

# *Tendring* *District Council*



SUBJECT TO

## STATEMENT OF ACCOUNTS

2022/23

# TENDRING DISTRICT COUNCIL

## STATEMENT OF ACCOUNTS

2022/23

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31 July 2023

# NARRATIVE REPORT 2022/23

## INTRODUCTION

During each year the Leader of the Council makes a number of key announcements such as the introduction to the Council's annual budget and the 'Annual State of the Tendring District' Statement, which provide a helpful summary on a range of subjects, with some key highlights included in his announcements to Full Council earlier in 2023 as follows:

*As was the case in 2020, no one could have predicted the various global events that unfolded after our meeting in February last year.*

*Over subsequent months we saw a range of global issues, along with some national ones too, which have had an impact on the Council directly or perhaps in less obvious ways. The last twelve months have flown by, which perhaps is not surprising given how much has happened, with some examples being:*

- Russia's invasion of Ukraine and the ongoing war, happening on European soil, leading immediately to a global fuel crisis and the cost of petrol, diesel, electricity and gas all skyrocketing.*
- Supply chain disruption as a direct consequence of the total shutdown of the world's economies due to Covid.*

*All of which has contributed to:*

- Commodity market volatility;*
- Weak GDP growth across the globe;*
- Workforce shortages;*
- Rising Interest rates; and*
- The highest inflation rates across the western world that we have not seen for decades.*

*The scale and speed at which the impact from these events started to hit home during 2022 was unprecedented.*

*In terms of the impact on our budget, we have seen the cost of projects significantly increase during 2022/23 along with substantial increases in employee and contract costs to name but a few. In terms of our 2023/24 budget, we have had to reflect cost increases totalling well over £4 million, a huge increase by any measure, but especially so when our overall net budget is £14 million.*

*Although this has been marginally offset by increases in income from Council Tax and Business Rates, the forecast deficits across 2023/24 to 2026/27 are significant and will be very challenging for us to respond to.*

*We need to continue our careful and prudent approach to financial stewardship – it is now more important than ever. It takes a long time to build the solid foundations that we have, which can easily be torn down overnight.*

*Over the past year we have seen a number of Councils get into catastrophic financial difficulty, a trend which I am sure will continue into 2023/24. Good financial stewardship is often about finding the right balance and doing things in a proportionate way. Many of the Councils that have found themselves in financial difficulty have not necessarily struck this balance. We all want to do bigger and better things and perhaps want to do them quicker, but this always must be tempered by affordability and financial sustainability.*

*In terms of working with our partners, our reputation goes from strength to strength and external organisation really see us as a Council that is easy to work with and can get things done. Great examples of this can be seen in the Freeports and Levelling up projects.*

*A Local Council is effectively a number of smaller yet diverse and varied businesses in one, where we also have to consider issues such as social value, health and inequality, climate change and social inclusion. These all have to form part of our wider financial planning processes.*

*Although the current financial environment has had an impact on our future investment plans, it is worth highlighting the various projects and schemes we are still delivering. Some Councils may have had to call a halt on a number of their projects in light of the financial challenges that have arisen over the past twelve months, but the careful management of our finances has allowed us to remain committed to the delivery of a number of key projects in the District, such as:*

- The provision of a covered market and managed workspaces in Jaywick.*
- The development of the former Starlings site in Harwich.*
- Transformational regeneration in Clacton supported by levelling up funding.*
- Supporting the development of the internationally significant Freeport project.*
- Replacing the all-weather pitch at Clacton Leisure Centre along with wider investment in the centre.*
- Disposal of the former Weeley Council office site, which will provide us with additional local homes for local people.*
- The major refurbishment of the skate park at Clacton Leisure Centre.*
- A Clacton Airshow in 2023, which will be celebrating its 30<sup>th</sup> anniversary this year.*

*The budget for 2023/24 recognises the significant income receivable from the Government as part of the Local Government Finance Settlement. The money is welcomed and although it needs to be treated on a one-off basis in 2023/24 given the inherent uncertainty with any Government funding, it does contribute to the flexibility required to deliver the long term forecast and savings required.*

*In terms of developing the framework to identify the necessary savings, we will undoubtedly have to go back to basics and challenge everything we currently do. Although not exhaustive, such consideration will need to take into account issues such as what are our statutory obligations, what do we do using our discretionary powers, where can we make efficiencies, do we need to review existing service standards and how can zero-based budgeting play a role along with meeting future demand and customer expectations.*

*Although we would all want to avoid having to make any savings, we need to approach it in a positive way and 'squeeze' as much value out of everything we do - by doing so will lessen the impact on the affordability of delivering the range of services we currently provide. The perfect outcome would be that we don't have to reduce any services, but such an outcome is very unlikely. However, our long-term approach has given us the time to make well informed and consultative decisions rather than making some knee-jerk choices.*

*We continue to face many challenges in Tendring, and notwithstanding the forthcoming elections, I urge Members to carry on contributing positively to address the issues and problems that the Council faces. There will be some really difficult decisions to make; it is likely that we will have to look at different ways of delivering services and that will not be easy.*

*I am more convinced than ever that success, however you chose to define it, for this Council, for this District and for our residents in particular, can only be achieved by us engaging positively and working constructively with our partners; in the public sector, the private sector and the voluntary sector, and also with each other.*

*We face uncertain times nationally and internationally with the continuing war in Ukraine and the ongoing financial situation: none of us can know what the future holds or how it will affect us. So, we must continue to support our residents through whatever challenges emerge.*

***[The above formed part of statements made by the Leader of the Council during February/March 2023. Further details relating to other issues and on-going challenges are set out further on in this statement. Following the Local Elections in May, a New Leader was elected on 23 May 2023 with subsequent changes made to the membership of the Council's Executive, with full details set out on the Council's Website]***

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

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

## **Organisational Overview and External Environment**

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

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

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

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

Work is underway within the Council to develop the Corporate Plan and Community Vision to replace the existing plan which 'expires' in 2024.

The Council's 4-year Corporate Plan is complimented by an annual plan that sets out 'highlight priorities' that support the delivery of broader strategic goals and objectives.

Delivery of a long term financial sustainability plan continues to be an overriding priority for this Council with this having an influence on other projects and priorities, targets, delivery and performance management. The overriding pressure on the budget is the impact of the sustained reduction in Central Government funding over recent years along with significant inflationary pressures that started to emerge during 2022/23.

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

Community Leadership remains as a predominant cross cutting theme within the Corporate Plan along with various economic growth initiatives which also cuts across a wide range of the Council's service activities and projects. The Council also continues to prioritise investment across its priorities and objectives which will also include investment that supports the delivery of its long term financial plans.

The Council's current **Vision and Values** are set out below:

## Our Vision

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



## Our Values

- ◆ Councillors and staff uphold **personal integrity, honesty** and **respect** for others
- ◆ **Innovative, flexible, professional** staff **committed** to delivering excellence
- ◆ Recognising the diversity and **equality** of individuals
- ◆ Working **Collaboratively** with partners, including supporting the Essex wide vision and ambitions

**Tending**  
District Council





## **Governance and Operational Model**

The outcome from the annual review of the Council's governance framework is set out within the Annual Governance Statement (an annex to this Statement of Accounts) with many activities undertaken during the year to strengthen/enhance all areas of the framework. The design of the statement continues to be based on the key principles of being accessible and setting out the key activities that the Council has undertaken during the year along with highlighting a number of key / planned activities in 2023/24. Progress against the actions included are reported to and monitored by the Council's Audit Committee during the year.

Along with the Council's performance management framework which is discussed further on, the Council's budget and Long Term Financial Plan articulate the use of resources with the position for 2023/24 and beyond summarised within the Chief Finance Officer's (S151 Officer) report to Council in February 2023 as part of the budget process for 2023/24 as follows:

### **Robustness of the Estimates**

#### **Financial Management / Governance Arrangements**

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

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

*Although annual budget deficits are forecast across the remaining years of the plan, the overall financial forecast risks are underwritten by the use of a dedicated forecast risk fund, which is estimated to remain in a surplus position over the life of the current 10-year plan.*

*The need to continue to deliver against the 10-year forecast is clearly recognised within the Council and will remain a key focus in 2023/24. Self-sufficiency also continues to underpin the Council's 10-year forecast along with maximising opportunities through investment and maximising savings opportunities over a longer time period. Taking a longer-term view of the forecast also enables the Council to respond to any significant financial impacts over several years rather than as part of an annual budget cycle, which strengthens financial resilience in the long term. This has been brought into even sharper focus as part of developing the budget for 2023/24 given the significant global / national events that have had a major impact on the Council's financial position, with further comments set out later on in this statement.*

*Given the scale of the financial challenges that the Council faces, additional engagement with members was undertaken as early as possible in this year's budget setting / forecasting process to add resilience to the Council's financial position heading into 2023 and beyond. In addition to the above, all staff briefings were recently held to set out the Council's financial position. Continued transparency and communication will play a major role going forward to support the Council in delivering a long term financially sustainable position.*

*In addition to the above it is also worth highlighting that within the Financial Strategy framework, there is Cabinet involvement at various stages in addition to a comprehensive review and associated input from the Resources and Services Overview and Scrutiny Committee.*



Key financial issues are routinely considered as part of the preparation of the Council's Annual Governance Statement with the required leadership demonstrated at the most senior level. As part of an immediate and direct response to the challenging outturn position for 2021/22 and to future financial challenges, the Chief Executive established a regular cycle of Budget, Performance and Delivery Review meetings with Management Team and other Senior Officers across the Council. These meetings aim to cover a range of issues such as taking a high level review of the in-year budget position for each Directorate / Department to draw out any potential financial issues ahead of the associated impact on the budget, to promote and oversee any associated decision making / governance processes, to identify financial pressures that may impact on the Council's long term financial plan and to review the in-year performance against the Council's key aims and objectives and other key delivery targets.

A corporate investment plan approach was adopted in 2022 and it will play an integral part of the financial planning process going forward. It is worth highlighting that the corporate investment plan approach includes the identification of issues emerging from departmental resource delivery plans along with supporting operational needs, which reflect a large number of the costs emerging during the 2023/24 budget cycle. However, as reported earlier in the year, further reporting of the corporate investment plan would be delayed until such time as the Council had a clearer position on the potential financial impacts faced by the Council in 2022/23 and 2023/24 and beyond. It is planned to re-engage with the corporate investment approach during 2023/24.

Another important element of the long term forecast is the delivery of on-going savings, which also need to act as a 'safety valve' in terms of offsetting increases in cost pressures or other unavoidable increases in expenditure. Based on the most up to date forecast, savings in excess of £5m are currently included in the forecast across 2024/25 to 2026/27.

The scale of the savings are therefore significant set against the Council's overall net budget and will present a major challenge for the Council. It is important to highlight that the savings need to be broadly secured before the start of the relevant year, which means that a framework to explore and identify potential options will need to be underway as early as possible in 2023. Work will therefore need to commence on this major piece of work shortly.

As set out in earlier reports, zero based budgeting was planned to be further developed during 2022/23. The key principles behind zero based budgeting will play a key role going forward and will form part of developing the forecast. However, it was recognised that the immediacy of the financial challenge the Council faces will influence the impact this approach will have in the short term.

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

It is currently proposed to review the long term forecast in 2023, which would see 3 years to go until the end of the original 10-year plan. This will provide an opportune time to review the Council's financial position going forward and reflect on any longer term impact from the current challenging financial environment. It is also worth highlighting that a New Homes Bonus grant is receivable in 2023/24. This has been set aside to provide additional financial flexibility to the New Administration from May this year to support the delivery of the long-term forecast / priorities going forward.

*Regular and comprehensive monitoring of the budget will continue to be undertaken during 2023/24 as part of the well-established and comprehensive financial performance reporting process, so issues can be identified and action taken at the earliest opportunity if and when appropriate.*

*In terms of capital investment and treasury management, the Council is responding to the publication of revised prudential and treasury management codes, with a revised Annual Capital and Treasury Strategy planned to be presented to Cabinet and Full Council before the start of 2023/24. Although subject to a number of changes, any associated activities will continue to be based on a robust and overall risk aware approach.*

*Reflecting on the above, it is recognised that there are risks inherent within the Council's financial framework and corresponding detailed estimates. However, action has been taken to mitigate these risks as far as possible. The budgets have been prepared against the background of a difficult economic environment, which will undoubtedly take time to return to more historic levels as the Council starts to look ahead to 2024/25 and beyond.*

### **Budget Assumptions**

*This year has seen a number of emerging issues both nationally and globally that will have a significant impact on the Council's own financial position e.g. inflation, supply chain disruption, energy cost increases, commodity price increases along with associated secondary impacts. This is in addition to more local pressures on net costs such as the Crematorium remaining non-operational for the first half of 2022/23. The scale and speed of how some of these issues emerged / developed during 2022/23 added a significant level of difficulty in terms of responding in the short term.*

*Given the scale of the financial issues emerging during 2022 and the estimated impact in 2023/24 and beyond, an initial two year approach was adopted in terms of securing a balanced position in both 2022/23 and 2023/24.*

*Taking both years together provided the basis against which to consider the refocusing of existing reserves and budgets to ensure a robust yet prudent response. Throughout the budget cycle for 2023/24, a number of existing budgets and reserves were identified that could be refocused to support the Council's overall financial position. These have been complemented by income budgets where increases are expected in 2023/24, such as from fees and charges and investment income.*

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

*The detailed budget for 2023/24 has been prepared within the above context and clear rationale has been stated in respect of the formulation of the financial forecast and how it has been translated into the detailed budgets. This has been supported by a risk assessment of each line of the forecast.*

*The budget presented for 2023/24 sets out a balanced position, although it includes the use of one-off funding in the short term. However, the long term forecast still provides an effective method of managing financial risks. The on-going impact from various financial challenges is still evolving and it is therefore important to highlight that the money set aside in the Forecast Risk fund reflects a balanced and realistic approach and provides the flexibility and time to consider the longer term plan and savings that will be required in a more informed way rather than having to potentially take quick / short term decisions.*

### ***Delivering a positive outturn position each year***

*In previous years the Council has refrained from using one-off money and reserves to support the on-going budget. Given the scale of the current financial challenges faced by the Council, this principle can no longer be applied as highlighted above.*

*To support the long term approach via the Forecast Risk Fund, the forecast includes in-year savings targets of £250k. This remains an important element of the overall financial forecast which will be reviewed as part of the regular financial performance reports during the year along with the outturn position at the end of each year.*

*As highlighted earlier, a number of emerging issues in 2022/23 have been considered as part of the initial two year approach to respond to the immediate issues that have arisen. This approach aims to support the delivery of the budget in 2022/23 by the timely refocusing / review of existing budgets and reserves to avoid adverse issues later in the year, where they would become inherently more challenging to resolve if close to the end of the financial year.*

*Cost pressures continue to present one of the more significant risks to the forecast, especially given the amount of unavoidable cost pressures identified in recent years and the significant issues that have emerged during 2022/23. Although on-going revenue items remain the most difficult items to respond to, one-off items, such as those associated with repairing / refurbishing assets could also have a significant impact on the forecast. However in respect of the latter, one-off funding remains available elsewhere in the budget to support these costs which 'protects' the underlying revenue budget from the associated risk.*

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

*As has been the case in previous years, to support the management of risk, the Council continues to resist using the New Homes Bonus grant to support the on-going base budget. As highlighted earlier, the grant receivable in 2023/24 has been set aside for consideration by the New Administration from May 2023 as part of developing the financial forecast from 2024/25 and beyond.*

*It is also important to highlight that the Council has 'cash backed' a number of key schemes and projects so their delivery is secured, rather than relying on projected savings or future forecasts to fund them. This 'protects' the underlying revenue budget, as investment in priorities can still be progressed without relying on generating the necessary funds via the long term forecast.*

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

## **Financial Risks**

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

One of the previous primary risks to the forecast related to the COVID 19 pandemic, which have been replaced in 2022/23 and beyond with wider global / national economic challenges, which have increased the level of financial risk to the Council's long term financial sustainability. The Financial Performance reports presented during the year have set out more details around these challenges.

The initial two year approach taken, as highlighted above, has enabled the significant risks in 2022/23 to be addressed along with any associated impact in 2023/24.

It is recognised that the one-off money such as reserves to balance the budget is not sustainable in the long term. However, by balancing the use of existing budgets / reserves along with the use of available Forecast Risk Fund, it provides the necessary time to explore options to deliver the required on-going savings from 2024/25, which was part of the flexibility that the longer term approach to the forecast was intended to deliver.

As set out in the main body of the report, although the deficit has reduced since Cabinet's meeting on 27 January 2023, the deficit remains significant against the context of the Council's overall net budget. However, it does provide additional flexibility in terms of developing the required framework in which to identify the necessary savings to support an on-going financially sustainable position over the next few years.

Set against the position highlighted above, it is therefore important that the Council establishes a framework as early as possible in 2023/24 against which the longer term savings 'targets' can be secured.

## **Adequacy of the Reserves / Financial Standing**

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

The report to Cabinet in December 2022 set out a review of reserves, which is undertaken annually as part of each year's budget setting cycle.

As part of delivering a balanced budget in 2022/23 and 2023/24, a number of one-off budgets / reserves have been refocused / transferred. However a number of important reserves are still maintained, with the following key reserves still held that support the Council's underlying financial resilience:

- As mentioned above, a Forecast Risk Fund has been established to 'underwrite' the 10-year forecast. Surplus balances are forecast to remain within this reserve over the remaining years of the plan;
- the Council has prudently set aside money for other significant risks in the forecast such as **£1.758m** (NDR Resilience Reserve) and **£1.000m** (Benefits Reserve), which can be taken into account during the period of the forecast if necessary;
- **£1.019m** remains set side to mitigate cost pressures associated with the repair and maintenance of Council assets along with supporting the Council's commitment to carbon neutrality; and

- *In addition to the above, the level of uncommitted reserves forecast at 31 March 2022 is £4.000m.*

*The above along with the on-going / annual review of reserves continue to help the Council demonstrate that the current level of reserves remain adequate / prudent to 'underwrite' risks and uncertainties that are inherent within the forecasting process. No significant adjustments have been required in 2023/24 that weaken the overall long term approach to the forecast.*

***The proposed budget for 2023/24 resulting from the above processes and governance arrangements is therefore robust / deliverable, and underwritten / supported by reserves.***

The impact from the global/economic challenges that emerged during 2022/23 continue to have a significant impact on the Council's financial position in 2023/24 and beyond. These issues are discussed in more detail further on within this narrative statement.

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

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

Although the Council awaits its first such report, the commentary will cover the following 3 headings:

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

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

The Council's Statement of Accounts for 2020/21 and 2021/22 still remain subject to being 'signed off' due to External Audit delays, which is a well-publicised and national issue and in no way reflects any wrong-doing by those Council's adversely affected. This has unfortunately contributed to the delay in the publication of these Accounts for 2022/23, which were required to be published by the end of May 2023.

The Council's decision to delay the publication of the accounts should be seen as a practical response to matters outside of its control, rather than a reflection on the Council's important financial stewardship role. However to provide additional assurance in the interim period, the External Auditor has provided a positive Draft Audit Completion Report for 2020/21 which was considered by the Council's Audit Committee in March 2023, with no significant weakness identified to date in terms of the Council's use of resources.

Due to the delays highlighted above, the Council's Monitoring Officer issued an associated Section 5 Report which is available on the Council's website.

In response to the on-going External Audit delays, the Government have recently announced its proposed approach, which is based on introducing a series of statutory deadlines for account preparers and auditors to clear the backlog, with Auditors being required to provide as much assurance as possible for any years outstanding. They would still be required to report as normal any significant concerns they have on an organisation's financial controls and financial reporting, as well as financial resilience, governance and risk. Where necessary, it is intended that auditors would need to limit their opinion, making clear to the user of the accounts where full evidence hasn't been confirmed, and which the auditor is therefore unable to provide assurance over. Auditors' statutory duty to report on value for money arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) will remain a high priority.

## **Risks and Opportunities**

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

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

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

The Council's Corporate Risk Register was reported to the Senior Managers and the Audit Committee during the year to aid accessibility, improve the focus on actions that are required to successfully manage corporate risks.

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

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

Mitigating actions have reduced the residual risk against each risk item within the categories above to at or below the Council's acceptable risk tolerance level apart from the following four items, which were included in the latest report to the Council's Audit Committee on 13 July 2023:

Risk	How the Risk is Controlled/Mitigated
<p><b>Ineffective Cyber Security Physical and Application (software) Based Protection Management</b> - Failure to adopt, implement and deliver effective Cyber Security protective arrangements leading to a catastrophic or significant IT cyber security breach or loss of personal, sensitive, or vulnerable persons'</p>	<p>Tendring District Council has robust cyber-security including physical devices (Firewalls), network segregation, protective software applications to protect the Council from the daily occurrences of external Cyber-attack. Cyber-security is an essential part of our induction training. In addition, phishing awareness campaigns are also ongoing. With council cyber-attacks growing exponentially in both volume and complexity the council must consider that it is not IF but WHEN a successful cyber-attack is made and we continue to plan, train and exercise accordingly. Having implemented an 'immutable backup' regime we have data restoration capabilities from locked-down safe sources. That said, in a restoration scenario we will lose any recent made data changes so an element of recovery will still be necessary. Following Full Council decision of 2nd March 2023 and adoption of managed-devices by all Councillors we have implemented cyber security posture control council-wide. This is a significant step-change in minimising the number of attack vectors' (pathways) that a hacker can use to attack and attempt to exploit vulnerabilities to gain access to networks/ computers/ digital devices/ information/ data. We will continue to move towards a Zero trust Network Architecture (ZTNA) as a direction of travel over the next twelve months. ZTNA means that in addition to monitoring infrastructure hardware for security vulnerabilities, every user device connecting to services is routinely checked for access rights and vulnerabilities (in the background)</p>
<p><b>Coastal Defence</b> - The Council has a coastline of 60km and maintains the sea defence structures along 18.5km of this frontage. These defences protect the towns of Harwich, Dovercourt, and Walton on the Naze, Frinton on Sea, Holland on Sea, Clacton and Brightlingsea. The cliffs are prone to stability issues because of steep slopes in many areas, historical structures, and past shortage of funds for maintenance. Unforeseen expenditure may be required on sea defences, which if left to deteriorate could cause catastrophic cliff failure and impact safety of residents/visitors nearby. The East Coast of the UK is vulnerable to a phenomenon called a North Sea Tidal Surge.</p>	<p>Conducting annual inspections of coast protection structures and responding swiftly to public reporting of minor faults. An annual maintenance programme for the coastal frontage is set each year with an appropriate budget to cover the works. Each year sections of the sea defences are improved as part of a rolling programme of special maintenance schemes funded from the Council's Revenue Budgets. Works undertaken range from day-to-day maintenance of promenades and seawalls to schemes costing millions of pounds. Larger capital schemes attracting grant in aid are produced to comply with Defra guidelines and their High-Level Targets for coast protection. At present there are identified areas of current cliff instability where funding to conduct necessary major projects would need to be identified.</p>



<p><b>Financial Strategy</b> - The impact of achieving a balanced budget in an ever-tightening financial environment on service delivery objectives</p>	<p>Long Term Financial Plan updated on an ongoing basis.</p> <ul style="list-style-type: none"> <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. Key financial items discussed at dedicated / regular meetings of Management Team</li> <li>• Responding to and implementing recommendations and advice issued by the Council's External Auditor.</li> </ul> <p>A framework in which to deliver required savings is currently being developed with the aim of capturing key financial information to support the associated decision-making process alongside the corporate plan / priorities process. This will also sit alongside a review of the investment plan approach and the use of key zero based budgeting principles in developing the forecast looking ahead to 2024/25 and beyond. A review of the length of the financial planning cycle is subject to review during 2023. However, in the event that the long-term approach is unable to support the delivery of the intended outcomes, then the Council can revert to the more traditional / short term approach to setting the budget.</p>
<p><b>Loss of sensitive and/or personal data through malicious actions loss theft and/or hacking</b></p>	<p>Multi-firewall network segregation implemented with role-based access to systems necessary for work. Governance procedures/ policies/ responsibilities quarterly reviewed by the Information Governance Policy Unit. All remote working is protectively 'tunnelled' utilising Microsoft VPN technology. All officer mobile devices (laptops, tablet, and phones) are encrypted with complex passwords and are managed using Microsoft Mobile device Management (MDM) to further protect data. Enhanced monitoring of the Council's internal network data flows focusses on early detection/ isolation of cyber-attack. The Council maintains an ongoing campaign to educate staff and members as to a range of cyber-attacks/ techniques. To-date all information breaches have been down to human-error. We have robust security breach reporting arrangements, and each such breach is investigated and lessons-learned in terms of reducing the operating risk or providing additional staff training etc. Procedures are in place to manage agreements where appropriate, where partner organisations are managing data on behalf of the Council. Consultation with the Council's Data Protection Officer should be undertaken prior to agreements being formed. This will ensure risk to the organisation is managed effectively.</p>

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

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

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

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

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

A review of the Councils Risk Management approach and Corporate Risk Register is underway in 2023/24, which will include a review of the risks currently 'captured' along with the consideration of any changes or additions to reflect the most up to date position / challenges faced by the Council.

### Strategy and Resource Allocation

The Council has adopted a long term financial sustainability plan with the primary aim of protecting services, as far as is reasonably possible, that the Council provides to its residents, businesses and visitors in the wake of the on-going and significant reductions in government funding and significant inflationary pressures that emerged during 2022/23. A summary of the thinking behind this approach was set out in the report to Cabinet on 5 September 2017, which is available on the Council's website.

The updated long term forecast presented to Full Council on 14 February 2023 included revised annual forecasts over the remaining years of the 10 year plan which are set out in the table below (including estimated balances on the Forecast Risk Fund that supports the delivery of a balanced budget year on year):

Year	Net Budget Position (including adjusting for prior use of reserves to balance the budget)	Forecast Risk Fund - Estimated Surplus Balance at the end of each year
2024/25	£3.823 million (Deficit)	£2.569 million
2025/26	£0.132 million (Deficit)	£2.687 million
2026/27	£0.225 million (Deficit)	£2.711 million

The figures in the table above are after taking into account 'required savings targets' of £1.150 million, £4.250 million and £0.450 million in 2024/25 to 2026/27 respectively.

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

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

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

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

Within last year's Narrative Statement, it was mentioned that the Council had established a corporate investment plan approach to maintain a focus on the prioritisation of resources / investment opportunities. Given the significant financial pressures emerging in 2022/23, this approach was 'blended' into the existing Financial Performance reports that are prepared and presented to Members during the year. However the following sets out a number of key points that remain a key consideration within this broader approach:

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

As mentioned within the risk section earlier, a framework in which to deliver required savings is currently being developed with the aim of capturing key financial information to support the associated decision-making process alongside the corporate plan / priorities process. This is also reflected as a key item within the Annual Governance Statement.

## **Council Performance 2022/23**

### ***Non-Financial Performance***

Performance reports are presented to Management Team and Members during the year, which includes updates against key projects / 'highlight' priorities. The following sets out a summarised outturn position at the end of March 2023:

<b>Highlight Action</b>	<b>Year End Status</b>
Minimise Waste; Maximise Recycling	On its way
Effective Regulation and Enforcement	On its way
Net Carbon Neutral by 2030	Delivered
North Essex Garden Communities	Delivered
Jaywick Sands – More and Better Housing	Delivered
Building and Managing Our Own Homes	On its way

10 Year Financial Plan	On its way
Effective and Positive Governance	Delivered
Use of Assets to Support Priorities	On its way
Develop and Attract New Businesses	Delivered
Support Existing Businesses	On its way
Promote Tendring's Tourism, Cultural and Heritage Offers	Delivered
Health and Wellbeing – For Effective Services and Improved Public Health	Delivered
Education – For Improved Outcomes	Delivered
Joined Up Public Services for the Benefit of Our Residents and Businesses	On its way

### ***Financial Performance***

Continuing from previous years, the various strands representing the overall financial performance of the Council have been brought together in one report that is reported to members on a quarterly basis. This approach follows the commitment made to provide regular updates on the long term financial forecast and to bring the reporting of key financial performance and budget monitoring together in one report. The report therefore sets out the overall financial position of the Council in one place and includes a risk assessed approach to each strand of the forecast. The financial performance reports that were presented to Members during 2022/23, which are available on the Council's website, also include the consideration of investment opportunities and cost pressures as discussed earlier.

The Council is meeting its long term forecasted position supported by the forecast risk fund that was set up to 'underwrite' the risks associated with the new long term approach. In respect of 2023/24, there is no estimated use of the forecast risk fund as other one off reserves and budgets were repurposed to support the budget in 2023/24 given the level of emerging costs pressures such as inflation. £6.142 million is therefore forecast to be 'held' within the forecast risk fund at the end of 2023/24 to continue to support the long term plan in 2024/25 and beyond.

### **Financial Performance 2022/23 including comparison with the 2022/23 Budget**

A comprehensive outturn report was agreed by the Council's Finance and Governance Portfolio Holder on 10 July 2023 along with an associated report presented to Cabinet on 21 July 2023, both of which are available on the Council's website, with a summary set out below that follows a similar format of the Expenditure and Funding analysis within the Statement of Accounts:

## Summary of General Fund Revenue Financial Performance 2022/23

	Budget 2022/23 £m	Outturn 2022/23 £m	Variance £m
<b>Net Cost of Services *</b>	<b>32.538</b>	<b>15.994</b>	<b>(16.544)</b>
<b>Other Income and Expenditure</b>			
Revenue Support for Capital Investment	4.915	2.191	(2.724)
Financing Items	(6.932)	(6.555)	0.377
Business Rates (including Tariff and Levy)	(3.033)	(3.545)	(0.512)
Revenue Support Grant	(0.444)	(0.445)	(0.001)
Collection Fund Surplus/Deficit	3.191	3.191	-
Income from Council Tax Payers	(9.112)	(9.112)	-
<b>Total Other Income and Expenditure</b>	<b>(11.415)</b>	<b>(14.275)</b>	<b>(2.860)</b>
<b>(Surplus) or Deficit on Provision of Services **</b>	<b>21.123</b>	<b>1.719</b>	<b>(19.404)</b>
Opening General Fund Balances	(38.071)	(38.071)	-
(Surplus) or Deficit on General Fund in Year	21.123	1.719	(19.404)
<b>Closing General Fund Balances at 31 March</b>	<b>(16.948)</b>	<b>(36.352)</b>	<b>(19.404)</b>

\* the budget of £32.538 million included in the table above is £12.431 million more than the figure (£20.107 million) presented to Full Council in February 2022 when the original budget was agreed, which is primarily due to the amounts carried forward from 2021/22 into 2022/23.

\*\* the difference between budget and actuals is primarily due to requested carry forwards into 2023/24, with some significant items as follows:

- Garden Communities Project - £0.550 million
- Local Plan - £0.160 million
- Community Housing Trust Grant - £0.612 million
- Health Partner Funded Projects - £0.894 million
- Revenue Financing of Capital - £2.043 million
- Levelling Up Grant Funded Regeneration Project Delivery - £2.291 million

The above figures relate to the General Fund only which explains the difference with the figures set out in the Expenditure and Funding Analysis that also includes the Housing Revenue Account. The Expenditure and Funding analysis set out within the Statement of Accounts shows a Net Cost of Services figure for 2022/23 of £15.154 million. When the HRA is excluded (£0.839 million), the outturn position relating to the Net Cost of Services is £15.994 million as included in the table above.

Within the £19.404 million variance on the (Surplus) or Deficit on Provision of Services above, a general contribution of £3.352 million was made to reserves representing the overall outturn variance for the year. The main items behind the overall outturn variance for the year included the following:

- External Investment Income - £0.350 million
- Net Income from Business Rates - £0.799 million
- Revenue Financing of Capital - £0.594 million
- New Burdens Grants received from the Government - £0.308 million

### Summary of General Fund Capital Programme 2022/23

Expenditure is capitalised when it is spent on the acquisition, creation or enhancement of assets that have a value to the Council or the community for more than one year. Examples of capital expenditure incurred by the Council during the year were disabled facilities grants and major repairs/enhancements to assets. As capital schemes span financial years, amounts are proposed to be carried forward to continue the schemes and projects in 2023/24, with significant items as follows:

- Disabled Facilities Grants - £8.180 million
- Starlings and Milton Road Development - £0.720 million
- Clacton Leisure Centre Replacement of All Weather Pitch - £0.393 million
- Clacton Skate Park Improvement Scheme - £0.300 million
- Carnarvon House Demolition - £0.346 million

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

	Budget 2022/23 £m	Outturn 2022/23 £m	C/fwds £m	Variance £m
Capital Expenditure	16.498	3.931	11.971	(0.596)
<b>Funding of Capital Expenditure</b>				
	Budget 2022/23 £m	Outturn 2022/23 £m	To Fund C/fwds £m	Variance £m
External Sources of Finance	0.902	0.505	0.397	-
S106	0.163	0.080	0.081	(0.002)
Government Grants	9.682	1.235	8.446	(0.001)
Capital Receipts	1.000	-	1.000	-
Revenue Contributions	0.905	0.178	0.708	(0.019)
Use of Earmarked Reserves	3.846	1.933	1.339	(0.574)
<b>Total</b>	<b>16.498</b>	<b>3.931</b>	<b>11.971</b>	<b>(0.596)</b>

### General Fund Reserves

The overall level of reserves at the end of 2022/23 is £36.352 million, made up of £19.214 million for earmarked commitment reserves, £13.138 million for other earmarked reserves and £4.000 million for uncommitted reserves.

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

The level of earmarked commitments reserve is lower than at the end of 2021/22 primarily due to the associated accounting treatment of business rates via the collection fund.

## Housing Revenue Account 2022/23

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

	Budget 2022/23 £m	Outturn 2022/23 £m	Variance £m
<b>Net Cost of Services</b>	1.152	(0.839)	(1.991)
<b>Other Income and Expenditure</b>	-	-	-
<b>(Surplus) or Deficit on Provision of Services *</b>	<b>1.152</b>	<b>(0.839)</b>	<b>(1.991)</b>
Opening HRA Revenue Reserves	(5.202)	(5.202)	-
(Surplus) or Deficit on HRA in Year	1.152	(0.839)	(1.991)
<b>Closing HRA General Balance at 31 March</b>	<b>(4.050)</b>	<b>(6.041)</b>	<b>(1.991)</b>

\* the difference between budget and actuals is primarily due to a carry forward of £1.527 million along with an additional contribution to reserves of £0.464 million.

## Housing Revenue Account 2022/23 – Capital Expenditure

	Budget 2022/23 £m	Outturn 2022/23 £m	C/fwds £m	Variance £m
HRA Capital Expenditure	11.049	7.351	3.904	0.206

A summary of how this capital expenditure was financed in 2022/23 is set out below:

	Budget 2022/23 £m	Outturn 2022/23 £m	To Fund C/fwds £m	Variance £m
Major Repairs Reserve	4.178	3.939	0.450	0.211
S106	0.333	0.328	-	(0.005)
Capital Receipts	0.064	-	0.064	-
External Contributions	4.904	3.041	1.863	-
Revenue funding from the HRA	1.570	0.043	1.527	-
<b>Total</b>	<b>11.049</b>	<b>7.351</b>	<b>3.904</b>	<b>0.206</b>

The overall variance of £0.206 million is largely due to the timing and programme of works which will continue in 2023/24 and beyond supported by the various funding sources highlighted in the table above.

## The Council's Overall Balance Sheet

The Council's balance sheet as at the end of March 2023 is set out within the Statement of Accounts. Some significant matters to highlight are as follows:



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

- **Other Long Term Investments / Other Long Term Liabilities – Pensions**

At the end of 2022/23 there is an overall pension surplus attributable to the Council of £34.791 million (£27,040 million deficit for 2021/22) which has been included in the Balance Sheet as at 31 March 2023. 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 2022. The next triennial review is due in 2025. The surplus reported for 2022/23 highlights that to date the current benefit obligations of the fund are less 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.

The decrease in the liability is mainly as a result of changes in financial assumptions. The scheme's actuary has applied a discount rate of 4.8% compared to a rate of 2.6% used last year in determining the liabilities for retirement benefits. All else being equal, a higher discount rate will result in a lower value being placed on the defined benefit obligation and an improvement in the overall position.

- **Cash and Cash Equivalents**

At the end of 2022/23 the overall Cash and Cash Equivalents totalled £6.820 million (£10.040 million in 2021/22). This reduction is mainly as a result of the decrease in sums held in the two Money Market Funds operated by the Council for operational reasons in accordance with the Council's Treasury Management Practices. These reduced from £6.903 million at 31 March 2022 to £3.448 million at 31 March 2023

- **Short Term Creditors**

At the end of 2022/23 there is overall Short Term Creditors totalling £31.094 million (£40.249 million in 2021/22). This reduction is mainly as a result of government grant received in 2021/22 that was distributed in 2022/23 in respect of the Council Tax Energy Bills Rebate Scheme.

Although the thinking and philosophy behind the long term financial sustainability plan has been referred to earlier on in this report, the detailed budget for 2023/24 that was 'built' on this approach is set out below:

## General Fund

The Council's overall net General Fund revenue budget for 2023/24 (excluding amounts carried forward from 2022/23) is £14.141 million with a summary below, including how it is financed:

	2023/24 Original £m
Net Cost of Services	22.235
Revenue Support for capital investment	0.070
Financing items	(6.963)
<b>Net Expenditure</b>	<b>15.342</b>
Net Use of Earmarked Reserves	(1.201)
<b>Total Net Budget</b>	<b>14.141</b>
<b>Financed by:</b>	
Business Rates (excl. S31 Govt. Grant funding)	(3.058)
Revenue Support Grant	(0.696)
Collection Fund (Surplus)/Deficit	(0.784)
<b>Council Tax Requirement (for Tendring District Council)</b>	<b>9.603</b>

A summary of planned Capital Expenditure in 2023/24 (excluding amounts carried forward from 2022/23) and how it is financed is as follows:

	2023/24 Original Budget £m
<b>Expenditure</b>	<b>0.827</b>
<b>Financing</b>	
Government Grants	0.757
Capital Receipts	-
Earmarked Reserves	-
Direct Revenue Contributions	0.070
<b>Total Financing</b>	<b>0.827</b>

The current long term forecast going into 2024/25 and beyond reflects items such as the on-going impact from the reduction in government funding and the potential for income growth from council tax and business rates, including amounts from property growth. The proposed changes to business rates nationally remains as a significant risk to Councils and will continue to be monitored and reflected in the forecast accordingly. On the expenditure side of the forecast, inflation such as on salaries are also included along with an estimate of cost pressures and potential savings. As highlighted later on, there are a number of other emerging financial issues that are expected to have an impact on the Council in 2023/24 and beyond.

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

In terms of the COVID-19 pandemic and other national / global events, the speed and scale of future economic growth / recovery remains difficult to forecast. However this will be kept under review and reflected in the long term forecast that will be updated on an on-going basis during 2023/24.

### **Housing Revenue Account**

A summary of the HRA Revenue Budget for 2023/24 is summarised below:

	2023/24 Original Budget £m
Direct Expenditure	8.089
Direct Income	(15.266)
Indirect Income/Expenditure including Financing Costs	7.457
<b>Net (Surplus)/Deficit</b>	<u>0.280</u>
<b>Contribution to/(from) Reserves</b>	<u><u>(0.280)</u></u>

A summary of the HRA Capital Programme for 2023/24 is set out below:

	2023/24 Original Budget £m
<b>Expenditure</b>	<u>7.978</u>
<b>Financing</b>	
Major Repairs Reserve	3.314
Capital Receipts	4.050
Revenue funding from the HRA	0.614
<b>Total Financing</b>	<u><u>7.978</u></u>

The Council continues to take steps to deliver existing projects along with developing a number of projects and priorities, with a summary of some key items set out below:

#### ➤ **Levelling up funding for Clacton and Dovercourt Town Centres**

The Government have awarded the Council over £26 million of financial support for investment in capital regeneration projects in Clacton and Dovercourt. Work is now underway with partners to deliver these two important capital schemes over the next two / three years.

## ➤ **Freeport East**

The Council remains a key partner in the Freeport East programme, working with other local authorities and the Port to support efforts to bring forward development at Bathside Bay in Harwich. The Council also continues to work with Essex County Council and other partners to develop proposals for the regeneration benefits that Freeport East could bring to the District of Tendring, which includes the creation of thousands of new jobs in the region. Freeport East Ltd was incorporated on 6 December 2022 as a not-for-profit company created by the local partners, including Tendring District Council, to deliver the full potential of the Freeport East vision. The Council's interest in this company has not yet been recognised within the Statement of Accounts, as to date the activities of the company have been limited and therefore not material.

In addition to the above, the Council continues to deliver against a number of existing capital projects such as the redevelopment of the Honeycroft Site in Lawford, along with the refurbishment of Spendells House in Walton on the Naze.

In terms of the Council's Housing Revenue Account, the formulation of the budget for 2023/24 was set against the context of the longer-term business plan. As highlighted within the associated budget reports available on the Council's website, one area that is important to note as it will have a bearing on the overall financial position of the HRA in future years is the regulatory regime emerging from the Hackett review, which followed the Grenfell fire incident. This is in addition to the national trend of increases in housing disrepair claims made against local authorities. The Council remains committed to providing good quality housing whilst also recognising the ambition of building / acquiring new homes for local people. Given the financial issues the Council faces, this balance is becoming increasingly more challenging in the short term. However, the Council remains alert to any changes that may be required in managing its housing stock, which are reflected in the 30 year business plan as necessary. The business plan will continue to be subject to updates during 2023/24 with the on-going aim of delivering the long term financial sustainability of the HRA.

In addition to the above, the Financial Outturn Report for 2022/23 that was considered by the Council's Cabinet on 21 July 2023 highlighted the following significant financial challenges / issues that are expected to have an impact in 2023/24 and beyond:

- Planning Appeal Costs
- Review of the Careline Business Case
- Waste Tipping Away Costs
- Fixed term budgets coming to an end e.g. Housing Early Interventions Officer.
- North Essex Parking Partnership Budget and potential financial impact on partnering authorities
- Impact of the outturn position for 2022/23.
- Ongoing inflationary pressures – e.g. employee and contract costs.
- Prioritising investment
- Consideration of extending the long-term forecast period beyond 2026/27
- Reflecting the on-going priorities and vision of the Council.
- Reviewing the overall financial risk approach – balancing any bias - cautiousness / optimism
- Using one-off funding to support the budget

- Future investment opportunities and cost pressures, including the impact of the upcoming retender of the waste and street cleansing contract
- Impact of new Extended Producer Responsibility relating to packaging and waste

As part of developing the financial forecast for 2024/25 and beyond, the Council is developing a framework within which to identify / secure the necessary savings to support its long term financial sustainability. This is included as a key action within the Council's Annual Governance Statement.

### **The Impact of COVID-19**

Within the Narrative Statement from previous years, the impact from the COVID 19 pandemic was highlighted.

The Council has continued to recover from the associated impact, which was supported by grant funding from the Government.

As recognised within reports to the Council's Audit Committee during the year, the COVID 19 pandemic was a major contributor to the ever changing risk landscape which led to the impact of COVID-19 becoming a section of every audit undertaken within the Council by the Internal Audit Team. This approach remains ongoing in 2023/24.

### **Basis of Preparation and Presentation**

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

## **FINANCIAL STATEMENTS**

The main elements of the financial statements are explained below and comprise of information in respect of accounting concepts and estimation techniques, the responsibilities for the Statement of Accounts along with the report of the Auditors and the detailed financial statements and notes. The format and information in the Accounts has been prepared in line with International Financial Reporting Standards (IFRS) and the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (The Code). The detailed financial statements that are required are explained below; these are split into 'core statements' and 'supplementary statements'.

## **ACCOUNTING AND RESPONSIBILITY STATEMENTS**

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

## **CORE FINANCIAL STATEMENTS**

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

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

- **Balance Sheet** - The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
  
- **Cash Flow Statement** - The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

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



## **SUPPLEMENTARY FINANCIAL STATEMENTS**

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

## **OTHER INFORMATION**

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

## **ADDITIONAL STATEMENTS**

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

# ACCOUNTING CONCEPTS AND ESTIMATION TECHNIQUES

## Accounting Concepts

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

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

## Estimation Techniques

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

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## **The Authority's Responsibilities**

The Authority is required to:

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

## **The Assistant Director Finance and IT's Responsibilities**

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

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

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

The Assistant Director Finance and IT has also:

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

## **Assistant Director Finance and IT's Certificate**

I certify that the accounts set out in this document give a true and fair view of the financial position of the Authority at the 31 March 2023 and the income and expenditure for the year then ended.

R C Barrett  
Assistant Director Finance and IT  
Date: 31 July 2023

The Assistant Director Finance and IT has certified the formal financial statements, which are held by the Assistant Director Finance and IT and can be reviewed upon request.

Reserved for the Chair of the Audit Committee' Certificate

SUBJECT TO AUDIT

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
TENDRING DISTRICT COUNCIL  
YEAR ENDED 31 MARCH 2023**

Reserved for the Audit Opinion

SUBJECT TO AUDIT

Reserved for the Audit Opinion

SUBJECT TO AUDIT

Reserved for the Audit Opinion

SUBJECT TO AUDIT



Reserved for the Audit Opinion

SUBJECT TO AUDIT

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

Expenditure	2021/22			2022/23		Note	
	Income	Net		Expenditure	Income		Net
£000	£000	£000		£000	£000	Ref	
<b>EXPENDITURE ON SERVICES</b>							
4,514	(1,805)	2,709	Leader	4,558	(1,433)	3,125	
8,330	(4,985)	3,345	Corporate Finance and Governance	3,812	(952)	2,860	
14,096	(4,395)	9,701	Environment and Public Space	14,102	(4,868)	9,234	
59,792	(57,498)	2,294	Housing	61,093	(57,124)	3,969	
893	(80)	813	Partnerships	1,017	(513)	504	
3,064	(2,446)	618	Business and Economic Growth	819	(178)	641	
11,449	(3,478)	7,971	Leisure and Tourism	10,705	(4,708)	5,997	
1,132	(519)	613	Budgets Relating to Non Executive Functions	946	(264)	682	
<b>103,270</b>	<b>(75,206)</b>	<b>28,064</b>	<b>Net Cost of Services</b>	<b>97,052</b>	<b>(70,040)</b>	<b>27,012</b>	
3,590	(1,292)	2,298	Other Operating Income and Expenditure	6,859	(2,457)	4,402	11
1,946	(466)	1,480	Financing and Investment Income and Expenditure	1,475	(1,862)	(387)	12
6,416	(31,956)	(25,540)	Taxation and Non-Specific Grant Income and Expenditure	6,235	(35,047)	(28,812)	13
		<b>6,302</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>2,215</b>	
		(30,627)	(Surplus) or deficit on revaluation of non-current assets			(11,214)	10(a)
		(28,823)	Remeasurements of the net defined benefit liability (asset)			(56,578)	10(c)
		<b>(59,450)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(67,792)</b>	
		<b>(53,148)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(65,577)</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 2021 brought forward</b>	43,304	5,310	5,448	1,527	7,586	63,175	146,741	209,916	
<b>Movement in reserves during the year</b>									
Total comprehensive expenditure and income	(7,271)	969	-	-	-	(6,302)	59,450	53,148	
Adjustments between accounting basis and funding basis under regulations	2,038	(1,077)	88	(147)	1,630	2,532	(2,532)	-	7
<b>Increase/(Decrease) in Year</b>	(5,233)	(108)	88	(147)	1,630	(3,770)	56,918	53,148	
<b>Balance at 31 March 2022 carried forward</b>	38,071	5,202	5,536	1,380	9,216	59,405	203,659	263,064	8,10
<b>Balance at 1 April 2022 brought forward</b>	38,071	5,202	5,536	1,380	9,216	59,405	203,659	263,064	
<b>Movement in reserves during the year</b>									
Total comprehensive expenditure and income	(3,528)	1,313	-	-	-	(2,215)	67,792	65,577	
Adjustments between accounting basis and funding basis under regulations	1,809	(473)	(645)	74	2,440	3,205	(3,205)	-	7
<b>Increase/(Decrease) in Year</b>	(1,719)	840	(645)	74	2,440	990	64,587	65,577	
<b>Balance at 31 March 2023 carried forward</b>	36,352	6,042	4,891	1,454	11,656	60,395	268,246	328,641	8,10

# BALANCE SHEET

## AS AT 31 MARCH 2023

31/03/2022 £000		31/03/2023 £000	Note Ref
	Long Term Assets		
261,539	- Property Plant and Equipment	267,339	14
157	- Heritage Assets	193	
2,108	- Investment Property	2,364	15
10	- Intangible Assets	1	
-	- Long Term Investments - Pensions	34,791	27
273	- Long Term Debtors	271	16
<b>264,087</b>	<b>Total Long Term Assets</b>	<b>304,959</b>	
	Current Assets		
69,016	- Short Term Investments	74,351	16
1,000	- Assets Held for Sale	823	18
107	- Inventories	35	
16,505	- Short Term Debtors	10,307	19
10,040	- Cash and Cash Equivalents	6,820	20
<b>96,668</b>	<b>Total Current Assets</b>	<b>92,336</b>	
	Current Liabilities		
(2,506)	- Short Term Borrowing	(1,693)	16
(40,249)	- Short Term Creditors	(31,094)	21
(1,049)	- Provisions	(834)	
(240)	- Capital Grants Receipts in Advance	(796)	23
<b>(44,044)</b>	<b>Total Current Liabilities</b>	<b>(34,417)</b>	
	Long Term Liabilities		
(578)	- Long Term Creditors	(960)	
(34,699)	- Long Term Borrowing	(33,277)	16
(18,370)	- Other Long Term Liabilities - Pensions	-	27
<b>(53,647)</b>	<b>Total Long Term Liabilities</b>	<b>(34,237)</b>	
<b>263,064</b>	<b>Total Net Assets</b>	<b>328,641</b>	
	<b>Financed by:</b>		
59,405	Usable Reserves	60,395	9
203,659	Unusable Reserves	268,246	10
<b>263,064</b>	<b>Total Reserves</b>	<b>328,641</b>	

R C Barrett  
Assistant Director Finance and IT  
31 July 2023

The Assistant Director Finance and IT has certified the formal financial statements, which are held by the Assistant Director Finance and IT and can be reviewed upon request.

## CASH FLOW STATEMENT

2021/22		2022/23	
£000		£000	£000
<b>(6,302)</b>	<b>Net surplus or (deficit) on the provision of services</b>		<b>(2,215)</b>
	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements:		
10,670	Depreciation, revaluation and impairment of non-current assets	11,276	
(123)	Movement in Investment Property Values	(256)	
16	Amortisation of Intangible Assets	9	
(4,415)	Increase/decrease in creditors	(4,048)	
(5,189)	Increase/decrease in debtors	1,643	
4,910	Movement in pension liability	3,417	
(767)	Contributions to/(from) provisions	(215)	
1,893	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	4,567	
(66)	Other items	73	16,466
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:		
(2,097)	Capital Grants credited to surplus or deficit on the provision of services	(5,183)	
(2,029)	Proceeds from the sale of property, plant and equipment	(2,456)	(7,639)
<b>(3,499)</b>	<b>Net cash flows from Operating Activities*</b>		<b>6,612</b>
	Investing Activities:		
(8,864)	Purchase of property, plant and equipment, investment property and intangible assets		(10,070)
(857,800)	Purchase of short term investments		(727,503)
2,056	Proceeds from the sale of property, plant and equipment		2,458
854,403	Proceeds from short term investments		722,700
(963)	Other payments for investing activities		-
1,639	Other receipts from investing activities		5,134
<b>(9,529)</b>	<b>Net cash flows from investing activities</b>		<b>(7,281)</b>
	Financing Activities:		
(1,671)	Repayments of short and long term borrowing		(2,221)
4,615	Other payments for financing activities		7,730
8,829	Other receipts from financing activities		(8,060)
<b>11,773</b>	<b>Net cash flows from financing activities</b>		<b>(2,551)</b>
<b>(1,255)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>(3,220)</b>
11,295	Cash and cash equivalents at the beginning of the reporting period		10,040
<b>10,040</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>6,820</b>

\*The cash flows for operating activities include Interest Received of £1.107 million (£0.389 million in 2021/22) and Interest paid of £1.286 million (£1.346 million in 2021/22).

# NOTES TO CORE FINANCIAL STATEMENTS

## 1 Expenditure and Funding Analysis

Expenditure Chargeable to GF and HRA Balances	2021/22		Net Expenditure in the CIES		2022/23		Net Expenditure in the CIES	Note Ref
	Adjustment between Funding and Accounting basis	£000			£000	Expenditure Chargeable to GF and HRA Balances		
				<b>EXPENDITURE ON SERVICES</b>				
				Leader				
2,709	-	2,709		Corporate Finance and Governance	3,125	-	3,125	
(6,264)	9,609	3,345		Environment and Public Space	(6,526)	9,386	2,860	
9,701	-	9,701		Housing	9,234	-	9,234	
2,474	(180)	2,294		Partnerships	1,497	2,472	3,969	
813	-	813		Business and Economic Growth	504	-	504	
618	-	618		Leisure and Tourism	641	-	641	
7,971	-	7,971		Budgets Relating to Non Executive Functions	5,997	-	5,997	
613	-	613			682	-	682	
<b>18,635</b>	<b>9,429</b>	<b>28,064</b>		<b>Net Cost of Services</b>	<b>15,154</b>	<b>11,858</b>	<b>27,012</b>	
				Other Income and Expenditure	(14,275)	(10,522)	(24,797)	
<b>5,341</b>	<b>961</b>	<b>6,302</b>		<b>(Surplus) or Deficit on Provision of Services</b>	<b>879</b>	<b>1,336</b>	<b>2,215</b>	
(48,614)				Opening General Fund and HRA Balances	(43,273)			
5,341				(Surplus) or Deficit on General Fund and HRA Balances in Year	879			
<b>(43,273)</b>				<b>Closing General Fund and HRA Balances at 31 March</b>	<b>(42,394)</b>			8

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

2021/22				2022/23				
Adjustments for Capital Purposes (see a below)	Pensions Adjustments (see b below)	Other Differences (see c below)	Total Adjustments		Adjustments for Capital Purposes (see a below)	Pensions Adjustments (see b below)	Other Differences (see c below)	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
				<b>EXPENDITURE ON SERVICES</b>				
607	-	9,002	9,609	Corporate Finance and Governance	747	-	8,639	9,386
673	462	(1,315)	(180)	Housing	3,252	344	(1,124)	2,472
<b>1,280</b>	<b>462</b>	<b>7,687</b>	<b>9,429</b>	<b>Net Cost of Services</b>	<b>3,999</b>	<b>344</b>	<b>7,515</b>	<b>11,858</b>
(1,011)	4,448	(11,905)	(8,468)	Other Income and Expenditure	(2,146)	3,073	(11,449)	(10,522)
<b>269</b>	<b>4,910</b>	<b>(4,218)</b>	<b>961</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>1,853</b>	<b>3,417</b>	<b>(3,934)</b>	<b>1,336</b>

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

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

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

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

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

## **2 Accounting Policies**

The Council is required to prepare a Statement of Accounts for each financial year by the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021 in accordance with proper accounting practices as set out in the Chartered Institute of Public Finance and Accountancy 2022/23 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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



### **3 Critical judgements in applying accounting policies**

The appropriate accounting treatment of Grants and Contributions is a result of critical judgements made about whether any attached terms are restrictions or conditions and whether any conditions have been met, see accounting policy (i). If conditions are met, or there are no conditions or only restrictions, then the income must be shown in the Comprehensive Income and Expenditure Statement. However, if there are conditions and they have not been met they must be shown in the Balance Sheet. The Council also recognises as income in the Comprehensive Income and Expenditure Statement income received under S106 planning agreements in the year of receipt as, although these have conditions action is always taken to ensure the conditions are met. Details of grants recognised during the year are set out in Note 23.

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

The accounting standards introduced by the 2023/24 Code (which has yet to be issued) are expected to be as follows:

- IFRS16 Leases, but the requirement to adopt this has been deferred by CIPFA to 2024/25 and Tendring District Council has decided not to adopt it voluntarily as the changes this will introduce are not expected to materially change the Statement of Accounts due to the low values and short lives of assets leased by the Council.
- Definition of Accounting Estimates (Amendments to IAS8), which clarifies the definitions with no impact expected for Tendring District Council.
- Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2), which again clarifies disclosure requirements and is not expected to have any impact for Tendring District Council.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS12), which only applies for group accounts so is not relevant to Tendring District Council.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS3), which relates to business combinations and is not relevant to Tendring District Council.

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

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

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

**a) Property, Plant and Equipment Valuations**

As set out in note 14 on Property Plant & Equipment, the Council uses the services of an external professional Valuer in valuing assets. In accordance with the Code council dwellings are valued on a beacon basis by grouping similar houses together and applying the social housing discount factor set by central government. Land and buildings are valued either at existing use value (EUUV) which is based on market evidence and the Valuer's professional judgement assuming they remain in existing use or for specialised assets at Depreciated Replacement cost (DRC) which includes assumptions made by the Valuer for relevant build costs, obsolescence and professional fees costs.

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

**b) Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged (via Essex County Council) to provide the Authority with expert advice about the assumptions to be applied. The latest actuarial assessment as at 31 March 2023 shows that the discount rate applied by the actuary has increased from 2.6% at 31 March 2022 to 4.8% at 31 March 2023. The impact of this combined with a decline in assumed life expectancy following the full revaluation of the Fund by the actuary as at 31 March 2022 has been to move the Pension liability into a Pension asset at 31 March 2023, showing the scheme funding is more than the estimated liability at that date.

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £2.008 million.

However, the assumptions interact in complex ways. During 2022/23, the Authority's actuaries advised that the net pensions liability had decreased by £52.825 million primarily as a result of updating the assumptions.

## **6 Events after the Reporting Period**

The Statement of Accounts was authorised for issue by the Assistant Director Finance and IT on 31 July 2023. Consideration for events arising after the Balance Sheet date is given up to the date the accounts are authorised for issue.

SUBJECT TO AUDIT

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

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

2021/22					2022/23				
General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
4,448	462	-	-	-	3,073	344	-	-	-
(4,218)	-	-	-	-	(3,798)	-	-	-	-
-	-	-	-	-	(131)	(5)	-	-	-
4,987	5,699	-	-	-	3,302	8,002	-	-	-
(123)	-	-	-	-	(256)	-	-	-	-
15	1	-	-	-	8	1	-	-	-
5,109	6,162	-	-	-	2,198	8,342	-	-	-

### Adjustments to the Revenue Resources

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

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

### Total Adjustments to Revenue Resources

2021/22					2022/23				
General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments between Revenue and Capital Resources</b>									
(288)	(1,741)	-	-	2,029					
					Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve and Deferred Capital Receipts				
737	1,156	-	-	-	(37)	(2,419)	-	-	2,456
					Amounts of non-current assets written off to the Capital Adjustment Account on disposal				
-	25	-	-	(25)	2,786	1,781	-	-	-
					Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)				
(1,285)	(1,652)	-	1,418	-	-	17	-	-	(17)
					Transfer of capital grants, contributions and donated assets income credited to the Comprehensive Income and Expenditure				
309	-	-	-	(309)	(1,740)	(3,443)	-	4,190	-
					Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)				
-	(3,176)	3,176	-	-	1	-	-	-	(1)
					Posting of HRA resources from revenue to the Major Repairs Reserve				
(210)	(1,664)	-	-	-	-	(3,294)	3,294	-	-
					Provision for the repayment of debt (transfer from the Capital Adjustment Account)				
24	-	-	-	(24)	(201)	(1,414)	-	-	-
					Mitigation of Finance Lease costs in accordance with regulation				
679	-	-	-	-	-	-	-	-	-
					Revenue expenditure financed from capital under statute (transfer from the Capital Adjustment Account)				
(3,037)	(187)	-	-	-	993	-	-	-	-
					Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)				
(3,071)	(7,239)	3,176	1,418	1,671	(2,191)	(43)	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>					(389)	(8,815)	3,294	4,190	2,438
<b>Adjustments to Capital Resources</b>									
-	-	-	-	(68)	-	-	-	-	-
					Use of the Capital Receipts Reserve to finance capital expenditure				
-	-	(3,088)	-	-	-	-	(3,939)	-	-
					Use of the Major Repairs Reserve to finance capital expenditure				
-	-	-	(1,565)	-	-	-	-	(4,116)	-
					Application of capital grants to finance capital expenditure				
-	-	-	-	27	-	-	-	-	2
					Cash payments in relation to deferred capital receipts				
-	-	(3,088)	(1,565)	(41)	-	-	(3,939)	(4,116)	2
<b>Total Adjustments to Capital Resources</b>					-	-	(3,939)	(4,116)	2
2,038	(1,077)	88	(147)	1,630	1,809	(473)	(645)	74	2,440
<b>Total Adjustments</b>									

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

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

	Balance at 1 April 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31 March 2023 £000
<b>General Fund:</b>							
Revenue Commitments Reserve	16,738	(16,427)	14,434	14,745	(14,661)	17,084	17,168
Capital Commitments Reserve	3,129	(3,118)	3,866	3,877	(3,908)	2,077	2,046
Forecast Risk Fund	3,753	(1,048)	500	3,205	(431)	541	3,315
Asset Refurbishment/Replacement Reserve	1,269	-	-	1,269	(250)	-	1,019
Beach Recharge Reserve	1,500	(1,500)	-	-	-	-	-
Benefit Reserve	1,000	-	-	1,000	-	-	1,000
Building for the Future Reserve	1,239	(270)	685	1,654	-	686	2,340
Business Rate Resilience Reserve	8,226	(6,045)	2,817	4,998	(3,528)	-	1,470
Commuted Sums Reserve	427	(20)	100	507	(22)	-	485
Crematorium Reserve	154	-	-	154	(154)	-	-
Election Reserve	30	-	30	60	-	30	90
Haven Gateway Partnership Reserve	75	-	-	75	-	-	75
Leisure Capital Projects Reserve	82	(81)	50	51	(36)	50	65
Planning Inquiries and Enforcement Reserve	79	(20)	-	59	(20)	-	39
Section 106 Agreements Reserve	1,603	(71)	885	2,417	(390)	1,213	3,240
<b>Total General Fund Earmarked Reserves</b>	<b>39,304</b>	<b>(28,600)</b>	<b>23,367</b>	<b>34,071</b>	<b>(23,400)</b>	<b>21,681</b>	<b>32,352</b>
General Fund Balance	4,000	-	-	4,000	-	-	4,000
<b>Total General Fund</b>	<b>43,304</b>	<b>(28,600)</b>	<b>23,367</b>	<b>38,071</b>	<b>(23,400)</b>	<b>21,681</b>	<b>36,352</b>

	Balance at 1 April 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31 March 2023 £000
<b>Housing Revenue Account:</b>							
General Reserve	4,447	(201)	-	4,246	(195)	464	4,515
Housing Revenue Account Commitments Reserve	863	(863)	956	956	(956)	1,527	1,527
<b>Total Housing Revenue Account</b>	<b>5,310</b>	<b>(1,064)</b>	<b>956</b>	<b>5,202</b>	<b>(1,151)</b>	<b>1,991</b>	<b>6,042</b>

## 9 Usable Reserves

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

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

**a) General Fund Balance**

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

**b) Capital Receipts**

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

**c) Capital Grants Unapplied**

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

**d) Earmarked Reserves**

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

**i) Revenue Commitments Reserve**

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

**ii) Capital Commitments Reserve**

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

**iii) Forecast Risk Fund**

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

**iv) Asset Refurbishment/Replacement Reserve**

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

**v) Beach Recharge Reserve**

Established to fund future costs of replenishing the beaches with sand along the Clacton to Holland coastline. This reserve was fully utilised during 2021/22 to fund Cliff Stabilisation works, which was subject to a separate decision by Cabinet on 23 April 2021.

**vi) Benefit Reserve**

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

**vii) Building for the Future Reserve**

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



- viii) Business Rates Resilience Reserve**  
To support the Council in reacting to potential future changes in Business Rate appeals and income.
- ix) Commuted Sums Reserve**  
Established from commuted sums paid to the Council to cover such items as maintenance costs of Open Spaces and CCTV.
- x) Crematorium Reserve**  
To finance future replacement and improvement works to the crematorium plant and equipment at Weeley. This reserve was fully utilised in 2022/23.
- xi) Election Reserve**  
To finance future costs associated with holding District Elections on a periodic basis.
- xii) Haven Gateway Partnership Reserve**  
To support the costs associated with the Haven Gateway Partnership.
- xiii) Leisure Capital Projects Reserve**  
This reserve has been established to fund ongoing investment in Leisure Facilities.
- xiv) Planning Inquiries and Enforcement Reserve**  
To meet associated costs relating to planning services.
- xv) Section 106 Agreements Reserve**  
This reserve holds income received from developers under Section 106 of the Town and Country Planning Act 1990 to be spent on specific projects over a number of years in accordance with the terms of the agreements.
- e) Housing Revenue Account**
- i) General Reserve**  
Resources available to meet future running costs for council houses.
- ii) Housing Revenue Account Commitments Reserve**  
This is earmarked for items of expenditure for which financial provision was made in the previous or current year.

## 10 Unusable Reserves

2021/22		2022/23
£000		£000
90,230	Revaluation Reserve	96,712
134,073	Capital Adjustment Account	135,085
(18,370)	Pensions Reserve	34,791
(1,988)	Collection Fund Adjustment Account	1,810
(286)	Other Unusable Reserves	(152)
<u>203,659</u>		<u>268,246</u>

### a) Revaluation Reserve

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

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

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

2021/22			2022/23	
£000	£000		£000	£000
	62,104	<b>Balance at 1 April</b>		90,230
37,073		Upward revaluation of assets	15,229	
		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(4,015)	
(6,446)				
<u>30,627</u>		Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		11,214
		Difference between fair value depreciation and historical cost depreciation	(1,720)	
(1,740)		Accumulated gains on assets sold or scrapped	(3,012)	
(761)				
<u>(2,501)</u>		Amount written off to the Capital Adjustment Account		(4,732)
	<u>90,230</u>	<b>Balance at 31 March</b>		<u>96,712</u>

**b) Capital Adjustment Account**

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

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

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



### c) Pensions Reserve

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

2021/22			2022/23	
£000	£000		£000	£000
	(42,283)	<b>Balance at 1 April</b>		(18,370)
	28,823	Remeasurements of the net defined benefit liability (asset)		56,578
(7,751)		Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,362)	
2,841		Employer's pensions contributions and direct payments to pensioners payable in the year	2,945	
	(4,910)	Total adjustments to revenue resources		(3,417)
	<u>(18,370)</u>	<b>Balance at 31 March</b>		<u>34,791</u>

### d) Collection Fund Adjustment Account

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

	Council Tax	Business Rates	Total
	£000	£000	£000
<b>Balance at 1 April 2021</b>	231	(6,437)	(6,206)
Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	363	3,855	4,218
<b>Balance at 31 March 2022</b>	594	(2,582)	(1,988)
<b>Balance at 1 April 2022</b>	594	(2,582)	(1,988)
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory	113	3,685	3,798
<b>Balance at 31 March 2023</b>	707	1,103	1,810

## 11 Other Operating Expenditure

2021/22		2022/23
£000		£000
2,100	Parish Council Precepts	2,273
309	Payments to the Government Housing Capital Receipts Pool	1
(111)	(Gains)/losses on the disposal of non-current assets	2,128
<u>2,298</u>	Total	<u>4,402</u>

## 12 Financing and Investment Income and Expenditure

2021/22		2022/23
£000		£000
1,251	Interest payable and similar charges	1,301
818	Net interest on the defined benefit liability (asset)	430
(210)	Interest receivable and similar income	(1,638)
(123)	Movement in Investment Property Values	(256)
(256)	Rental Income from Investment Property	(224)
<u>1,480</u>	Total	<u>(387)</u>

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

2021/22		2022/23
£000		£000
11,095	Council tax income	11,823
9,170	Retained Business Rates Income	9,951
(6,416)	Business Rates Tariff and Levy	(6,235)
9,433	Non-Ringfenced Government Grants	9,083
2,258	Capital Grants, Contributions and Donated Assets	4,190
<u>25,540</u>	Total	<u>28,812</u>

Further details for the Non-Ringfenced and Capital Grants disclosed above are provided on note 23.

## 14 Property, Plant and Equipment

### a) Movement on Balances

Movements in 2022/23	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and 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>Cost or valuation</b>								
At 1 April 2022	161,771	58,206	6,558	58,873	550	2,415	382	288,755
Additions	4,256	1,390	279	1,102	8	-	3,215	10,250
Accumulated depreciation and impairment written off to Gross Carrying Amount	(3,244)	(883)	-	-	-	(15)	-	(4,142)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	9,203	1,997	-	-	-	15	-	11,215
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,625)	130	-	-	-	-	-	(4,495)
Derecognition - Disposals	(946)	(2,178)	(478)	(124)	-	(1,546)	-	(5,272)
Assets reclassified (to)/from Assets Held for Sale	1,000	-	-	-	-	(823)	-	177
At 31 March 2023	167,415	58,662	6,359	59,851	558	46	3,597	296,488

## Movements in 2022/23

	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and Equipment	Infra-structure	Comm-unity Assets	Surplus Assets	Assets Under Construc-tion	Total Property, Plant and Equip-ment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Depreciation and impairments</b>								
At 1 April 2022	(438)	(489)	(4,663)	(21,591)	(35)	-	-	(27,216)
Depreciation Charge for 2022/23	(3,251)	(687)	(428)	(2,380)	-	(29)	-	(6,775)
Accumulated depreciation written off to Gross Carrying Amount	3,244	883	-	-	-	15	-	4,142
Derecognition - Disposals	5	83	474	124	-	14	-	700
At 31 March 2023	(440)	(210)	(4,617)	(23,847)	(35)	-	-	(29,149)
<b>Net Book Value</b>								
at 31 March 2023	166,975	58,452	1,742	36,004	523	46	3,597	267,339
at 1 April 2022	161,333	57,717	1,895	37,282	515	2,415	382	261,539



## Movements in 2021/22

	Council Dwellings	Other Land and Buildings	Vehicles Plant, Furniture and 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>Cost or valuation</b>								
At 1 April 2021	142,024	54,123	6,395	56,259	540	45	336	259,722
Additions	4,631	1,281	163	2,404	10	1	327	8,817
Accumulated depreciation and impairment written off to Gross Carrying Amount	(3,045)	(1,713)	-	-	-	(15)	-	(4,773)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	22,516	8,097	-	-	-	15	-	30,628
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,895)	(810)	-	-	-	-	-	(3,705)
Derecognition - Disposals	(1,163)	(681)	-	-	-	-	(46)	(1,890)
Derecognition - Other	-	(44)	-	-	-	-	-	(44)
Assets reclassified (to)/from Surplus Assets	-	(2,369)	-	-	-	2,369	-	-
Assets reclassified (to)/from Assets Under Construction	-	25	-	210	-	-	(235)	-
Other Movements in cost or valuation	(297)	297	-	-	-	-	-	-
At 31 March 2022	161,771	58,206	6,558	58,873	550	2,415	382	288,755

<b>Movements in 2021/22</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 2021	(585)	(894)	(4,188)	(19,361)	(35)	-	-	(25,063)
Depreciation Charge for 2021/22	(2,904)	(1,344)	(475)	(2,230)	-	(13)	-	(6,966)
Accumulated depreciation written off to Gross Carrying Amount	3,045	1,478	-	-	-	15	-	4,538
Accumulated impairment written off to Gross Carrying Amount	-	235	-	-	-	-	-	235
Derecognition - Disposals	6	6	-	-	-	-	-	12
Derecognition - Other	-	28	-	-	-	-	-	28
Other Movements in depreciation and impairment	-	2	-	-	-	(2)	-	-
At 31 March 2022	(438)	(489)	(4,663)	(21,591)	(35)	-	-	(27,216)
<b>Net Book Value</b>								
at 31 March 2022	161,333	57,717	1,895	37,282	515	2,415	382	261,539
at 1 April 2021	141,439	53,229	2,207	36,898	505	45	336	234,659

## b) Depreciation

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

In accordance with these requirements, depreciation has been provided in 2022/23 on a straight-line basis over the expected life of the Council's non-current assets after allowing for residual values, based on information provided by the Council's valuer.

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

- Council Dwellings – 30 years.
- Other Buildings – Up to a maximum of 56 years, depending on the asset, its location and type of construction, as set out in the table below:

Life	Asset Categories
56 years	Car park buildings
50-54 years	Beach changing kiosks, beach huts, chapels, crematorium, deck chair kiosks, depots and industrial properties, garages, investment property, kiosks, Princes Theatre, pavilions, miscellaneous properties, museums, offices, public halls, swimming pools
49 years	Public conveniences, former public conveniences
41-50 years	Historic buildings, bandstand
39 years	Seafront shelters
25-26 years	All weather pitch, roller skating rink
46 years	Clacton Leisure Centre

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

## c) Capital Commitments

At 31 March 2023, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment with 2023/24 and future years budgeted to cost £3.250 million. Similar commitments as 31 March 2022 were £1.241 million.

#### d) Revaluations

A desk top revaluation of the Council's Housing Stock and General Fund was undertaken in 2022/23 as at 30 September 2022 by P C Smith, BSc (Hons) MRICS, IRRV (Hons) RICS Registered Valuer, Associate Partner of Wilks Head and Eve LLP in accordance with the following guidance:

- CIPFA Code 2022/23
- International Financial Reporting Standards (IFRS)
- Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards (issued November 2021 and effective January 2022) and the RICS Valuation – Global Standards 2017: UK National Supplement (issued November 2018 and effective from 14 January 2019)
- RICS Global Standards 2017: UK National Supplement – UK VPGA 4 Valuation of local authority assets for accounting purposes.

A market review estimate was also obtained from Wilks Head and Eve LLP as to the change in value from 30 September 2022 to 31 March 2023 of all the Authority's non-current assets. The Council considers the range of movements identified for General Fund assets to be immaterial overall so they are not reflected in the Balance Sheet. For HRA Assets the movements identified by the Valuer of 2% for flats and 2.5% for houses were modelled through the portfolio and resulted in a material increase so they are reflected in the Balance Sheet. The Supplementary Financial Statement for the HRA sets out additional valuation details relating to the Council's housing stock.

#### 15 Investment Properties

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

2021/22		2022/23
£000		£000
(256)	Rental Income from Investment Property	(224)
<hr/>		<hr/>
(256)	Net gain/loss	(224)
<hr/> <hr/>		<hr/> <hr/>

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

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

2021/22		2022/23
£000		£000
1,985	Balance at start of year	2,108
123	Net Gains/(losses) from fair value adjustments	256
<hr/>		<hr/>
2,108	Balance at end of the year	2,364
<hr/> <hr/>		<hr/> <hr/>

**a) Fair Value hierarchy**

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

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

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

For further details of the Valuers used see Note 14 on Property, Plant and Equipment.

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

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

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

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

**16 Financial Instruments**

**a) Categories of Financial Instruments**

Long Term 31 March 2022 £000	Current 31 March 2022 £000		Long Term 31 March 2023 £000	Current 31 March 2023 £000
		<b>Financial assets at amortised cost</b>		
-	69,016	Investments	-	74,351
273	2,364	Trade and other receivables	271	3,855
-	10,040	Cash and Cash Equivalents	-	6,820
<u>273</u>	<u>81,420</u>	<b>Total Financial Assets at amortised cost</b>	<u>271</u>	<u>85,026</u>
		<b>Financial liabilities at amortised cost</b>		
34,699	2,506	Borrowing from Public Works Loan Board (PWLB)	33,277	1,693
578	-	Section 106 agreements	960	-
-	4,116	Trade and other payables	-	5,529
<u>35,277</u>	<u>6,622</u>	<b>Total Financial Liabilities at amortised cost</b>	<u>34,237</u>	<u>7,222</u>

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

## b) Reclassifications

There have been no reclassifications of financial assets or liabilities in 2022/23.

## c) Income, Expense, Gains and Losses

2021/22			2022/23		
Financial Liabilities measured at amortised cost	Financial Assets measured at amortised cost	Total	Financial Liabilities measured at amortised cost	Financial Assets measured at amortised cost	Total
£000	£000	£000	£000	£000	£000
1,333	-	1,333	1,272	-	1,272
-	6	6	-	8	8
<b>1,333</b>	<b>6</b>	<b>1,339</b>	<b>1,272</b>	<b>8</b>	<b>1,280</b>
-	(210)	(210)	-	(1,638)	(1,638)
<b>-</b>	<b>(210)</b>	<b>(210)</b>	<b>-</b>	<b>(1,638)</b>	<b>(1,638)</b>
<b>1,333</b>	<b>(204)</b>	<b>1,129</b>	<b>1,272</b>	<b>(1,630)</b>	<b>(358)</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 2022			31 March 2023		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000	£000		£000	£000	
37,205	48,456	PWLB borrowing	34,970	35,671	
578	578	Long term Section 106 agreements	960	960	
4,116	4,116	Trade and other payables	5,529	5,529	

The fair value of PWLB loans of £35.671 million measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the reduced interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

31 March 2022			31 March 2023		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000	£000		£000	£000	
69,016	69,016	Investments	74,351	74,351	
273	273	Long term trade and other receivables	271	271	
2,364	2,364	Short term trade and other receivables	3,855	3,855	

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

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

### a) Credit Risk

Credit risk arises from deposits with banks and other financial institutions and from credit advanced to the Council's customers. The Balance Sheet figures for financial assets are not representative of the normal level of exposure at any particular time. Positive cash flows in the early part of each financial year can lead to a considerably higher level of total investments. The maximum exposure during 2022/23 was £103.678 million.

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

The Council has had no experience of default on investments and does not expect any losses, nor has credit risk increased significantly since initial recognition, so no loss allowance has been made for investments. This is because investments are all held at amortised cost.

The Authority allows credit for some customers where payment in advance of service provision is not practicable. £0.382 million of the £1.579 million sundry debtor balance is past its due date for payment. The past due, but not impaired, amount can be analysed by age as follows;

2021/22		2022/23
£000		£000
12	Less than three months	78
40	Three to six months	34
48	Six months to one year	36
329	More than one year	234
429		382

Impairments of Sundry Debtors at 31 March 2023 totalled £0.541 million (£0.604 million at 31 March 2022).

**b) Liquidity Risk**

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

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

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



2021/22				2022/23		
Principal	Interest	Total		Principal	Interest	Total
£000	£000	£000		£000	£000	£000
2,222	1,272	3,494	Less than one year	1,422	1,217	2,639
1,422	1,217	2,639	Between one and two years	2,623	1,147	3,770
7,466	3,173	10,639	Between two and five years	5,932	2,938	8,870
5,449	4,257	9,706	Between five and ten years	5,067	4,110	9,177
3,532	3,619	7,151	Between ten and fifteen years	3,191	3,522	6,713
16,830	10,164	26,994	More than fifteen years	16,464	9,496	25,960
<b>36,921</b>	<b>23,702</b>	<b>60,623</b>		<b>34,699</b>	<b>22,430</b>	<b>57,129</b>

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

### c) Market Risk

#### ➤ Interest Rate Risk

At 31 March 2023 the Council's borrowing for more than one year was all at fixed rates of interest with the PWLB. The Annual Treasury Strategy draws together the Council's Prudential Indicators and its expected treasury operations, including an expectation of interest rate movements. The effects of movements in interest rates on investments are immaterial as the sums invested are at fixed interest rates for short periods.

At 31 March 2023, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been:

	£000
Increase in interest payable on variable rate borrowings	357
Increase in interest receivable on variable rate investments	(910)
	<hr/>
Impact on Surplus or Deficit on the Provision of Services	(553)
	<hr/>
Share of overall impact relating to the HRA	275
	<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 Assets Held for Sale

In June 2022 Cabinet decided that the 5 properties at Lotus Way in Jaywick that had been actively marketed for sale but had not been sold should be brought into the Council's Housing Stock as Council Dwellings. They have therefore transferred out of Assets Held for Sale.

The Council Offices and Depot at Weeley ceased operational use at the end of 2021/22 when they were reclassified as surplus. In April 2023 the Council decided on disposal to a developer for housing in return for 9 Council dwellings. Therefore, the buildings have been disposed of at nil consideration and the land has transferred to Assets for Held for Sale at 31 March 2023.

2021/22			2022/23	
£000			£000	
1,000		Balance Brought Forward		1,000
-		Assets reclassified to held for sale in year		823
-		Assets declassified from held for sale in year		(1,000)
<u>1,000</u>		<b>Balance carried forward</b>		<u>823</u>

## 19 Debtors

2021/22				2022/23		
Gross Amount	Impairment Allowance	Net		Gross Amount	Impairment Allowance	Net
£000	£000	£000		£000	£000	£000
374	(226)	148	Council tenants arrears	400	(280)	120
2,259	(618)	1,641	Trade debtors	3,799	(562)	3,237
1,919	(1,344)	575	Housing benefit overpayments	1,992	(1,494)	498
			Business rates and Council			
3,891	(1,760)	2,131	Tax Payers	3,567	(1,756)	1,811
			Amounts due from government			
			and preceptors for Business			
5,921	-	5,921	Rates and Council Tax	1,337	-	1,337
			Other amounts due from			
6,085	-	6,085	government	3,296	-	3,296
4	-	4	Other	8	-	8
<u>20,453</u>	<u>(3,948)</u>	<u>16,505</u>	<b>Balance at 31 March</b>	<u>14,399</u>	<u>(4,092)</u>	<u>10,307</u>

## 20 Cash and Cash Equivalents

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

2021/22			2022/23	
£000			£000	
		Current Assets:		
1,327		Bank current accounts		1,264
8,703		Call accounts		5,547
10		Petty cash		9
<u>10,040</u>				<u>6,820</u>

## 21 Creditors

2021/22		2022/23
£000		£000
3,784	Trade creditors	4,668
334	Capital creditors	861
	Amounts due to government and preceptors for Business Rates and Council	
8,620	Tax	5,430
19,805	COVID-19 grant funding	11,278
6,976	Other amounts due to government and preceptors	7,807
729	Receipts in Advance for Council Tax and Business Rates	1,045
1	Other	5
<u>40,249</u>	<b>Balance at 31 March</b>	<u>31,094</u>

## 22 Expenditure and Income Analysed by Nature

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

2021/22		2022/23
£000		£000
	<b>Expenditure</b>	
23,549	Employee Expenses	22,820
75,451	Other Services Expenses	69,183
10,686	Depreciation, Amortisation, Impairment	11,285
(123)	Movement in Investment Property Values	(256)
1,251	Interest Payable and Similar Charges	1,301
818	Pension Interest and Return on Pension Assets	430
2,100	Precepts and Levies	2,273
309	Payments to Housing Capital Receipts Pool	1
1,181	Loss on the Disposal of Non-Current Assets	4,584
<u>115,222</u>	<b>Total Expenditure</b>	<u>111,621</u>
	<b>Income</b>	
(31,093)	Fees and Charges and Other Service Income	(35,427)
(1,292)	Gain on Disposal of Non-Current Assets	(2,457)
(466)	Interest and Investment Income	(1,862)
(11,095)	Income from Council Tax	(11,823)
(9,170)	Income from Business Rates	(9,951)
(55,804)	Government Grants and Contributions	(47,886)
<u>(108,920)</u>	<b>Total Income</b>	<u>(109,406)</u>
<u>6,302</u>	<b>(Surplus) or Deficit on the Provision of Services</b>	<u>2,215</u>

## 23 Grant Income

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

2021/22 £000		2022/23 £000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
<i>Non-Ringfenced Grants:</i>		
431	Revenue Support Grant	445
403	Lower Tier Services Grant	231
-	Services Grant	349
644	New Homes Bonus Grant	1,595
131	New Burdens Grant	485
5,372	NDR Section 31 Business Rate Grants	4,703
885	Section 106 Agreements	1,213
1,397	COVID-19 Support Grants	-
170	Other Government Grants	62
9,433		9,083
<i>Capital Grants, Contributions and Donated Assets</i>		
<i>Government Funding</i>		
451	- Environment Agency	-
-	- Dept of Levelling Up and Communities	537
140	- Historic England	-
199	- South East Local Enterprise Partnership	2,192
13	Local Authority - Essex County Council	973
<i>Other Capital Contributions</i>		
613	- Section 106	403
-	- Football Foundation	85
2	- Walton Flood Wall	-
840	Donated Assets	-
2,258		4,190
<b>Other Significant Grants Credited to Services</b>		
-	Asylum Dispersal Grant	145
64	Apprenticeship Training Grant	70
39,790	Benefits	36,642
-	Big Lottery Funding	100
42	Health Partner Initiatives Grants	1,300
196	Collection Investment/Hardship Administration Grant	196
28	Community Safety	103
6,891	COVID-19 Grants	154
666	Disabled Facilities Grant	993
-	Discretionary Energy Grants	383
441	Major Preceptors - Technical Agreement Contribution	1,064
1,052	Homelessness Grants	978
125	Levelling Up Fund	2
-	Supporting People	200
-	UK Shared Prosperity Fund	106
-	Urban Tree Challenge	103
49,295		42,539

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

2021/22 £000		2022/23 £000
<b>Capital Grants Receipts in Advance</b>		
Government Funding:		
-	Dept of Levelling Up and Communities	523
152	Home and Communities Agency	152
88	Local Authority Funding	121
<u>240</u>		<u>796</u>

## 24 Related Parties

The Council is required to disclose material transactions with related parties (bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council). The Officers this applies to are deemed to be the Senior Employees listed in Note 26. Material related party transactions which are not disclosed elsewhere in the Statement of Accounts were as follows:

2021/22			2022/23	
Receipts £000	Payments £000		Receipts £000	Payments £000
2,503	759	Essex County Council	3,212	1,166
252	507	Other Local Authorities	319	760
Transactions with organisations related by a declared interest of Council Members or Senior Officers:				
-	30	Teen Talk	-	-
5	2	Other	3	-
<u>2,760</u>	<u>1,298</u>	<b>Total Related Party Transactions</b>	<u>3,534</u>	<u>1,926</u>

## 25 Members' Allowances

The Authority paid £0.475 million to members of the Council during the year (£0.429 million in 2021/22). Full details are available on the Transparency page of the Council's website.

## 26 Officers' Remuneration

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

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

Post Title	note	2022/23			Total Remuneration
		Salary, Fees and Allowances	Total remuneration excluding Pension Contributions	Employer's Contributions to Pension	
		£	£	£	£
Chief Executive		105,380	105,380	-	105,380
Corporate Director - Operations and Delivery		90,514	90,514	18,193	108,707
Assistant Director - Governance		82,570	82,570	16,597	99,167
Assistant Director - Finance and IT		79,280	79,280	15,935	95,215
Assistant Director - Partnerships		69,648	69,648	13,999	83,647
Assistant Director - Strategic Planning and Place		74,485	74,485	14,971	89,456
Corporate Director - Place and Economy	1	61,697	61,697	12,401	74,098

#### Notes

1. Post appointed to on 1 August 2022.

Post Title	note	2021/22			Total Remuneration
		Salary, Fees and Allowances	Total remuneration excluding Pension Contributions	Employer's Contributions to Pension	
		£	£	£	£
Chief Executive		137,772	137,772	27,692	165,464
Corporate Director - Operations and Delivery		86,688	86,688	17,424	104,112
Assistant Director - Governance		80,874	80,874	16,255	97,129
Assistant Director - Finance and IT		75,886	75,886	15,253	91,139
Assistant Director - Partnerships	1	66,731	66,731	13,413	80,144
Assistant Director - Strategic Planning	2	55,186	55,186	11,093	66,279

#### Notes

1. Post became a Senior Post on 1 April 2021 following Senior Management Restructure.
2. Post became a Senior Post on 1 July 2021 following Senior Management Restructure.

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

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

2021/22 Number of Total	Remuneration Band	2022/23 Number of Total
4	£50,000 - £54,999	7
4	£55,000 - £59,999	1
2	£60,000 - £64,999	1
3	£65,000 - £69,999	3
-	£70,000 - £74,999	1
-	£80,000 - £84,999	1
-	£105,000 - £109,999 **	1
1	£120,000 - £124,999***	-

\*\* This band includes the £51,508 exit package in note c) below.

\*\*\* In 2021/22 this band included the £72,120 exit package in note c) below

Where the £5,000 bands included no officers in both 2021/22 and 2022/23, they have been excluded from the note.

### c) Exit Packages

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

Exit package cost band (including special payments)	2022/23			Total cost of exit packages in each band £
	Number of compulsory redundancies	Number of other departures agreed	Total Number of exit packages by cost band	
£0 - £20,000	-	1	1	1,000
£20,001-40,000	-	1	1	24,978
£60,001-80,000	-	1	1	51,508
<b>Total cost included in Comprehensive Income and Expenditure Statement</b>				<b>77,486</b>

Of the 3 exit packages listed above 2 were accrued in the financial year 2022/23 but will be paid in 2023/24. Of the total of £77,486 paid, £75,934 was due to redundancy and £1,552 was due to financial strain payable to the Pension Fund rather than to an individual directly.

Exit package cost band (including special payments)	2021/22			Total cost of exit packages in each band £
	Number of compulsory redundancies	Number of other departures agreed	Total Number of exit packages by cost band	
£0 - £20,000	-	4	4	23,652
£20,001-40,000	-	2	2	45,037
£60,001-80,000	-	1	1	72,120
<b>Total cost included in Comprehensive Income and Expenditure Statement</b>				<b>140,809</b>

Of the total £140,809 paid, £97,279 was due to redundancy and £43,530 was due to financial strain payable to the Pension Fund rather than to an individual directly.

## 27 Defined Benefit Pension Schemes

### a) Participation in Pension Schemes

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

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

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

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

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

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



2021/22 Local Government Pension Scheme £000	<b>Comprehensive Income and Expenditure Statement</b>	2022/23 Local Government Pension Scheme £000
	<b>Cost of Services</b>	
	<i>Service cost comprising:</i>	
6,745	Current service cost	5,831
110	Past service costs	-
-	(gain)/loss from settlements	-
78	Administration Expenses	101
	<i>Financing and Investment Income and Expenditure</i>	
818	Net interest expense	430
<hr/> 7,751	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<hr/> 6,362
	<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	
	<i>Remeasurement of the net defined benefit liability comprising:</i>	
(11,983)	Return on plan assets (excluding the amount included in the net interest expense)	3,905
(4,917)	Actuarial gains and losses arising on changes in demographic assumptions	-
(7,779)	Actuarial gains and losses arising on changes in financial assumptions	(75,838)
(2,768)	Experience gains and losses on defined benefit obligation	15,355
(1,376)	Other Actuarial gains and losses on assets	-
<hr/> (21,072)	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<hr/> (50,216)
	<b>Movement in Reserves Statement</b>	
(7,751)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(6,362)
	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	
<hr/> 2,841	Employer's contributions payable to scheme	<hr/> 2,945

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

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

2021/22		2022/23	
Local Government Pension Scheme		Local Government Pension Scheme	
£000		£000	
193,828	Present value of the defined benefit obligation	137,927	
(175,458)	Fair Value of plan assets	(172,718)	
<b>18,370</b>	<b>Net liability (asset) arising from defined benefits obligation</b>	<b>(34,791)</b>	

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

2021/22		2022/23	
Local Government Pension Scheme		Local Government Pension Scheme	
£000		£000	
161,441	Opening fair value of scheme assets	175,458	
3,204	Interest income	4,520	
	<i>Remeasurement gain/(loss):</i>		
	The return of plan assets, excluding the amount included in the net interest expense	(3,905)	
1,376	Other actuarial gains/(losses)	-	
2,841	Contributions from employers	2,945	
848	Contributions from employees into the scheme	889	
(6,157)	Benefits paid	(7,088)	
-	Other - Settlement prices received / (paid)	-	
(78)	Other - Administration	(101)	
<b>175,458</b>	<b>Closing fair value of scheme assets</b>	<b>172,718</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)**

2021/22			2022/23	
Local Government Pension Scheme			Local Government Pension Scheme	
£000			£000	
203,724	Opening Balance at 1 April		193,828	
6,745	Current service cost		5,831	
4,022	Interest cost		4,950	
848	Contributions from scheme participants		889	
	<i>Remeasurement (gain)/loss:</i>			
(4,917)	Actuarial gains/losses arising from changes in demographic assumptions			
(7,779)	Actuarial gains/losses arising from changes in financial assumptions		(75,838)	
(2,768)	Experience gains and losses on defined benefit obligation		15,355	
110	Past service cost		-	
(6,157)	Benefits paid		(7,088)	
-	Liabilities extinguished on settlements		-	
<b>193,828</b>	<b>Closing Balance at 31 March</b>		<b>137,927</b>	

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

2021/22				2022/23		
Quoted Prices in Active Markets	Unquoted Prices (not in Active Markets)	Total		Quoted Prices in Active Markets	Unquoted Prices (not in Active Markets)	Total
£000	£000	£000		£000	£000	£000
			<b>Fair Value of Scheme Assets</b>			
-	4,966	4,966	Cash and cash equivalents	-	5,571	5,571
9,131	-	9,131	Equities - UK	-	-	-
86,215	-	86,215	Equities - Overseas	90,851	-	90,851
4,246	-	4,246	Gilts UK index Linked Government Securities	2,526	-	2,526
7,619	-	7,619	Bonds - Corporate (UK)	-	-	-
4,182	10,804	14,986	Property	3,278	10,868	14,146
-	8,780	8,780	Private Equity	-	8,636	8,636
-	15,150	15,150	Infrastructure	-	17,821	17,821
-	5,050	5,050	Timber	-	6,055	6,055
-	1,915	1,915	Private Debt	-	3,460	3,460
-	17,400	17,400	Other Managed Funds	-	23,652	23,652
<b>111,393</b>	<b>64,065</b>	<b>175,458</b>		<b>96,655</b>	<b>76,063</b>	<b>172,718</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 2022 which has been rolled forward using financial assumptions that comply with IAS19.

There are currently uncertainties in relation to LGPS benefits due to the McCloud and Sargent judgements (Court of Appeal Judgements in respect of cases which relate to age discrimination within the Judicial and Fire Pension Schemes). Remedial regulations are expected in 2023 and uncertainty over the benefit changes proposed for the LGPS will remain until these have been finalised. An allowance has been made in previous reporting periods for the potential impact therefore no further explicit adjustments have been made in this period. Any further differences between this cost and the cost previously incorporated into the employers accounting liabilities will be reflected in the liability experience item.

The significant assumptions used by the actuary have been:

2021/22 Local Government Pension Scheme		2022/23 Local Government Pension Scheme
	<i>Mortality assumptions:</i>	
	Longevity at 65 for current pensioners:	
21.0	Men	21.1
23.5	Women	23.5
	Longevity at 65 for future pensioners:	
22.3	Men	22.3
24.9	Women	25.0
3.20%	Rate of inflation - CPI Increases	2.95%
4.20%	Rate of increase in salaries	3.95%
3.20%	Rate of increase in pensions	2.95%
2.60%	Rate for discounting scheme liabilities	4.80%

The demographic assumptions used are in line with those used for the most recent fund valuation, which was carried out as at 31 March 2022. For the assumptions as at 31 March 2022 the CMI\_2021 model has been used, this is consistent with the previous accounting period.

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

	Increase in Assumption £000	Decrease in Assumption £000
<b>Defined Benefit Obligation in the Scheme</b>		
Longevity (increase or decrease in 1 year - mortality age rating)	143,724	132,393
Rate of inflation (increase or decrease by 0.1%)	139,856	136,047
Rate of increase in salaries (increase or decrease by 0.1%)	138,094	137,762
Rate of increase in pensions (increase or decrease by 0.1%)	139,856	136,047
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	135,919	139,987

#### **h) Impact on the Authority's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% using the actuarial valuation assumptions. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2025.

The authority expects to pay contributions totalling £3.282 million to the scheme in 2023/24.

The weighted average duration of the defined benefit obligation for scheme members is 16 years, 2022/23 (20 years 2021/22).

## 28 External Audit Costs

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

2021/22		2022/23
£000		£000
66	Fees payable with regard to external audit services carried out by the appointed auditor for the year	65
22	Fees payable in respect of other services provided by the external auditor during the year	20
<b>88</b>	<b>Total Audit Fees Payable</b>	<b>85</b>

For both 2021/22 and 2022/23 the figures included above reflect a 'Base Fee' of £45,000 with the balance being an estimated accrued amount for additional work.

## 29 Capital Expenditure and Capital Financing

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

2021/22		2022/23
£000		£000
43,672	<b>Opening Capital Financing Requirement</b>	41,798
	Capital Investment:	
7,946	Property, Plant and Equipment	10,289
679	Revenue expenditure funded from capital under statute	993
	Sources of Finance:	
(68)	Capital receipts	-
(2,245)	Government grants and other contributions	(5,109)
(3,089)	Major Repairs Reserve	(3,939)
	Sums set aside from revenue:	
(3,224)	Direct revenue contributions	(2,234)
(209)	MRP/loans fund principal	(201)
(1,664)	Voluntary MRP - HRA	(1,414)
<b>41,798</b>	<b>Closing Capital Financing Requirement</b>	<b>40,183</b>
	<b>Explanation of movements in year</b>	
(1,874)	Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	(1,615)
<b>(1,874)</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(1,615)</b>

### 30 Operating Leases - Authority as Lessor

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

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

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

2021/22		2022/23
£000		£000
424	Not later than one year	456
1,349	Later than one year and not later than five years	1,387
3,670	Later than five years	3,653
<hr/>		<hr/>
5,443		5,496
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The lease payments receivable do not include rents that are contingent on future events taking place, such as adjustments following rent reviews.

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

## HOUSING REVENUE ACCOUNT – INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

2021/22		2022/23	Note
£000		£000	Ref
<b>EXPENDITURE</b>			
4,283	Repairs and Maintenance	4,470	
2,893	Supervision and Management	2,970	
227	Rents, Rates, Taxes and Other Charges	133	
5,685	Depreciation and Impairments of Non-Current Assets	7,974	5,6
66	Debt Management Costs	66	
63	Movement in the allowance for bad debts	89	
1	Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	1	
<b>13,218</b>	<b>Total Expenditure</b>	<b>15,703</b>	
<b>INCOME</b>			
(12,813)	Dwelling rents	(13,250)	
(234)	Non dwelling rents	(241)	
(472)	Charges for Services and Facilities	(577)	
(46)	Contributions towards expenditure	(279)	
<b>(13,565)</b>	<b>Total Income</b>	<b>(14,347)</b>	
(347)	Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	1,356	
276	HRA Share of Corporate and Democratic Core	276	
(71)	Net Expenditure / (Income) for HRA Services	1,632	
<b>HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:</b>			
(561)	(Gain) or loss on sale of HRA Non-current Assets	(621)	
1,322	Interest Payable and Similar Charges	1,262	
(1,652)	Capital Grants and Contributions Receivable	(3,443)	
(7)	Interest and Investment Income	(143)	
<b>(969)</b>	<b>(Surplus) / Deficit for the year on HRA Services</b>	<b>(1,313)</b>	



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

2021/22		2022/23	
£000		£000	£000
4,447	Balance on the HRA as at the end of the previous year		4,246
969	Surplus or (Deficit) on the HRA Income and Expenditure Statement	1,313	
	Adjustments between accounting basis and funding basis under regulations:		
2,739	Reversal of Revaluation Changes and Impairment	4,708	
1	Reversal of Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	1	
(561)	Reversal of (Gain) or Loss on sale of HRA Non-current assets	(621)	
(1,652)	Reversal of Capital Grants and Contributions Receivable	(3,443)	
-	Reversal of Short Term Accumulating Compensated Absences	(5)	
(187)	Capital Expenditure Funded by the HRA	(43)	
(1,664)	Debt Repayment & Credit arrangements	(1,414)	
462	HRA share of contributions to or from the Pension Reserve	344	
107	Net increase or (decrease) before transfer to or from Reserves	840	
	Transfer (to) or from Reserves:		
(215)	Transfer (to)/from Major Repairs Reserves	-	
(93)	Transfers (to)/from Earmarked Reserves	(571)	
(201)	Increase or (decrease) in year on the HRA		269
<u>4,246</u>	<b>Balance on the HRA as at 31 March</b>		<u>4,515</u>

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

### 1 Housing Revenue Account Balances

#### HOUSING REVENUE ACCOUNT RESERVES

Housing Revenue Account	2021/22			2022/23		
	Housing Commitments Reserve	Total		Housing Revenue Account	Housing Commitments Reserve	Total
£000	£000	£000		£000	£000	£000
4,447	863	5,310	Balances as at 1 April	4,246	956	5,202
(201)	93	(108)	Surplus/(deficit) for year	269	571	840
<b>4,246</b>	<b>956</b>	<b>5,202</b>	<b>Balances as at 31 March</b>	<b>4,515</b>	<b>1,527</b>	<b>6,042</b>

## 2 Housing Assets

As at 31 March 2023, the Council was responsible for managing the following council housing assets:

01/04/2021					31/03/2022					01/04/2022					31/03/2023				
Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value		Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value		Opening Stock	Acquisitions in Year	Disposals in Year	Closing Stock	Balance Sheet Value			
					£000						£000						£000		
						<b>Dwellings</b>													
1,457	-	8	1,449	57,129		Flats	1,449	2	6	1,445	58,186	1,449	2	6	1,445	58,186			
1,005	2	12	995	72,861		Houses	995	21	8	1,008	76,085	995	21	8	1,008	76,085			
339	7	1	345	22,518		Bungalows	345	-	-	345	23,574	345	-	-	345	23,574			
290	-	-	290	8,033		Sheltered Accommodation	290	-	-	290	8,223	290	-	-	290	8,223			
9	-	-	9	792		Do-It-Yourself Shared Ownership (DIYSO)	9	-	1	8	888	9	-	1	8	888			
<b>3,100</b>	<b>9</b>	<b>21</b>	<b>3,088</b>	<b>161,333</b>			<b>3,088</b>	<b>23</b>	<b>15</b>	<b>3,096</b>	<b>166,956</b>	<b>3,088</b>	<b>23</b>	<b>15</b>	<b>3,096</b>	<b>166,956</b>			
						<b>Other Land and Buildings</b>													
62	-	-	62	1,741		Shared Equity Plots of Land	62	-	-	62	2,002	62	-	-	62	2,002			
360	1	-	361	1,422		Garages	361	-	-	361	1,363	361	-	-	361	1,363			
422	7	-	429	86		Ground Rents re: sold council flats	429	-	-	429	95	429	-	-	429	95			
1	-	-	1	444		Community Centre	1	-	-	1	485	1	-	-	1	485			
5	-	-	5	415		Other non-domestic properties	5	-	-	5	486	5	-	-	5	486			
12	2	-	14	1,468		Land	14	1	1	14	1,627	14	1	1	14	1,627			
<b>3,962</b>	<b>19</b>	<b>21</b>	<b>3,960</b>	<b>166,909</b>		<b>Totals</b>	<b>3,960</b>	<b>24</b>	<b>16</b>	<b>3,968</b>	<b>173,014</b>	<b>3,960</b>	<b>24</b>	<b>16</b>	<b>3,968</b>	<b>173,014</b>			

In addition to the above table, the Council also held assets under construction with a balance sheet value of £3.434 million as at 31 March 2023 (2021/22 £0.382 million). The increase between years is mainly as a result of the Jaywick Sands Flexible Workspace Project.

2021/22		2022/23
£000		£000
426,146	Vacant Possession Value *	439,709
(161,423)	Less: Existing Use Values (Social Housing)	(167,047)
<u>264,723</u>	Economic Cost of Providing Social Housing	<u>272,662</u>

\* This is the market value of dwellings as at 31 March 2023.

A desktop revaluation of all HRA assets was undertaken by the external valuer during the year with resulting changes and other adjustments being reflected in the Balance Sheet value as at 31 March 2023.

### 3 Capital Expenditure and Financing

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

2021/22		2022/23
£000		£000
	<b>Capital Investment:</b>	
3,088	Operational Assets	3,939
1,228	Property Acquisition and New Build	3,412
<u>4,316</u>		<u>7,351</u>
	<b>Sources of Finance:</b>	
3,088	Major Repairs Reserve	3,939
187	Direct Revenue Financing	43
774	Section 106 Funding	328
199	External Funding	2,756
-	New Homes Bonus	285
68	Capital Receipts	
<u>4,316</u>		<u>7,351</u>

#### 4 Housing Capital Receipts Reserve

There is a requirement to 'pool' part of the capital receipts received by the Council and pay it to the Secretary of State. The amounts to pool on disposal reflect the age and type of dwelling. For 2022/23 (and 2023/24) there is no requirement to 'pool' part of the capital receipts received by the Council in respect of Right to Buy sales.

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

2021/22		2022/23
£000		£000
5,192	Balance as at 1 April	6,535
	Capital Receipts in the year:	
1,395	Council house sales (net of administration costs)	1,107
3	Repayment of Discount on Shared Equity Sales	10
-	DIYSO property sales	131
320	Other Land Sales	1,153
2	Mortgage principal repayments	2
<hr/>		<hr/>
6,912		8,938
	Less:	
(309)	Capital receipts pooling contribution payable to the Government	(1)
(68)	Capital receipts used for financing capital expenditure	-
<hr/>		<hr/>
6,535	Balance as at 31 March	8,937
<hr/>		<hr/>

#### 5 Depreciation

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

2021/22		2022/23
£000		£000
2,889	Dwellings	3,234
15	Do-It-Yourself Shared Ownership (DIYSO)	17
29	Garages	27
4	Community Centre	8
8	Other Non-Domestic Properties	7
17	Equipment	1
<hr/>		<hr/>
2,962	<b>Depreciation Charged to the HRA I &amp; E Account for the Year</b>	3,294
<hr/>		<hr/>

## 6 Impairment Charges

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

2021/22		2022/23
£000		£000
4,544	Impairment charge for works to the Council's dwelling stock	4,978
(1,821)	Reversal of previous Impairment Losses due to increase in asset values	(298)
<u>2,723</u>	Impairment charge for the year	<u>4,680</u>

Tendring District Council has elected to recover all losses on non-dwellings from the period 2012-2017 to the HRA Reserve. In 2022/23 there were gains of £0.028 million returned to the HRA Reserve (in 2020/21 there were gains of £0.016 million). The balance currently left to recover is £1.259 million.

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

The rent arrears at 31 March 2023 were £0.400 million (2021/22 - £0.375 million), which equates to 2.87% (2.80% for 2021/22) of the rent roll due for the year, excluding rents foregone on empty properties and housing benefit overpayments, but inclusive of service charges.

The HRA Provision for Bad and Doubtful Debts at 31 March 2023 is £0.280 million after the following movements on the account during 2022/23:

2021/22		2022/23
£000		£000
175	Balance as at 1 April	226
64	Provision for year	89
(13)	Arrears written off	(35)
<u>226</u>	Balance as at 31 March	<u>280</u>

## COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

Council Tax	2021/22 Business Rates	Total		Council Tax	2022/23 Business Rates	Total	Note Ref
£000	£000	£000		£000	£000	£000	
<b>INCOME</b>							
(94,665)	-	(94,665)	Council Tax Payers	(100,564)	-	(100,564)	2
-	(21,328)	(21,328)	Income from Business Ratepayers	-	(23,970)	(23,970)	3
<b>(94,665)</b>	<b>(21,328)</b>	<b>(115,993)</b>	<b>Total Income</b>	<b>(100,564)</b>	<b>(23,970)</b>	<b>(124,534)</b>	
<b>EXPENDITURE</b>							
Precepts:							
64,948	-	64,948	Essex County Council	69,905	-	69,905	4
3,579	-	3,579	Essex Fire and Rescue	3,758	-	3,758	
10,100	-	10,100	Essex Police and Crime Commissioner	10,902	-	10,902	
10,705	-	10,705	Tendring District Council	11,386	-	11,386	
Shares of Business Rates Income:							
-	13,753	13,753	Central Government	-	11,777	11,777	3
-	2,476	2,476	Essex County Council	-	2,120	2,120	
-	275	275	Essex Fire and Rescue	-	236	236	
-	11,002	11,002	Tendring District Council	-	9,422	9,422	
228	(15,112)	(14,884)	Share of Collection Fund Balance	2,704	(8,788)	(6,084)	5
Other Business Rates Payments:							
-	288	288	Costs of Collection	-	288	288	
-	(226)	(226)	Transitional Protection	-	70	70	
-	357	357	Renewable Energy Schemes	-	359	359	
Bad Debt and Other Provisions:							
1,532	570	2,102	Provisions	615	(659)	(44)	6
520	100	620	Write Offs	299	339	638	
-	(1,793)	(1,793)	Provisions for Appeals	-	(408)	(408)	
<b>91,612</b>	<b>11,690</b>	<b>103,302</b>	<b>Total Expenditure</b>	<b>99,569</b>	<b>14,756</b>	<b>114,325</b>	
<b>(3,053)</b>	<b>(9,638)</b>	<b>(12,691)</b>	<b>(Surplus)/Deficit for the Year</b>	<b>(995)</b>	<b>(9,214)</b>	<b>(10,209)</b>	

Council Tax	2021/22 Business Rates	Total		Council Tax	2022/23 Business Rates	Total	Note Ref
£000	£000	£000		£000	£000	£000	
(1,928)	16,094	14,166	<b>Collection Fund Balance</b>	(4,981)	6,456	1,475	
(3,053)	(9,638)	(12,691)	Balance brought forward	(995)	(9,214)	(10,209)	
			(Surplus)/Deficit for the year				
<b>(4,981)</b>	<b>6,456</b>	<b>1,475</b>	<b>Balance Carried Forward</b>	<b>(5,976)</b>	<b>(2,758)</b>	<b>(8,734)</b>	5
			<b>Allocated to:</b>				
-	3,228	3,228	Central Government	-	(1,379)	(1,379)	
(3,625)	581	(3,044)	Essex County Council	(4,348)	(248)	(4,596)	
(198)	65	(133)	Essex Fire and Rescue	(236)	(28)	(264)	
(564)	-	(564)	Essex Police and Crime Commissioner	(685)	-	(685)	
(594)	2,582	1,988	Tendring District Council	(707)	(1,103)	(1,810)	
<b>(4,981)</b>	<b>6,456</b>	<b>1,475</b>		<b>(5,976)</b>	<b>(2,758)</b>	<b>(8,734)</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 2022/23 was £1,923.17 for a Band D dwelling. This rate of tax, which covers estimated net expenditure of the Council, Essex County Council, Essex Fire and Rescue, Essex Police and Crime Commissioner and the Parish and Town Councils, was assessed on the tax base set out below:

### Calculation of the Tax Base for 2022/23

2021/22 Band	Valuation	Pro-portion	Full Charge	Paying 75%	Paying 50%	2nd Homes	Empty Properties	Exempt	Total Excluding LCTS	LCTS Scheme 100%	Total
9	*A Up to £40,000	5/9	7	5	-	-	-	-	12	(3)	9
10,245	A Up to £40,000	6/9	4,597	7,272	20	482	619	499	13,488	(3,129)	10,359
15,319	B £40,001 to £52,000	7/9	9,875	7,071	28	275	390	292	17,931	(2,505)	15,426
19,104	C £52,001 to £68,000	8/9	13,405	6,910	47	363	309	338	21,372	(1,961)	19,411
10,707	D £68,001 to £88,000	9/9	8,089	2,895	45	205	150	146	11,530	(516)	11,014
5,138	E £88,001 to £120,000	11/9	4,121	1,065	34	76	78	65	5,439	(117)	5,322
1,870	F £120,001 to £160,000	13/9	1,544	298	32	38	21	23	1,956	(32)	1,924
849	G £160,001 to £320,000	15/9	681	114	35	28	9	7	874	(8)	866
64	H Over £320,000	18/9	46	1	9	4	6	-	66	-	66
<u>63,305</u>			<u>42,364</u>	<u>25,631</u>	<u>250</u>	<u>1,471</u>	<u>1,582</u>	<u>1,370</u>	<u>72,668</u>	<u>(8,271)</u>	<u>64,397</u>
50,454	Number of equivalent full charge Band D dwellings (unscaled tax base)										51,435
(2,018)	Less Provision for changes in valuation list, discounts and doubtful debts										(1,543)
<u>48,436</u>	Tax base for tax setting purposes										<u>49,892</u>

\* Band A – entitled to Disabled Relief

## Analysis of the Council Tax

### Council Tax for a Band D Dwelling

2021/22 Average £		2022/23 Average £
	Tendring District Council:	
166.05	General Expenses	171.18
11.59	Special Expenses	11.46
43.37	Town and Parish Councils	45.56
1,340.91	Essex County Council	1,401.12
73.89	Essex Fire and Rescue	75.33
208.53	Essex Police and Crime Commissioner	218.52
<u>1,844.34</u>		<u>1,923.17</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:

2021/22		2022/23
£80,448m	Rateable Value on 31 March	£80,332m
	Non-Domestic Rate per £	
49.9p	Small Businesses	49.9p
51.2p	Standard	51.2p

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

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

#### 4 Precepts

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

#### 5 Share of Collection Fund Balance

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

Council Tax	2021/22 Business Rates	Total		Council Tax	2022/23 Business Rates	Total
£000	£000	£000		£000	£000	£000
-	(7,556)	(7,556)	<b>Allocated to:</b>	-	(4,394)	(4,394)
167	(1,360)	(1,193)	Central Government	1,966	(791)	1,175
9	(151)	(142)	Essex County Council	108	(88)	20
			Essex Fire and Rescue			
			Essex Police and Crime			
25	-	25	Commissioner	306	-	306
27	(6,045)	(6,018)	Tendring District Council	324	(3,515)	(3,191)
<b>228</b>	<b>(15,112)</b>	<b>(14,884)</b>		<b>2,704</b>	<b>(8,788)</b>	<b>(6,084)</b>

Therefore, the year end surplus of £5.976 million (£4.981 million in 2021/22) on Council Tax and the surplus of £2.758 million (£6.456 million deficit in 2021/22) on Business Rates together with balances paid over to precepting authorities in 2023/24, will form part of the assessment made in January 2024. The change on business rates balances between 2021/22 and 2022/23 is particularly significant due to the effect of unwinding the government scheme to support businesses through the pandemic.

## 6 Bad Debt and Other Provisions

### Provision for Bad and Doubtful Debt

2021/22			2022/23		
Council Tax £000	Business Rates £000	Total £000	Council Tax £000	Business Rates £000	Total £000
2,052	670	2,722			
(520)	(100)	(620)			
<u>1,532</u>	<u>570</u>	<u>2,102</u>			
			Movements in Year:		
			914	(320)	594
			(299)	(339)	(638)
			<u>615</u>	<u>(659)</u>	<u>(44)</u>
			Balances on provisions:		
4,338	1,040	5,378	5,870	1,610	7,480
1,532	570	2,102	615	(659)	(44)
<u>5,870</u>	<u>1,610</u>	<u>7,480</u>	<u>6,485</u>	<u>951</u>	<u>7,436</u>

### Provisions for Appeals (Business Rates only)

2021/22		2022/23	
£000		£000	
4,287	Balance Brought Forward	2,494	
(1,793)	Contributions to provisions in year	(408)	
<u>2,494</u>	<u>Balance Carried Forward</u>	<u>2,086</u>	

# ACCOUNTING POLICIES

## a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and the Service Reporting Code of Practice 2022/23, supported by International Financial Reporting Standards (IFRS).

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

## b) Accruals of Income and Expenditure

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

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

**c) Cash and Cash Equivalents**

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

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

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

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

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

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

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

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

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

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

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

## **f) Employee Benefits**

### **Benefits Payable During Employment**

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

### **Termination Benefits**

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

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

### **Post-Employment Benefits**

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

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

### **The Local Government Pension Scheme**

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

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

Service cost comprising:

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

Remeasurements comprising:

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



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

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

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

### **Discretionary Benefits**

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

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

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

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

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

## **h) Financial Instruments**

### **Financial Liabilities**

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

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

### **Financial Assets**

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

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

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

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

### **Expected Credit Loss Model**

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

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

### **i) Government Grants and Contributions**

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

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

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

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

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

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

**j) Investment Property**

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

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

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

## **k) Leases**

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

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

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

### **The Authority as Lessor – Operating Leases**

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

## **l) Overheads and Support Services**

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

## **m) Property, Plant and Equipment**

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

### **Recognition**

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

### **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

### **Impairment**

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

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

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

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

### **Depreciation**

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

Depreciation is calculated on the following basis:

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

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. All components were derecognised in 2022/23 as the difference in the depreciation charge was not significant.

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

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

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

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

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

#### **n) Provisions**

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

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

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

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

#### **o) Reserves**

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

## OTHER INFORMATION

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

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

These publications can be found on the Council's Web Site at [www.tendringdc.gov.uk](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)), Assistant Director Finance and IT, Town Hall, Station Road, Clacton on Sea, Essex, CO15 1SE – Telephone Clacton (01255) 686521.

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

## **Accounting Period**

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

## **Accumulated Absences Account**

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

## **Accruals**

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

## **Asset**

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

## **Bad or Doubtful Debts**

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

## **Balance Sheet**

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

## **Billing Authority**

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

## **Budget**

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

## **Business Rates**

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

## **Capital Expenditure**

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

## **Capital Financing**

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

## **Capital Programme**

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

## **Capital Receipt**

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

## **Capital Receipt Pooling**

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

## **Cash Flow Statement**

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

## **Collection Fund**

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

## **Community Assets**

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

## **Council Tax**

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

## **Creditors**

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

## **Current Assets**

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

## **Current Liabilities**

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

## **Debtors**

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

## **Deferred Capital Receipts**

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

## **Defined Benefit Scheme**

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

## **Depreciation**

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

## **Earmarked Reserve**

A sum set aside to meet commitments in future years.

## **General Fund**

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

## **Government Grants**

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

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

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

## **Impairment**

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

## **Intangible Assets**

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

## **Inventories**

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

## **Leasing**

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

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

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

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

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

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

## **Non-Current Assets**

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

## **Precept**

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

## **Precepting Authority**

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

## **Provisions**

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

## **Prudential Code**

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

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

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

## **Reserves**

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

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

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

## **Revenue Account**

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

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

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

***Tendring***  
***District Council***



Annual  
Governance  
Statement  
2022-23

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# TENDRING DISTRICT COUNCIL

## ANNUAL GOVERNANCE STATEMENT 2022-23

### 1. ACKNOWLEDGEMENT OF RESPONSIBILITY FOR A SOUND SYSTEM OF GOVERNANCE

Tendring District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council acknowledges that it is responsible for: -

- **putting in place proper arrangements for a sound system of governance and internal control;**
- **facilitating the effective exercise of its functions; and**
- **management of risk.**

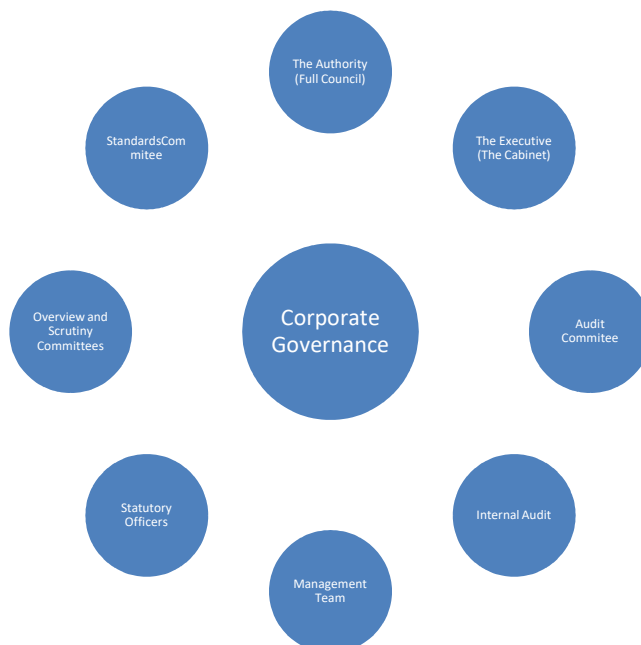
The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the **CIPFA / SOLACE *Delivering Good Governance in Local Government Framework (2016 Edition)***. A copy of the Council's Code is available to be viewed or downloaded from the website ([www.tendringdc.gov.uk](http://www.tendringdc.gov.uk)) or can be obtained by contacting the Assistant Director - Governance.

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

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

This Annual Governance Statement covers the period from 01 April 2022 up until its publication with the Council's Statement of Accounts on 31<sup>st</sup> July 2023.

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



The Leader of the Council and the Chief Executive play key leadership roles in embedding good governance and driving on-going improvements within the Council. Other key roles and responsibilities in respect of the development and maintenance of the governance environment can be summarised as follows: -

<p style="text-align: center;"><b>The Authority (Full Council)</b></p> <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>	<p style="text-align: center;"><b>The Executive (The Cabinet)</b></p> <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>
<p style="text-align: center;"><b>Standards Committee</b></p>	<p style="text-align: center;"><b>Overview and Scrutiny Committees</b></p>
<ul style="list-style-type: none"> <li>• Promote and maintain high standards of</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>
<p style="text-align: center;"><b>Audit Committee</b></p>	<p style="text-align: center;"><b>Management Team</b></p>
<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>
<p style="text-align: center;"><b>Statutory Officers</b></p>	<p style="text-align: center;"><b>Internal Audit</b></p>
<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> </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>
<ul style="list-style-type: none"> <li>• <b>Chief Financial Officer (S151)</b> – lawfulness of Council's financial prudence of decision making</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 2023 and reviewed up to the date of approval of the statement of accounts.

#### The Governance Framework

The key elements that comprise the Council's governance arrangements include:

##### 1. The Council's Constitution, Budget and Policy Framework

- The **Council's Constitution**, which sets out the Council's decision making framework, enabling decisions to be taken efficiently and effectively; provides a means of holding decision makers to public account; a structure to deliver cost effective quality services to the community; and defines roles and responsibilities
- A **Corporate Plan** which identifies the Council's vision, its aims, opportunities and values
- **Budget and Policy Frameworks** covering key policies and plans that must be approved or adopted by full Council, including its Budget, Council Tax, Housing Investment Programme, Local Development Plans, Licensing Policies, Procurement Strategy and Information Governance.

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

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

### 3. Examples of Good Governance

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

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

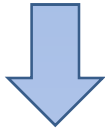
As part of the Annual Review of the Council's Governance Framework, a number of activities and actions have been identified and undertaken during **2022/23** strengthening the Council's Governance Framework. The key activities and actions are set out below against the **Core Principles of Good Governance** identified in the Council's Code of Corporate Governance.

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

Behaving with integrity

Demonstrating strong commitment to ethical values

Respecting the rule of law



Regular discussions are held with the Leader, Portfolio Holders and Statutory Officers regarding potentially contentious matters within the governance framework

Annual declaration of interests by Members reported to the Standards Committee

The Council's Procurement Strategy and Procedure Rules to be reviewed once the Procurement Bill comes into effect

Full Council approves the adoption of the revised Monitoring Officer Protocol into Part 6 of the Council's Constitution

Full Council approves the adoption of the Local Government Association's Model Members' Code of Conduct to commence in May 23

A programme of on-going Officer Development that includes online training and general development/learning opportunities

Forthcoming training of Members' Code of Conduct for all Members of the Council and sessions are available to Town and Parish Councils

The importance of the Council's values and positive culture in the way it works has been emphasised as part of the induction programme for newly elected Councillors, referencing lessons learnt from public interest reports

Specialist committee training has been delivered for the Planning Committee, Licensing and Registration Committee and ongoing training for the Audit Committee

The Council has continued to live stream all meetings of Committees to enhance access and reach a wider audience to public meetings

Quarterly updates concerning Members' Code of Conduct matters are provided to the Standards Committee

A review of the Constitution was conducted including Council Procedure Rules, Property Dealing Procedure, Procurement Procedure Rules, size of committees and the protocol for live webcasting of meetings; to maintain the efficiency, effectiveness and consistency of the Constitution

Full Council approves the adoption of the Statement of Licensing Policy

Full Council approves the adoption of the Pay Policy Statement 23/24

Equality and Inclusion Strategy consulted and approved for publication/adoption

Reaction to the implementation of the Subsidy Control Act

Revised report template for agreeing fees and charges requiring inclusion of legislation relating to relevant powers for functions

Ongoing implementation / embedding of the general report format that also includes comments from the MO and S151 Officers

## Principle B Ensuring openness and comprehensive stakeholder engagement

### Openness



The Council continues to live stream all meetings of Committees and continues to enhance the quality of broadcast having invested in new equipment

Engagement has continued with Members through all stages of key priorities, actions and initiatives; along with the involvement with partners

Task and Finish Reviews undertaken on the Beach Hut Strategy, Planning Enforcement and Procurement and Contract Management, which were subsequently reported to the Resources and Services Overview and Scrutiny Committees with the outcome of the reviews being reported in public

New Website launched with the aim of improving access to information

### Engaging comprehensively with institutional stakeholders



All Member Briefings have continued with remote access remaining an option, resulting in a far higher attendance from Members compared with solely in person attendance. External speakers have presented covering specialised subject areas

The organisation continues to vice chair the police scrutiny group, Independent Advisory Group (IAG)

Cabinet endorses the Joint Agreement of the North East Essex Parking Partnership

Development Plan Document Tending Colchester Borders Garden Community undertaken Regulation 18 Consultation and Engagement

Equality Strategy went out for consultation prior to adoption and was included in the Council's Cabinet priorities

Comprehensive partnership working continues with local health partners

Continued and thorough Community Leadership O&S work programme

### Engaging with citizen stakeholders



The Council has entered a Service Level Agreement with Citizens Advice Tending for a further year

Conservation Area Appraisal and Management Plans for Harwich Old Town, Manningtree and Mistley, Great Bentley, Great Oakley and Kirby le Soken approved for public consultation

Jaywick Sands Place Plan Consultation Strategy approved

Ardleigh Neighbourhood Plan approved for public consultation

Beach Hut Strategy approved for consultation and to seek stakeholder comments

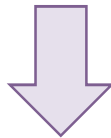
Engagement with the users of the Council's website to help design its replacement

Following public consultation the Community Engagement Strategy was adopted

Principle C  
Defining outcomes in terms of sustainable economic, social and environmental benefits

Defining outcomes

Sustainable economic, social and environmental benefits



The Council and its departments have been striving to prioritise the preparation of the new Corporate Plan, prior to expiry of the current plan.

Further development of performance reporting with Cabinet's priorities being agreed for 22/23 and reported on throughout the year with the intended outcome identified

The Corporate Investment Plan has been implemented and aligned with the Corporate Priorities reflecting upon the Back to Business report of the previous year

Outturn reports produced and agreed by Cabinet

Officers have continued to work on key decision-making areas such as full project development and monitoring arrangements along with proportionate due diligence requirements

Freeport East formally designated by the Government

Council allocated £1,188,232 from UK Shared Prosperity Fund to support community and place, supporting local business, people and skills

Procurement Social Value report to Cabinet for review and exploration of shared service

The Council continues to work towards its goal to reduce carbon emissions to net zero by 2030 providing updates to Cabinet, Overview and Scrutiny Committees and Full Council

Full Council approved the Annual Capital and Treasury Strategy for 2022/23

Cabinet approves the approach of the UK Shared Prosperity Investment Plan for Tendring District of the Government's conditional allocation of £1,188,232

Cabinet approves entering an agreement with ECC for the principle of using vacant sheltered housing for the provision of short term accommodation for hospital leavers

Cabinet agrees the principle of redevelopment of the Honeycroft site to provide additional accommodation for elderly persons

Council awarded £19.960m from Government's Levelling Up Grant Fund Scheme

New equipment installed at the Council's three sports facilities

The development of the Freeport Project includes a strong emphasis on local regeneration and skills

Increase in tourism as a Cabinet priority, highlighting Airshow and other attractions, i.e beach flags and memorial



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

**Determining interventions**

**Planning interventions**

**Optimising achievement of intended outcomes**



Cabinet has approved the Corporate Investment Plan approach for 2022/23

The Council has internal governance arrangements to support delivery of major projects, which includes scheduling regular meetings attended by senior officers

The Council's Chief Executive is Chair of the Essex Anchors Network

Auto forwarding of emails for members and Officers to cease to protect the Council as the Data Controller in relation to the Data Protection Act 2018

The Discretionary Council Tax Energy Rebate Scheme be adopted under the Council's Special urgency procedure

A local business rate relief scheme was agreed for the Freeport East area

Council Tax premiums were introduced with the aim of bringing empty properties back into use

Cabinet supports the principle of Spendells house site being retained and reconfigured for the provision of temporary housing

The Council continues to deliver a long term financial sustainability plan with the underlying key aim of protecting services

Operational management of the Sunspot (Jaywick Workspace) be delivered internally by the Council

Demolition of Carnarvon House commenced for future redevelopment

Work remains in progress to dispose of the Council's Weeley Office site to support the delivery of local homes for local people

Cabinet approves the HRA 30 year business plan with proposed revised position for 22/23 and budget proposals for 23/24 to support its long-term financial sustainability

Local Road Closure Policy for special events adopted

Beach Hut Strategy adopted and Cabinet agrees Heads of Terms for a new commercial lease agreement and decided the principle for non-commercial leases, providing greater security on tenure for beach hut owners

Full Council approves a 7% increase in dwelling rents in 23/24 along with the Scale of Charges, HRA Capital Programme and movement in HRA Balances/Reserves with the investment in tenants' homes maintained at existing levels



Principle E  
Developing the Council's entity, including the capacity of its leadership and the individuals within it

Developing the Council's capacity



The officer structure of the Council has continued to be subject to revision to facilitate service delivery within the resources available responding to evolving priorities and projects in line with the Council's Corporate Plan and Priorities also to adapt to meet the demands of local government

Cabinet notes the progress of the existing partnership with ECC in delivering procurement functions and agrees that the Council form part of a wider partnership of Councils to explore the Shared Procurement Service for parts of Essex

Term of office for Independent Persons be extended for a further year in order to explore options across Essex

MT re-agree the introduction of Departmental Plans for 23/24

The Member Development Programme Working Party considered the Member Induction Programme and reported to the Standards Committee prior to elections.

Shared posts and services and use of health funding for additional posts

Developing the capability of the Council's leadership and other individuals



Member induction programme, for newly elected and re-elected Members, conducted including interactive sessions and market stall approach to showcase services, along with All Member briefings

Topical learning and development activities for staff continue to be delivered and available for individual topics and areas across the Council

New e-learning portal purchased for continued development of Officers and Members

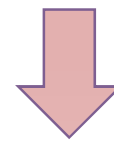
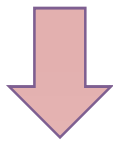
Council awarded Disability Leader Status for three years by DWP

Council awarded gold award from the Defence Employer Recognition Scheme

Principle F  
Managing risks and performance through robust internal control and strong public financial management

Managing risks, performance and data

Robust internal control and strong public financial management



A review of the Corporate Risk Register has been commenced by the Fraud and Risk Manager with an initial review undertaken by the Senior Management Team to identify further actions in 2023/24 in consultation with the Audit Committee

Regular financial performance report to Management and Members setting out a snapshot of key financial information

Senior Officers continue to attend the Council's Audit Committee when required in order to support them in their assurance work and in responding to significant governance issues

Internal Audit Team has an open dialogue with the Council's Senior Management Team on the organisation's risks and risk appetite

The Council continually conducts horizon scanning to manage risks and responds to them and will link in with departmental plans for the future 23/24 period

Cabinet endorses projects in alignment with the Council's Corporate Plan

Cabinet notes the implemented progress of Career Track Apprenticeship Scheme post Dec 21 Ofsted requiring improvement report

Cabinet considers the financial options appraisal and agrees to the continuation of Tendring Careline Service

Service Position Statement and Governance checklist completed for all services for MT consideration  
Ceasing auto forwarding of emails

The financial forecast/budget was updated and regularly reported to senior managers and Members during the year and included separate and detailed reviews by the Corporate Finance and Governance Portfolio Holder in consultation with the Section 151 Officer

Separate monthly meetings of the Council's Management Team have focused on priorities, budgets and performance, where risks have been managed to produce better outcomes

Key corporate risks were reviewed by the Audit Committee during the year in addition to independent /regular review by the Council's Senior Management Team which included following up against key risks where appropriate

Cabinet approves Financial Forecast for 22/23 and proposed position for 23/24

Cabinet notes the financial outturn position for 21/22 and approves the General Fund capital expenditure for 21/22

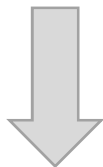
Full Council approves the Treasury Management performance position 22/23 and approves the Prudential and Treasury Indicators

Full Council agrees that the Local Council Tax Support Scheme for 23/24 remain as per 22/23

The Council has introduced to all departments the governance quarterly checklist to be reviewed by MT

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

**Implementing good practices in transparency**



Regular meetings and discussions between the three Statutory Officers and Internal Audit on individual cases, strengthening the efficiency of the 'golden triangle'

The key priority actions for 2022/23 include milestones against each quarter, performance against which to be available to the public and Overview and Scrutiny Committees

The Council's Leader and Members are appraised of key challenges and actions being taken by the Council

Cabinet approves the Financial Forecast for 22/23 and proposed position for 23/24

The Council responds robustly to areas where there may have been a data security breach e.g. via self-reporting to the ICO and learning from such incidents via ICO recommendations or internal reviews

**Implementing good practices in reporting**



Regular meetings take place between the Monitoring Officer, Sect 151 Officer, Internal Audit Manager and Executive Projects Manager – Governance

Meetings with the Group Leaders continue in order to discuss a range of topics across political groups, adopting a 'one council' approach

Internal Audit continue to attend key project boards and working parties through the development of schemes and initiatives rather than just at the end of the process

Regular reporting to the Management Team of key health and safety issues during the year

Cabinet notes progress with the Freeport East Programme report and to agree the final MOU and adopt policy for Managing Retained Business Rates

**Assurance and effective accountability**



Cabinet reports have highlighted effective governance across the organisation

Group Leaders attend all Cabinet meetings as a matter of right and can question the Leader and Cabinet on any matters contained within the agenda

Highlight Priority Actions 22/23 reported quarterly to Cabinet along with proposed realignment of particular milestones and adoption of new milestones

Overview and Scrutiny work programme continues covering a range of topics linked to the Corporate Plan

Overview and Scrutiny Practice Guide issued to Members

#### **4. Other Governance Issues:**

As highlighted within the Narrative Statement within the Statement of Accounts 2022/23, the Council's Statement of Accounts for 2020/21 and 2021/22 remain subject to being 'signed off' due to External Audit delays. Although this is a national issue and in no way reflects any wrong-doing by those Council's adversely affected, it unfortunately contributed to the delay in the publication of the 2022/23 accounts, which were statutorily required to be published by the end of May 2023.

Due to the delays highlighted above, the Council's Monitoring Officer issued an associated Section 5 Report, which is available on the Council's website. By publishing its 2022/23 Statement of Accounts on 31 July 2023, the period of time the Council remained in breach of its statutory responsibilities was limited and has now been brought to a close

#### **5. Use of Council Resources**

Each year, the External Auditor provides an opinion on the Council's use of its resources / value for money. Following the publication of associated guidance, the outcome from the work of the External Auditor is now moving to a commentary on such arrangements rather than a conclusion or opinion.

The commentary will cover the following 3 headings:

- A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and
- C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

The Cabinet report template includes these headings for additional governance assurance to be provided, the use of resources and the Corporate Investment Plan approach.

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

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

The framework in place continues to provide a sound basis for delivering good governance within the Council.

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

- **The work of Internal Audit as outlined in the associated annual report**
- **Any issues reported or comment from the Council's external auditors and other review agencies and inspectorates**

- **The work of senior managers within the Council who have responsibility for the development and maintenance of the governance environment**

In practice, review of effectiveness is an ongoing process throughout the year. Set against the backdrop of ongoing reductions in Government funding of the Council and associated savings targets, action has continued within the Council in **2022/23** to provide a sustainable and long term basis against which to deliver services. These changes present governance challenges and risks that have been recognised as part of the process of managing change.

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

- **Internal Audit:**

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

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

The Council adopts a 'Three Lines of Defence' assurance model which is taken from the following sources;

1. **Senior Management and Departmental Leadership**

Under the first line of defence, operational management has ownership, responsibility and accountability for directly assessing, controlling and mitigating risks.

2. **Internal Governance**

The second line of defence consists of activities covered by several components of internal governance (Statutory Officers, Corporate Oversight Functions, Quality Control, IT Security, Data Protection and other control departments). This line of defence monitors and facilitates the implementation of effective risk management practices by operational management and assists the risk owners in reporting adequate risk related information up and down the organisation.

3. **Internal Audit**

The requirement for an internal audit function in local government is detailed within the Accounts and Audit Regulations 2015, which states that a relevant body must:

- Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, and taking into account public sector internal auditing standards or guidance.

## **Internal Audit Approach**

The Internal Audit function undertakes a risk based programme of audits each year to provide the Council and its Audit Committee with assurance on the adequacy of its system of internal control, governance and risk management arrangements.

An unqualified opinion was provided in 2021/22 based on the fact that only two audits received 'Improvement Required' opinions which did not have a significant impact on the Council's overall control environment and risk management processes. Significant issues have been identified in

some service areas for 2022/23 which have been reported to the Audit Committee throughout the year. No significant issues were identified within the Council's core financial services, which holds a lot of weight towards the overall Head of Internal Audit opinion as it means the control environment for the Council's second line of defence is strong.

The corrective action taken by officers with regard to the issues raised by Internal Audit aids the improvement/maintenance of the control and governance framework. Robust mechanisms are in place to monitor the progress of corrective action, with follow up audits scheduled as necessary.

Internal Audit has been working with services on a consultancy basis to support the implementation of new processes and projects. Career Track, Jaywick Sands Market Project, Freeport East and Levelling Up Funding are some of those areas of interest.

In 2022/23 only two audits will have received an overall audit opinion of 'Improvement Required' where high severity issues were identified. The audits are Housing Repairs and Maintenance and Housing Allocations. All significant issues are reported to the Audit Committee with required improvement actions. At the time of writing, fieldwork has been completed on all expected audits in the 2022/23 financial year. However, some were yet to be finalised with the service.

As the majority of audits in 2022/23 received, an adequate or substantial assurance opinion and Internal Audit have been and currently are involved in areas where processes are being redesigned; there is reasonable assurance that there is a sound system of internal control in place with adequate governance arrangements. Although work is still ongoing with Risk Management at a departmental level, Senior Management and the Audit Committee are involved in and aware of the changes being made.

The opinion of the Internal Audit Manager is drawn from all of the information reported above, external reviews carried out throughout the year and through the ongoing work in supporting Senior Management and Services in delivering the Council's objectives and visions. Based on the work completed to date, the open dialogue with Senior Management on risk, and a generally sound system of internal control, an overall unqualified opinion of Adequate Assurance is proposed. However, this is subject to confirmation as part of the finalizing of the Annual Governance Statement for publication as part of the audited Statement of Accounts later in the year, in addition to the report of the Head of Internal Audit that will be presented to the Council's Audit Committee.

### **The Head of Internal Audit Annual Opinion**

The overall direction of travel regarding the internal control environment since 2022/23 has improved. In 2021/22 it was noted that an unqualified opinion could be difficult due to the wider governance issues raised in that year. However, it is pleasing to note that based on the work completed in 2022/23 there was evidence of improvements to processes and procedures throughout the Council meaning that a qualified opinion is not necessary for the 2022/23 financial year. A total of 29 moderate issues and 1 major issue were identified with actions agreed with operational management throughout the year. All major actions due have been reported to the Audit Committee and all moderate actions are managed through the audit follow-up process with the service area.

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

The Internal Audit Manager has considered assurances obtained through:

- All of the information reported above
- Internal Audit outcomes
- Annual Risk Management Review
- The Council's assurance framework
- Management assurance through the Annual Governance Statement process
- External inspections
- Ongoing engagement with the business
- Monitoring and reporting the implementation of agreed management actions

The Internal Audit Manager is satisfied that sufficient work was completed in 2022/23 to draw a reasonable conclusion on the adequacy and effectiveness of the Council's activities. The internal control environment continues to remain stable with some significant changes in specific areas, which have been reported to the Audit Committee throughout the year as part of the periodic reporting arrangements. An open dialogue with Senior Management on risk remains in place and a generally sound system of internal control has been assessed across the majority of the Council's operational areas. Therefore, an overall unqualified opinion of '**Adequate Assurance**' can be provided.

In noting this opinion, it should be acknowledged that Internal Audit has not reviewed all risks and assurances and cannot provide absolute assurance on the internal control environment.

- **External Audit**

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

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

- **Other Review Agencies and Inspectorates**

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

- **Senior Managers**

In addition to the review work undertaken above to review and strengthen the Council's Governance Framework, the Council's senior managers (including the Head of the Paid Service, Monitoring Officer and S151 Officer) have participated in a review of the effectiveness of the system of internal control providing assurance regarding the governance / control environment for their areas of responsibility.

## **7. ISSUES RAISED IN THE PREVIOUS YEAR'S ANNUAL GOVERNANCE STATEMENT AND ON-GOING ACTIONS 2023/24**

In respect of the governance issues identified as part of last year's Annual Governance Statement, the most up to date position against the identified actions is set out below:

Governance Principle & Issue	Required Action(s)	Update / Additional Comments
<p><b>Implementing good practices in transparency, reporting and audit to deliver effective accountability.</b></p> <p>Ensuring compliance of the Council's governance arrangements through project board reviews.</p> <p>Utilising the Council's systems to implement best practice for drafting, reporting and decision making.</p>	<ul style="list-style-type: none"> <li>Review of project outcomes being undertaken by the Project Board to support future decision making and delivery.</li> <li>Continuation of the roll out of the functionality of Modern.gov over a phased approach in 2022/23 – completed areas – training record for Councillors, TDC representatives on outside bodies, E petitions function, automated e mails, submission of final reports for Planning Committee, Cabinet, Council, Committee and Management Team dates published, Environmental Health licensing decisions published, report writing functionality.</li> </ul>	<p><b>On-Going / Outstanding -</b> The outcome from key projects will be reported to the Project Board / Members following completion of the associated project.</p> <p><b>On-Going / Outstanding -</b> Modern.gov remains an on-going and live project with additional functionality planned to be rolled out during 2023/24. The delivery team have received updated training to support the future roll out of this system, which includes - development of the report functionality, Planning Committee reports template review, Planning Committee automated emails to Town and Parish Councils.</p>
<p><b>Developing the entity's capacity, including the capacity of its leadership and the individuals within it.</b></p> <p>Ensuring the Council has the appropriate structures in place to support delivery of the Corporate Plan following the Senior Management restructure.</p>	<p>Finalise the operational capacity review and implement any recommended and approved staffing structures.</p>	<p><b>Completed -</b> Building, Public Realm, Housing and Environment implementation date was 01 Mar 23 with the recruitment phase currently being conducted. Partnerships restructure completed with the associated recruitment process underway.</p>



<p><b>Determining the interventions necessary to optimise the achievement of the intended outcomes.</b></p> <p>Managing risks and performance through robust internal control and strong public financial management. By strengthening the linkages between the Corporate Plan priorities and the Council's investment plans along with review of the longer term impact of COVID-19.</p>	<p>As part of the Back to Business and Recovery Plan:</p> <ul style="list-style-type: none"> <li>• Undertake a corporate review of the Council's operational assets to prioritise spending from an associated reserve over the next few years;</li> <li>• To develop an investment plan during 2020/21 which will be directly linked to the Council's budget and evolving financial position and supported by the reprioritisation of budgets / existing funding and / or as part of the long term forecast;</li> <li>• Conduct an audit review in relation to the effectiveness of the Council's response to COVID-19, including a <i>review of the lessons learnt from the Council's response</i> and longer term consequences.</li> </ul>	<p><b>Completed</b> – this relates to the first two bullet points with associated actions now forming Part of alternative processes within the Council; although they have been delayed due to the significant financial challenges that the Council currently faces as set out in the long term financial forecast.</p> <p><b>On-Going / Outstanding -</b> This will form part of the ongoing work of Internal Audit, which will also reflect any learning points that may emerge from the national public inquiry currently underway.</p>
<p><b>Defining outcomes in terms of sustainable economic, social and environmental benefits.</b></p> <p>Determining the interventions necessary to optimise the achievement of the intended outcomes.</p>	<ul style="list-style-type: none"> <li>• Prepare an Action Plan for approval by both the Cabinet and Council to form part of the Council's Policy Framework.</li> </ul>	<p><b>COMPLETED</b> - A Climate Change Action Plan was agreed by Full Council on 24 November 2020 and included within its priority actions from 2021/22, which forms the background against which performance is being formally reported via the</p>

<p>To set out the Council's vision following the Council's Climate Emergency declaration of the Council's activities being 'carbon neutral' by 2030.</p>		<p>Council's corporate monitoring arrangements.</p> <p><b>On-Going / Outstanding -</b> The Corporate Director, Place and Economy, will attend a future scheduled meeting of the Committee in 2023 to present to Members a two year progress report on the Council's Climate Change Action Plan.</p>
<p><b>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.</b> Ensure the Local Code of Corporate Governance and key policies and procedures are up to date.</p> <p><b>Ensuring openness and comprehensive stakeholder engagement.</b> Establishing a corporate framework to support community engagement.</p>	<ul style="list-style-type: none"> <li>• Review of the Council's Equality and Diversity strategy, policies and procedures</li> <li>• Developing the Council's approach and adopting principles for community engagement</li> </ul>	<p><b>COMPLETED</b> – The Council's Equality and Inclusion Strategy 2023-27 was agreed by Cabinet on 27 Jan 23.</p> <p><b>COMPLETED</b> – The Council's Community Engagement Strategy was adopted by Cabinet at its October 22 meeting.</p> <p>As part of the implementation phase an Officer Working Group has been established along with work being undertaken with the various departments across the Council to embed the associated processes</p>
<p><b>Implementing good practices in transparency, reporting and audit to deliver effective accountability.</b></p> <p>Delegated decision making</p>	<ul style="list-style-type: none"> <li>• Awareness and further strengthen good decision making incorporating the Council's policies and framework.</li> </ul>	<p><b>On-Going / Outstanding -</b> Increase the understanding of key principles including consultation, business planning, budget, and procurement, legal. Concept papers and PIDS to completed comprehensively to ensure</p>

		successful delivery within the governance framework.
<p><b>Managing risks and performance through robust internal control and strong public financial management</b></p> <p>In terms of business continuity this is especially important given the current global/economic climate</p>	<p>The relaunch of the Governance Checklist monitored quarterly and development of service area plans for 2023, both of these will cover risks and business continuity, these should cover the 3 headings under Use of Resources, to include project based risks.</p>	<p><b>COMPLETED - Q3</b> Service Position Statements, incorporating the Governance Checklist, were completed by all service areas. The results were presented to and considered by Management Team, along with the identification of common themes.</p> <p>Q4 Service Position Statements completed by services and presented to Management Team.</p>
<p><b>Determining the interventions necessary to optimise the achievement of the intended outcomes.</b></p>	<p>Develop and implement a Corporate policy and strategy 'register' to ensure that these are reviewed and updated in a timely manner and to support decision making.</p>	<p><b>On-Going / Outstanding -</b> This remains under review and subject to securing the additional capacity required to deliver a number of corporate activities and actions.</p>

To support the Council in addressing some of the key issues and improvements that have emerged from the annual review of effectiveness, including any items identified as part of the work of the External Auditor, the following actions have been identified which include on-going items from last year highlighted in the table above: -

Governance Issue	Required Action(s)	Update / Proposed Action(s) 2022/23
<b>Carried Forward and Updated from 22/23</b>		

<p><b>Implementing good practices in transparency, reporting and audit to deliver effective accountability.</b></p> <p>Ensuring compliance of the Council's governance arrangements through project board reviews.</p> <p>Utilising the Council's systems to implement best practice for drafting, reporting and decision making.</p>	<ul style="list-style-type: none"> <li>• Review of project outcomes being undertaken by the Project Board to support future decision making and delivery.</li> <li>• Continuation of the roll out of the functionality of Modern.gov over a phased approach in 2022/23 – completed areas – training record for Councillors, TDC representatives on outside bodies, E petitions function, automated e mails, submission of final reports for Planning Committee, Cabinet, Council, Committee and Management Team dates published, Environmental Health licensing decisions published, report writing functionality.</li> </ul>	<p>The outcome from key projects will be reported to the Project Board / Members following completion of the associated project.</p> <p>Modern.gov remains an on-going and live project with additional functionality planned to be rolled out during 2023/24. The delivery team have received updated training to support the future roll out of this system, which includes - development of the report functionality, Planning Committee reports template review, Planning Committee automated emails to Town and Parish Councils.</p>
<p><b>Determining the interventions necessary to optimise the achievement of the intended outcomes.</b></p> <p>Managing risks and performance through robust internal control and strong public financial management.</p>	<ul style="list-style-type: none"> <li>• Conduct an audit review in relation to the effectiveness of the Council's response to COVID-19, including a <i>review of the lessons learnt from the Council's response</i> and longer term consequences.</li> </ul>	<p>This will form part of the ongoing work of Internal Audit, which will also reflect any learning points that may emerge from the national public inquiry currently underway.</p>
<p><b>Defining outcomes in terms of sustainable economic, social and environmental benefits.</b></p> <p>Determining the interventions necessary to optimise the</p>	<ul style="list-style-type: none"> <li>• Preparation / reporting updates against the Climate Change for approval by both the Cabinet and Council to form part of the Council's Policy Framework.</li> </ul>	<p>The Corporate Director, Place and Economy, will attend a future scheduled meeting of the Committee in 2023 to present to Members a two-year progress report on the</p>

<p>achievement of the intended outcomes.</p> <p>To set out the Council's vision following the Council's Climate Emergency declaration of the Council's activities being 'carbon neutral' by 2030.</p>		<p>Council's Climate Change Action Plan.</p>
<p><b>Implementing good practices in transparency, reporting and audit to deliver effective accountability.</b></p> <p>Delegated decision making</p>	<ul style="list-style-type: none"> <li>• Awareness and further strengthening of good decision making incorporating the Council's policies and framework.</li> </ul>	<p>Increase the understanding of key principles including consultation, business planning, budget, and procurement, legal requirements. Concept paper and PIDs to completed comprehensively to ensure successful delivery within the governance framework.</p> <p>A focus on robust project management, to provide oversight on financial and non-financial issues especially in key areas such as: Levelling Up Fund / Regeneration Project, waste contract renewal, and housing review recommendations.</p> <p>External funding guidance to be produced, incorporating existing requirements, due to the level of external funding being applied for and managed by the Council.</p>
<p><b>Determining the interventions necessary to optimise the achievement of the intended outcomes.</b></p>	<ul style="list-style-type: none"> <li>• Develop and implement a Corporate policy and strategy 'register' to ensure</li> </ul>	<p>Undertake review process alongside the new Corporate Vision once adopted.</p>

	that these are reviewed and updated in a timely manner and to support decision making	The above remains subject to securing the additional capacity required to deliver a number of corporate activities and actions
<b>New Items for 23/24</b>		
<p><b>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.</b></p> <p>Maintaining an up to date Local Code of Corporate Governance along with key policies and procedures.</p>	<ul style="list-style-type: none"> <li>Review and update the Local Code of Corporate Governance and key policies and procedures.</li> </ul>	Review to be undertaken during 2023/24, with any associated decisions undertaken as necessary.
<p><b>Managing risks and performance through robust internal control and strong public financial management</b></p> <p>In terms of business continuity this is especially important given the current global/economic climate</p> <p><b>Determining the interventions necessary to optimise the achievement of the intended outcomes.</b></p> <p>Managing risks and performance through robust internal control and strong public financial management.</p>	<ul style="list-style-type: none"> <li>Departmental Plans to be subject to review to reflect any updated Council objectives and priorities including the associated management of risk.</li> <li>Develop the financial planning process with the aim strengthening the Council's long term financial sustainability</li> </ul>	<p>During 2023/24 reviews of Departmental Plans will be undertaken to align with the new Corporate Vision and Risk Management approach, along with any Peer Reviews as relevant</p> <p>Review to incorporate resources / capacity to deliver priorities, projects and service provision</p> <p>Update the financial forecast and develop the framework in which to identify the necessary savings to support the Council's long-term financial sustainability.</p> <p>Further develop the Dedicated / Regular Officer Management Team Meetings with a focus on</p>

		financial / non-financial issues along with performance and delivery.
<p><b>Developing the Council's entity, including the capacity of its leadership and the individuals within it</b></p> <p>Effectively manage the transition to a new Administration following the local elections in May 2023.</p>	<ul style="list-style-type: none"> <li>Continuation of delivery of the Member Development Programme</li> <li>Cabinet focus on new Corporate Plan, project prioritisation, financial sustainability and robust decision-making.</li> </ul>	<p>Continuation of existing Corporate Plan and priorities through 2023.</p> <p>New Corporate Plan, priorities, delivery of business as usual with regular briefings with individual Portfolio Holders and Cabinet</p> <p>Production and review of Departmental Plans within services identifying resources required for delivery and prioritisation.</p>
<p><b>Determining the interventions necessary to optimise the achievement of the intended outcomes.</b></p> <p>Managing risks and performance through robust internal control and strong public financial management.</p>	<ul style="list-style-type: none"> <li>Review of existing Risk Management / Business Continuity Arrangements</li> </ul>	<p>Undertake a review during 2023/24 and present recommendations / options to a future meeting of the Audit Committee.</p>
<p><b>Determining the interventions necessary to optimise the achievement of the intended outcomes.</b></p> <p>Managing risks and performance through robust internal control and strong public financial management.</p> <p>Given the significant financial challenges and associated governance challenge facing the Council, the effective role</p>	<ul style="list-style-type: none"> <li>Review of the effectiveness of the Audit Committee</li> </ul>	<p>Undertake a review in consultation with the Audit Committee and other key partners during the year and develop an associated action plan as necessary.</p> <p>Keep under review the recommendations emerging from the Redmond review and identify an associated action plan as necessary.</p>

of an Audit Committee is amplified.		
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Progress regarding these governance issues will be monitored throughout the forthcoming year by the Council's Audit Committee.

## **7. CONCLUSION**

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

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

**Ian Davidson**  
**Chief Executive**

Date: 31 July 2023

**Councillor Mark Stephenson**  
**Leader of the Council**

Date: 31 July 2023

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



