

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

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

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

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

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

**Accounting for Council Tax and Non-Domestic Rates**

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

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

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

g) **Employee Benefits**

**Benefits Payable During Employment**

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

## **Termination Benefits**

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

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

## **Post-Employment Benefits**

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

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

## **The Local Government Pension Scheme**

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

- The liabilities of the Essex County Council pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.40%. The discount rate used is such that the net present value of the notional cash flows, discounted at this single rate, equates to the net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve.
- The assets of Essex County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - ❖ Quoted securities – current bid price;
  - ❖ Unquoted securities – professional estimate.
  - ❖ Unitised securities – current bid price;
  - ❖ Property – market value.

- The change in the net pensions liability is analysed into the following components:

Service cost comprising:

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

Remeasurements comprising:

- ❖ **The return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- ❖ **Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

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

## **Discretionary Benefits**

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

### **h) Events after the Reporting Period**

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

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

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

### **i) Financial Instruments**

#### **Financial Liabilities**

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

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

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

#### **Financial Assets**

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

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the investments that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **Expected Credit Loss Model**

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or a lifetime basis. The expected credit loss model also applies to lease receivables. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

### **Instruments entered into before 1 April 2006**

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

### **j) Government Grants and Contributions**

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

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

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

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

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

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

k) **Heritage Assets**

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

**Machinery**

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

**Heritage Buildings**

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

**Heritage Assets – General**

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

l) **Intangible Assets**

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

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

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

m) **Inventories**

Inventories are included in the Balance Sheet at cost.

n) **Investment Property**

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

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

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

o) **Leases**

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

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

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

### **The Authority as Lessee**

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

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

### **The Authority as Lessor**

#### ➤ **Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

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

➤ **Operating Leases**

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

p) **Overheads and Support Services**

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

q) **Property, Plant and Equipment**

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

**Recognition**

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

**Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

## **Impairment**

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

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

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

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

## **Depreciation**

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

Depreciation is calculated on the following basis:

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

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

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

## **Disposals and Non-current Assets Held for Sale**

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

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

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

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

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

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

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

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

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

**Provisions**

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

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

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

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

**Contingent Liabilities**

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

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

**Contingent Assets**

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

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

s) **Reserves**

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

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

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

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

u) **Value Added Tax (VAT)**

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

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

v) **Fair Value Measurement**

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

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

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

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

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

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

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

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

**Level 3** – unobservable inputs for the asset or liability.

## OTHER INFORMATION

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

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

These publications can be found on the Council's Web Site at [www.tendringdc.gov.uk](http://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](mailto:rbarrett@tendringdc.gov.uk)), Head of Finance, Revenues and Benefits, Corporate Services, Town Hall, Station Road, Clacton on Sea, Essex, CO15 1SE – Telephone Clacton (01255) 686521.

# **GLOSSARY OF TERMS USED IN THE STATEMENT OF ACCOUNTS**

## **Accounting Period**

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

## **Accumulated Absences Account**

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

## **Accruals**

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

## **Asset**

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

## **Bad or Doubtful Debts**

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

## **Balance Sheet**

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

## **Billing Authority**

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

## **Budget**

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

## **Business Rates**

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

## **Capital Expenditure**

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

## **Capital Financing**

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

## **Capital Programme**

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

## **Capital Receipt**

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

## **Capital Receipt Pooling**

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

## **Cash Flow Statement**

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

## **Collection Fund**

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

## **Community Assets**

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

## **Council Tax**

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

## **Creditors**

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

## **Current Assets**

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

## **Current Liabilities**

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

## **Debtors**

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

## **Deferred Capital Receipts**

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

## **Defined Benefit Scheme**

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

## **Depreciation**

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

## **Earmarked Reserve**

A sum set aside to meet commitments in future years.

## **General Fund**

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

## **Government Grants**

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

## **Heritage Assets**

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

## **Housing Revenue Account (HRA)**

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

## **Impairment**

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

## **Intangible Assets**

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

## **Inventories**

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

## **Leasing**

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

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

## **Major Repairs Reserve (MRR)**

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

## **Minimum Revenue Provision (MRP)**

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

## **Non-Current Assets**

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

## **Precept**

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

## **Precepting Authority**

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

## **Provisions**

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

## **Prudential Code**

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

## **Public Works Loan Board (PWLB)**

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

## **Reserves**

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

## **Revenue Support Grant (RSG)**

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

## **Revenue Account**

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

## **Revenue Expenditure Funded from Capital under Statute**

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

## TENDRING DISTRICT COUNCIL

### ANNUAL GOVERNANCE STATEMENT 2018-19

#### 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](http://www.tendringdc.gov.uk)) or can be obtained by contacting the Head of Governance and Legal Services.

This statement explains how the Council has complied with the Code, and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1), which requires all relevant councils to, each financial year: -

- (a) conduct a review of the effectiveness of the system of internal control
- (b) prepare an Annual Governance Statement

This Annual Governance Statement covers the period from 1 April 2018 up until its publication with the Council's Statement of Accounts on 31 July 2019.

#### 2. ROLES OF THOSE RESPONSIBLE FOR THE DEVELOPMENT AND MAINTENANCE OF THE GOVERNANCE ENVIRONMENT



The roles of those responsible for the development and maintenance of the governance environment can be summarised as follows: -

The Authority (Full Council)	The Executive (The Cabinet)
<ul style="list-style-type: none"> <li>• Approve Constitution and Policy Framework</li> <li>• Approve Council's overall budget</li> <li>• Approve matters reserved by law or by the Constitution to Full Council</li> </ul>	<ul style="list-style-type: none"> <li>• Undertake the Council's Executive functions</li> <li>• Making decisions within the Budget and Policy Framework</li> </ul>
Standards Committee	Overview and Scrutiny Committees
<ul style="list-style-type: none"> <li>• Promote and maintain high standards of conduct</li> <li>• Develop culture of openness, transparency, trust and confidence</li> <li>• Embed a culture of strong ethical and corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>• Review or scrutinise Executive decisions</li> <li>• Assist with policy formulation and review</li> <li>• Scrutinise performance in relation to the Council's Corporate Plan, Priorities and Projects and the Budget</li> <li>• Report to Council / Cabinet on council functions/ matters affecting the area or its inhabitants</li> </ul>
Audit Committee	Management Team
<ul style="list-style-type: none"> <li>• Approve the Council's Statement of Accounts</li> <li>• Independent assurance of adequacy of risk management framework</li> <li>• Consider Internal / External Audit work and recommendations arising</li> </ul>	<ul style="list-style-type: none"> <li>• Develop and maintain the Council's strategic direction</li> <li>• Ensure delivery of agreed targets within service areas</li> <li>• Review overall performance, both financial and non-financial, and change management</li> </ul>
Statutory Officers	Internal Audit
<ul style="list-style-type: none"> <li>• <b>Head of Paid Service</b> – discharge of council functions</li> <li>• <b>Monitoring Officer</b> – lawfulness and fairness of decision making, including scope of powers</li> <li>• <b>Chief Financial Officer (S151)</b> – lawfulness of Council's financial affairs and financial prudence of decision making</li> </ul>	<ul style="list-style-type: none"> <li>• Provide an independent and objective assurance function</li> <li>• Improve effectiveness of risk management, control and governance processes</li> </ul>

### 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 2019 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, values, opportunities and values
- **Budget and Policy Frameworks** covering key policies and plans that must be approved or adopted by full Council, including its Budgets, Council Tax, Housing Investment Programme, Local Development Plans, Licensing Policies, Procurement Strategy and Information Governance.

#### 2. Other Strategies, Policies and Procedures

- Clear **Codes of Conduct** which set behavioural expectations for all individuals representing the Council
- **Human Resources Policies and Procedures** covering an extensive range of good employment practices
- **Whistleblowing and Complaints Procedures** that provide individuals with opportunities to report issues within the Council
- **Information and IT Policies and Procedures** protecting data held by the Council
- A wide range of strategies, policies and procedures providing governance frameworks over functions and activities of the Council

#### 3. Examples of Good Governance

- The identification of **Priorities and Projects** and their translation into clear goals enabling the targeting of work by departments
- **Performance Management and Budget Monitoring Frameworks** providing a review of key activities against targets set, delivery of projects, and financial performance
- The Publication of **Agendas, Reports, Minutes and Decisions** providing accurate and reliable information to the public
- A **Corporate Risk Management Framework** providing a structure for risk management within the Council, and a **Corporate Risk Register** identifying the key risk that the Council is exposed to that is subject to regular review
- **External Standards Compliance** including compliance with accounting and auditing codes and standards, and conformance of the Council’s financial management arrangements with the governance requirements of the CIPFA Statement on “*The Role of the Chief Financial Officer in Local Government (2016)*”
- Robust governance arrangements for working, engaging and consulting with the Council’s stakeholders, partners and the public

The Code of Corporate Governance provides a framework of the governance arrangements in place in the Council, and includes additional detail for each of the above headings. The Code is subject to regular review to reflect changes to the Council’s Governance Framework, and any update to the CIPFA / Solace framework.

As part of the Annual Review of the Council’s Governance Framework, a number of activities and actions have been identified and undertaken during 2018/19, strengthening the Council’s Governance Framework. These are set out below against the **Core Principles of Good Governance** identified in the Council’s Code of Corporate Governance.

## **A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

- The deadline for compliance of General Data Protection Regulations (GDPR) legislation on 25 May 2018 was completed in conjunction with the Information Commissioner's Office (ICO) twelve point GDPR action plan. Records are being kept and maintained in order to enable the Council to stay within the compliance guidelines set out by the ICO.
- Annual Report on Declarations of Interests and mandatory training requirements for Members submitted to Standards Committee in March 2019, including dedicated planning and licensing training for members of the respective committees.
- On-going training opportunities provided to Officers including dedicated training on the use of Covert Surveillance powers plus topical issues presented to the Senior Managers Forum. Examples of presentations included Digital Transformation project, Guidance on Management of Council owned property and assets, Constitution and Governance, Financial Strategy, Local Plan & Garden Communities, Regeneration projects, Office Transformation project, LGA Peer Review, decision making requirements in local government and the emerging Housing Strategy.
- Emphasising the importance of the Equalities Impact Assessment section content of Reports. Webinars and workshop for officers on Equalities and Diversity considerations.
- Approval by the Audit Committee in January 2019 of an updated Anti-Fraud and Corruption Strategy.
- Approval by the Council in January 2019, following consideration of the recommendation submitted by the Licensing and Registration Committee, of an updated Statement of Policy (Gambling Act 2005).
- Approval by the Council in March 2019, following consideration of the recommendation of the Human Resources and Council Tax Committee, of the Pay Policy Statement 2019/2020 and noting the new Pay Spine that would come into effect on 1 April 2019.
- Adoption by the Standards Committee in July 2018 of a revised Protocol on Member/Officer Relations.
- Following consideration of a recommendation made by the Standards Committee, approval by Council in September 2018 of a minor amendment to Annex E of the Standards Complaint Investigation Procedure to reflect current practice in relation to comments on issues complained of contained in the Investigator's Report.
- Following consideration of recommendations made by an Interview Panel appointed by the Standards Committee, confirmation by Council in November 2018 of four members of the public to be the Council's statutory Independent Persons for standards related matters and members of the Independent Remuneration Panel for matters related to Members' Allowances.
- The Monitoring Officer at the meeting of the Standards Committee in January 2019 drew the Committee's attention to seven national cases relating to a number of key issues.
- The Standards Committee, at its meeting held in March 2019, considered the published report by the Committee on Standards in Public Life (CPSL).
- The Cabinet, at its meeting held in September 2018, adopted a private sector housing enforcement policy under the Housing and Planning Act 2016 to impose financial penalties on irresponsible landlords who continued to provide sub-standards accommodation across the District.

## **B. Ensuring openness and comprehensive stakeholder engagement**

- The Council continued to be engaged in a number of community projects in partnership with stakeholders with a comprehensive update being endorsed by Cabinet during the year, to be delivered to support the Council's Priorities especially in the areas of education, health and well-being and community safety.
- Key corporate projects with stakeholders were also included within the Council's performance management reports including the action plan and associated budget for the 400<sup>th</sup> Anniversary of the sailing of The Mayflower from Harwich to America.

- The Local Plan Committee, at its meeting held in October 2018, considered the Planning Inspector's (PI's) findings in respect of Section 1 of the Local Plan. The PI had concluded that, whilst the Plan met with legal and procedural requirements (including demonstrating at least 5 years' supply of deliverable housing sites), additional work would be required in order to ensure that it met the tests of soundness. This meant that Section 1 of the Plan (which is common to Braintree, Colchester and Tendring Councils) could not yet be adopted by those Councils and the examination-in-public could not progress to Section 2 of the Plan (i.e. the policies and proposals specific to Tendring Council).

The PI had given the three Councils three options to consider, after consultation between the two other authorities, the Council decided to proceed with option 2, being to do more work in respect of the evidence. The three Councils would review all of the evidence and put it out to public consultation before it was submitted to the PI.

- The Local Plan Committee, at its meeting held in January 2019, agreed a revised Local Development Scheme which included a revised timetable for completing the examination of the Local Plan including the anticipated timetable of consultation periods, examinations-in-public and expected adoption dates. This would ensure that Tendring Council made the most efficient use of its resources and also that stakeholders (e.g. the public, parish/town councils, landowners/developers, partner organisations and the Planning Inspectorate) could organise their time and resources accordingly.
- Cabinet, at its meeting held in December 2018, approved the implementation of the Interim Business Plan for North Essex Garden Communities Ltd for 2018/2019 and its associated budget, the commitment of £100,000 from the Garden Communities budget and the preparation of full options appraisal of garden community options in order to enable Members to take decisions, in due course, on potential development corporation proposals.
- Cabinet, at its meeting held in November 2018, approved publication of Part I of the Council's Brownfield Land Register under the Housing and Planning Act 2016.
- Engagement with key stakeholders on significant matters including changes within service delivery, examples being the Audit Committee's consultation on changes to the Anti-Fraud and Corruption Strategy and the Licensing and Registration Committee's consultation on proposed changes to the Council's Statement of Gambling Policy under the Gambling Act 2005.
- Full Council, at its meeting held in May 2018, considered the recommendations of the Electoral Review Working Party following a public consultation process in relation to the Community Governance Reviews carried out in respect of St Osyth Parish Council and Harwich Town Council.
- All Member briefings on topical subjects including Organised Crime Gangs & Hidden Harms, Cyber security, GDPR, School Places, Members' Code of Conduct, Mental Health, Local Plan & Garden Communities, Emergency Planning, Family Solutions, Review of the Council's Constitution and Superfast Broadband in Essex.
- Dedicated training session for the members of Overview and Scrutiny committees delivered by the Centre for Public Scrutiny focusing on effective approaches in undertaken scrutiny.

### **C. Defining outcomes in terms of sustainable economic, social and environmental benefits**

- Continuing delivery of the Corporate Plan for 2016-2020 which outlined the Council's vision, its priorities and projects, and with community leadership at its heart.
- Working with key partners via the local Health and Wellbeing Board to define and improve health inequalities in Tendring.
- Multi agency partnership (Coastal Communities Team) held a workshop to define the strategic priorities for investment and future regeneration of Jaywick.

- Submitted a bid for the 'Future High Streets Fund' for Clacton Town Centre, the fund being set up by the government to renew and reshape town centres and high streets in a way that improves experience, drives growth and ensures future sustainability.
- Working with the Community Safety RAG contributed to a jointly funded new additional Anti-Social Behaviour Officer and a working with Harwich Town Council funded a PSCO.
- The Council delivered a project during 2018 which involved over 500 Year 6 pupils of 11 primary schools located within the area. Funded by the Police, Fire and Crime Commissioner's Community Safety Development Fund, the project centred on the theme of cultural awareness, being in response to a rise in Hate Crime within Tendring. Partners in the project included Victim Support who engaged with the children via the delivery of workshops that looked at the concept of hate crime, practically racial, and the effects of this on the victims and perpetrator.
- Approval by Cabinet in April and subsequently in December 2018 to extend the SME Growth Fund to 31 March 2020, open it up to all business sectors (except retail) and allocate a further £500,000 to support business growth in the District.
- Regular governance meetings, attended by the Statutory Officers and the Deputy Chief Executive have been established to facilitate the on-going review of corporate governance and the identification of actions that support and promote these issues within the Council.
- The Council approved the Capital and Treasury management Strategy in 2019 that set out key appraisal criteria for capital investment decisions.
- Officers have continued to work on key decision making areas such as full project development and monitoring arrangements along with proportionate due diligence requirements.
- During the year, the Council set aside £100,000 to take forward energy efficiency initiatives.

#### **D. Determining the interventions necessary to optimise the achievement of the intended outcomes**

- Approval by Council in March 2019 of a revised Annual Capital and Treasury Strategy (including Prudential and Treasury Indicators) and associated treasury management practices to support the delivery of investment activity that remains in accordance with the relevant Codes of Practice and guidance.
- Approval by Council in November 2018 of the Local Council Tax Support Scheme, Council Tax Exceptional Hardship Policy and Council Tax Exemptions/Discounts for 2019/2020.
- The Council continues to deliver a long term financial sustainability plan during the year with the underlying key aim of protecting services, as far as reasonably practical, during the on-going and challenging public sector financial environment.
- Adoption by Cabinet, at its meeting held in December 2018, of a Fee Policy for Mobile Home Site Licensing under the Mobile Homes Act 2013.
- Approval by Council in November 2018 and subsequently in January and March 2019, following consideration of recommendations submitted by a cross-party Constitution Review Working Group via Cabinet for amendments to the Council's Constitution including its Articles, Procedure Rules, Scheme of Delegation and terms of reference and size of Committees post the 2019 Elections.
- The Council, including Members and Officers had previously fully engaged in a Peer Review undertaken by the Local Government Association which included a section on Governance and Leadership. An Action Plan developed in response to recommendations and findings from the review was approved by Cabinet in May 2018 with subsequent updates being reported to Cabinet in November 2018 and March 2019.
- During the year the Cabinet considers the outcome of dedicated task and finish reviews undertaken by the Overview and Scrutiny Committees.
- The Council supports the governance arrangements (internally and externally) to deliver major projects, such as Garden Communities and the Coastal Community Team (CCT) for Jaywick Sands, which includes scheduling regular meetings attended by senior officers.

#### **E. Developing the entity's capacity, including the capacity of its leadership and the individuals within it**

- The Officer structure of the Council has continued to be subject to revision to facilitate service delivery within the resources available responding to evolving priorities and projects, including the establishment of a new Head of Service role for Democratic Services and Elections and dedicated key project officers.
- The Council provided sponsorship for 12 officers to obtain external qualifications including management and leadership and provided training on Leadership of Remote Workers and Teams to 45 members of staff.
- The Council maintained its accreditation of gold standard of Investors in People
- The initiation of a digital transformation project to deliver improvements to business continuity and resilience producing efficiencies in working practices.
- Reporting to full Council if Members fail to attend meetings within 4 months (rather than 6 months automatic disqualification).
- The recruitment of the newly established dedicated Senior Governance Officer supporting the Statutory Officers concentrating during 2018/19 on insurance and risk training, review of the due diligence process for SME applications and recruitment of and working with the new Independent Persons and Remuneration Panel.
- The launch of a governance checklist for Corporate Directors and Heads of Service.

#### **F. Managing risks and performance through robust internal control and strong public financial management**

- The retraining of staff and ensuring that rigorous management systems are put in place regarding health and safety.
- Embedding a dedicated fraud and risk management team within the Council encompassing corporate health and safety responsibilities.
- Risk management training was delivered to senior managers by the council's insurers.
- Review and drafting of new data protections clauses within the Council's standard contract documentation for data processing requirements under new legislation.
- The establishment of a regular comprehensive financial performance report to management team and members setting out a snapshot of key financial information in one place. This report includes a risk assessment of key lines of the financial forecast.

#### **G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

- Monthly reviews being undertaken by the Statutory Officers of the six principles as set out in the Local Code of Corporate Governance consistent with the CIPFA / SOLACE Framework for delivering good governance in Local Government.
- Development of an investment spending decision making template providing guidance on matters to consider such as outcomes to be delivered in accordance priorities, contribution to long term financial sustainability, project management, risks of delivery, equality impact assessments and other miscellaneous decision making requirements.
- Management Team established an improved project management approach including completion of a business case for approval.
- Internal audit now attend key project boards and working parties through the development of schemes and initiatives rather than just at the end of the process.
- Regular reporting to management team of key health and safety issues during the year.

#### **4. OPINION ON THE LEVEL OF ASSURANCE THAT THE GOVERNANCE ARRANGEMENTS CAN PROVIDE**

The framework in place provides a sound basis for delivering good governance within the Council.

The Council has a statutory responsibility for conducting, each financial year, a review of the effectiveness of its system of internal control. The review of effectiveness is informed by: -

- **The work of Internal Audit as outlined in the associated annual report**
- **Any issues reported or comment from the Council's external auditors and other review agencies and inspectorates**
- **The work of senior managers within the Council who have responsibility for the development and maintenance of the governance environment**

In practice, review of effectiveness is an ongoing process throughout the year. Set against the backcloth of ongoing reductions in Government funding of the Council and associated savings targets, action has continued within the Council in 2018/19 to provide a sustainable and long term basis against which to deliver services. These changes present governance challenges and risks that have been recognised as part of the process of managing change.

The Council draws assurance on its governance arrangements from a number of sources, in particular: -

- **Internal Audit**

As set out in the Public Sector Internal Audit Standards (PSIAS) there is a requirement under PSIAS 2450 that the Chief Audit Executive must provide an annual report to the Audit Committee, timed to support the Annual Governance Statement. This must include:

- an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment);
- a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies); and
- a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme.

The Chief Audit Executive will be presenting his annual report to the Audit Committee on 24 July 2019, with a copy of his associated opinion set out below:

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 programme has been adapted to be not only risk based, but to include different audit techniques to make it leaner and more supportive of service delivery to meet the Council's needs.

An unqualified opinion of adequate assurance was provided in 2017/18 due to the control improvements implemented by departments. So far to date all significant issues identified within the 2018/19 financial year have been addressed and mitigated. The immediate corrective actions by operational teams provides assurance that the control environment is being monitored and direct action is taken when significant issues have been identified.

Internal Audit continues to work with services on a consultancy basis to support the implementation of new processes, identify and analyse root cause if necessary and ensure that all relevant employees have the appropriate training to competently carry out their role. Transformation, Project Management, Risk Management and Financial Resilience are some of the areas where this type of work has been undertaken and continues to collaborate resources. At the time of writing there are some audits still outstanding that could impact on the annual Head of Internal Audit opinion due to the level of risk involved and potential

financial value such as Contract Management, Procurement and Inventory Control. The fieldwork has been completed for each audit; however the agreed actions and final reports are yet to be concluded.

In 2018/19 to date, only two audits from a total of 27 undertaken received an overall audit opinion of "Improvement Required" where high severity issues were identified. The audits were Development Management and Facilities Management. All significant issues were reported to the Audit Committee with required improvement actions throughout the year to provide a continuous update on the councils control environment, governance arrangements, material issues identified and improvement actions.

The direction of travel regarding the internal control environment since 2017/18 has not changed, in some areas it has weakened and in others it has improved; however, as the majority of audits in 2018/19 continued to receive an adequate or substantial assurance opinion it is reasonable to suggest that there has not been a considerable deterioration in internal control and operational processes within the year.

Governance arrangements and internal controls have been evaluated in all audits within the plan, albeit with varying levels of scope. Consultancy work is continuing with Risk Management, working with the Fraud and Risk Manager to improve processes at a departmental level. Senior Management continue to review strategic risks on a regular basis within Management Team and the Corporate Risk Register is reviewed bi-annually with any feedback reported to Management Team for consideration.

The opinion of the Acting Audit and Governance Manager is drawn from all of the information reported above, external reviews carried out throughout the year from other assurance providers and through the ongoing work in supporting Senior Management and Services in delivering the Councils objectives and vision.

The Internal Audit function is expected to commission an independent assessment on compliance with the Public Sector Internal Audit Standards that have been set by the Institute of Internal Auditors (IIA) and adopted by the Chartered Institute of Public Finance and Accountancy (Cipfa) every five years. Internal Audit received an independent report in 2017/18 concluding conformance with the standards which was reported to the Audit Committee. Although this assessment is undertaken, the Internal Audit function must continue to complete an annual Quality Assurance and Improvement Programme (QAIP) which is a self-assessment questionnaire against the PSIAS. Work remains on-going in respect of this year's assessment but the final position will be reported to the July 2019 meeting of the Audit Committee.

The internal control environment continues to remain stable with no significant changes from 2017/18, an open dialogue with Senior Management on risk remains in place and a generally sound system of internal control has been assessed across the majority of the Councils operational areas. Therefore, an overall unqualified opinion of Adequate Assurance can be provided.

This opinion is subject to confirmation as part of the finalising of the Annual Governance Statement for publication as part of the audited Statement of Accounts later in the year; in addition to the report of the Head of Internal Audit that will be presented to the Council's Audit Committee in July 2019.

- **External Audit**

The Council is subject to an annual programme of external audit work associated with the Council's Statement of Accounts and value for money arrangements.

Each year the auditor's overall findings are brought together in an Audit Results Report and Annual Audit Letter (available on the Council's website). Action is taken on issues identified, with any material ongoing issues incorporated within Significant Governance Issues below.

- **Other Review Agencies and Inspectorates**

The Council is subject to inspection and review by a number of other agencies and inspectorates. The Council aims to take action to address any issues that arise from such inspections and reviews, and to improve governance arrangements where it is appropriate to do so.

- **Senior Managers**

In addition to the review work undertaken above to review and strengthen the Council's Governance Framework, the Council's senior managers have participated in a review of the effectiveness of the system of internal control providing assurance regarding the governance / control environment for their areas of responsibility.

## 5. ISSUES RAISED IN THE PREVIOUS YEAR'S ANNUAL GOVERNANCE STATEMENT

In respect of the governance issues identified as part of last year's Annual Governance Statement, the actions undertaken to address and resolve those issues included: -

Governance Issue	Required Action(s)	Completed Action(s)
<p><b>Managing risks and performance through robust internal control and strong public financial management</b></p> <p>The Council adopted a new ten year approach to budgeting in 2017, aimed at maximising savings opportunities whilst delivering growth in underlying income to deliver a balanced budget over a ten year forecast.</p> <p>The plan depends upon the use of a reserve specifically established to support the long term financial plan which is estimated to provide up to £3.7 million of funding over the plan period.</p> <p>Risks exist to the plan should income generation schemes not materialise while using non-recurrent reserves to addressing budget gaps is not sustainable should austerity continue.</p>	<p>Continue to develop the long term forecast with a focus on:</p> <ul style="list-style-type: none"> <li>• Ensuring the robustness of assumptions used in financial planning/forecasting.</li> <li>• Prioritising resources whilst maintaining services wherever possible.</li> <li>• Develop a new way of reporting progress against the new long term forecast including an assessment of risk.</li> <li>• Delivery a balanced budget in 2019/20 in-line with the forecast.</li> </ul>	<p>A revised approach to reporting the progress against the new long term forecast has been developed with reports presented to Cabinet on a quarterly basis throughout 2018/19.</p> <p>The report brings together a number of strands of financial information in to one place. Detailed estimates and a comprehensive outturn position will continue to be reported to Members in February and May respectively each year.</p> <p>The long term financial plan remains based on a robust approach with no optimism bias built in and includes an assessment of risk that covers each line of the forecast.</p> <p>The detailed estimates for 2019/20 based on the revised approach adopted were agreed by Full Council in February 2019.</p> <p>Work remains in progress to deliver the next year of the long term forecast with two key areas being the identification of on-going savings and managing on-going cost pressures.</p>
<p><b>Implementing good practices in transparency, reporting, and audit to deliver effective</b></p>	<p>To develop a robust project management approach to governance arrangements and reporting against the</p>	<p>This action is nearing completion in terms of rolling out a revised business planning / project management approach as early as possible in</p>

<p><b>accountability</b></p> <p><b>Developing the entity's capacity, including the capacity of its leadership and the individuals within it</b></p> <p>Council continuing to demonstrate Value for Money in the use of its resources and delivery of major projects, for example, Garden Communities and Jaywick Sands.</p>	<p>expected benefits / outcomes of the Council's use of resources.</p> <p>To enhance the business planning process to ensure mandates are achieved for initial scoping and developing business cases for deployment and profiling of resources.</p> <p>This will include a review of the Cabinet Report template and issue refreshed guidance on ensuring equalities implications and alternative options are fully incorporated through early considerations. Progress against associated projects to be reported via the Council's performance management framework</p>	<p>2019/20. The work carried out to date has been supported by the Acting Audit and Governance Manager and reflects the key elements of the recently approved Treasury and Capital Strategy and peer review recommendations.</p> <p>Review of Cabinet report template completed and due to be implemented from beginning of 2019/2020 Municipal Year.</p>
<p><b>Developing the entity's capacity, including the capacity of its leadership and the individuals within it</b></p> <p><i>(Continue the Delivery of the Transforming the Way We Work Project)</i></p> <p>There are four main strands to this project with work already underway:</p> <ul style="list-style-type: none"> <li>• Digital</li> <li>• Customer Service/channel shift</li> <li>• Office Accommodation</li> <li>• People</li> </ul>	<p>Continue to deliver against the project aims and objectives with regular reporting via the Council's performance management framework, including the establishment of Project Boards.</p>	<p>Delivery Boards are in operation and cover the major projects currently underway in the Council. Membership of the boards includes senior management along with the Acting Audit and Governance Manager.</p> <p>Updates against the key projects will continue to be reported via the Council's existing performance management framework.</p> <p>Reporting the delivery of outcomes / benefits will also form part of the new project management approach highlighted above.</p>
<p><b>Developing the entity's capacity, including the capacity of its leadership and the individuals within it</b></p> <p>The Council's Committee Structure is reducing to two Overview and Scrutiny</p>	<p>Embed and develop the new Committee Structure during 2018/19.</p>	<p>New Committee structure implemented at Annual Council in April 2018 and was fully operational (including task and finish groups) this year. With a review being undertaken on the effectiveness of the two new Overview and Scrutiny Committees in Autumn 2018.</p> <p>The outcome of the review was to transfer</p>

Committees focusing on external and internal arrangements		responsibility for the overview and scrutiny functions relating to leisure and tourism and the housing strategy and homeless service from the Resources and Services to Community Leadership Overview and Scrutiny Committee
<b>Managing risks and performance through robust internal control and strong public financial management</b>  Robust information security arrangements, including the implementation of GDPR	To implement and embed the new requirements introduced via the new responsibilities placed on the Council by the General Data Protection Requirements.	An audit approach was taken to identify the various areas of the Council where the new GDPR arrangements would have an impact with a full compliance gap analysis undertaken. An action plan has been developed which is monitored by the Council's Governance and Policy Group.
<b>Determining the interventions necessary to optimise the achievement of the intended outcomes</b>  Outcomes from Peer Review	To develop an action plan for implementation in response to outcomes from the recent review including effective reporting of progress against each action identified.	Action Plan was developed and approved by Cabinet in May 2018. Further updates on progress of actions were submitted to Cabinet in November 2018 and March 2019.

## 6. SIGNIFICANT GOVERNANCE ISSUES

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 :-

Governance Issue	Action
<b>Managing risks and performance through robust internal control and strong public financial management</b>  The Council continues to deliver the ten year approach to budgeting, aimed at maximising savings opportunities whilst delivering growth in underlying income to deliver a balanced budget over a ten year forecast.  Risks exist to the plan should savings not achieved and income generation schemes not materialise while using non-recurrent reserves to addressing budget gaps is not sustainable should austerity continue.	Continue to develop the long term forecast with a focus on: <ul style="list-style-type: none"> <li>Ensuring the robustness of assumptions used in financial planning/forecasting.</li> <li>Prioritising resources whilst maintaining services wherever possible.</li> <li>Undertaking targeted reviews of significant areas for cost pressures</li> <li>Continuing to identify opportunities for savings, with the development of a 4 year plan for delivery.</li> </ul> Delivery of a balanced budget in 2020/21 in-line with the forecast.
<b>Determining the interventions necessary to optimise the achievement of the intended outcomes</b>  By strengthening the linkages between the Corporate Plan priorities and the Council's investment plans.	To identify and maintain an ongoing corporate investment plan (including the capital programme) supporting delivery of the Council's priorities including the development of relevant strategies as necessary.

<p><b>Ensuring openness and comprehensive stakeholder engagement</b></p> <p>Supporting the delivery of key housing and development projects and priorities through open and transparent decision making (including informal briefings). Demonstrating effective use of the council’s resources throughout continuation of the project development. This will include robust governance arrangements including risk management, funding, skills and capacity.</p>	<p>Consultation on a draft Housing Strategy and approval of a business/action plan setting out delivery, funding and performance of key housing and development building projects such as:</p> <ul style="list-style-type: none"> <li>• Development of Jaywick Sands;</li> <li>• Garden Communities; and</li> <li>• Other relevant sites across the district.</li> </ul> <p>Additional specific statutory consultation on the Local Plan and future development of the Garden Communities project.</p>
<p><b>Developing the entity’s capacity, including the capacity of its leadership and the individuals within it</b></p> <p>Ensuring compliance of the Council’s governance arrangements through project board reviews and delivery of transformation projects, through the monitoring of key policies.</p>	<p>For the relevant project board or lead officers to identify sufficient resources to demonstrate and monitor compliance with the Council’s policies and procedures (forming the Governance framework) during delivery and embedding the final arrangements.</p> <p>To complete the roll out of the revised business planning and project management approach.</p> <p>Launch the Cabinet report writing through modern.gov using the new template and processes.</p> <p>Recruit to the Senior Governance Officer post.</p> <p>Develop an induction and training programme for the newly elected Councillors covering a range of topics, including dedicated chairmanship training and an overview and scrutiny workshop.</p>
<p><b>Managing risks and performance through robust internal control and strong public financial management</b></p> <p><b>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b></p> <p>Ensure the Local Code of Corporate Governance and key policies and procedures are up to date.</p>	<p>Through a centralised review develop an action and monitoring plan to include policy review dates and associated decision making.</p>

Progress regarding these governance issues will be monitored throughout the forthcoming year by the Council’s Audit Committee.

## 7. CONCLUSION

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

We propose over the coming year to take steps to address the significant governance issues identified in this statement, and to further enhance our governance arrangements. We are satisfied that these steps will address the needs for improvements that were identified in our review of effectiveness and will monitor their implementation as part of our next annual review.

Ian Davidson  
Chief Executive

Neil Stock  
Leader of the Council

Date:

Date:

The Chief Executive and the Leader of the Council have certified the formal Annual Governance Statement, which is held by the Head of Finance, Revenues and Benefits and can be reviewed upon request.