

AUDIT COMMITTEE

28th April 2022

Subject: Update on Financial Results and Statement of Accounts for 2020/21

Note for Members: Detailed questions on the Statement of Accounts cannot be taken during the meeting but questions are invited via email for response. Please submit questions to Lance Wosko, Financial Services Manager.

1 Purpose of Report

- 1.1 This report provides an update on the draft financial results and unaudited Statement of Accounts for 2020/21.
- 1.2 The Statement of Accounts is supported by a separate annexe intended to aid interpretation.

2 Links to Council's priorities and objectives

- 2.1 This report is linked to the Council's priority of A Commercial and Democratically Accountable Council. Sound and strategic financial management is essential in order to ensure that resources are available to support the Council's priorities and maintain or improve services.

3 Recommendations

- 3.1 That following scrutiny:
 - 1. The financial results for 2020/21 and explanations of budget variances and significant items are noted.

4 Background

- 4.1 The Council has a duty to approve and publish an Annual Statement of Accounts within statutory timescales. The regulations, which allow more time than in previous years, require that:

31st July The un-audited Statement of Accounts is signed by the Council's responsible financial officer to certify that the accounts give a true and fair view of the Council's financial position and financial performance, and are published.

30th September Subsequent to the independent audit by the Council's external auditors, the accounts are re-certified by the

responsible financial officer, approved by Council Members (by way of resolution at a meeting) and subsequently published.

- 4.2 The external audit of the draft statement of accounts was not completed in line with the above deadline due to the audit being rescheduled by our external auditors Ernst & Young LLP.
- 4.3 The Statement of Accounts must be prepared in accordance with International Financial Reporting Standards (IFRS) and proper accounting requirements, as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and the associated Guidance notes for Practitioners, both published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

5 Public inspection, audit and publication of the Statement of Accounts

- 5.1 The Council's external auditors, Ernst & Young LLP, commenced their audit of the Statement of Accounts during November 2021 with the work still continuing in April 2022. There were also rights of public inspection of the accounts and relevant supporting documents during the period 26 July to 6 September 2021. Draft unaudited accounts were published on the Council's website prior to the start of the inspection period.
- 5.2 At the time of preparing this report the external audit was still in progress. An update on the progress of the audit will be made at the committee meeting. A Provisional Results report has been circulated to members of the Committee separately.
- 5.3 The final audited version of the Statement of Accounts will be provided to a future meeting of this Committee for formal approval, and then will be published on the Council's website.

6 Scrutiny of the Statement of Accounts

- 6.1 The Statement of Accounts is an important document and is subject to a robust process of scrutiny prior to approval. The draft accounts were circulated to all Members when they were published in July 2021 for scrutiny and to invite questions. It is recognised that the accounts and supporting notes are complex and therefore to assist Audit Committee Members in fulfilling the process of scrutiny, Officers have produced the following additional guidance:
- **Annexe A** - A summary of 2020/21 financial results for the Council's three main funds: the General Fund, the Housing Revenue Account and the Capital Programme, including details of unspent budgets carried forward to 2021/22 and comments on budget variances. The Annexe is split into 5 separate sections.
- 6.2 The actual Statement of Accounts 2020/21 is the final annexe of this report.
- 6.3 A separate report has already presented to Audit Committee in July 2021, and also subsequently presented to Cabinet in October 2021, summarises the Council's Treasury Management activity for 2020/21.

7 Corporate Implications

a) Legal implications

As set out in sections 4 and 5 above. The Council's Constitution and Financial Procedure Rules require approval of the Statement of Accounts by Audit Committee. The final audited version of the Statement of Accounts will be provided to a later meeting of this Committee for approval.

b) Financial implications

The financial implications are set out throughout the report.

c) Human resource and equality implications

No new implications.

d) Timescale for implementation and risk factors

The final version of the audited Statement of Accounts will be provided at a later date for formal approval from Audit Committee, they will then be published on the Council's website.

Report Author: Alison Wigmore, Chief Accountant

Background Papers:

CIPFA: Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and associated Guidance Notes.

2020/21 Summary Financial Results

1 Overview

1.1 Annexe A provides a summary of the 2020/21 financial results for the Council's three main funds: the General Fund, the Housing Revenue Account and the Capital Programme.

1.2 The annexe has the following sections:

Section 1 A summary of the year end position for each main Fund.

Section 2 A summary of budgets approved by the Strategic Director (Resources) for carry forward into the 2021/22 financial year or transfer into earmarked reserves.

Section 3 Variances on the General Fund in excess of **£10k**, including comments on the variances.

Section 4 Variances on the Housing Revenue Account in excess of **£10k**, including comments on the variances.

Section 5 Variances on the Capital Expenditure programme in excess of **£10k**, including comments on the variances.

2 General Fund Revenue Account (GF)

2.1 The General Fund Revenue Account is the account that is charged with expenditure incurred on delivering the Council's services except those relating to the Housing Revenue Account (as described below), and credited with income generated through those services. The net of this expenditure and income is funded by grants and contributions from central government, council tax collected from residents and business rates from organisations in the borough.

2.2 The year end position on the General Fund after unspent budgets approved to be carried forward was an underspend of **£148k** compared to the revised budget for the year. The balance on the main General Fund reserve at 31 March 2021 was **£5.596m**. Any allocation of reserves above the recommended minimum level of **£2m** must be considered in the context of the Financial Planning Strategy and Medium Term Financial Forecast as well as consider the likely lasting impact of COVID-19.

2.3 Annexe A Section 3 shows General Fund variances in excess of plus or minus **£10k** after approval of budgets transferred into earmarked reserves or carried forward into the 2021/22 financial year, including comments on the variances.

3 Housing Revenue Account (HRA)

3.1 The Housing Revenue Account records the income and expenditure relating to the Council's stock of dwellings and garages. Income received from tenants of these

properties is receipted into the HRA. The Council is required to maintain the HRA as a separate account, distinct from the General Fund.

- 3.2 The final year end position on the HRA after unspent budgets approved to be carried forward was an underspend of **£246k** compared to the revised budget for the year. The balance on the main HRA reserve at 31 March 2021 was **£2.872m**. Any allocation of reserves above the recommended minimum level of **£533k** must be considered in the context of the long term HRA business plan.
- 3.3 Annexe A Section 4 shows HRA variances in excess of plus or minus **£10k** after approval of budgets carried forward into the 2021/22 financial year, including comments on the variances.

4 Capital Programme

- 4.1 The Capital Programme records the acquisition or enhancement of non-current (long term) assets, which are assets with a usable life of greater than 1 year, such as property, land, vehicles and equipment. The programme covers non-current assets relating to both the General Fund and Housing Revenue Account.
- 4.2 The year end position on the Capital Programme after unspent budgets approved to be carried forward was an underspend of **£305k** on General Fund capital expenditure. HRA capital expenditure was an underspend of **£391k**.
- 4.3 Annexe A Section 5 shows variances in excess of plus or minus **£10k** after approval of budgets carried forward into the 2021/22 financial year, including comments on the variances.

Summary financial results statement 2020/21

General Fund (GF) revenue expenditure	£	
Actual net expenditure	(4,674,716)	
Budget carried forward to 2021/22 (Annexe A section 2)	100,800	
Budget transferred to earmarked reserves (Annexe A section 2)	245,600	
Other transfers to / (from) earmarked reserves	4,255,579	
Net total	(72,737)	
Net revised budget	75,043	
Final variance	(147,780)	Underspend
Variance as a percentage of the gross expenditure and gross income budgets (£124.0m).	-0.12%	
See annexe A section 3 for an explanation of the General Fund variances.		

Housing Revenue Account (HRA) expenditure	£	
Actual net expenditure	(525,940)	
Budget carried forward to 2021/22 (Annexe A section 2)	0	
Other transfers to / (from) earmarked reserves	776,000	
Net total	250,060	
Net revised budget	495,700	
Final variance	(245,640)	Underspend
Variance as a percentage of the gross expenditure and gross income budgets (£14.1m).	-1.74%	
See annexe A section 4 for an explanation of the HRA variances.		

Capital Expenditure Programme - GF	£	
Actual gross expenditure	1,265,917	
Budget carried forward to 2021/22 (Annexe A section 2)	754,400	
Gross total	2,020,317	
Gross revised budget	2,324,900	
Final variance	(304,583)	Underspend
Variance as a percentage of the GF Capital Programme budget	-13.10%	
See annexe A section 5 for an explanation of the General Fund capital variances.		

Capital Expenditure Programme - HRA	£	
Actual gross expenditure	1,522,265	
Budget carried forward to 2021/22 (Annexe A section 2)	401,700	
Gross total	1,923,965	
Gross revised budget	2,315,000	
Final variance	(391,035)	Underspend
Variance as a percentage of the HRA Capital Programme budget.	-16.89%	
See annexe A section 5 for an explanation of the HRA capital variances.		

Budgets carried forward to 2021/22

In accordance with the Council's Financial Regulations, the following budgets have been approved by the Strategic Director (Resources) for carry forward into 2021/22 or transfer into earmarked reserves.

General Fund		£
Corporate Services		
1	Partnerships and Community Engagement	14,000
		<u>14,000</u>
Customer & Digital		
2	Revenue Services and Benefits	226,000
		<u>226,000</u>
Environment		
3	Environmental Health Services	71,800
4	Refuse and Recycling Collection	6,900
5	Parks and Open Spaces	3,700
		<u>82,400</u>
Place and Policy		
6	Planning and Regeneration	24,000
		<u>24,000</u>
	General Fund total:	<u>346,400</u>
Of the above total £311,800 (59.1%) relates to unspent external grant funding.		

Capital Programme		£
GENERAL FUND		
Environment		
1	Vehicle replacement programme	33,100
	Waterside Squash Courts	175,900
Governance, Law, Planning and Regeneration		
2	The Crown	5,000
3	Seafront Regeneration	540,400
Communities and Housing		
4	Hatley Gardens	0
General Fund total:		754,400
HOUSING REVENUE ACCOUNT (HRA)		
5	Link Road	24,000
	Lindon Way	44,200
	Cedar Road	23,400
6	HMS Upgrade	100,800
7	Total annual programmes for replacement and repair	209,300
HRA total:		401,700
Total		
Overall Capital Programme total:		1,156,100

General Fund

Comments on variances in excess of **£10,000** between actual expenditure and revised budget after approval of budgets carried forward into 2021/22, or transferred into earmarked reserves.

Variance Commentary
Over/(under)
£

Corporate Services		
1 All Corporate Costs	89,588	Net overspend due to unknown cost pressures arising at the end of the financial year including "buy back" of employee annual leave (£105k) and additional external audit fees (£74k), partially offset by reductions in other costs including corporate projects (£48k), pension costs (£33k), member training, subscriptions and conferences (£22k).
2 Democratic Services and Elections	(106,275)	£27k reduced legal expenditure and an additional £26k income, grant funding in respect of elections administration £42k as well as small underspends in areas such as printing, stationary and postages £8k .
3 Facilities Management	(73,133)	Underspend of £62k relating to staff vacancies. Training budget (£2k), staff forum (£2k), stationary purchases (£5k) & car allowances (£1k) underspend.
Housing		
4 Homelessness & Housing Advice	50,419	Higher than anticipated costs incurred in respect of temporary accommodation (£6k), aborted project costs in respect of housing development project (£13k) and bad debts were higher than anticipated at year end (£52k). Employee costs were less than budgeted (£14k).
5 Land Charges	(21,195)	Income from charges exceeded budget by £16k . Remaining variance due to accumulated underspends on administrative budgets.
Environment		
6 Environmental Health Services	(16,866)	Work undertaken by Environmental Health during the year was partly funded by covid-10 funding which accounts for £34k of the variance. The remaining variance relates to a staff vacancy.
7 Street Scene and Operational Services	(82,233)	Variance made up of additional fees and charges income (£78k) above the level anticipated, staffing savings (£49k) due to vacancies and maternity leave; netted off against additional maintenance costs relating to Council vehicles (£31k) and car parks (£14k).
8 Refuse and Recycling Collection	(39,239)	Variance caused by the net impact of additional spend of £19k on cleaning supplies, additional income (£31k including recycling credits from ECC), reduced tipping charges for the year (£14k) and reduced spend on recycling initiatives (£13k).
9 Parks and Open Spaces	(33,694)	Variance reflects £38k additional cemetery income, offset by £6k additional spend on allotment maintenance and water charges.
10 Golf Course	14,000	Rental free period during pandemic.
11 Leisure Centres and Halls	(249,006)	Closure of facilities resulted in operational cost savings including staffing and training (£61k) maintenance (£26.3k), utilities (£13.5k), equipment and product purchases (£36.3k), and building cleaning/chemicals (£16.2k). Further reductions in computer related costs and exercise classes were negotiated, saving £17.3k . Fees and charges at Runnymede exceeded expectation by £5k , and £8k extra income was received at Waterside for lateral flow testing in March 2021 which was not anticipated. However, membership income was £40k less than expected this year. Furlough funding in relation to leisure staff was £119k greater than expected.

General Fund		
Comments on variances in excess of £10,000 between actual expenditure and revised budget after approval of budgets carried forward into 2021/22, or transferred into earmarked reserves.		
	Variance	Commentary
	Over/(under)	
	£	
Customer & Digital		
12 Information Technology Unit	(41,250)	Variance on IT contract sum resulted in underspends of £16k . Underspend on computer related purchases (£11k) and IT Projects (£18k).
13 Revenue Services, Benefits and Tax Collection	(52,282)	Accumulated underspend resulting from savings on postages (£12k), card charges (£8k) computer purchases (£4k) and receipt of covid support grant funding.
Place and Policy		
14 Planning Services and Regeneration	(177,924)	Variance consists of £40k Building Control fees and charges and an additional £92k on Knightswick rental income. The remaining variance relates to a reduction in bad debt provision in relation to the Knightswick Centre.
Other Operating Income and Expenditure		
15 Other Operating Income and Expenditure	(304,135)	Net change in various corporate budgets including £113k reduction in recharge to the Housing Revenue Account, receipt of additional grant funding (£145k) and higher than anticipated value of business rates transactions (£86k).
Movements on earmarked reserves (related to above)		
16 Knightswick (additional) surplus into earmarked reserve	128,138	
17 Squash courts application of reserve deferred to 2021/22	175,195	
18 Net additional business rates related transactions into earmarked reserve	86,700	
19 New contribution to playgrounds maintenance	100,000	
20 New contribution to priority initiatives	100,000	
21 Additional contribution to covid impact reserve	209,771	
22 Additional contribution to planned maintenance reserve	100,000	
19 Other movements on earmarked reserves (net)	10,348	
Net General Fund over / (under) spend (pre earmarked reserve movements)		
	(133,074)	
Net other movement (items less than £10k in value)	(14,706)	
Net General Fund over / (under) spend	(147,780)	

Housing Revenue Account		
Comments on variances in excess of £10,000 between actual expenditure and revised budget after approval of budgets carried forward into 2021/22, or transferred into earmarked reserves.		
	Variance	Commentary
	Over/(under)	
	£	
Income		
1 Rents	(22,912)	Rental income from dwellings was higher than anticipated due to reduced turnover of stock (£24k)
Expenditure		
2 Supervision and Management	(11,640)	Employee costs were generally lower than budgeted for the year (£58k), offset by additional costs for IT related areas (£30k) and cleaning of blocks (£14k).
3 Repairs and Maintenance	57,861	Void and Reactive repair costs were higher than budgeted (£118k) offset by a reduction in Planned and Cyclical works (£54k). Insurance payments were received in 20/21 (£14k).
4 Other Service Expenditure	(57,441)	Contributions to bad debt provisions were lower than anticipated (£33k) and payments for utility and council tax bills were also lower than anticipated (£25k).
Other Operating Income and Expenditure		
5 Capital items and other adjustments	(213,283)	Revenue contributions to capital were not required (£96k) General fund to HRA recharges were lower than anticipated (£108k) Interested receivable was higher than anticipated (£8k).
Net total of all other variances		
	1,775	
Net HRA over / (under) spend	(245,640)	

Capital Expenditure Programme		
Comments on variances in excess of £10,000 between actual expenditure and revised budget after approval of budgets carried forward into 2021/22.		
	Variance Over/(under) £	Commentary
General Fund		
Customer and Digital		
1 ICT Intangibles	14,014	£14k of server software costs that were originally included in revenue.
Environment		
1 Disabled Facilities Grants	(301,141)	Less grants than anticipated were completed in year, the COVID19 lockdown impacted on this. Government funding for these will be carried forward to meet costs in future years.
2 Labworth Car Park	63,775	Project taking place over 2 years. 2021/22 budget will be reduced to reflect overspend in 2020/21
Housing - General Fund		
1 Benderloch Development	(30,000)	This project did not receive planning permission and therefore costs incurred may not be capitalised and have been charged to revenue.
Place and Policy		
1 Hadleigh Town Centre	(45,034)	Estimate included contingency for unforeseen issues arising during demolition of The Crown. None were encountered.
Housing Revenue Account		
New developments and annual programmes for replacement and repair		
1 Window Replacements	(18,639)	Tenant refusals lowering requirement for works and lower number of adhoc works required
2 Kitchen Improvements	(93,368)	Tenant refusals lowering requirement for works and lower number of adhoc works required
3 Environmental Improvements	(29,900)	Scheme proposals not finalised within 20/21
4 Roofs	10,256	Main contract deferred to 21/22, requirements for urgent repairs higher than anticipated
5 Electrical Rewiring	(15,565)	Tenant refusals lowering requirement for works and lower number of adhoc works required
6 Doors	20,686	Costs of retention not budgeted for in 20/21
7 Bathroom Improvements	(164,170)	Tenant refusals lowering requirement for works and lower number of adhoc works required
8 Unallocated Provision	(20,000)	Provision not required
9 Wall Finishes	(91,825)	Following inspections anticipated works not required
10 Affordable Housing	18,182	Additional work to bring on a pipeline of new build schemes
11 Church Close	(27,611)	Level of contingency for additional costs lower than anticipated
Total of all other variances		
	14,721	There were a number of other smaller variances on HRA repairs where works were delayed or came in under budget.
Capital Programme over / (under) spend	(695,618)	



CASTLE POINT BOROUGH COUNCIL

STATEMENT OF ACCOUNTS FOR THE FINANCIAL YEAR 2020/21

For further information please contact:

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draft and unaudited

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draft and unaudited

1 Introduction

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year, and the Council's position at the year end date, 31 March 2021.

This Narrative Report provides interested parties with an effective guide to the most significant matters reported in the accounts and although it is part of the same published document, it does not actually form part of the Statement of Accounts. Instead it serves as a summary and a source of supplementary information. The formal Statement of Accounts commences on page 21.

The Narrative Report is split into the following sections:

- **Section 2 – Financial overview and commentary** – this section includes information on the Council's accounts, financial performance and economy, efficiency, and effectiveness in its use of resources over the financial year, future challenges, and other items.
- **Section 3 – Descriptions of the Financial Statements** – the Statement of Accounts contains several core and supplementary financial statements. This section contains descriptions of each of them, an explanation of the links between them, and reports some of the key amounts included in these statements.
- **Section 4 – Summary of the Council's spending and income** – this section contains charts showing high level summaries of the Council's spending and income for the year, and definitions of the different Council services and types of cost and income included in the charts.
- **Section 5 – Out-turn and comparison to budget** – this section contains a more detailed analysis of the Council's financial performance for the year compared to budget.

Within the Narrative Report and the Statement of Accounts all reported amounts have generally been rounded to the nearest thousand pounds ("£000s" or "k") or are stated in millions ("m").

2 Financial Overview and Commentary

2.1 – The framework for completion of the Statement of Accounts

The Council is required to prepare an annual Statement of Accounts in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2015 and in accordance with proper accounting practices. These practices primarily comprise The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"), based on International Financial Reporting Standards (IFRS), and the associated Guidance Notes for Practitioners, both as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Summary of Significant Accounting Policies describe the principles, rules and procedures which have been consistently followed in preparing and reporting the financial statements.

The Code of Practice sometimes requires accounting policies to be changed, and this may require prior year information to be restated. Although there are no such changes applicable for the 2020/21 accounts, a restatement of the main statements was required to reflect the Council's new structure which was implemented during the year.

The financial statements of the Council are intended to provide information on and present a "True and Fair view" about the Council's financial position, financial performance and cash flows. They should provide such information so as to support the need for public responsibility by enabling users to assess the stewardship and accountability of elected members and senior management for the resources entrusted to them. In order to provide a true and fair view the financial statements must present a faithful representation of the effects of transactions, other events and conditions in accordance with specified definitions and recognition criteria for assets, liabilities, income and expenditure, as set out in the Code.

The presentation of the information in the statements should meet the common needs of, and be useful to, a wide range of users. As such, the financial statements should be readily understandable by users. However, it is assumed that the user has a reasonable knowledge of accounting and of the functions of local authorities and the way they provide their services. Where it is unavoidable to use technical terms, those terms are defined in the glossary of terms at the end of this document.

2.2 – Classifications of income and expenditure, and operating/budgeting model/process

The Council has three distinct categories of expenditure and income reported within the Statement of Accounts:

- **The General Fund (GF)** – the account that is charged with revenue expenditure incurred on delivering the Council's services or meeting its day-to-day expenses that is not connected to the Housing Revenue Account (as described below) and credited with revenue income generated through those services. The net of this expenditure and income is funded by grants and contributions from Central Government, Council Tax collected from residents of the borough and the share of Non-Domestic Rates collected from shops and businesses retained by the Council.
- **The Housing Revenue Account (HRA)** – the account that records the revenue income and expenditure relating to the Council's stock of dwellings and garages. Income received from tenants of these properties is receipted into the HRA. The Council is required to maintain the HRA as a separate account, distinct from the General Fund, for the provision of local authority housing in accordance with Part VI of the Local Government and Housing Act 1989.
- **The Capital Programme** – the account that is charged with expenditure on the acquisition or enhancement of non-current (long-term) assets. These are assets with a usable life of greater than one year, such as property, land, vehicles, and equipment. The capital expenditure programme covers non-current assets relating to both the General Fund and the Housing Revenue Account.

Section 4 of the Narrative Report describes the specific service functions and activities and categories of income and expenditure which sit within the General Fund and Housing Revenue Account. These are shown in accordance with the internal structure used by the Council for reporting, decision making and budget setting. Where relevant the information included within both the Narrative Report and the Statement of Accounts itself is reported under this same internal structure.

Budgets are allocated to services through the annual budget setting and service planning process which culminates in reports to Cabinet and Council in February each year and set Council Tax and HRA Rent charges for the new financial year. These reports may be found in the Agendas and Minutes Library on the Council website:

<https://www.castlepoint.gov.uk/agendas-minutes-library>

The Statement of Accounts includes the Annual Governance Statement (AGS), which reports on the governance framework within which the Council operates, including the effectiveness of that framework as well as details on the roles and responsibilities of the Chief Financial Officer, Internal and External Audit and the Audit Committee. The AGS also includes actions to address any governance issues identified and a progress report on previously identified actions.

At the end of each year, unspent budgets meeting specific criteria may be carried forward into the following financial year. These arise when goods have been ordered and not yet received, or works and services have been committed to, but not yet commenced or completed. After adjusting for these carried forward budgets the overall out-turn position at the end of 2020/21 was as shown below:

Out-turn position 2020/21	
General Fund	£148k underspend (0.12% of gross budget of £124m)
Housing Revenue Account	£246k underspend (1.74% of gross budget of £14.1m)
Capital programme	£696k underspend (14.99% of gross budget of £4.6m)

A detailed analysis of spend against budget is shown in section 5 below.

2.3 – Council priorities and the Corporate Plan

The Council has four key priorities which were refreshed in 2019 as part of the current Corporate Plan:

- Environment:** “The environment is a high priority for residents, who want to see well maintained parks and open spaces and streets that are clean and free from litter, refuse, graffiti and fly posters. Whilst we have many well-maintained recreational areas satisfaction with our Parks and Open Spaces is low when compared to other authorities. We want to better promote the facilities we maintain and to improve and maximise positive impacts on the environmental quality of the Borough by encouraging a reduction in waste production and increased participation in our recycling and composting services. We will continue to promote our chargeable garden waste wheeled bin scheme and undertake a campaign to promote our parks and open spaces to encourage more diverse usage of these areas and to increase satisfaction. We will also work closely with the community to help enable community projects to improve our Environment and to enable the further development of parks, beaches and foreshore, open spaces, playgrounds and community facilities. We will work closely with the community to reduce litter and to help alleviate flooding concerns and to prevent dykes being blocked. We will also liaise with Essex County Council to help improve our highways and footpaths.”
- Housing and Regeneration:** “We aim to transform our community to ensure we provide a sustainable future for all who live, work and play in the Borough. We will do this by setting the right planning framework in place, in consultation with our community, which allows for a sustainable future and the regeneration of town centres. We will work with the private and public sectors to improve the supply of good quality housing and we will maximise the use of our assets and work with partners to further develop affordable housing to help meet the needs in the borough. We will work with our partners to deliver a strategic and local planning framework that provides for the needs of our community now and in the future.”
- Health and Community Safety:** “We will seek to secure the wellbeing of our community and will work closely with our partners to achieve outcomes that have an impact on people’s lives. We will work closely with residents, local businesses, and our partners to reduce crime and antisocial behaviour. We will work to improve the wellbeing and health of our community by improving our leisure and recreational offer and by working with our partners to promote healthy living. We will engage more closely with our community and develop services in partnership with other public sector organisations to improve the quality of people’s lives and assist with dealing with the needs of an ageing population as well as provide for needs of younger people through sport, recreation and play facilities. We will work closely with the voluntary sector to provide essential services for those facing difficulties in this challenging economic climate through debt advice and support.”
- A Commercial and Democratically Accountable Council:** “Reductions in public funding and increasing demand for good quality customer focused services mean that Council services must be as lean as possible. Restrictions on council tax also mean that councils need to consider new ways of bridging the funding gap and strive towards financial self-sufficiency. The methods by which financial self-sufficiency may be achieved fall broadly within the theme of commercialism and the programme of work which is forming under this theme, as expected, includes a focus on raising additional revenue but also includes increasing financial awareness, utilising technology and adopting smarter ways of working in order to reduce operating costs, and making better use of all council operated resources. We will continue to review services and explore working practices to maximise efficiency and we will seek to provide services in the most cost effective way, working with partners in the private, public and with the wider community to secure the best value for money service provision. We will work with our communities to provide greater accountability on the services we provide.”

More information on these priorities can be found in the Council’s Corporate Plan, which is available here: <https://www.castlepoint.gov.uk/council-strategies-and-policies>. The Council is currently in the process of updating its Corporate Plan and priorities.

2.4 - Financial Performance, economy, efficiency and effectiveness in the use of resources

The Council measures performance based on a set of Corporate Performance Indicators representing the Council Priorities described in Section 2.3. Performance is reported to Cabinet quarterly and a selection of these indicators is shown below.

Indicator	Performance 2019/20	Target 2020/21	Performance 2020/21
Percentage of food premises awarded a score of at least 3 on the food hygiene rating scheme	92%	90%	95%
Household waste recycled	25.9%	25.0%	24.7%
Household waste composted (inc. food waste)	25.6%	25.0%	26.1%
Percentage of streets inspected which are deemed to be unsatisfactory using Code of Practice for Litter and Refuse methodology.	8.9%	<10%	8.7%
Tenant satisfaction with repairs and maintenance	99.5%	97%	98.3%*
Average void property turnaround time	21.1days	20 days	41.4 days**
Percentage of building control applications processed within statutory time limits	100%	100%	100%
Percentage of calls to First Contact resolved without the need to transfer to the back office	95%	95%	96%

* Satisfaction surveys were not carried out in Q4 as the incumbent contractor was demobilising and the Council was changing to a new contractor. Performance shown here is year to date position at the end of Q3.

** The average void turnaround time missed target at year end due to Covid-19 lockdowns and a halt on allocating to properties, particularly in sheltered units in response to spikes in infections at various stages over the year.

In terms of financial performance, the Council compares its performance against other authorities using information published by the Local Government Association. These indicators compare the Council to around 200 other district councils and are shown in the table below.

At the time of producing these accounts, information for 2020/21 had not been published. A selection of these indicators is provided below, using the most recently available information.

- **The total net expenditure on council services** - this has increased from **£9.4m** in 2018/19 to **£9.9m** in 2019/20. The Council's cost remains below the average of all district councils, which was **£14.7m** in 2019/20.
- **The total net spend per head of population on council services** – this looks at the same data as the first indicator, but per head of population. This has therefore also increased from **£104** in 2018/19 to **£110** in 2019/20. The average for all district councils was **£128** in 2019/20.
- **Income from sales, fees and charges as a percentage of total spend** – this increased from **21%** in 2018/19 to **23%** in 2019/20. There is a wide variation in levels of charging between district councils with the same responsibilities, and the Council is still below the average of all district councils, which was **24%** in 2019/20.

Other indicators look at spend per head of population on specific service functions:

Indicator – spend per head on:	CPBC 2018/19 £	CPBC 2019/20 £	District Average 2019/20 £
Council tax collection	5	5	5
Culture and sport	47	48	38
Waste management	40	42	37
Street cleansing	6	6	10
Planning services	16	21	23

Values provided are rounded to the nearest pound.

2.5 – Financial Reserves and looking ahead to the future

There are two principles which the Council is required to follow when determining its annual budget:

- The budget must be balanced, meaning that expenditure does not exceed income and the Council does not have to rely on the use of reserves to support ongoing spending, and
- Reserves must be maintained at or above the minimum recommended level determined by the Council's Chief Financial Officer (s151 Officer). This level is set after consideration of potential risk factors and for 2021/22 is **£2.3m** for General Fund reserves and **£531k** for Housing Revenue reserves.

The global pandemic (Covid-19) and the resulting national lockdowns in 2020 and 2021 have had a significant impact on the Council's financial position, mainly because of reductions in income streams. The overall impact of **£2.763m** in 2020/21 has fortunately been almost fully offset by various government grants and initiatives, leaving a net impact of just **£38k**.

Whilst the national vaccination programme is well underway, it is not possible to know when the country will fully return to normal or what the lasting impact on the Council's financial position may be post recovery. Many scenarios have been considered, but given the high degree of uncertainty the Council has not made changes to its detailed budget at the time of writing this report, but has instead established a plan which will allow it to respond to any impact which may arise in a measured way. An earmarked reserve has been established which will sit alongside the detailed budget, demonstrating prudent financial management by setting aside a sum of money which may be utilised to smooth any detrimental impact.

The Council has set a balanced budget for 2021/22 however in future years there are funding gaps of **£1.158m** in 2022/23 and **£1.115m** in 2023/24, meaning that the Council will have to find new savings and rely on the use of reserves to meet spending plans during these years until such time as the budget gap is closed.

Central government have already committed to supporting local authorities with the direct and immediate financial impact of the pandemic, specifically during the first quarter of 2021/22. Central government support would not however extend to compensating for changes in demand or use of services which may continue post recovery.

The Council has seen significant reductions in grant funding in recent years and the Government has continued to control the amount by which local councils may increase Council Tax. This control is exerted through a process whereby authorities are required to undertake a public referendum if they wish to increase their Council Tax charge beyond a level determined annually by Central Government. This limit has been set at 2% (previously 3%).

Significant savings have already been identified which will impact through the years of the forecast but further savings will need to be identified to balance the budget for the years beyond 2021/22.

To avoid dependence on diminishing Central Government funding, greater emphasis is now placed on locally raised revenue streams such as service specific fees & charges, and charges for discretionary functions.

The Council recognise that it needs to continue to actively pursue other sources of income, maximise fees & charges and introduce innovative and radical changes to the way in which services are delivered in order to achieve financial self-sufficiency in the medium to longer term.

The Council will look at more innovative ways to deliver services to residents and continue to work on programmes during 2021/22 and beyond to deliver the savings that are required to balance future years in a measured way. Initiatives include:

- Reviewing service delivery methods to ensure that they focus on customer need and reduce waste within the confines of a traditional service.
- Using technology to transform the way that the Council currently works.
- Reducing spending commitments by delivering more for less.
- Utilising "invest to save" initiatives.

- Reviewing workforce planning and management to ensure staff resources are effectively employed.
- Seeking new opportunities, for example cost sharing with partners.
- Improving the cost effectiveness of building assets.

Commercialism means different things to different organisations but for Castle Point it includes a focus on raising and maintaining additional revenue, establishing greater financial awareness in terms of our costs, how those costs interact with and affect the associated income generated, and smarter ways of working in order to reduce those costs.

In respect of the Housing Revenue Account (HRA) the biggest risks to its future viability are long-term social rent policies and welfare reforms:

- 2020/21 was the first year of a stated minimum period of 5 years in which rent increases at Consumer Price Index (CPI) + 1% are allowed. This follows four consecutive years of a social rent policy that required implementing 1% rent reductions each year which has resulted in long-term cash-flow issues for the HRA Business Plan. This plan, which projects the long term financial position of the HRA over several decades, was previously calculated with annual increases in rent levels derived from prevailing Retail Price Index (RPI) rates plus an additional 0.5%, based on prior Government directions. There has now been a return to annual increases based upon CPI + 1%, but the period of rent reductions has reduced the future revenue due to the Council, compared to if the annual increase policy had continued.
- The roll out of universal credit and direct payment of benefits will impact the Council by limiting the amount of benefits a claimant can receive, this is paid direct to the applicant rather than to the Council as provider of the accommodation. Evidence from pilots was that a significant increase in rent arrears resulted from the removal of the direct payment, thus impacting on the cash flow within the HRA Business Plan.
- The current uncertainty around the impact of Covid-19 on the economy needs to be highlighted as this may have an impact on both the number of benefit claimants and the ability of tenants to pay rent due. If numbers of benefit claimants increase this may have an impact on future social rent and welfare policy.

More information on these matters can be found in the Council's annual Policy Framework and Budget Setting report and Housing Revenue Account (HRA) – Rent Levels, Revenue Budget and Capital Plan report. These reports can be found in the Agendas and Minutes Library on the Council website: <https://www.castlepoint.gov.uk/agendas-minutes-library>

2.6 – Other areas of financial uncertainty

As part of the process of completing the Statement of Accounts the Council has to consider a number of areas of financial uncertainty.

The Council must review if any provisions or contingencies are required. Accounting Policy AP21, Provisions and Contingencies, provides further information on the nature of these items.

- Provisions are liabilities of either uncertain timing and/or uncertain amounts. The Council had outstanding provisions as at 31 March 2021, primarily in relation to appeals on business rates. The provisions are explained in Note 21 to the Core Financial Statements.
- Contingent assets and contingent liabilities are assets and liabilities that are not certain as they are dependent on future events which may or may not occur. The Council had no contingent assets as at 31 March 2021, but did have a number of contingent liabilities. These items are also disclosed in Note 21 to the Core Financial Statements.

The Council must also make allowance for the possibility that some of the amounts at 31 March 2021 that are outstanding and due to be paid to the Council may not actually be paid. The allowances are determined in accordance with Accounting Policy AP20, and serve to reduce the value of the outstanding debts included on the Balance Sheet. These allowances are disclosed in Note 14 to the Core Financial Statements, with further analysis in Note 19.

The Council uses independent external valuers to review its non-current (long-term) assets for indications of impairment at the Balance Sheet date, which could mean that the asset values are overstated and need to be reduced. Further information is disclosed in Note 24.1.

The outbreak of Covid-19, declared by the World Health Organisation as a 'Global Pandemic' on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy with some real estate markets having experienced lower levels of transaction activity and liquidity. Travel, movement, and operation restrictions have been implemented by many countries. In some cases, 'lockdowns' have been applied to varying degrees and to reflect further waves of Covid-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

As at the valuation date, property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. The valuations are not reported as being subject to 'material valuation uncertainty' as defined by VPS3 and VPGA10 of the 'RICS Valuation – Global Standards', except in respect of Retail and specific trading related assets/sectors such as Car Parks. As at the valuation date there exists an unprecedented set of circumstances caused by the pandemic and an absence of relevant/sufficient market evidence on which to base valuation judgements, they are therefore reported as being subject to 'material valuation uncertainty' and a higher degree of caution should be attached to these. The inclusion of the 'material valuation uncertainty' declaration however, does not mean that the valuation cannot be relied upon, rather the declaration has been included to ensure transparency of the fact that, in the current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case.

Further information on impairments and revaluations is found in Note 13.7 to the Core Financial Statements and Note 3 to the Housing Revenue Account. Accounting Policy AP16.5 provides further information on impairments of non-current assets.

The Council is required to consider if there are any events after the Balance Sheet date to report in the Statement of Accounts. These are events, both favourable and unfavourable, that occur after the end of the accounting period, and before the date when the financial statements are authorised for issue. There are two types of events:

- Adjusting events: those events that provide additional evidence regarding conditions which existed at the end of the accounting period; and
- Non-Adjusting events: those events that provide evidence regarding conditions that arose after the end of the accounting period.

The unaudited financial statements were signed and authorised for issue by the Council's responsible financial officer on 23 July 2021, to certify that the accounts gave a true and fair view of the Council's financial position and financial performance. This establishes the date after which events have not been recognised in the Statement of Accounts. The Council had no adjusting or non-adjusting events to report at that time.

2.7 – Borrowing and financing of the Capital Programme

The Council owns many assets, including land, buildings, and vehicles. The most significant buildings owned by the Council are the Council Offices and Runnymede Leisure Centre in Benfleet, and Waterside Farm Leisure Centre and the Knightswick Shopping Centre on Canvey Island. The Council also owns around 1,500 council houses. The capital value of the assets owned by the Council is reported on the Balance Sheet.

Total capital expenditure for 2020/21, across both General Fund and Housing Revenue Account, was **£2.8m**, as shown in Section 5 of this Narrative Report.

The main items of capital expenditure during 2020/21 included:

- Council house improvements;
- Construction of new Council housing properties;
- Disabled Facilities and other home improvement grants;

- Implementation of new housing management system;
- Labworth car park improvements;
- Installation of Drowning Detection system at Waterside and Runnymede pools;
- Purchase of 2 new refuse vehicles.

The Local Government Act 2003 includes provisions relating to capital expenditure and borrowing controls. These provisions require local authorities to determine and keep under review the amount of their affordable borrowing. They must also have regard to the Prudential Code for Capital Finance in Local Authorities issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with these provisions and the Prudential Code the amount the Council can afford to borrow is called the Affordable Borrowing Limit. This limit ensures that total capital investment remains within affordable and sustainable limits and that any impact on future Council Tax and Dwelling rent levels is acceptable.

As at 31 March 2021 the Council had **£13.5m** (including **£8.1m** relating to the purchase of the Knightswick Centre) of outstanding General Fund borrowing and **£36.8m** of outstanding Housing Revenue Account borrowings.

Note 13 to the core financial statements, Non-Current Assets, contains details of the Council's capital expenditure and shows how it was financed. Note 19 to the Core Financial Statements, Financial Instruments, contains details of the Council's borrowing.

2.8 – Pension Scheme

As part of the terms and conditions of employment of its employees, the Council contributes towards the cost of post-employment benefits for its employees. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make future payments which need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS) administered by Essex County Council (ECC). This is a funded defined benefit Career Average Revalued Earnings (CARE) salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets over the long term.

The current pension scheme liability shows the underlying commitment that the Council has in the long run to pay future retirement benefits. The net liability of **£28.9m** as at 31 March 2021 is recorded in the Balance Sheet. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Further detailed information in relation to the pension scheme is reported in Note 18 to the Core Financial Statements, Post-Employment Benefits and Net Pension Liability.

3 Descriptions of the Financial Statements

3.1 – Core Financial Statements

There are four core financial statements included in the Statement of Accounts, as follows:

3.1.1 – Comprehensive Income and Expenditure Statement (CI&ES)

The Comprehensive Income and Expenditure Statement consolidates all of the gains and losses of the Council during the year, so effectively reports the Council's financial performance for the year. It reports the consolidated position for both the General Fund and the Housing Revenue Account.

This statement shows the accounting cost in the year of providing services on an accounting basis, i.e. 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 taxation or funding position is different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement (MIRS). Therefore, in order to reflect the financial results for the year on a funding basis, i.e. as supported by Council Tax and Housing Rents, additional statutory

accounting entries are required. These “Adjustments between accounting basis and funding basis under regulations” are reported in the MIRS and analysed in further detail in the accompanying notes.

Services reported within “Net Cost of Services” on the CI&ES are disclosed in accordance with the Council’s internal reporting structure used for decision making and budget setting. Internal recharges between services are not reported on the CIES but are still included in the Expenditure and Funding Analysis (see below).

The line “(Surplus) / Deficit on the provision of services” shows the increase or decrease in the net worth of the Council as a result of incurring expenses and generating income. For 2020/21 this was an increase of **£1.2m**.

The line “Other Comprehensive Income and Expenditure” shows the increase or decrease in the net worth of the Council as a result of movements in the fair value of its assets, and also from movements on pension fund assets and liabilities. For 2020/21 this amount decreased by **£0.8m**.

3.1.2 – Movement in Reserves Statement (MIRS)

The Movement in Reserves Statement summarises the change in the financial year across all reserves and balances held by the Council, both from incurring expenses and generating income through the Council’s services, as well as changes in the fair values of assets held by the Council, and changes in the pension fund liability.

The statement shows the movement in reserves in the year, categorised as Usable Reserves (i.e. those which can be applied to fund expenditure or reduce local taxation) and Unusable Reserves. The Surplus / (Deficit) on the Provision of Services shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund and the Housing Revenue Account for setting Council Tax and Housing Rents. The “Net Increase / (Decrease) before Transfers to / (from) Earmarked Reserves” line shows the statutory General Fund and Housing Revenue Account balances for the year before any discretionary transfers to or from earmarked reserves undertaken by the Council.

3.1.3 – Balance Sheet

The Balance Sheet summarises the Council’s overall financial position at the end of the financial year i.e. as at 31 March 2021. It shows the value of assets and liabilities recognised by the Council, which are presented in the top section. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council, which are reported in the bottom section. Reserves are reported in two categories, as follows:

- The first category of reserves is Usable Reserves, i.e. those reserves that the Council may use to fund the provision of services and meet future expenditure, both revenue and capital in nature. These are subject to the need to maintain a prudent level of reserves and any statutory limitation on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The total as at 31 March 2021 was **£35m**.
- The second category of reserves is Unusable Reserves. These are reserves that the Council is not able to use to provide services. This category 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.” These represent the differences between the outcome of applying proper accounting practices, and the requirements of statutory arrangements for funding expenditure from Council Tax and Housing Rent receipts. The total as at 31 March 2021 was **£101.3m**.

3.1.4 – Cash Flow Statement

The Cash Flow Statement shows changes in cash and cash equivalents during the accounting period. The statement shows how the Council generates and uses cash and cash equivalents and classifies cash flows as operating, investing and financing activities. The net cash flow arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are

intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows for items such as borrowing and loan repayments.

Cash and Cash Equivalents are defined in accounting policy AP5, Cash and Cash Equivalents. The total movement in Cash and Cash Equivalents during 2020/21 was a decrease of **£55k**.

3.2 – Connections between the core financial statements

The relationship between the core financial statements can be described as follows:

<ul style="list-style-type: none"> • The Movement in Reserves Statement (MIRS) shows the changes in the Council's financial resources over the year;
<ul style="list-style-type: none"> • The Comprehensive Income and Expenditure Statement (CI&ES) shows the gains and losses that have contributed to the change in resources;
<ul style="list-style-type: none"> • The Balance Sheet shows how the resources available to the Council are held in the form of the Council's assets and liabilities; and
<ul style="list-style-type: none"> • The Cash Flow Statement shows how the movement in reserves has been reflected in cash flows.

The total movement in the year on the MIRS is equivalent to the Total Comprehensive Income and Expenditure on the CI&ES, and also equivalent to the change in both Net Assets and Total Reserves between the previous and current financial years on the Balance Sheet.

3.3 – Expenditure and Funding Analysis (EFA)

The Expenditure and Funding Analysis (EFA) shows how funding available to the authority has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The EFA also shows expenditure allocated between the Council's directorates.

The EFA is included as Note 1 to the Core Financial Statements and can be found on page 47.

3.4 – Supplementary Financial Statements

There are three supplementary financial statements included in the Statement of Accounts, as follows:

3.4.1 – Housing Revenue Account (HRA) Income and Expenditure Statement

The Housing Revenue Account reflects a statutory obligation to maintain a separate revenue account for local authority housing provision in accordance with the Local Government and Housing Act 1989.

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 and government grants. The Council charges rent to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the funding basis through which rents are raised, is shown in the Movement on the Housing Revenue Account (HRA) Statement.

The majority of amounts shown on this statement are also included within the whole Council Comprehensive Income and Expenditure Statement.

The total on the HRA Income and Expenditure Statement for 2020/21 was an increase of **£484k**.

3.4.2 – Movement on the Housing Revenue Account (HRA) Statement

This statement shows how the HRA Income and Expenditure Statement surplus or deficit for the year reconciles to the movement on the HRA reserve balance for the year.

The HRA balance at the end of 2020/21 was **£2.9m**.

3.4.3 – Collection Fund Income and Expenditure Account

The Collection Fund is an agent's statement that reflects the statutory obligation for the Council, as a billing authority, 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 Central Government of Council Tax and Non-Domestic Rates (NDR).

At the end of 2020/21 the Collection Fund reported a deficit on Council Tax of **£36k** and a deficit on NDR of **£8.9m**. These amounts will be shared in subsequent years between the Council, Central Government and the other major precepting authorities (Essex County Council, Essex Police, Fire and Crime Commissioner (PFCC) - Fire and Rescue Authority and Essex PFCC - Policing and Community Safety).

The Council's share of the deficit is **£5k** of Council Tax and **£3.6m** on NDR. The element of the deficit on NDR in relation to reliefs granted to business as part of the Government's 2020/21 Covid-19 support programme is offset by s31 grant (**£3.5m**).

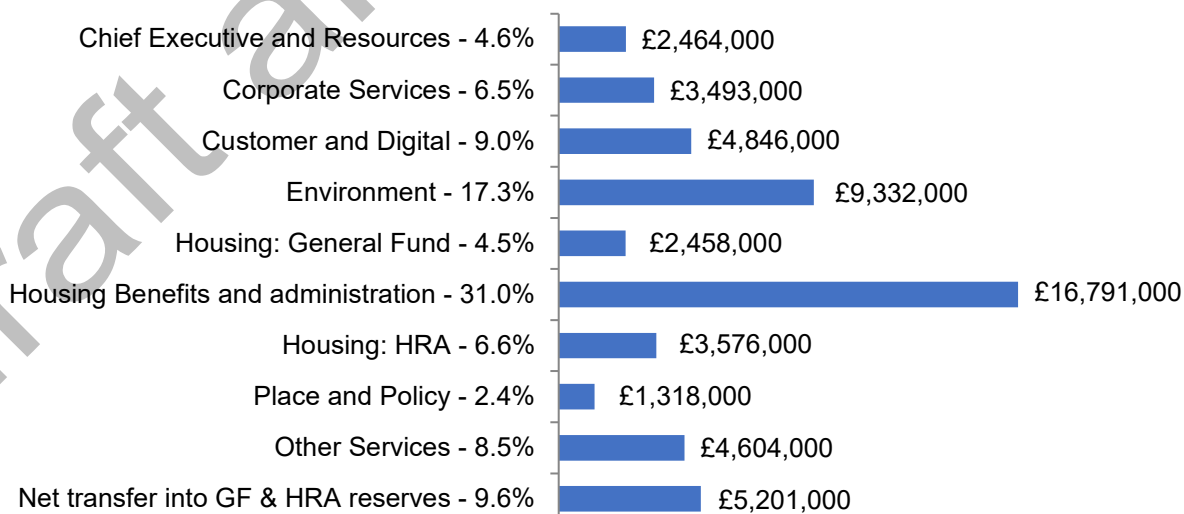
4 Summary of the Council's Spending and Income

The following bar charts show in broad terms where the Council's money came from and what it was spent on during the year.

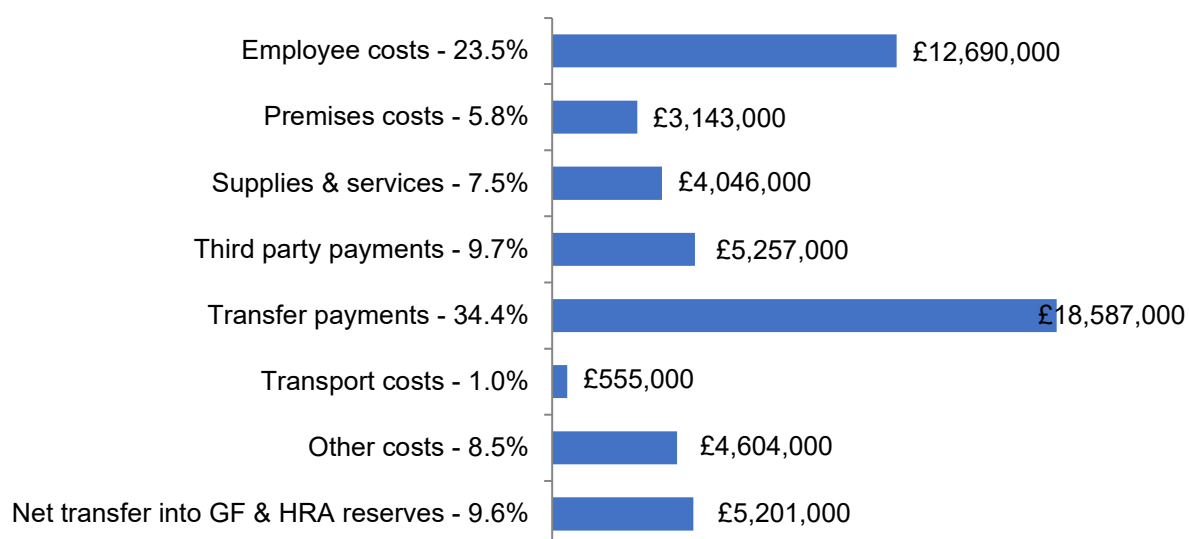
These figures represent a simplified version of the Council's revenue income and expenses, without the statutory adjustments such as capital charges that are required to be used in the amounts reported in the Statement of Accounts. They also exclude internal recharges between services and therefore figures shown are not directly comparable with those shown on the financial statements and supporting notes. The charts report combined figures for both the General Fund (GF) and Housing Revenue Account (HRA). All amounts are rounded to the nearest thousand pounds. Explanatory descriptions of items follow the charts.

Chart 4.1	Categorised by service
Chart 4.2	Categorised by the type of cost (often referred to as a subjective analysis)
Chart 4.3	Types of income received by the Council

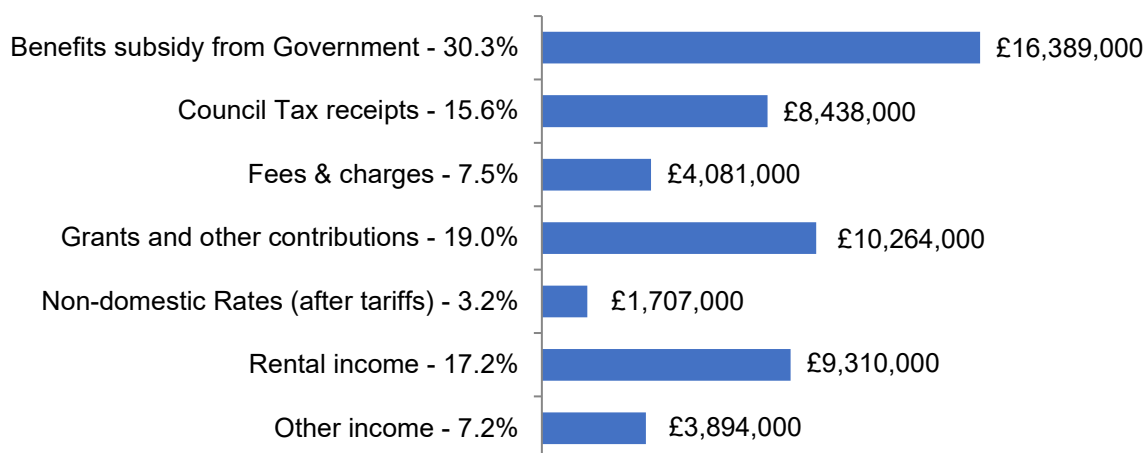
4.1 – Spending by the Council – by service area (total spent £54,083,000)



4.2 – Spending by the Council – by cost type (total spent £54,083,000)



4.3 – Income received by the Council (total received £54,083,000)



4.4 - Council Service Definitions

The following paragraphs provide definitions of the Council services, as used in the preceding charts and elsewhere in the Statement of Accounts. The Council undertook a review and restructure in 2020/21 and 2019/20 comparative information has been restated to reflect the new structure as defined below.

Chief Executive and Resources includes corporate activities and costs which enable the infrastructure that allows services to be provided, such as the Chief Executive, as well as the cost of all member's activities and allowance as well as various support functions such as human resources, financial services and strategy, policy and performance. It also collects all other service costs which are not allocated to any other specific service, including pension costs for past employees and properties not used as part of the Council's normal activities.

Corporate Services includes corporate services including licensing, partnerships and community engagement and safety, legal services and emergency planning. It also includes the costs of various corporate properties such as the main Council offices.

Customer and Digital includes various support services such as revenues and benefits, administration of Council Tax and Business Rates, reception and the First Contact call team and IT services.

Environment includes environmental health services such as food safety, animal & public health and pollution control. It also includes refuse collection and recycling, public conveniences and street cleaning, as well as leisure centres, community centres, allotments, cemeteries, parks and open spaces and car parks.

Housing (General Fund) includes the cost of statutory homelessness and housing options functions, as well as other strategic housing functions. It also includes land charges.

Housing (Housing Revenue Account) includes the management and maintenance of the Council's own housing stock.

Place and Policy includes all planning services, such as building control, development control, planning policy, and economic development.

4.5 - Definition of types of cost and income

The following paragraphs provide definitions of the types of cost and income spent and received by the Council, as used in the preceding charts and elsewhere in the Statement of Accounts.

Employee costs primarily consists of the salaries of current employees. It also includes agency staff costs, National Insurance costs and pension scheme contributions as well as other miscellaneous staffing-related costs.

Premises costs consists of the operating costs of the Council's properties, including repair and maintenance costs and utility charges such as gas and electricity. It also includes costs in relation to Council owned land, such as grounds maintenance.

Supplies and services include costs of equipment, stationery, computer related costs, and various other miscellaneous expenditure items. Allowances paid to Councillors also fall within this category.

Third party payments consist of costs paid to external providers of services, for example the various other local authorities in Essex that the Council works in partnership with.

Transfer payments consists of costs paid by the Council for which no goods or services are received in return. This is primarily the payment of Housing Benefit to claimants.

Transport costs consists of the costs of operating the Council's vehicles, such as the refuse and recycling fleet. It also includes costs of using public transport and employee car allowances.

Other costs consist of any expenditure which does not fall into the other categories. This includes payments of interest, the precept payment to Canvey Island Town Council, and contributions towards capital expenditure and capital funding.

Benefits subsidy is the amount received from Central Government to refund the Council for the payments it has made to claimants of Housing Benefits.

Council Tax receipts is the Council's share of the Council Tax it has collected from residents of the borough. Castle Point Borough Council retains approximately 14 pence of every pound collected, with the remainder going to Essex County Council, Essex PFCC - Policing and Community Safety, Essex PFCC - Fire and Rescue Authority, and for Canvey Island residents only, Canvey Island Town Council.

Fees and charges consist of the income the Council has received from charging users of its services or facilities, for example community centres and leisure centres amongst others.

Grants and other contributions include grants and similar items received from Central Government and other bodies, including grants to fund specific expenditure, as well as general grants to fund overall Council services.

Non-Domestic Rates is the amount of business rates retained by the Council to fund Council services after the portions and tariffs paid to Central Government and major preceptors.

Rental income consists of income the Council has received from renting out its property to third parties. Rents from council house tenants are also included in this category.

Other income consists of various miscellaneous income amounts that do not fall within the other categories. An example would be the recycling credits received from Essex County Council.

Transfers to / from Reserves - when spending is greater than income received, the difference is taken from the Council's reserves. When spending is lower than income received the difference is added to the Council's reserves.

draft and unaudited

5 Out-turn for the Financial Year and Comparison to Budget

The following tables compare the out-turn for the financial year to the budget for the year. Recharges between services are included where relevant as that is the basis on which the Council sets its budget.

5.1 - The General Fund	Note	Actual (Income) & Expenditure £000s	Revised Net Budget £000s	Difference £000s	Budget Carried Forward £000s	Final Residual Difference £000s
Net Expenditure item						
Chief Executive and Resources		1,960	1,590	370	0	370
Corporate Services		455	465	(10)	0	(10)
Customer and Digital		1,367	1,628	(261)	0	(261)
Environment		7,026	7,474	(448)	82	(366)
Housing - General Fund		1,577	1,187	390	240	630
Place and Policy		1,259	1,339	(80)	24	(56)
Net cost of services		13,644	13,683	(39)	346	307
Other operating expenditure/(income)		(256)	403	(659)	0	(659)
Financing and investment income and expenditure		802	707	95	0	95
(Surplus) / deficit on continuing operations		14,190	14,793	(603)	346	(257)
Taxation and non specific grant income and expenditure	4	(14,906)	(18,805)	3,899	0	3,899
(Surplus) / deficit on the provision of services		(716)	(4,012)	3,296	346	3,642
Adjustments between accounting basis and funding basis under regulations	1	(3,959)	742	(4,701)	0	(4,701)
Net transfer to / (from) Earmarked Reserves	2	4,602	3,345	1,257	(346)	911
Transfer (to) / from General Fund balance		(73)	75	(148)	0	(148)

5.2 - The Housing Revenue Account	Note	Actual (Income) & Expenditure £000s	Revised Net Budget £000s	Difference £000s	Budget Carried Forward £000s	Final Residual Difference £000s
Income and expenditure						
Service Income		(7,840)	(7,773)	(67)	0	(67)
Service Expenditure		6,192	6,283	(91)	0	(91)
Net Expenditure / (Income) of HRA Services		(1,648)	(1,490)	(158)	0	(158)
HRA Share of other whole Council income and expenditure	3	1,164	1,048	116	0	116
(Surplus) / deficit on the provision of HRA services		(484)	(442)	(42)	0	(42)
Adjustments between accounting basis and funding basis under regulations	1	(42)	162	(204)	0	(204)
Net transfer to / (from) Earmarked Reserves	2	776	776	0	0	0
Transfer (to) / from HRA reserve		250	496	(246)	0	(246)

5.3 - The Capital programme	Note	Actual Expenditure £000s	Revised Budget £000s	Difference £000s	Budget Carried Forward £000s	Final Residual Difference £000s
Capital Expenditure by service						
Customer and Digital		14	0	14	0	14
Environment		674	1,186	(512)	209	(303)
Housing - General Fund		91	125	(34)	0	(34)
Housing - Housing Revenue Account		1,522	2,315	(793)	402	(391)
Place and Policy		487	1,014	(527)	545	18
Total Capital Expenditure		2,788	4,640	(1,852)	1,156	(696)

5.4 - Notes on out-turn and comparison to budget

The following notes provide further information on the more significant amounts and differences reported in the three previous tables. A positive amount in the difference column means there has been either an overspend on expenditure and / or a shortfall in expected income, whereas a negative amount, i.e. an amount in brackets, means there has been either an underspend on expenditure and / or a greater amount of income received than expected.

Note 1 – A full breakdown of the statutory amounts included in these lines can be found at Note 11 accompanying the Movement in Reserves Statement.

Note 2 – The Council maintains several earmarked reserves for specific purposes. The balance remaining at 31 March 2021 in each of these reserves will be carried forward into the new financial year. Details of the movements and balances in these reserves are set out in Note 12.1 to the Core Financial Statements.

Note 3 – The majority of difference on this line relates to statutory adjustments which are reversed through the “Adjustment between accounting basis and funding basis under regulations” line, and as such do not affect the Housing Revenue Account balance.

Note 4 – Non-Domestic Rate income was significantly lower than budgeted due to additional reliefs given by Government to businesses as part of the Covid-19 response. Statutory adjustments mean that the compensating grant income the Council receives from Government to fund the additional reliefs is applied to the 2021/22 General Fund, the year in which the Collection Fund deficit is accounted for within the General Fund.

Statement of Responsibilities for the Statement of Accounts

Responsibilities of the Council

The Council 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 Council, that officer is the Strategic Director (Resources), Chris Mills FCPFA;
- manage its affairs to secure the economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

Responsibilities of the Strategic Director (Resources)

The Strategic Director (Resources) is responsible for the preparation of the Council'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 Strategic Director (Resources) has:

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

The Strategic Director (Resources) has also:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council as at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.



Chris Mills FCPFA
Strategic Director (Resources)
23 July 2021

To be signed following audit and Audit
 Committee approval

External Auditor's Report

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draft and unaudited

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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 and rents. The Council raises taxation and rents to cover expenditure in accordance with statutory requirements; this funding position is different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and the Expenditure and Funding Analysis. This statement reports the consolidated position for both the General Fund and the Housing Revenue Account.

Gross Expend 2019/20 Restated £000s	Gross Income 2019/20 Restated £000s	Net Expend 2019/20 Restated £000s		Notes	Gross Expend 2020/21 £000s	Gross Income 2020/21 £000s	Net Expend 2020/21 £000s
			Gross Expenditure, Gross Income and Net Expenditure of Continuing Operations				
3,762	(719)	3,043	Chief Executive and Resources		3,134	(1,260)	1,874
2,498	(443)	2,055	Corporate Services		2,193	(464)	1,729
20,515	(18,413)	2,102	Customer and Digital		22,012	(19,568)	2,444
11,352	(5,912)	5,440	Environment		10,610	(4,553)	6,057
3,355	(2,085)	1,270	Housing: General Fund		3,200	(1,772)	1,428
5,594	(7,800)	(2,206)	Housing: Housing Revenue Account (HRA)		5,334	(7,747)	(2,413)
1,369	(620)	749	Place and Policy		1,457	(581)	876
48,445	(35,992)	12,453	Net Cost of Services - Continuing Operations		47,940	(35,945)	11,995
			Other Operating Expenditure				
		(125)	(Gain) / loss on disposal / derecognition of non-current assets				(626)
		245	Payment of precept to Canvey Island Town Council				252
		151	Payment of Housing Pooled Capital Receipts to the Government Pool				189
		24	Pensions - IAS19 administration expenses	18			55
			Financing and Investment Income and Expenditure				
		1,354	Interest payable on debts and finance leases, and similar charges	19			1,403
		(275)	Interest and investment income receivable, and similar income				(147)
		(43)	Investment Properties - income, expenditure, changes in the fair value of assets, and (gains) / losses on disposal or derecognition	13			(59)
		724	Pensions - net interest on the net defined benefit liability	18			644
		14,508	(Surplus) / Deficit on Continuing Operations				13,706

2019/20			Notes			2020/21
£000s						£000s
Restated						
			Taxation and Non-Specific Grant Income and Expenditure			
	(8,106)	Council Tax income				(8,322)
	(103)	Council Tax surplus transferred from the Collection Fund				(36)
	(5,507)	Non-Domestic Rates (NDR) income				(2,240)
	3,915	NNDR Tariff, Levy and safety net payments and receipts				4,075
	(2,315)	Revenue Support Grant and General Government Grants	10			(7,946)
	(254)	Capital grants and contributions	10			(437)
	(12,370)	Total Taxation and Non-Specific Grant Income and Expenditure				(14,906)
	2,138	(Surplus) / Deficit on the Provision of Services				(1,200)
		Other Comprehensive Income and Expenditure				
		Items non-reclassifiable to (Surplus) / Deficit on Continuing Operations:				
	(7,540)	• (Surplus) / deficit on revaluation of non-current assets	12.6 & 13			823
	(4,177)	• Pensions - remeasurements of the net defined benefit liability	12.5 & 18			(22)
	(11,717)	Total Other Comprehensive Income and Expenditure				801
	(9,579)	Total Comprehensive Income and Expenditure				(399)

Movement in Reserves Statement

This statement shows the movement from the start to the end of the year on the different reserves held by the Council, analysed into Usable Reserves (i.e. those which can be applied to fund expenditure or reduce local taxation) and other Unusable Reserves. The Movement in Reserves Statement shows how the movements in the year of the Council's reserves are broken down between gains and losses in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax and housing rents for the year. The "Net increase / (decrease) during the year" shows the General Fund Balance and Housing Revenue Account Balance movements in the year after these adjustments and after discretionary transfers to or from earmarked reserves undertaken by the Council.

Notes		Usable Reserves:						Unusable Reserves:						Total Unusable Reserves	Total Council Reserves
		General Fund (GF) Balance	Housing Revenue Account	GF & HRA Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Pensions Reserve	Revaluation Reserve	Capital Adjustment Account	Other Adjustment Accounts			
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s			
Balance as at 1 April 2019		5,039	3,494	15,523	1,707	798	93	26,654	(30,747)	50,633	80,001	(213)	99,674	126,328	
Movement in reserves during the year															
Total Comprehensive Income and Expenditure		(2,759)	621	0	0	0	0	(2,138)	4,177	7,540	0	0	11,717	9,579	
Adjustments between accounting basis and funding basis under regulations	11 & 12	3,864	(215)	0	(329)	324	(13)	3,631	(2,347)	(1,163)	(132)	11	(3,631)	0	
Increase / (decrease) in the year before transfers to and from Earmarked Reserves		1,105	406	0	(329)	324	(13)	1,493	1,830	6,377	(132)	11	8,086	9,579	
Transfers to and (from) Earmarked Reserves	12.1	(621)	(778)	1,399	0	0	0	0	0	0	0	0	0	0	
Net increase / (decrease) during the year		484	(372)	1,399	(329)	324	(13)	1,493	1,830	6,377	(132)	11	8,086	9,579	
Balance as at 31 March 2020		5,523	3,122	16,922	1,378	1,122	80	28,147	(28,917)	57,010	79,869	(202)	107,760	135,907	
Balance as at 1 April 2020		5,523	3,122	16,922	1,378	1,122	80	28,147	(28,917)	57,010	79,869	(202)	107,760	135,907	
Movement in reserves during the year															
Total Comprehensive Income and Expenditure		716	484	0	0	0	0	1,200	22	(823)	0	0	(801)	399	
Adjustments between accounting basis and funding basis under regulations	11 & 12	3,959	42	0	466	1,166	0	5,633	24	(1,072)	(779)	(3,806)	(5,633)	0	
Increase / (decrease) in the year before transfers to and from Earmarked Reserves		4,675	526	0	466	1,166	0	6,833	46	(1,895)	(779)	(3,806)	(6,434)	399	
Transfers to and (from) Earmarked Reserves	12.1	(4,602)	(776)	5,378	0	0	0	0	0	0	0	0	0	0	
Net increase / (decrease) during the year		73	(250)	5,378	466	1,166	0	6,833	46	(1,895)	(779)	(3,806)	(6,434)	399	
Balance as at 31 March 2021		5,596	2,872	22,300	1,844	2,288	80	34,980	(28,871)	55,115	79,090	(4,008)	101,326	136,306	

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are Usable Reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitation 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 Unusable Reserves, those that the Council is not able to use to provide services. This category 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".

31 March 2020		Notes	31 March 2021	
£000s			£000s	£000s
	Non-Current (Long Term) Assets			
188,891	Property, plant and equipment	13	185,713	
410	Heritage assets	13	417	
2,038	Investment properties	13	1,946	
334	Intangible assets		533	
149	Long term debtors	14 & 19	155	
2,003	Long term Investments	19	2,000	
193,825	Total Non-Current (Long Term) Assets			190,764
	Current Assets			
29,173	Short term Investments	19	38,498	
34	Inventories		79	
4,682	Short term debtors	14 & 19	11,134	
146	Cash and cash equivalents	15	91	
34,035	Total Current Assets			49,802
	Current Liabilities			
(1,374)	Short term borrowing and finance lease liabilities	19	(8,369)	
(1,081)	Revenue and capital grants receipts in advance		(7,254)	
(7,416)	Short term creditors	17	(15,931)	
(1,298)	Provisions	21	(1,100)	
(11,169)	Total Current Liabilities			(32,654)

31 March 2020		Notes	31 March 2021	
£000s			£000s	£000s
	Non-Current (Long Term) Liabilities			
(49,801)	Long term borrowing and finance lease liabilities	19	(41,901)	
(114)	Long term creditors	17	(149)	
(1,952)	Collection Fund - Government and major preceptors	16	(685)	
(28,917)	Liability related to defined benefit pension scheme	18	(28,871)	
(80,784)	Total Non-Current (Long Term) Liabilities			(71,606)
135,907	Net Assets			136,306
	Usable Reserves			
5,523	General Fund		5,596	
3,122	Housing Revenue Account		2,872	
16,922	Earmarked Reserves	12.1	22,300	
1,122	Major Repairs Reserve	11 & 12.2	2,288	
1,378	Capital Receipts Reserve	11 & 12.3	1,844	
80	Capital Grants Unapplied Account	11 & 12.4	80	
28,147	Total Usable Reserves			34,980
	Unusable Reserves			
(28,917)	Pensions Reserve	11, 12.5 & 18	(28,871)	
57,010	Revaluation Reserve	11, 12.6 & 13	55,115	
79,869	Capital Adjustment Account	11 & 12.7	79,090	
	Other Statutory Adjustment Accounts:			
48	• Collection Fund Adjustment Account	11 & 12.8	(3,574)	
(250)	• Accumulated Absences Account	11 & 12.8	(434)	
107,760	Total Unusable Reserves			101,326
135,907	Total Reserves			136,306

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. It shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

2019/20		Notes	2020/21	
£000s			£000s	£000s
	Operating Activities			
	Cash Outflows on Operating Activities			
8,515	Cash paid to and on behalf of employees		8,882	
245	Precept paid to Canvey Island Town Council		252	
11,951	Housing Benefit paid		11,127	
151	Payments to the Capital Receipts Pool		151	
3,859	Non-domestic Rates - net total of tariff, levy and safety net amounts to/from Central Government		3,986	
1,306	Interest paid, including interest on finance lease liabilities		1,408	
15,289	Cash paid to suppliers of goods and services, and other payments for Operating Activities		16,860	
41,316	Total Cash Outflows on Operating Activities			42,666
	Cash Inflows on Operating Activities			
(7,437)	Rents (after rebates)		(2,393)	
(8,276)	Council Tax received		(8,321)	
(5,276)	Non-domestic Rates received		(5,851)	
(4,248)	Revenue Support Grant and General Government Grants		(14,412)	
(17,018)	Housing Benefit Subsidy		(16,444)	
(6,306)	Cash received from the sale of goods and the rendering of services		(4,117)	
(269)	Interest received		(125)	
1,133	Other cash receipts from Operating Activities		(7,444)	
(47,697)	Total Cash Inflows on Operating Activities			(59,107)
(6,381)	Net Cash (Inflow)/Outflow from Operating Activities			(16,441)

2019/20		Notes	2020/21	
£000s			£000s	£000s
	Investing Activities			
16,288	Purchase and enhancement of non-current (long term) assets		2,288	
(923)	Proceeds from the sale of non-current (long term) assets		(1,307)	
40	Expenses incurred on Investment Properties		23	
(181)	Rental income received from Investment Properties		(171)	
(180)	Government capital grants received		(1,607)	
(179)	Other capital grants and capital cash receipts		400	
146,137	Purchase of short term and long term investments		129,310	
(145,180)	Proceeds from redemption of short term and long term investments		(120,003)	
15,822	Net Cash (Inflow)/Outflow from Investing Activities			8,933
	Financing Activities	16		
0	Repayments of short term and long term borrowing		900	
(9,000)	Cash receipts from short term and long term borrowing		0	
561	• Council Tax relating to major preceptors		1,156	
(475)	• Non-Domestic Rates relating to Central Government and major preceptors		5,507	
(8,914)	Net Cash (Inflow)/Outflow from Financing Activities			7,563
527	Net (Increase)/Decrease in Cash and Cash Equivalents			55
(673)	Cash and Cash Equivalents as at 1 April			(146)
(146)	Cash and Cash Equivalents as at 31 March	15		(91)

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AP1 - Accounting Policies – Introduction and General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year, 1 April 2020 to 31 March 2021, and its position at the year end date, 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, and it has been prepared in accordance with proper accounting practices. These practices primarily comprise The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, based on International Financial Reporting Standards (IFRS) ("the Code"), and the associated Guidance Notes for Practitioners, both as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounting convention that has been adopted in the financial statements is primarily that of historical cost, modified using Fair Value for certain categories of assets and liabilities. Furthermore, the financial statements are prepared on a going concern basis. This means that they are prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. Where relevant, materiality levels are stated under applicable accounting policies. These set tolerance limits, below which omissions or misstatements would not prevent the financial statements being fairly stated, nor affect the decisions or assessments made by users of the financial statements.

The following abbreviations are used throughout these policies:

- Comprehensive Income and Expenditure Statement – abbreviated to CI&ES.
- Movement in Reserves Statement - abbreviated to MIRS.
- Capital Adjustment Account – abbreviated to CAA.

Basis of preparation of the accounts

These accounts have been prepared on a going concern basis that the authority will continue in operational existence for the foreseeable future.

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the 2020/21 Code of Practice on Local Authority Accounting in the UK ('the Code') in respect of going concern reporting requirements, reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are revenue-raising bodies with limits on their revenue-raising powers set at the discretion of central government. If an authority were in financial difficulty and unable to provide its essential functions, possible options of last resort are that alternative arrangements might be made by central government for the continuation of the services it provides, or for additional financial assistance / flexibilities to be offered to enable the local authority to continue to operate e.g. to allow recovery of any deficit over more than one financial year.

The global pandemic (Covid-19) and the resulting national lockdowns and restrictions which commenced in March 2020, continued to have a significant impact on businesses, residents and the Council throughout 2020/21. Additional cost pressures and income shortfalls in the region of £3m have been almost fully offset by a combination of cost reductions, government grant initiatives including specific grants relating to the loss of sales, fees and charges and the national furlough scheme.

Whilst the national vaccination programme is underway and the governments' roadmap for reopening is well underway, it is not possible to know when the country will fully return to normal or what the lasting impact on the Council's financial position may be post recovery. There are many possible scenarios and combinations of outcomes, for example:

- A greater number of residents working from home on a permanent basis may lead to a reduction in the use of the Council's main commuter car park.

- Impact on the wider economy may result in higher unemployment impacting on service users' ability to pay for services and facilities. This could, for example, lead to a reduction in the use of leisure facilities and a higher level of claimants for local council tax support.
- Increased working from home and increased leisure or free time may result in increased use of local facilities and amenities resulting in increased associated costs and/or revenues.

Central government have committed to supporting local authorities with the direct and immediate financial impact of the pandemic, specifically during the first quarter of 2021/22 but it is unlikely that support would extend to compensating for changes in demand or use of services which may continue post recovery as described.

Given the high degree of uncertainty the Council has not made changes to its detailed budget at this time but has instead established a plan which will allow it to respond to any impact which may arise in a measured way.

An earmarked reserve has been established which may be utilised to smooth any detrimental impact and maintain a balanced budget. The position will be monitored throughout 2021/22 and the reserve applied as and when required. The intention is for the 2022/23 budget process to incorporate the lasting impact of the pandemic and changes in services once these are better understood.

The Council's investments and cash balances totalled **£40.6m** at 31 March 2021, of which **£38.6m** was held in either short term investments (maturing in 2021/22) or cash balances. These accessible balances are forecast to remain above **£10m** for the 2021/22 and 2022/23 financial years with longer term investments increasing to **£10m** at March 2023. The Council has the ability to borrow an additional **£3.4m**, forecast capacity, in 2022/23 should this be required.

The Council's General Reserves remain relatively healthy and exceed the minimum level of **£2.3m** recommended by the Council's s151 Officer.

In addition to General Reserves (**£5.6m** at 31 March 2021) the Council holds Earmarked Reserves to the value of **£15.3m** at 31 March 2021. These reserves are either supported by detailed spending plans which span several financial years or are held in respect of grants given to the Council for specific purposes (e.g. ringfenced grants). Earmarked Reserves are forecast to reduce to **£12.3m** by 31 March 2022. This forecast may change before the budget for 2022/23 is set in February 2022. **£1.4m** could be released from Earmarked Reserves to bolster General Reserves without a significant, detrimental impact on services. The release of further funds would however have a detrimental impact.

Going forward there is uncertainty around local government funding and the longer term and lasting impact of Covid-19 on Council services, particularly car parks and leisure facilities. The Council's financial plans are designed as far as possible to smooth any detrimental impact which may arise, at least in the short term. The Council is well seasoned in the art of delivering financial efficiencies without impacting on service quality to residents.

Future years budgets assume an ongoing reduction in funding from business rates. Whilst future years budgets are not balanced, plans are underway to bring spending within resources and maintain the Council's track record of balanced budgets and healthy reserves. This is however difficult to achieve in the absence of certainty around future funding.

AP2 - Accounting Policy Changes

The Council only changes accounting policies where the change is required by the Code, or where the change results in the financial statements providing reliable or more relevant information on the Council's financial position, financial performance or cash flows. When an accounting policy is changed, the Council is required to apply the change retrospectively, and present comparative transactions and opening balances as if that new policy or changed policy had always been in place. In certain circumstances the Code will provide transitional provisions to be followed, which may mitigate or negate the impact of such a change.

There are no changes in policies effective from 2020/21 which impact on these accounts.

The Council is also required to disclose information on the impact of a change in accounting policy that will be required by an accounting standard that has been issued but not yet adopted. This applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. 1 January 2021 for the 2021/22 financial year). This disclosure is reported in Note 22 to the Core Financial Statements.

AP3 - Accruals of Income And Expenditure

The financial statements are prepared under the accrual's basis of accounting. This means that transactions are accounted for in the financial year that the relevant activity took place, rather than when cash payments were 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 performance obligations in the contract.
- Revenue from Council Tax and Non-Domestic Rates is measured at the full amount receivable, net of any impairment losses, as these are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.
- Supplies are recorded as expenditure when they are used. Supplies received and not yet used at the Balance Sheet date are held as inventories on the Balance Sheet.
- Expenditure incurred by the Council is recorded as such when the associated services are received, as opposed to when payment is made.
- Interest receivable and payable to and from the Council are accounted for as income and expenditure based on the effective interest rate for the associated financial instruments rather than by the actual cash flows received and made.
- 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. Where debts may not be settled, the balance of debtors is written down and a charge made to the CI&ES for the income that might not be collected.

Low value items below **£200**, which have no material impact, may not always be accrued for and will remain in the financial year in which they were received or paid. Other immaterial items may also not be accrued where a full year's amount is already accounted for. Cash flow information, primarily the Cash Flow Statement, is prepared on a cash basis rather than an accruals basis.

AP4 - Administrative Overheads and Support Services Costs

Administrative overheads and other support service costs are apportioned across the service segments that benefit from the associated supply of service in accordance with the Council's arrangements for accountability and financial performance. This is done using suitable basis of measurement or estimation, such as percentages or time recording. These recharges are not permitted under the Code to be included in the CI&ES, but are included in all service lines reported in the Expenditure and Funding Analysis note in the column "Net Expenditure chargeable to the General Fund & HRA balances", and in the adjustments reconciling that note to the CI&ES.

AP5 - Cash and Cash Equivalents

Cash and cash equivalents are those sums held for the purposes of meeting short term cash commitments, as opposed to those sums held for investment and other purposes. Cash equivalents are generally short term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of any change in value. Cash and cash equivalents primarily consist of the Council's net balance or overdraft on its current and call accounts with Lloyds Bank and any amounts held in petty cash floats.

The Council on occasion holds other investments which are repayable on demand, principally funds invested in Sterling Money Market Funds. Although they meet the above cash equivalent definition, they are used for investing purposes and to ensure security of funds rather than day to day cash management. Therefore, they are not included in cash and cash equivalents and are instead reported under Short Term Investments on the Balance Sheet. Should any amounts be held in other bank call accounts repayable on demand, although these would also primarily be held for investing purposes they would be required to be recorded as part of cash and cash equivalents as they meet the statutory definition of cash.

AP6 - Collection Fund – Agency Arrangements

The financial statements reflect that the Council is acting as an agent on behalf of the major preceptors (Essex County Council, Essex PFCC - Fire and Rescue Authority and Essex PFCC - Policing and Community Safety) for the collection and distribution of Council Tax income, and on behalf of Central Government, Essex County Council and Essex PFCC - Fire and Rescue Authority for the collection and distribution of Non-Domestic Rates (NDR). As a result, the Council Tax and NDR income included in the CI&ES is the accrued income for the year relating to Castle Point Borough Council and Canvey Island Town Council for Council Tax only. The difference between the income included in the CI&ES and the amount required by regulation to be credited to the General Fund for the Council is taken to the Collection Fund Adjustment Account in the Balance Sheet. This adjustment is reported through the MIRS.

The shares of the debtors, creditors, appeals provision and impairment allowances balances on Council Tax and NDR payers which are attributable to Central Government and the precepting authorities are derecognised to reflect the agency arrangement. This is done by netting off these amounts against those bodies' share of the collection fund balance. The resulting net balances are split between current and non-current (long-term) creditors on the Balance Sheet.

The Cash Flow Statement includes within Operating Activities, only those cash flows relating to the Council's own share of the Council Tax and NDR net cash collected. The amounts included in precepts paid exclude amounts relating to major preceptors and Central Government and only show the precept paid to Canvey Island Town Council, which as a parish council is not classified as a major preceptor. The difference between the Central Government and major preceptors' shares of the net cash collected, the net cash paid to them and the settlement of previous years surplus or deficit on the Collection Fund is included in Financing Activities as a net inflow or outflow in the two Collection Fund Adjustment lines.

Allowances are made for non-payment of debt by Council Taxpayers and Non-Domestic Rate payers, in accordance with policy note AP20.

AP7 - Employee Benefits – Benefits Payable During Employment

Benefits payable during employment are primarily those benefits paid to current employees that fall wholly due within 12 months of the year end. These include wages and salaries, compensated absences (see below), bonuses, and other non-monetary benefits such as leased cars. Short term employee benefits are recognised on an accruals basis in the relevant lines under (Surplus) / Deficit on the Provision of Services on the CI&ES. Where they occur, non-monetary benefits (i.e. benefits in kind) are recognised at the cost to the Council of providing the benefit. Compensated absences are those periods during which an employee does not provide services to the Council, but benefits continue to be paid, including sick pay, annual leave and flexi leave. Entitlements to annual leave and flexi leave which have not been used by the end of the financial period are treated as accumulating compensated absences, which means they can be carried forward to the following financial period. The Council is required to accrue for the estimated cost, including employer's National Insurance and pension contributions, of any outstanding accumulating compensated absences at the end of the financial period. The estimates are charged to the relevant lines under Net Cost on Services on the CI&ES, however to avoid any impact on Council Tax and Housing Rents, the amounts are reversed through the MIRS to an Unusable Reserve on the Balance Sheet: Accumulated Absences Account.

AP8 - Employee Benefits – Post-Employment Benefits

Employees of the Council are entitled to membership of the Local Government Pension Scheme (LGPS) which is accounted for as a defined benefits scheme. Further information on the scheme can be found in note 18 to the Core Financial Statements. Liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an estimate of the pensions that will be payable in future years based on assumptions about mortality rates, salary levels, etc. The liabilities are discounted to their current value, using a discount rate of **2%** (**2.35%** in 2019/20) derived using the Single Equivalent Discount Rate methodology and the annualised Merrill Lynch AA rated corporate bond yield. The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value (principally market value and bid value for investments).

The change in net pension liability each year is analysed into the following components:

- Current Service Cost – the increase in liabilities as a result of years of service earned during the current year, allocated across all relevant services on the CI&ES;
- Past Service Cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to service earned in earlier years, charged to the Central and Corporate Services line on the CI&ES;
- Administrative expenses – charged to Other Operating Expenditure on the CI&ES;
- Net Interest on the Net Defined Benefit Liability – the net interest expense for the Council, charged to Financing and Investment Income and Expenditure on the CI&ES. This is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability;
- Remeasurements – the return on plan assets (excluding amounts in Net Interest on the Net Defined Benefit Liability), and actuarial gains and losses arising from events not coinciding with assumptions made at the previous valuation, or changes to those assumptions. These are charged to Other Comprehensive Income and Expenditure on the CI&ES; and
- Employer contributions paid to the Pension Fund – not accounted for as an expense.

Statutory provisions require the General Fund and Housing Revenue Account balances to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the MIRS there are appropriations to and from the Pensions Reserve to remove the amounts included in the CI&ES and replace them with amounts equivalent to the cost payable during the year. The negative balance on the Pensions Reserve, as reported on the Balance Sheet, measures the beneficial impact on the General Fund and Housing Revenue Account of being required to account for post-employment benefits on the basis of cash flows rather than as benefits are earned by employees.

AP9 - Employee Benefits – Termination Benefits

Termination benefits become payable as a result of either the Council's terminating an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for these benefits. They are usually lump sum payments and include enhanced retirement benefits and/or salary to the end of a specified notice period if the employee provides no more service during that period. The benefits are recognised on an accruals basis as part of (Surplus) / Deficit on the Provision of Services on the CI&ES, at the earlier of when the Council can no longer withdraw the offer or when the Council recognises restructuring costs that involves paying termination benefits.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund or Housing Revenue Account to be charged with the amount payable by the Council in the year, not the amount calculated according to the relevant accounting standards. Adjustments are made to or from the Pension Reserve through the MIRS to remove the notional amounts for pension enhancement termination benefits and replace them with the amounts paid or payable for the year.

AP10 - Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur after the end of the accounting period, and before the date when the financial statements are authorised for issue. There are two types of events:

- **Adjusting events** - events that provide additional evidence regarding conditions which existed at the end of the accounting period. For these the Council is required to disclose the event and update any relevant amounts included in the financial statements; and
- **Non-Adjusting events** - events that provide evidence regarding conditions that arose after the end of the accounting period, prior to the date of approval. Where the event is material the Council is required to disclose the nature of the event, and an estimate of the financial effect of the event. Where estimation is not possible the Council is required to state that it is not possible.

Details of any events are reported in Note 20 to the Core Financial Statements.

AP11 - Fair Value Measurement

In accordance with IFRS 13 the Council is required to measure some of its non-financial assets, in particular Investment Properties, at Fair Value, and also report the Fair Value of some of its financial instruments. Fair Value is the price that would be received from sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the date of measurement. This assumes that the transaction takes place in the principal market for the asset or liability, or in the most advantageous market if there is no principal market.

The Council measures the Fair Value of an asset or liability using the assumptions that market participants would use when pricing it, assuming they were acting in their economic best interest and taking into account their ability to generate economic benefits by using the asset in its highest and best use, or selling it on that basis. Appropriate valuation techniques are used for which sufficient data is available, where possible using observable rather than unobservable inputs:

- Observable inputs: developed using market data such as publicly available information about actual transactions;
- Unobservable inputs: for which data is not available and are developed using the best information available about assumptions that market participants would make.

Inputs to valuation techniques are categorised into the following hierarchy:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices, that are either directly or indirectly observable;
- Level 3: Unobservable inputs.

AP12 - Financial Assets and Financial Liabilities

Financial assets and liabilities are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument. They are initially measured at fair value and then subsequently carried at amortised cost. Interest is charged or credited to the Financing and Investment Income and Expenditure line in the CI&ES. These amounts are based on the principal outstanding multiplied by the interest rate for the instruments. The amounts for borrowing and investments shown on the Balance Sheet are the carrying amount, which is outstanding principal and accrued interest. No premiums nor discounts were charged or credited during the year.

As stated above, Financial assets are classified and measured at amortised cost, none are measured at Fair Value through Profit and Loss. This is because no gains or losses are expected on investments. The Council's business model is to hold investments to collect contractual cash flows and so all are treated as solely payment of principal and interest.

The Council has not made nor received any soft loans at less than market rates, nor entered in-to any financial guarantees that are required to be accounted for as financial instruments.

Impairment losses reflect the expectation that the future cash flows might not take place because the debtor could default on their obligations. They are calculated using the simplified method on a collective basis, based on age of the debt and recovery stage, and by making a judgement on individual larger or overdue accounts, based on individual debtors' circumstances.

AP13 - Grants and Contributions (Government and Non-Government)

Revenue and Capital grants and contributions are accounted for on an accruals basis, and recognised immediately in the CI&ES, unless the grant has an outstanding condition that the Council has yet to satisfy, whereby the grant would have to be returned to the grant provider if not used as set out in the terms of the grant.

Grants with outstanding conditions which have not yet been met are held as Current Liabilities on the Balance Sheet, in either the Revenue Grants or Capital Grants Receipts in Advance Accounts. If any conditions are not satisfied, grants are repaid direct to the grant provider from these accounts. If there is insufficient balance or no balance for any grant remaining in the relevant account then the excess repayable is charged as an expense to the CI&ES. A grant or contribution may be received subject to a condition that it be returned to the grantor if a specified future event does or does not occur (for example, a grant may need to be returned if the Council ceases to use the asset purchased with that grant for a purpose specified by the grant provider). In these cases, an obligation to return does not arise until such time as it is expected that the condition will be breached and a liability is not recognised until that time. Such conditions do not prevent the grant or contribution being recognised as income in the CI&ES.

Grants are reported in Note 10 to the Core Financial Statements. The treatment of different types of grants and contributions with no outstanding conditions are as follows:

- **Capital grants and contributions** - The grant is recognised under Taxation and Non-Specific Grant Income on the CI&ES, and then transferred through the MIRS, to an appropriate capital reserve on the Balance Sheet, as follows:
 - If capital expenditure has been incurred the grant is credited to the CAA, to reflect the application of capital resources to fund capital expenditure.
 - If capital expenditure has not yet been incurred the grant is credited to the Capital Grants Unapplied Account. When capital expenditure subsequently occurs, the grant is then transferred from the Capital Grants Unapplied Account to the CAA.
- **Revenue grants and contributions** - General revenue government grants, which are not ring-fenced and not provided for a specific purpose, are recognised under Taxation and Non-Specific Grant Income and Expenditure on the CI&ES. Other grants which are for specific purposes are recognised as income for the relevant service line under Net Cost of Services. If a grant has been recognised but expenditure has not occurred then the Council may hold the balance of the grant in an earmarked reserve until such time as expenditure takes place. The analysis of the amounts recognised in the relevant service lines shown in Note 10.1 to the Core Financial Statements generally excludes immaterial grants below **£1,000**.
- **Capital grants and contributions funding Revenue Expenditure Funded from Capital under Statute (REFCUS)** - Grants to fund REFCUS are deemed to be revenue grants, as these amounts are only capital for statutory capital control purposes. These grants are therefore treated in accordance with the above revenue grant principles. However, an additional adjustment is required through the MIRS to transfer the grant to the CAA if expenditure has occurred, or the Capital Grants Unapplied Account, if expenditure has not occurred. Where a capital grant is held and expenditure has not yet been incurred, and the decision has yet to be taken whether the grant will fund capital expenditure or REFCUS expenditure, the unused grant is deemed to be a capital grant, and is held under either the Capital Grants Receipts in Advance account or the Capital Grants Unapplied Account, depending on whether the grant has outstanding conditions or not. Please also refer to policy note AP23 on REFCUS for further information.

AP14 - Leasing Arrangements

Leases are classified as either finance leases or operating leases. A Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Any lease which does not meet these criteria is classified as an operating lease. Where a lease covers both land and buildings, they are required to be split between the land and building elements for the purposes of classifying the lease as finance or operating lease. The accounting adjustments required for leases are as follows:

- **Finance leases - Council is lessee** - The Council is required to recognise the lease as an asset and corresponding liability on the Balance Sheet, at an amount equal to the fair value of the asset; or the present value of the minimum lease payments, if that is lower. Minimum lease payments are apportioned between the finance charge, which is the interest element of the lease and is recognised under Financing and Investment Income and Expenditure on the CI&ES, and the reduction in the outstanding liability on the Balance Sheet. The asset is subsequently depreciated over the term of the lease, or, if longer, over the useful life of the asset when it is certain that the Council will purchase the asset at the end of the lease term. Depreciation is applied in accordance with policy note AP16.9. Where applicable, assets held by the Council under finance leases are re-valued in accordance with policy note AP16.3. See also policy note AP15 regarding the minimum revenue provision for finance leases.
- **Finance leases - Council is lessor** - The Council is required to derecognise the asset leased out and recognise a debtor for the net investment in the lease. The lease repayments made to the Council are apportioned between repayment of the outstanding liability on the Balance Sheet and a receipt of interest from the finance charge. The finance charge is recognised as income under Financing and Investment Income and Expenditure on the CI&ES. The Council has set a de minimis level of **£2.5k**, whereby any lease with annual rental income below that amount that would otherwise be classified as a finance lease, will be treated as an operating lease, on grounds of materiality.
- **Operating leases – Council is lessee** - Lease payments under operating leases are recognised as an expense on a straight-line basis over the term of the lease. Operating lease payments are charged to the relevant lines under Net Cost of Services on the CI&ES.
- **Operating leases – Council is lessor** - Assets which the Council leases out under operating lease arrangements remain on the Council's Balance Sheet under Property, Plant and Equipment or Investment Properties and are accounted for in accordance with policy notes AP16 and AP17. Operating lease receipts relating to Investment Properties are recognised under Financing and Investment Income and Expenditure on the CI&ES. Other operating lease receipts are credited to the relevant lines reported under Net Cost of Services on the CI&ES.

IFRS16 Leases was due to come into effect on 1 January 2021 but has been delayed due to Covid-19 until 1 April 2022. The Council is reviewing the effect of the new standard to ascertain the impact on the financial statements and inform a new policy.

AP15 - Minimum Revenue Provision (MRP)

Regulations require the Council to approve an Annual Statement of Minimum Revenue Provision (MRP). MRP is an amount which is set aside from revenue annually for the repayment of debt principal relating to the General Fund. It must be an amount which the Council considers to be prudent and is recognised in the MIRS, with a corresponding credit to the CAA in the same statement. The Council calculates MRP using the Asset Life Method for new borrowing under the Prudential system for which no Government support is being given. This option makes provision over the estimated life of the asset for which the borrowing is undertaken. On occasion the Council may take a more prudent approach of applying MRP charges over a shorter term than the estimated life of the associated asset. A further MRP charge is also required for finance leases where the Council is lessee. This is applied using the Annuity Method, whereby the annual MRP charge is equivalent to the reduction in the outstanding liability on the lease reported on the Balance Sheet, over the term of the lease.

AP16 - Non-Current (Long Term) Assets – Property, Plant and Equipment (PPE)

AP16.1 – Recognition

These are assets with a physical substance, that have a cost that can be reliably measured, have a life of more than one year, and it must be probable that some future economic benefit or service potential associated with the asset will flow to the Council. All expenditure on the acquisition, creation or enhancement of property, plant and equipment (PPE) assets is capitalised on an accruals basis. The Council operates a de minimis limit of **£10,000** below which items will be charged to revenue rather than to capital.

AP16.2 – Initial measurement

PPE assets are initially measured at cost and capitalised on an accruals basis. The measurement of cost primarily comprises the purchase costs and all expenditure that is directly attributable to bringing the asset to the location and condition necessary for its intended use.

AP16.3 – Subsequent measurement after initial recognition

Assets are valued on the basis recommended by CIPFA in the Code, and in accordance with the Statement of Asset Valuation Principles and Guidance Notes, issued by the Royal Institution of Chartered Surveyors (RICS). Infrastructure assets are generally measured at historical cost, adjusted where applicable for subsequent depreciation and impairment. Community assets can be measured at either depreciated historical cost, or at valuation, and the Council has opted to measure at the former. All other classes of asset are measured at their current value, using the following valuation methods:

- Current value determined using the basis of existing use value for social housing (EUV-SH).
As part of this valuation method, a vacant possession factor is applied to the valuation of the Council dwellings to represent their continued use as residential accommodation.
- Current value, determined as the amount that would be paid for the asset in its existing use (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.
- Vehicles, plant and equipment assets which are either of a low value or have a short life are included at depreciated historical cost, which is deemed to be a materially sufficient proxy for depreciated replacement cost.

The valuation methods for PPE assets are summarised as follows:

Type of Asset	Valuation Method
Council dwellings	Existing use value and existing use value – social housing
Other land and buildings	Existing use value and depreciated replacement cost
Infrastructure assets	Depreciated historical cost
Community assets	Depreciated historical cost
Vehicles, plant and equipment	Depreciated historical cost

Council dwellings and other land and buildings both have two types of valuation used, depending on the nature and usage of the individual assets within those two categories.

AP16.4 – Revaluations

Classes of assets held at current value are carried at re-valued amounts. The re-valued amount is the asset's current value at its most recent date of valuation, less any subsequent accumulated depreciation and accumulated impairment. When assets are re-valued the accumulated depreciation and impairment at the date of valuation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the new re-valued amount of the asset. Revaluations of assets are carried out by a qualified valuer as follows:

- Council dwellings and garages are re-valued annually on a beacon basis; and
- All other classes of assets required to be re-valued are re-valued as part of a rolling five-year programme. Therefore around 20% of the total assets, by number, are re-valued each year. Several the Council's highest value assets are however revalued on a more frequent basis, usually annually, where appropriate taking consideration of material or significant changes that might indicate the need for a valuation.

Council houses are re-valued using the Guidance on Stock Valuation for Resource Accounting issued by the Ministry for Housing, Communities and Local Government (MHCLG), updated in 2016. The guidance allows qualified valuers the ability to vary the rate at which the discount for vacant possession adjustment is made. The valuer has adopted the discount rate applying to the South East region as it was deemed that the property market in Castle Point corresponded and conformed with the property market in Kent and the South East region rather than the more rural aspect of the Eastern region.

As stated above, the approach to Council dwelling and garages works on a beacon basis. Under this methodology the dwellings are placed into like groups by property type, and also separately between Canvey Island and the mainland, so for example mainland one bed flats, Canvey three bed houses, and so on. A sample property, the "beacon", is selected which is deemed to be representative of all properties in each group. The valuation of this beacon property is used as the base valuation from which the valuations of the other dwellings in each group are derived.

Material changes to asset valuations are adjusted in the accounts in the year that they occur. Revaluation gains, which are increases in value, are generally credited to the Revaluation Reserve. This is an unusable reserve used to record unrealised gains from changes in value of assets. Revaluation losses, which are decreases in value, are also generally charged to the Revaluation Reserve, provided previous valuation gains are available for the relevant assets. The Revaluation Reserve only contains gains recognised since 1 April 2007, the date that this reserve was formally implemented. Gains arising before that date were consolidated into the CAA. Under certain circumstances gains and losses can also be credited or charged to the relevant service line on the CI&ES.

AP16.5 – Impairments

Impairment arises when the carrying amount of an asset exceeds its recoverable amount:

- The carrying amount is the amount at which the asset is recognised in the Council's accounts, i.e. its historical or re-valued amount, less any accumulated depreciation and accumulated impairment loss.
- The recoverable amount of an asset is the higher of its net selling price (fair value less costs to sell) and its value in use (the present value of the asset's remaining service potential).

Examples of impairment include a significant decline in an asset's carrying amount, more than would be expected as a result of the passage of time or normal usage, or obsolescence or physical damage to an asset. Assets are reviewed annually at the end of the financial year by the Council's qualified valuers, to assess if there is any need for an impairment adjustment, or any reversal of a previous impairment adjustment. If any indication exists that an asset is impaired then the asset's carrying amount is required to be reduced to the estimated recoverable amount or increased if the previous impairment has been reduced.

AP16.6 – Treatment of revaluations and impairments

The specific treatment of revaluation and impairment gains and losses is as follows:

- **Revaluation gains** - Revaluation gains are generally recognised in the Revaluation Reserve and are also reported as part of Other Comprehensive Income and Expenditure on the CI&ES. If, however, the gain is reversing a previous revaluation loss charged to the (Surplus) / Deficit on the Provision of Services in the CI&ES, then the gain is credited back to the relevant line previously charged under Net Cost of Services. The reversal shall not exceed the carrying amount of the asset that would have been determined (net of depreciation) had no prior revaluation decrease been recognised for the asset. Any excess gain above this amount is recognised in the Revaluation Reserve. Any gains credited to the (Surplus) / Deficit on the Provision of Services are transferred to the CAA, through the MIRS.
- **Revaluation losses** - Revaluation losses are initially recognised against any credit balance held for the same asset in the Revaluation Reserve and are also reported as part of Other Comprehensive Income and Expenditure on the CI&ES. If no balance exists for the asset in the Revaluation Reserve, or the loss exceeds the balance held, then the additional amount is charged to the relevant service line under Net Cost of Services as part of the (Surplus) / Deficit on the Provision of Services in the CI&ES. Any such losses charged to the (Surplus) / Deficit on the Provision of Services are appropriated to the CAA, through the MIRS.
- **Impairment reversals** - Any impairment loss previously recognised in the (Surplus) / Deficit on the Provision of Services in the CI&ES is only reversed when there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Generally, this occurs when the example circumstances noted in section AP16.5 above are mirrored. The reversal shall not exceed the carrying amount of the asset that would have been determined (net of depreciation) had no prior revaluation decrease been recognised for the asset. Excess gains above this amount are treated as a revaluation gain and recognised in the Revaluation Reserve. Any gains credited to the (Surplus) / Deficit on the Provision of Services are transferred to the CAA, through the MIRS.
- **Impairment losses** - Impairment losses are initially recognised against any credit balance held for the same asset in the Revaluation Reserve and are also reported as part of Other Comprehensive Income and Expenditure on the CI&ES. If no balance exists for the asset in the Revaluation Reserve, or the loss exceeds the balance held, then the additional amount is charged to the relevant service line under Net Cost of Services as part of the (Surplus) / Deficit on the Provision of Services in the CI&ES. Any such losses charged to the (Surplus) / Deficit on the Provision of Services are appropriated to the CAA, through the MIRS.

AP16.7 – Disposals

When an asset is derecognised on disposal, any gain or loss arising on the disposal is reported as part of Other Operating Expenditure on the CI&ES. The gain or loss is calculated as the difference between the net disposal proceeds (proceeds of the sale less costs to sell), which are credited to Other Operating Income and Expenditure, and the carrying amount of the asset on the Balance Sheet, which is debited to Other Operating Income and Expenditure.

The gain or loss on disposals is not a proper charge to the General Fund and / or Housing Revenue Account. As such, the gain or loss recognised under the (Surplus) / Deficit on the Provision of Services is appropriated to the CAA, through the MIRS, except for capital receipts less than **£10,000** and associated disposal costs which are treated as revenue transactions within the CI&ES.

Any residual revaluation gains in the Revaluation Reserve are transferred from the Revaluation Reserve to the CAA, again through the MIRS, and the net disposal proceeds are credited to the Capital Receipts Reserve.

AP16.8 – Capital Receipts

The proceeds from sales where Housing tenants have exercised the right to purchase their dwellings under the Right to Buy (RTB) scheme, as well as from other asset disposals, are known as capital receipts. Receipts in excess of **£10,000** are categorised as capital receipts. Receipts of **£10,000** or less are generally deemed to be de-minimis and accounted for as revenue receipts within the CI&ES.

Legislation prescribes the portions of housing property capital receipts which must be paid to Central Government. For RTB disposals of houses the following two deductions are made:

- An amount deemed to be the excess of debt supportable by the property sold above the assumed level of debt within the housing self-financing settlement, based on a Central Government calculation. This amount is available to use for future HRA capital expenditure or HRA debt repayment.
- An administration allowance of **£1,300** per RTB sale, treated as HRA revenue income.

The remaining balance after these deductions is then split as follows:

- Central Government receives **70.3%** of the receipt, capped at **£150,854** for 2020/21, paid quarterly assuming there are enough sales receipts each quarter.
- The Council receives **29.7%** of the receipt, capped at **£63,652** for 2020/21. This amount is available to contribute to any new capital expenditure incurred by the Council.

Where receipts are below the stated amounts, they are shared based on the above percentages.

Finally, any residual receipt above these levels is held by the Council for a period of 3 years from the end of the quarter it was received in and can only be used for the replacement of council properties. If after this time any amount remains unspent it is required to be repaid, with interest, to Central Government. Any amounts payable to Central Government are charged to Other Operating Expenditure on the CI&ES, and then reversed through the MIRS to avoid any impact on Council Tax or Housing Rents. From April 2021 the rules on these receipts change with pooling of right to buy receipts happening annually rather than quarterly, the percentage that can be used to fund replacement homes increasing from 30% to 40% and an extension on the timeframe for use being extended to 5 from 3 years. Authorities will also be able to use receipts to supply share ownership and First homes, as well as housing at affordable and social rent, to help them build the types of home most needed in their communities. A cap will be introduced on the use of Right to Buy receipts for acquisitions to help drive new supply with effect from 1 April 2022 and phased in over 2022/23 to 2024/25.

The capital receipts retained by the Council after any deductions are credited to the Capital Receipts Reserve on an accruals basis. They are then immediately available to finance new capital expenditure, subject to the above conditions for usage of housing receipts. Receipts are appropriated to this reserve through the MIRS. The Council has in the past taken advantage of an exemption to the regulations requiring local authorities to pay over to the Government **50%** of all capital receipts received from the disposal of housing land, by designating its use for delivering affordable housing or regeneration projects.

Some statutorily defined capital receipts do not arise from the disposal of a non-current asset and represent income under the general provisions of the code (e.g. the repayment of a grant awarded by the Council to enhance a non-current asset by the recipient). The income received is credited to the CI&ES. A transfer to the Capital Receipts Reserve through the MIRS reverses out the income so that there is no impact on the level of Council Tax or Housing Rents.

AP16.9 – Depreciation

Depreciation is the process by which the consumption of the economic benefits or service potential inherent in an item of property, plant and equipment is recognised in the cost of services. This is done by allocating depreciable amounts over the useful life of each asset. In effect depreciation measures the extent to which the Council's resources have been used up during a financial year using property, plant and equipment in the provision of services.

Depreciation is required to be provided for on all assets classified as Property, Plant and Equipment, except for freehold land, which is deemed to have an unlimited useful life. All operational buildings, vehicles, plant and equipment, and other relevant non-land assets are depreciated from date of purchase on a straight-line basis over the period of their useful life, i.e. an equal amount is charged in each financial year over the life of an asset.

Depreciation is charged to the relevant lines reported under Net Cost of Services on the CI&ES. However, depreciation is not a proper charge to the General Fund and/or Housing Revenue Account. As such the depreciation charges are appropriated to the CAA, through the MIRS.

Additional adjustments through the Major Repairs Reserve are also made in connection to depreciation on Housing Revenue Account assets.

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 CAA. This transfer is also reported through the MIRS.

AP16.10 – Componentisation

Any part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the asset is required to be depreciated separately over its useful life. This is achieved by separately accounting for any significant components of an asset that have different useful lives. All assets are already split out between the land and buildings elements, and componentisation relates to the building element only, and other non-land assets.

Componentisation is applied on material asset acquisitions, enhancements and revaluations. The Council has set a de minimis level for componentisation, as follows:

- Componentisation will be applied for any revaluations and enhancements on the Council's three most significant Property, Plant and Equipment assets: Benfleet Council Offices, Runnymede Pool, and Waterside Farm Sports Centre.
- On revaluation of other assets, componentisation will be applied where:
 - The component represents 20% or more of the whole asset (excluding land);
 - The component life is different to the core structure of the asset by 5 years or more; and
 - The resulting change in annual depreciation arising from the above two criteria for the individual asset in question will exceed **£5,000**;
 - Any asset with components below these threshold levels will not be accounted for separately for componentisation purposes, on grounds of materiality.
- For other significant acquisition or enhancement expenditure, componentisation will be reviewed on a case-by-case basis with the Council's qualified valuers, when such expenditure is incurred. For some assets the valuer applied a weighted average life to the asset to take into account componentisation.
- Vehicles, plant and equipment, which generally have useful lives of around 7 years or less, and other assets of a short life will not be componentised.
- For Council dwellings in the Housing Revenue Account it was deemed in discussion with the Council's qualified valuers that a level of 20% would be a suitable component materiality threshold. There were no components above that threshold, therefore componentisation was not applied to those assets. An adjustment is made to derecognise replaced components as part of the annual major replacement programmes – see policy note AP16.11 below.

AP16.11 – Enhancement and derecognition

As well as on disposal, the Council is also required to derecognise an asset or asset component where no future economic benefit is expected from the use of that asset or asset component. As a result, when an asset component is replaced or restored, the carrying value of that element is derecognised, and the carrying value of the new component is recognised in its place. The derecognition of the previous element is required regardless of whether that component was accounted for separately for depreciation purposes or not - see policy note AP16.10 above.

Where the carrying value of the replaced component is not known, the cost of the new component is used as an indication of the cost of the replaced component, adjusted for depreciation and impairment where applicable. Some replaced components also have an inflation adjustment applied to reduce them back to the estimated value at the point the original cost was incurred. The carrying value of the derecognised component is then charged as part of the (gain) / loss on disposal / derecognition of non-current (long term) assets entry reported under Other Operating Income and Expenditure.

Enhancement derecognition and component derecognition are not proper charges to the General Fund and Housing Revenue Account for the purposes of setting Council Tax and Housing Rents. As such, the charges are appropriated to the CAA, through the MIRS. Any residual revaluation gains in the Revaluation Reserve relating to the component are transferred from the Revaluation Reserve to the CAA, again through the MIRS.

AP17 - Non-Current (Long Term) Assets – Investment Properties

Investment Properties are properties held solely to earn rental income, capital appreciation, or both. Property held for the purpose of regeneration is accounted for in Property, Plant and Equipment, and not as an Investment Property. Investment Properties are accounted for in accordance with the relevant sections of policy AP16, with the following exceptions:

- Investment properties are all re-valued on 1 April annually at their Fair Value, as defined in Accounting Policy AP11. All revaluation and impairment gains and losses on Investment properties are charged directly to Financing and Investment Income and Expenditure under the (Surplus) / Deficit on the Provision of Services on the CI&ES, rather than to or from the Revaluation Reserve. They are then appropriated to the CAA, through the MIRS;
- If an asset is transferred to Investment Properties from Property, Plant and Equipment assets, the asset is re-valued to fair value at the point of transfer, and any revaluation gain or loss is recognised in the Revaluation Reserve (for the reversal of any former losses, this is first applied against any loss previously charged to the relevant service line under Net Cost of Services in the CI&ES for that asset, and then subsequently to the Revaluation Reserve). Any such balance is held on the Revaluation Reserve until such time as the asset is derecognised;
- Gains and losses on the disposal of Investment Properties are also charged to Financing and Investment Income and Expenditure on the CI&ES, and are appropriated to the CAA, through the MIRS;
- Investment properties are not depreciated; and
- Expenditure incurred and rental income received on investment properties are both recognised under Financing and Investment Income and Expenditure on the CI&ES. The expenditure relates to those properties where the Council is responsible for structural or other repairs as part of the relevant rental agreements.

AP18 - Non-Current (Long Term) Assets – Heritage Assets

Heritage Assets are tangible or intangible assets which have historical, artistic, scientific, technological, geophysical or environmental qualities and are held and maintained principally for their contribution to knowledge and culture. They are also intended to be preserved in trust for future generations due to their cultural, environmental or historical associations. They are accounted for in accordance with FRS102, Heritage Assets, and are disclosed separately on the face of the Balance Sheet. The Council primarily has the following Heritage Assets:

- **Memorials, statues, and other miscellaneous heritage assets** - This includes various war memorials found around the borough, as well as other memorials, statues, and other similar items. These items are accounted for using annual insurance valuations.
- **Other Heritage Assets not recognised** - The Council holds other assets not recognised on the Balance Sheet as either cost or valuation information is not available, or the assets are considered immaterial in value.
- **Dutch Cottage** - A 17th century property on Canvey Island. The building and land are measured and depreciated in accordance with the accounting policies for other land and buildings, as disclosed in policy AP16.9. It is included as part of the 5 year revaluation programme carried out by the Council's external valuers. Further information can be found on the Council's website: <http://www.castlepoint.gov.uk/dutch-cottage-museum>
- **Civic Regalia** - Items of office that reflect the Council's status as a borough, such as chains, badges and robes. These items are recognised at their value for insurance purposes. Insurance valuations are updated on an annual basis. As the carrying amount from the insurance valuation is equivalent to their recoverable amount they are not depreciated. Further information can be found on the Council's website: <http://www.castlepoint.gov.uk/the-civic-insignia>

As well as the revaluation basis described above the Council will also recognise impairments of Heritage Assets when applicable, for example, if physical deterioration or breakages occur. The accounting entries for revaluations and impairments of Heritage Assets are equivalent to those described in policy AP16 for Property, Plant and Equipment.

AP19 - Prior Period Errors and Adjustments

Prior period errors and adjustments are omissions or misstatements in the Council's financial statements, relating to one or more prior periods, arising from a failure to use, or incorrect use of, information that was available when the statements for the affected periods were authorised for issue and could reasonably have been expected to have been obtained and taken into consideration when preparing those statements. For material errors the Council is required to correct prior period errors retrospectively in the next set of financial statements after the discovery of the error, by amending the affected opening balances and comparative amounts for the prior period. There were no errors to report in the 2020/21 accounts.

AP20 - Provision For Bad and Doubtful Debts

Impairment allowances have been made in the accounts for potential bad and doubtful debts where there is a likelihood arising based on past events and experience that cash received will be lower than the carrying amount for receivables. Known uncollectable debts have been written off. Allowances are typically estimated on a percentage basis, with the older the outstanding debt the higher the percentage of the debt that is provided for. All allowances are reviewed and recalculated at the end of the accounting period. Allowances are generally included within short term debtors on the Balance Sheet.

AP21 - Provisions and Contingencies

AP21.1 – Provisions

A provision is a liability of uncertain timing or amount. These are made when an event has taken place that gives the Council an obligation that would probably require settlement to be made by transfer of economic benefits, but where the timing of that transfer is uncertain. A provision is only required to be recognised when the following conditions are met:

- The Council has a legal or constructive obligation as a result of a past event;
- It is probable that an outflow of resources (economic benefits) will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

Provisions are charged to the appropriate service line under (Surplus) / Deficit on the Provision of Services on the CI&ES in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When provisions are settled, they are charged to the provision line on the Balance Sheet and are reported under either Current Liabilities or Non-current liabilities. Estimated settlements are reviewed at the end of each financial year, and the provisions increased or decreased through the relevant service line.

Current provisions are reported as part of Note 21 to the Financial Statements.

AP21.2 – Contingencies

There are two types of contingencies required to be disclosed, as described below. They are not recognised in the Balance Sheet; instead they are disclosed in the notes. Current items under these categories are also reported as part of Note 21 to the Financial Statements.

- **Contingent Assets** - A contingent asset is a possible asset arising from past events, but which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the Council.
- **Contingent Liabilities** - A contingent liability is either:
 - A possible obligation that arises from past events, but whose existence will be confirmed only by the occurrence of one or more uncertain future events, not wholly within the Council's control; or
 - A present obligation that arises from past events, but which is not recognised because either it is not probable that a transfer of economic benefits will occur; or the amount of the obligation cannot be measured with enough reliability.

AP22 - Reserves

The Council maintains earmarked reserves for certain purposes. These are shown separately under Usable Reserves on the Balance Sheet. Earmarked reserves are created by appropriating amounts out of the General Fund or Housing Revenue Account balances. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year and is included in Net Cost of Services in the CI&ES. The amount in the reserve is then appropriated back to the General Fund or Housing Revenue Account so that there is no net charge against Council Tax or Dwelling Rents for the expenditure.

Other statutory reserves are required to manage the accounting process for tangible non-current assets, retirement benefits and employee benefits. These Unusable Reserves do not represent usable resources for the Council. These reserves are explained under the relevant policies.

AP23 - Revenue Expenditure Funded From Capital Under Statute (REFCUS)

Revenue Expenditure Funded from Capital Under Statute (REFCUS) is expenditure that is allowed by legislation to be classified as capital for funding purposes, although not resulting in the creation of Non-current (long term) assets carried on the Balance Sheet. This enables the expenditure to be funded from capital resources rather than be charged to the General Fund or Housing Revenue Account. Generally, it relates to expenditure incurred on properties not owned by the Council, such as disabled facilities grants, and other similar grants awarded to improve or convert private sector dwellings. Any such expenditure, along with any associated grants, is charged to the relevant service revenue account under Net Cost of Services in the CI&ES in the year. Any statutory provision that allows capital resources to meet the expenditure is met by debiting the Capital Adjustment Account (CAA) through the MIRS so that there is no impact on the level of Council Tax or Housing Rents. Please also refer to policy AP13 regarding grants funding REFCUS.

AP24 - Value Added Tax (VAT)

VAT is an indirect tax levied on most business transactions, and on many goods and services. There are two elements to VAT:

- Input tax - tax paid by the Council on purchases it makes; and
- Output tax - tax received by the Council on sales it makes.

The net amount of VAT owed to or from HMRC at the Balance Sheet date is included in either short term debtors or short term creditors. Input and output VAT amounts are not included in the Comprehensive Income and Expenditure Statement, unless they are irrecoverable, and the cost must be borne by the Council. In these circumstances the VAT cost is added to the cost of the relevant revenue or capital expenditure.

1 - Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) shows how the funding available to the Council (government grants, rents, Council Tax and business rates) has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The EFA also shows how this expenditure is allocated between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CI&ES).

Net (Income)/ Expenditure chargeable to the GF & HRA balances 2019/20 £000s	Adjustments (See note 1.3 below) 2019/20 £000s	Net (Income)/ Expenditure in the CI&ES 2019/20 £000s	1.1 Expenditure and Funding Analysis	Net (Income)/ Expenditure chargeable to the GF & HRA balances 2020/21 £000s	Adjustments (See note 1.3 below) 2020/21 £000s	Net (Income)/ Expenditure in the CI&ES 2020/21 £000s
1,773	1,270	3,043	Chief Executive and Resources	2,845	(971)	1,874
(53)	2,108	2,055	Corporate Services	200	1,529	1,729
952	1,151	2,103	Customer and Digital	992	1,452	2,444
4,849	590	5,439	Environment	5,715	342	6,057
1,442	(172)	1,270	Housing: General Fund	1,160	268	1,428
(1,399)	(807)	(2,206)	Housing: Housing Revenue Account	(1,561)	(852)	(2,413)
921	(172)	749	Place and Policy	1,120	(244)	876
8,485	3,968	12,453	Net Cost of Services	10,471	1,523	11,995
(9,996)	(319)	(10,315)	Other (income) and expenditure	(15,672)	2,477	(13,195)
(1,511)	3,649	2,138	(Surplus) / Deficit	(5,201)	4,001	(1,200)
			GF, HRA and earmarked reserves balances (See note 1.2 below):			
(24,056)			Total opening balance at 1 April	(25,567)		
(1,511)			Add (surplus) / less deficit for the year	(5,201)		
(25,567)			Total closing balance at 31 March	(30,768)		

Notes to the Core Financial Statements - Comprehensive Income and Expenditure Statement

The overall reserves balance on the previous page is analysed below:

GF	HRA	Earmarked Reserves	1.2 Analysis of Reserve Balances	GF	HRA	Earmarked Reserves
2019/20	2019/20	2019/20		2020/21	2020/21	2020/21
£000s	£000s	£000s		£000s	£000s	£000s
(5,039)	(3,494)	(15,523)	Opening balances at 1 April	(5,523)	(3,122)	(16,922)
(1,105)	(406)	0	Add (surplus) / less deficit for the year	(4,675)	(526)	0
621	778	(1,399)	Transfers to and from Earmarked Reserves	4,602	776	(5,378)
(5,523)	(3,122)	(16,922)	Closing balances at 31 March	(5,596)	(2,872)	(22,300)

Capital (note 1.4.1)	Pensions (note 1.4.2)	Other (note 1.4.3)	Total	1.3 Adjustments from the GF and HRA to arrive at the CI&ES amounts	Capital (note 1.4.1)	Pensions (note 1.4.2)	Other (note 1.4.3)	Total
2019/20	2019/20	2019/20	2019/20		2020/21	2020/21	2020/21	2020/21
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s
934	502	(166)	1,270	Chief Executive and Resources	530	(1,461)	(40)	(971)
312	150	1,646	2,108	Corporate Services	118	118	1,293	1,529
38	232	881	1,151	Customer and Digital	137	194	1,120	1,451
1,041	454	(905)	590	Environment	933	342	(933)	342
43	42	(257)	(172)	Housing: General Fund	356	50	(138)	268
(46)	94	(855)	(807)	Housing: Housing Revenue Account	(22)	(76)	(754)	(852)
(18)	125	(279)	(172)	Place and Policy	12	110	(365)	(243)
2,304	1,599	65	3,968	Net Cost of Services	2,064	(723)	183	1,524
(991)	748	(76)	(319)	Other income and expenditure	(1,845)	699	3,623	2,477
1,313	2,347	(11)	3,649	Difference between GF and HRA (surplus) / deficit and CI&ES (surplus) / deficit	219	(24)	3,806	4,001

1.4 - Explanatory notes to the adjustments

1.4.1 - Adjustments for capital purposes:

- **Service lines** - these adjustments add in depreciation and impairment, revaluation gains and losses and expenditure on Revenue Expenditure Funded from Capital Under Statute (REFCUS) as well as grants that fund that expenditure.
- **Other income and expenditure** - includes the following three sub-categories of adjustments:
 - **Other operating expenditure** - adjustments for capital disposals with a transfer of income, or amounts written off, relating to those assets.
 - **Financing and investment income and expenditure** - statutory charges for capital financing, i.e. Minimum Revenue Provision and other revenue contributions, are deducted as these are not chargeable under generally accepted accounting practices.
 - **Taxation and non-specific grant income and expenditure** - Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

1.4.2 - Adjustments for net change to pensions:

These adjustments represent the net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **Service lines** - these adjustments remove the employer pension contributions made by the authority as permitted by statute and replaces them with current service costs and past service costs.
- **Other income and expenditure** - the net interest on the defined benefit liability is charged to the CI&ES.

1.4.3 - Other adjustments:

Other adjustments between amounts debited or credited to the Comprehensive Income and Expenditure Statement and amounts payable or receivable to be recognised under statute:

- **Service lines** - statutory adjustments for accumulated absences are applied to the CI&ES. This column also includes adjustments to reflect that recharges between services are no longer reported in the CI&ES but are still included in the Net Expenditure chargeable to the General Fund & HRA balances on the Expenditure and Funding Analysis.
- **Other income and expenditure** - this represents the difference between what is chargeable under statutory regulations for Council Tax and NDR 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.

2 - Prior Period Adjustment

There were no prior period adjustments required in 2020/21.

3 - Expenditure and Income Analysed by their Nature

This note provides an analysis of the total surplus or deficit on the provision of services included in the CI&ES by income and expenditure type. These figures include internal recharges and hence the amounts are greater than those reported on the CI&ES.

	2019/20 £000s	2020/21 £000s
Expenditure:		
Employee expenses	12,056	12,211
Other service expenses	32,259	31,795
Support service recharges from other services	13,200	13,986
Capital charges - depreciation, amortisation, revaluation & impairment	4,139	3,950
Payment of precept to Canvey Island Town Council	245	252
Payment of housing pooled capital receipts to the government pool	151	189
National non-domestic rates tariffs and levies and safety net	3,915	4,075
(Gain) / loss on disposal / derecognition of non-current (long term) assets	(125)	(588)
Interest payable and similar charges, including Finance Leases interest	1,354	1,403
Pensions - net interest on the net defined benefit liability, and IAS19 pension administration expenses	748	699
Expenses incurred on investment properties	27	19
Total expenditure	67,969	67,991
Income:		
Fees, charges and other service income	(16,104)	(14,490)
Government and other grants & contributions	(19,897)	(21,473)
Support service recharges to other services	(13,200)	(13,985)
Changes in the fair value of investment properties	109	54
Rental income received on investment properties	(179)	(170)
Interest and investment income	(275)	(147)
Council tax income	(8,209)	(8,357)
National non-domestic rates income	(5,507)	(2,240)
General grants and contributions	(2,315)	(7,946)
Capital grants and contributions	(254)	(437)
Total income	(65,831)	(69,191)
(Surplus) / deficit on the provision of services	2,138	(1,200)

4 - Segmental Income

This note provides an analysis of total fees, charges, rents and other external service income received by the individual operating segments and reported within the gross income amounts included in the CI&ES. The amounts in this note exclude grants and similar contributions received.

Operating segment	2019/20 £000s	2020/21 £000s
Chief Executive and Resources	(511)	(1,193)
Corporate Services	(369)	(334)
Customer and Digital	(553)	(262)
Environment	(4,452)	(2,870)
Housing: General Fund	(1,856)	(1,541)
Housing: Housing Revenue Account (HRA)	(7,808)	(7,753)
Place and Policy	(555)	(537)
Total fees, charges and other service income	(16,104)	(14,490)

Where income is received in advance of any relevant performance obligations having been met, this income is not recognised until the following financial year and is not included in the above amounts. The income is instead held within short term creditors on the Balance Sheet, and consists of the following items:

Income stream	31/03/20 £000s	31/03/21 £000s
Community halls bookings	(2)	(15)
Development control fees and charges	(33)	(34)
Essex County Council Preceptor share back funding	(31)	(31)
S31 grant (Covid-19 related)	(1,301)	0
Leisure customers - due to Covid-19	(52)	0
Garden waste bin collections	(213)	(364)
Trade waste bin collections, and other miscellaneous income	(166)	(175)
Total	(1,798)	(619)

5 - Audit Fees

The Council incurred the following fees relating to external audit and inspection work carried out by the appointed external auditor Ernst and Young (EY). The Council received no additional chargeable services during either financial year.

Audit fees category	2019/20 £000's	2020/21 £000's
Fees payable to EY for external audit services	72	72
Fees payable for certification of grant claims and returns	40	79
Fees payable to BDO for certification of housing capital receipts return	2	5
Other external audit fees payable	4	26
Total audit fees	118	182

Grant claims and returns for 2020/21 includes fees of **£30k** relating to previous years (**£4k** 2019/20, **£26k** 2020/21) which reflects an estimate of additional works required by EY and Binder Dijker Otte (BDO). It is expected that this will be finalised in 2021/22.

Fees payable for external audit services in 2020/21 include an additional sum of **£29k** (**£29k** in 2019/20) which relates to costs associated with regulatory compliance changes and extra work required due to various factors including Covid-19.

6 - Members' Allowances

Set out below is the total of Members' allowances and expenses paid:

Allowance category	2019/20 £000's	2020/21 £000's
Basic allowances	146	145
Special responsibility allowances	109	110
Mileage allowances	10	9
Mayor and Deputy Mayor's allowances	9	9
Total members' allowances	274	273

Members expenses	2019/20 £000's	2020/21 £000's
Total members' expenses	1	0

Further details on Members' Allowances are published on the Council's website, at the following link:
<http://www.castlepoint.gov.uk/members-allowances>

Members' expenses include travel, parking, subsistence and accommodation.

7 - Related Party Transactions

The Council is required to disclose material transactions occurring during the year with related parties. These are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Related parties include the following:

- The UK (Central) Government effectively has significant influence over the general operations of the Council. It is responsible for providing the statutory legislative framework within which the Council operates, provides funding to the Council in the form of general and specific grants and prescribes the terms of many transactions that the Council has with other parties (e.g. Council Tax and Housing Benefits). Details of Central Government funding is set out in note 10 to the Core Financial Statements.
- Members of the Council have direct control over the Council's financial and operating policies. Total members allowances and expenses are disclosed in note 6.
- The Chief Executive and other key management personnel (i.e. other senior officers) can influence the Council's policies, within the provisions of the Council's regulations and schemes of delegation. Remuneration of the Chief Executive and senior officers is disclosed in note 9.
- Essex County Council, Essex PFCC - Fire and Rescue Authority, Essex PFCC - Policing and Community Safety and Canvey Island Town Council issue precepts on the Council, who act as a collecting agent on their behalf. Details of the transactions with the Precepting Authorities are set out in the Collection Fund Statement and accompanying notes.
- The Council collects rental income from the leasing of properties to various organisations. In some of these organisations Council Members are connected at a senior level, for example as governors or directors. However, in all instances relevant Members had no involvement in setting the rental agreements with the associated organisations.
- The Council pays annual donations under funding agreements to three voluntary bodies, and is a member of, or contracts services from, other organisations, including those detailed below. Officers or elected members serve as the Council's representatives to these bodies and organisations, but are not directly involved in determining the amounts involved:

Donations to voluntary bodies	2019/20 £000's	2020/21 £000's
The Peabody Group	34	34
Citizens Advice Bureau	15	15
Carer's Choices	34	34
Castle Point Association of Voluntary Services	42	83
Total donations	125	166

Payments to other organisations	2019/20 £000's	2020/21 £000's
Thames Gateway South Essex groups and Opportunity South Essex Partnership – membership subscriptions and other contributions	23	23
Association of South Essex Local Authorities - membership subscriptions and other contributions	60	60
Wyvern Community Transport – community transport services	10	10
Vine HR Ltd – a not-for-profit human resources company formed by all 15 Essex councils – member subscription and other contributions	8	5
Total donations	101	98

8 - Termination Benefits (Exit Packages)

The Council is required to provide for termination benefits in relation to employees who are made compulsorily redundant or take other exit packages. There was one employee in 2020/21 (three employees in 2019/20), as shown below, which took place during the year. The amounts include payments made direct to the relevant employee and where applicable payments made to the pension scheme on their behalf. There were no further planned terminations as at 31 March 2021.

Where payments are made to the pension fund, the amount paid to the fund and included in the total cost paid, is not the same as the pension amount required to be recognised for accounting purposes under IAS 19 (see note 18 for further information). This amount is reported in Corporate Services on the CI&ES and is adjusted for in the total accounting cost columns.

Exit Packages – 2020/21						
Package band	Number of compulsory redundancy packages	Number of other packages	Total number of packages	Total cost paid £000's	Total accounting cost No.	Total accounting cost £000's
£0 - £19,000	1	0	1	2	1	2
Total	1	0	1	2	1	2

Exit Packages – 2019/20						
Package band	Number of compulsory redundancy packages	Number of other packages	Total number of packages	Total cost paid £000's	Total accounting cost No.	Total accounting cost £000's
£0 - £19,000	3	0	3	16	3	16
Total	3	0	3	16	3	16

9 - Officers' Remuneration

9.1 – Remuneration bandings

Regulations require disclosure of the numbers of staff whose remuneration exceeded **£50,000**. These are required to be shown in bands of **£5,000**. The regulations define remuneration as:

- Sums paid to or receivable by an employee (gross pay before deducting pension contributions);
- Compensation for loss of office and any other payments received on termination of employment;
- Expense allowances chargeable to tax (e.g. car allowances); and
- The money value of benefits received by an employee other than in cash (such as cars as declared on form P11D).

The numbers of staff whose remuneration exceeded **£50,000**, except for senior officers who are reported separately on the following two pages, were as shown below. These include one employee employed by the Council on behalf of the Opportunity South Essex Partnership, jointly funded by member Councils of that group (see also note 7 – Related Party Transactions).

Remuneration band	2019/20	2020/21
£50,000 – £54,999	6	5
£55,000 – £59,999	5	7
£60,000 – £64,999	0	2
£65,000 – £69,999	1	0
£70,000 – £74,999	3	1
£80,000 - £84,999	0	1
Total	15	16

9.2 – Senior officer remuneration

The Council is required by regulation to disclose the following additional remuneration information for those senior employees responsible for the management of the Council.

The employees disclosed below are not included in the remuneration bandings in the previous page/above. The figures shown below also include employer's pension contributions paid by the Council. These pension contributions are not paid directly to the employees, but instead represent the proportion of the Council's contribution to the Essex County Council Pension Fund which relates to those employees. The amounts stated are determined by the Pension Fund Actuary.

No amounts were paid as compensation for loss of office to any of the below employees in either 2019/20 or 2020/21.

9.2.1 – Remuneration for 2020/21

Position	Salary (inc. fees and allowances) £000's	Expense allowances £000's	Total excluding pension conts. £000's	Employer's pension conts.	Total including pension conts.
Chief Executive (Note 1)	133	0	133	0	133
Strategic Director (Corporate Services)	122	0	122	25	147
Strategic Director (Resources)	121	0	121	25	146
Head of Environment	80	0	80	0	80
Head of Housing and Communities (Note 2)	36	0	36	0	36
Head of Housing (Note 3)	75	0	75	15	90
Head of Customer and Digital Services (Note 3)	74	0	74	15	89
Head of Place and Policy (Note 3)	81	0	81	16	97
Total	722	0	722	96	818

9.2.2 – Remuneration for 2019/20

Position	Salary (inc. fees and allowances) £000's	Expense allowances £000's	Total excluding pension conts. £000's	Employer's pension conts.	Total including pension conts.
Chief Executive (Note 1)	149	0	149	0	149
Strategic Director (Corporate Services)	119	0	119	20	139
Strategic Director (Resources)	110	0	110	18	128
Head of Environment	72	0	72	0	72
Head of Housing and Communities	66	0	66	0	66
Total	516	0	516	38	554

- **Note 1** – The amounts paid to the Chief Executive include remuneration paid to him for his statutory duty as Returning Officer for conducting elections. Due to the pandemic there were no elections held in 2020/21, the total cost paid for this function was **£6k** in 2019/20. In addition, he was entitled to a further **£7k** in 2019/20 for other electoral duties, acting as Returning Officer for the European and General Elections. These amounts are not included in the note as they do not directly relate to the Chief Executive's electoral duties for Castle Point Borough Council.
- **Note 2** – The Head of Housing and Communities left the authority in June 2020 and the post was removed as part of the restructure. See note 3.
- **Note 3** – Following the departure of the Head of Housing and Communities in June 2020, the Council carried out a restructure of its senior team which resulted in three existing positions being reclassified as Senior Officers and included within this note for the first time in 2020/21.

10 - Grants and Other Contributions

The following tables provide an analysis of the recognised grants and contributions accounted for on an accruals basis on the CI&ES. The schedules include grants from Government departments as well as grants from other bodies.

Amounts of revenue and capital grants and contributions received with conditions attached are not recognised on the CI&ES until their conditions have been met. They are therefore reported on the Balance Sheet in the line Revenue and Capital Grants Receipts in Advance.

10.1 – Grants towards Revenue Expenditure

These grants are accounted for within Gross Income on the relevant service lines under Net Cost of Services. This analysis generally excludes grants below £1,000, as they are immaterial.

Service line and grant or contribution name	2019/20	2020/21
	£000s	£000s
Chief Executive and Resources		
• Miscellaneous grants relating to elections and electoral registration	(208)	(42)
• Miscellaneous grants	0	(26)
Corporate Services		
• Various local strategic partnership grants	(58)	(58)
• Various community safety grants	(15)	(15)
• Covid Related Grant	-	(57)
Customer and Digital		
• Housing benefit subsidy	(17,075)	(16,134)
• Discretionary housing payments	(188)	(255)
• National non-domestic rates administration grant	(76)	(76)
• Benefits administration grant	(200)	(160)
• Localised council tax support scheme funding	(82)	(81)
• Miscellaneous grants relating to benefits and business rates	(238)	(236)
• Covid Related Grant	0	(2,365)
Environment		
• Essex County Council (ECC) recycling schemes	(652)	(660)
• Essex County Council (ECC) grounds maintenance contribution	(28)	(28)
• Essex County Council (ECC) highways ranger funding	(80)	(80)
• Various grants and contributions for parks and open spaces works	(9)	(13)
• Furlough grant	(9)	(472)
• Miscellaneous grants relating to sports and fitness	(9)	(6)
• Miscellaneous grants relating to highways and car parks works	(77)	0
• Covid Related Grant	0	(125)
Housing - General Fund (GF)		
• Flexible homelessness support grant	(229)	(229)
• Furlough grant	0	(1)
Housing: Housing Revenue Account (HRA)		
• Furlough grant	0	(11)

Place & Policy		
• Regeneration projects grants	(36)	(39)
• Covid Related Grant	0	(5)
Total revenue grants and contributions	(19,269)	(21,174)

10.2 – Grants towards Revenue Expenditure Funded from Capital Under Statute (REFCUS)

The following grants are also accounted for within Gross Income on the relevant service lines under Net Cost of Services:

Service line and grant or contribution name	2019/20 £000s	2020/21 £000s
Environment		
• Disabled facilities grant	(597)	(299)
Policy and Place		
• Regeneration projects grants	(30)	0
Total REFCUS grants and contributions	(627)	(299)

10.3 - Grants within Taxation and Non-Specific Grants Income and Expenditure

The grants within Taxation and Non-Specific Grants Income and Expenditure are as follows:

Grant or contribution name	2019/20 £000s	2020/21 £000s
General government grants		
Local services support grant (homelessness prevention)	(36)	(82)
New homes bonus grant	(569)	(218)
New burdens grants	(186)	(227)
Business rate relief grants	(1,185)	(4,824)
Preceptors council tax technical changes funding	(339)	(190)
Coastal communities fund	0	(2,405)
Total general government grants	(2,315)	(7,946)

Capital Grants and Contributions	2019/20 £000s	2020/21 £000s
Environment		
• Contribution towards hall demolition costs	(75)	(9)
Housing: Housing Revenue Account (HRA)		
• Section 106 Developer Contribution towards new build	(179)	(428)
Total Capital Grants and Contributions	(254)	(437)

11 - Reconciliation of Amounts Included in "Adjustments Between Accounting Basis and Funding Basis Under Regulations"

This reconciliation provides a breakdown of the amounts included for each reserve in the "Adjustments between Accounting Basis and Funding Basis under regulations" line on the Movement in Reserves Statement. The reconciliation also includes other adjusting transfers between these reserves, as they appear in the same line on the Movement in Reserves Statement. Further supporting information is also included in note 12.

11.1 - Adjustments for 2020/21	Usable Reserves:					Unusable Reserves:				
	General Fund (GF) Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Pensions Reserve	Revaluation Reserve	Capital Adjustment Account	Other Adjustment Accounts	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Adjustments to Revenue Resources										
Adjustments for the amounts included in the Comprehensive Income and Expenditure Statement (CI&ES) which are different from the amounts calculated in accordance with regulations for:										
• Pension costs	(52)	76	0	0	0	(24)	0	0	0	
• Council Tax and Non-Domestic Rates income	(3,622)	0	0	0	0	0	0	0	3,622	
• Accumulated Absences (holiday pay)	(173)	(11)	0	0	0	0	0	0	184	
Adjustments between Revenue and Capital Resources										
Adjustments for depreciation, amortisation, revaluation and impairment of non-current assets	(2,111)	22	0	(1,863)	0	0	0	3,952	0	
Additional transfers between the HRA and the Major Repairs Reserve	0	0	0	0	0	0	0	0	0	
Adjustment for recognised capital grants and contributions (applied and unapplied)	736	0	0	0	0	0	0	(736)	0	
Adjustment for Revenue Expenditure Funded from Capital Under Statute	(299)	0	0	0	0	0	0	299	0	
Capital receipts arising other than from the disposal of a non current asset	26	0	(26)	0	0	0	0	0	0	
Adjustment for disposal/derecognition of non-current assets & Investment Properties	712	(129)	(1,307)	0	0	0	0	724	0	
Adjustment for changes in the fair value of Investment Properties	(54)	0	0	0	0	0	0	54	0	
Provisions for the repayment of debt and finance lease liabilities	837	0	0	0	0	0	0	(837)	0	
Revenue contribution to finance capital expenditure	230	0	0	0	0	0	0	(230)	0	
Transfer from Capital Receipts Reserve for the Housing Capital Receipts Pool	(189)	0	189	0	0	0	0	0	0	
Adjustments to Capital Resources										
Transfer from the Major Repairs Reserve to finance capital expenditure	0	0	0	697	0	0	0	(697)	0	
Transfer from Usable Capital Receipts to finance capital expenditure	0	0	678	0	0	0	0	(678)	0	
Transfer from Capital Grants Unapplied to finance capital expenditure	0	0	0	0	0	0	0	0	0	
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			0							
Adjustment for the difference between fair value depreciation and historical cost depreciation	0	0	0	0	0	0	728	(728)	0	
Adjustment to write out accumulated gains on disposal and derecognition of non-current assets	0	0	0	0	0	0	344	(344)	0	
Total Adjustments	(3,959)	(42)	(466)	(1,166)	0	(24)	1,072	779	3,806	

Notes to the Core Financial Statements - Movement in Reserves Statement

11.2 - Adjustments for 2019/20	Usable Reserves:					Unusable Reserves:			
	General Fund (GF) Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Pensions Reserve	Revaluation Reserve	Capital Adjustment Account	Other Adjustment Accounts
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Adjustments to Revenue Resources									
Adjustments for the amounts included in the Comprehensive Income and Expenditure Statement (CI&ES) which are different from the amounts calculated in accordance with regulations for:									
• Pension costs	(2,252)	(95)	0	0	0	2,347	0	0	0
• Council Tax and Non-Domestic Rates income	77	0	0	0	0	0	0	0	(77)
• Accumulated Absences (holiday pay)	(63)	(3)	0	0	0	0	0	0	66
Adjustments between Revenue and Capital Resources									
Adjustments for depreciation, amortisation, revaluation and impairment of non-current assets	(2,384)	46	0	(1,802)	0	0	0	4,140	0
Adjustment for recognised capital grants and contributions (applied and unapplied)	702	179	0	0	0	0	0	(881)	0
Adjustment for Revenue Expenditure Funded from Capital Under Statute	(610)	0	0	0	0	0	0	610	0
Capital receipts arising other than from the disposal of a non current asset	17	0	(17)	0	0	0	0	0	0
Adjustment for disposal/derecognition of non-current assets & Investment Properties	10	86	(923)	0	0	0	0	827	0
Adjustment for changes in the fair value of Investment Properties	(109)	0	0	0	0	0	0	109	0
Provisions for the repayment of debt and finance lease liabilities	382	0	0	0	0	0	0	(382)	0
Revenue contribution to finance capital expenditure	517	2	0	0	0	0	0	(519)	0
Transfer from Capital Receipts Reserve for the Housing Capital Receipts Pool	(151)	0	151	0	0	0	0	0	0
Adjustments to Capital Resources									
Transfer from the Major Repairs Reserve to finance capital expenditure	0	0	0	1,478	0	0	0	(1,478)	0
Transfer from Usable Capital Receipts to finance capital expenditure	0	0	1,118	0	0	0	0	(1,118)	0
Transfer from Capital Grants Unapplied to finance capital expenditure	0	0	0	0	13	0	0	(13)	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			0						
Adjustment for the difference between fair value depreciation and historical cost depreciation	0	0	0	0	0	0	644	(644)	0
Adjustment to write out accumulated gains on disposal and derecognition of non-current assets	0	0	0	0	0	0	519	(519)	0
Total Adjustments	(3,864)	215	329	(324)	13	2,347	1,163	132	(11)

12 - Analysis of the Movement in Reserves Statement

The following notes provide further information on Usable and Unusable revenue and capital reserves reported in the Movement in Reserves Statement (MIRS) and analysed in note 11.

12.1 – Usable Revenue Reserve: Earmarked Reserves

The Council maintains several earmarked reserves, set aside from General Fund and HRA balances, to fund specific future expenditure plans, as detailed below. The net movement to or from earmarked reserves is reported in the "Transfers to / (from) Earmarked Reserves" line on the MIRS.

Earmarked Reserve	Balance 01/04/19 £000s	Additions in 2019/20 £000s	Deductions in 2019/20 £000s	Balance 31/03/20 £000s	Additions in 2020/21 £000s	Deductions in 2020/21 £000s	Balance 31/03/21 £000s
Coronavirus Impact	0	0	0	0	490	0	490
Revenue grants unspent	533	219	(134)	618	300	(127)	791
Future asset maintenance	2,193	454	(549)	2,098	796	(114)	2,780
Insurance	348	0	0	348	0	0	348
Non-domestic rates equalisation	1,342	1,280	(1,421)	1,201	1,449	(1,249)	1,401
Council tax support scheme	114	0	(15)	99	59	0	158
Improvement fund	374	95	(19)	450	48	(29)	469
Pension deficit payment	1,292	750	0	2,042	352	(1,407)	987
Planning - local development scheme and plan	239	0	(76)	163	110	(163)	110
Planning - Central government intervention	500	0	(500)	0	0	0	0
Planning - Joint strategic plan	200	160	0	360	0	0	360
Highways improvements and environment initiatives	170	82	(231)	21	33	(33)	21
ICT projects	1,812	485	(368)	1,929	363	(74)	2,218
Knightswick shopping centre	0	350	0	350	282	0	632
Commitments from previous year	744	178	(744)	178	357	(178)	357
Other earmarked reserves (note 1)	216	629	(4)	841	159	(345)	655
HRA earmarked reserves	5,446	778	0	6,224	776	0	7,000
	15,523	5,460	(4,061)	16,922	5,574	(3,719)	18,777
Collection fund timing difference (note 2)	0	0	0	0	3523	0	3,523
Total Earmarked Reserves	15,523	5,460	(4,061)	16,922	9,097	(3,719)	22,300

Note 1 – Includes reserves for regeneration projects, insurances and various other miscellaneous priorities and initiatives funds

Note 2 – The government granted business rate relief to retail, hospitality and leisure services during 2020/21, and compensated councils for these reliefs with a Section 31 grant. These reliefs must be shown as a deficit on the Council's share of income within the Collection Fund Account, while the grant income is shown within General Fund. In 2021/22, the Council's share of the deficit will be transferred from the Collection Fund Account and funded from this reserve.

12.2 – Usable Capital Reserve: Major Repairs Reserve

The Council is required to maintain a Major Repairs Reserve (MRR). The items to be credited to the reserve are an amount equal to, or on a voluntary basis higher than, HRA depreciation for the year. Items chargeable to the reserve include capital expenditure for HRA purposes. There were no movements in the reserve other than those analysed in note 11.

12.3 – Usable Capital Reserve: Capital Receipts Reserve

This reserve contains proceeds from the sale of non-current (long term) assets, which are available to meet future capital investment, or to finance past capital expenditure. There were no movements in the reserve other than those analysed in note 11.

Of the total closing balance at 31 March 2021 of **£1.8m, £900k** must be used for replacement housing purposes. Any of this amount not used within three years of the quarter end from the date of original receipt is repayable to Central Government. From April 2021 the rules on retained Right to Buy receipts are changing and this timeframe is extending from 3 to 5 years.

12.4 – Usable Capital Reserve: Capital Grants Unapplied Account

This statutory reserve is for capital grants which have been received and have no conditions outstanding, but for which expenditure has not yet taken place. When expenditure subsequently occurs, the relevant amount is transferred to the Capital Adjustment Account. There were no movements in the reserve other than those analysed in note 11.

12.5 – Unusable Revenue Reserve: Pensions Reserve

This statutory reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding those benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CI&ES as the benefits are earned by employees accruing years of service, and 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 Council makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. The table below shows the movements in the Pension Reserve each year. Further information on pensions is reported in note 18 to the Financial Statements.

Pensions Reserve	2019/20	2020/21
	£000s	£000s
Balance as at 1 April	(30,747)	(28,917)
Remeasurements of the net defined benefit liability, reported in Other Comprehensive Income and Expenditure on the CI&ES	4,177	22
Total adjustments included in the MIRS, as shown in note 11	(2,347)	24
Balance as at 31 March	(28,917)	(28,871)

12.6 – Unusable Capital Reserve: Revaluation Reserve

This is a statutory reserve which records gains on the revaluation of non-current (long term) assets, excluding Investment Properties. The balance is reduced when assets with previously accumulated gains are revalued or impaired down; disposed of, and the gains are realised; or used in the provision of services, and the gains are consumed through depreciation.

The reserve only reports gains accumulated since 1 April 2007. Earlier gains are consolidated into the Capital Adjustment Account. The movements during the year were as follows:

Revaluation Reserve	2019/20	2020/21
	£000s	£000s
Balance as at 1 April	50,633	57,010
Revaluations and impairments of assets, reported in Other Comprehensive Income and Expenditure on the CI&ES:		
Increases in asset values	8,160	4,018
Decreases in asset values	(620)	(4,841)
Total reported in Other Comprehensive Income and Expenditure	7,540	(823)
Total adjustments included in the MIRS, as shown in note 11	(1,163)	(1,072)
Balance as at 31 March	57,010	55,115

12.7 – Unusable Capital Reserve: Capital Adjustment Account

This statutory account records the timing differences arising from the different arrangements for accounting for the consumption of non-current assets, and for financing the acquisition and enhancement of those assets under statutory provisions. The account is debited with the cost of acquisitions and enhancements as well as subsequent costs such as depreciation, amortisation and impairments as they are charged to the Comprehensive Income and Expenditure Statement (CI&ES), with compensating adjustments between current or fair value and historical cost through the Revaluation Reserve. The account is credited with amounts set aside by the Council to finance acquisitions, enhancements and subsequent costs. The account contains accumulated gains and losses arising on the revaluation and impairment of Investment Properties. The account also contains accumulated revaluation gains on other classes of non-current (long-term) assets prior to 1 April 2007, the date that the Revaluation Reserve was created to record subsequent gains and losses for those assets. There were no movements in the reserve other than those analysed in note 11.

12.8 – Unusable Revenue Reserve: Other Statutory Adjustment Accounts

There are two other miscellaneous adjustment accounts the Council is required to maintain:

- **Collection Fund Adjustment Account** - This account manages the differences arising from the recognition of Council Tax and Non-Domestic Rate income in the Comprehensive Income and Expenditure Statement (CI&ES) as it falls due from payers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
- **Accumulated Absences Account** - This account manages the differences that would otherwise arise on the General Fund (GF) and Housing Revenue Account (HRA) balances from accruing for compensated absences (i.e., leave entitlement) earned but not yet taken in the year. Statutory arrangements require that the impact on GF and HRA balances are neutralised by transfers to or from this account.

The movements during the year for these two accounts were as follows:

Other Statutory Adjustment Accounts	Collection Fund Adjustment Account		Accumulated Absences Account	
	2019/20	2020/21	2019/20	2020/21
	£000s	£000s	£000s	£000s
Balance as at 1 April	(28)	48	(185)	(250)
Total adjustments included in the MIRS, as shown in note 11	76	(3,622)	(65)	(184)
Balance as at 31 March	48	(3,574)	(250)	(434)

13 - Non-Current (Long Term) Assets

13.1 - Comparative asset movements during 2020/21	Property, Plant and Equipment:						Total Property, Plant and Equipment	Heritage Assets	Investment Properties	Total Assets
	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant & Equipment (Owned)	Infra-structure	Community Assets	Assets under construction				
	£000s	£000s	£000s	£000s	£000s	£000s				
All assets are owned by the Council										
Cost or valuation (Gross Book Value)										
1 April 2020	130,966	54,031	5,354	344	446	1,501	192,642	418	2,038	195,098
Additions & enhancements	1,227	141	299	30	0	485	2,182	0	0	2,182
Derecognition on disposal	(254)	(148)	0	0	0	0	(402)	0	(38)	(440)
Other derecognitions	(304)	0	0	0	0	0	(304)	0	0	(304)
Reclassified – (to)/from Assets Held for Sale	0	0	0	0	0	0	0	0	0	0
Other Reclassifications	631	795	0	0	0	(1,426)	0	0	0	0
Impairments and Revaluations – applied to Revaluation Reserve:										
• Increases	921	477	0	0	0	0	1,398	9	0	1,407
• Decreases	(2,988)	(1,854)	0	0	0	0	(4,842)	0	0	(4,842)
Impairments and Revaluations – applied to (Surplus) / Deficit on the provision of services:										
• Increases	30	79	0	0	0	0	109	0	14	123
• Decreases	(8)	(861)	0	0	0	0	(869)	0	(68)	(937)
31 March 2021	130,221	52,660	5,653	374	446	560	189,914	427	1,946	192,287
Depreciation and Impairments										
1 April 2020	(3)	(331)	(3,267)	(150)	0	0	(3,751)	(8)	0	(3,759)
Depreciation charged	(1,863)	(673)	(531)	(14)	0	0	(3,081)	(2)	0	(3,083)
Derecognition on disposal	0	15	0	0	0	0	15	0	0	15
Other derecognitions	5	0	0	0	0	0	5	0	0	5
Reclassifications – to / (from) Assets Held for Sale	0	0	0	0	0	0	0	0	0	0
Other Reclassifications	0	0	0	0	0	0	0	0	0	0
Impairments and Revaluations – applied to:										
• the Revaluation Reserve	1,858	753	0	0	0	0	2,611	0	0	2,611
• (Surplus) / Deficit on the provision of services	0	0	0	0	0	0	0	0	0	0
31 March 2021	(3)	(236)	(3,798)	(164)	0	0	(4,201)	(10)	0	(4,211)
Balance Sheet Amount (Net Book Value)										
1 April 2020	130,963	53,700	2,087	194	446	1,501	188,891	410	2,038	191,339
31 March 2021	130,218	52,424	1,855	210	446	560	185,713	417	1,946	188,076

13.2 - Comparative asset movements during 2019/20	Property, Plant and Equipment:						Total Property, Plant and Equipment	Heritage Assets	Investment Properties	Total Assets
	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant & Equipment (Owned)	Infra-structure	Community Assets	Assets under construction				
	£000s	£000s	£000s	£000s	£000s	£000s				
	£000s	£000s	£000s	£000s	£000s	£000s				
All assets are owned by the Council										
Cost or valuation (Gross Book Value)										
1 April 2019	125,345	42,797	4,893	344	446	143	173,968	403	2,147	176,518
Additions & enhancements	1,772	11,976	793	0	0	1,358	15,899	0	0	15,899
Derecognition on disposal	(405)	0	(332)	0	0	0	(737)	0	0	(737)
Other derecognitions	(412)	0	0	0	0	0	(412)	0	0	(412)
Reclassified – (to)/from Assets Held for Sale	0	0	0	0	0	0	0	0	0	0
Other Reclassifications	0	0	0	0	0	0	0	0	0	0
Impairments and Revaluations – applied to Revaluation reserve:										
• Increases	4,971	732	0	0	0	0	5,703	15	0	5,718
• Decreases	(351)	(268)	0	0	0	0	(619)	0	0	(619)
Impairments and Revaluations – applied to (Surplus) / Deficit on the provision of services:										
• Increases	160	62	0	0	0	0	222	0	101	323
• Decreases	(114)	(1,268)	0	0	0	0	(1,382)	0	(210)	(1,592)
31 March 2020	130,966	54,031	5,354	344	446	1,501	192,642	418	2,038	195,098
Depreciation and Impairments										
1 April 2019	(8)	(411)	(3,010)	(137)	0	0	(3,566)	(6)	0	(3,572)
Depreciation charged	(1,802)	(588)	(572)	(13)	0	0	(2,975)	(2)	0	(2,977)
Derecognition on disposal	0	0	315	0	0	0	315	0	0	315
Other derecognitions	7	0	0	0	0	0	7	0	0	7
Reclassified – (to)/from Assets Held for Sale	0	0	0	0	0	0	0	0	0	0
Other Reclassifications	0	0	0	0	0	0	0	0	0	0
Impairments and Revaluations – applied to:										
• the Revaluation Reserve	1,800	643	0	0	0	0	2,443	0	0	2,443
• (Surplus) / Deficit on the provision of services	0	25	0	0	0	0	25	0	0	25
31 March 2020	(3)	(331)	(3,267)	(150)	0	0	(3,751)	(8)	0	(3,759)
Balance Sheet Amount (Net Book Value)										
1 April 2019	125,337	42,386	1,883	207	446	143	170,402	397	2,147	172,946
31 March 2020	130,963	53,700	2,087	194	446	1,501	188,891	410	2,038	191,339

13.3 – Valuation basis

Non-current assets are valued in accordance with the valuation methods and timescales detailed in Accounting Policy AP16. All valuations other than insurance valuations were carried out by chartered surveyors Wilks Head and Eve LLP. This included site visits of the properties subject to valuation. The valuations were carried out in accordance with the professional standards and guidance of the Royal Institute of Chartered Surveyors (RICS). Significant assumptions applied by the external valuers in estimating current values for revaluations included the following:

- There were no planning proposals likely to influence the property value, unless otherwise specifically advised.
- Assets were in a condition suitable for service provision. Structural surveys were not undertaken, nor were inspections performed on parts of properties which were covered, unexposed or inaccessible. Parts were assumed to be in good repair and condition.
- It was also assumed that no contaminative or potentially contaminative uses had ever been performed on the land or properties.
- Plant and machinery that was considered to form part of the building or service installation was included in the valuation.

The tables over the preceding pages show the movements in assets during 2020/21, with comparative figures for 2019/20. The Gross Book Value (GBV) of land and buildings shown on these pages, where relevant including subsequent enhancement costs and excluding amounts derecognised, are based on valuations made over the following timescales, as part of the rolling five-year programme:

Revaluation timescale	GBV at 31/03/20 £000's	GBV at 31/03/21 £000's
Revaluations performed in 2020/21	0	46,528
Revaluations performed in 2019/20	46,003	1,643
Revaluations performed in 2018/19	3,186	1,486
Revaluations performed in 2017/18	2,268	1,976
Revaluations performed in 2016/17	870	773
Revaluations performed in 2015/16	1,704	254
Total land and buildings gross book value	54,031	52,660

13.4 – Capital expenditure

The Council undertook capital expenditure during 2019/20 and 2020/21 as follows:

Capital expenditure item	2019/20 £000's	2020/21 £000's
Council house improvements	1,478	679
Council housing acquisitions and new developments	943	589
Homeless accommodation acquisitions and new developments	621	91
Disabled facilities and other home improvement grants	610	299
The Crown demolition	13	50
Seafront regeneration	75	9
Labworth car park	0	428
Knightswick centre purchase	11,949	0
Jetty demolition	27	0
Vehicle replacement programme	591	209
Bridge replacement	0	30

Capital expenditure item (continued)	2019/20 £000's	2020/21 £000's
Squash courts refit	0	6
Capitalised IT systems expenditure – hardware, software, licences	441	14
Drowning detection system	0	130
Housing management system upgrade	0	254
Total capital expenditure	16,748	2,788

13.5 – Financing of capital expenditure

The total amount of capital expenditure incurred in 2019/20 and 2020/21 is shown in the table below. The table also shows the resources that have been used to finance the capital expenditure. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR). The CFR is a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	2019/20 £000's	2020/21 £000's
Opening Capital Financing Requirement at 1 April	42,517	54,874
Capital expenditure		
Acquisition / enhancement of property, plant and equipment assets	15,898	2,181
Acquisition of intangible assets	240	308
Revenue expenditure funded from capital under statute (REFCUS)	610	299
Sources of finance		
Capital receipts applied	(1,118)	(678)
Government grants and other contributions applied	(2,372)	(1,433)
Sums set aside from revenue or charged direct to revenue	(901)	(1,067)
Closing Capital Financing Requirement at 31 March	54,874	54,484
Explanation of the movements in the Capital Financing Requirement during the year		
Increase / (decrease) in underlying need to borrow (unsupported by Government financial assistance)	12,357	(390)
Increase/(Decrease) in Capital Financing Requirement	12,357	(390)

13.6 – Commitments under capital contracts

As at 31 March 2021 the Council had committed the following for capital expenditure in 2020/21:

Capital commitments	£000's
Disabled facilities grants	49
Council house improvements – kitchens and bathrooms	100
Council house improvements – windows	676
Council house improvements – boilers	688
ICT projects including housing management system	523

Additional capital expenditure is budgeted to be spent in 2021/22 in these and other capital areas but had not yet been contracted for as at 31 March 2021.

13.7 – Revaluation and Impairment review

The Council's independent valuers, Wilks Head and Eve LLP, carry out an annual market and impairment review at the end of each financial year, reporting on any issues arising at the Balance Sheet date of 31 March. The review performed during April 2021 providing data as at March 2021 concluded that movements in values during 2020/21 had resulted in a 2% reduction in the value of the Council's dwelling stock at March 2021. They also reported adjustments ranging from -2% to +0.9% in the value of assets valued using the Depreciated Replacement Cost method and a reduction of 1% on those valued using the Existing Use Valuation method. There were no other significant changes required to any other assets. Further information on the Housing Revenue Account revaluations can be found in note 3 to the Housing Revenue Account.

13.8 – Depreciation

All assets required to be depreciated are depreciated using the straight-line basis, whereby an equal amount is charged each year to the relevant services on the CI&ES over the useful life of each asset. The useful lives for each category of asset, including components where relevant but excluding land assets which are not depreciated, are as follows:

Type of asset	Estimated Useful Life in Years
Council dwellings: housing stock	60 years
Council dwellings: garages	35 years
Other buildings	15 to 60 years
Infrastructure assets	20 to 60 years
Community assets	60 years
Vehicles, plant and equipment	Up to 10 years
Heritage assets (property only)	35 to 42 years

13.9 – Investment Properties

13.9.1 – General Information on Investment Properties

Investment Properties are reported in accordance with Accounting Policies AP11 and AP16. Movements in property values are shown as part of notes 13.1 and 13.2. The amount reported for Investment Properties under Financing and Investment Income and Expenditure on the Comprehensive Income and Expenditure Statement (CI&ES) consists of the following items:

Investment properties	2019/20 £000's	2020/21 £000's
Expenses incurred on investment properties	27	19
Rental income received from investment properties	(179)	(170)
Changes in the fair value of investment properties	109	54
Disposal of an asset	0	38
Total reported on the CI&ES	(43)	(59)

There are no restrictions on the Council's ability to realise the value inherent in its Investment Properties, or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop Investment Properties.

13.9.2 – Fair Value hierarchies, valuation techniques and quantitative information about fair value measurements

All Investment Properties are valued at Fair Value annually by the Council's external valuers in accordance with policies AP11 and AP16. The techniques used to determine level 2 and level 3 Fair Values, which were unchanged from the previous year, were as follows:

- **Significant observable inputs (Level 2):** assets have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs is significant, leading to the properties being categorised at level 2 in the fair value hierarchy.
- **Significant unobservable inputs (Level 3):** assets have been based on a comparable approach either by estimated market rental values as the majority of these assets are let at sub-market or subsidised passing rents. The valuers have had to draw on a number of assumptions and utilised third-party resources in order to value these assets. These assets are therefore categorised as level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

The Investment Properties are classified into the following Fair Value hierarchies:

Recurring fair value measurements using	Significant Observable inputs (Level 2) £000's	Significant Observable inputs (Level 3) £000's	Total £000's
Values at 31 March 2021			
Land, offices and similar assets	1,637	0	1,637
Halls, pavilions and similar assets	0	309	309
Total	1,637	309	1,946
Values at 31 March 2020			
Land, offices and similar assets	1,628	0	1,628
Halls, pavilions and similar assets	0	410	410
Total	1,628	410	2,038

There are no Investment Properties classified as level 1. There were no non-recurring valuations in 2020/21. The total amount recognised in the CI&ES for changes in the fair value of Investment Properties on level 3 assets for 2020/21 was **£63k** (£70k for 2019/20). This is included in the value reported in the table under note 13.9.1 above. The level 3 movements are summarised as follows:

Reconciliation of movements in level 3 assets	2019/20 £000's	2020/21 £000's
Balance as at 1 April	336	410
Revaluations	70	(63)
Transfer of an asset to level 2	4	0
Disposal of an asset	0	(38)
Balance as at 31 March	410	309

The following data was used by the valuers to measure level 3 significant unobservable inputs:

	Value at 31/03/21 £000s	Valuation technique used	Unobservable Inputs	Range (weighted average use)
Hall, pavilions and similar assets	309	Comparative based on limited rental evidence	Rental value	£10 - £50 psm
			Yields	10% - 14%

13.10 – Intangible non-current (long term) assets

The Council holds intangible assets for IT system software, licences and other similar items. The intangible assets were all purchased, none were internally generated. These assets are held at cost and amortised over their expected useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. Amortisation charges are appropriated to the Capital Adjustment Account, through the Movement in Reserves Statement (MIRS).

Intangible assets	2019/20 £000s	2020/21 £000s
Balance at 1 April		
Gross book value	256	495
Accumulated amortisation	(132)	(161)
Net balance at 1 April	124	334
Purchases in year	239	308
Amortisation in year	(29)	(109)
Net balance at 31 March	334	533
Comprising of:		
Gross book value	495	804
Accumulated amortisation	(161)	(271)
	334	533

14 - Debtors

The long term and short term debtors on the Balance Sheet consist of the following amounts:

Debtor category	31/03/20		31/03/21	
	£000s		£000s	
Short term debtors (amounts falling due within one year)				
Trade receivables	1,787		2,516	
Less impairment allowances for bad and doubtful debts	(665)		(916)	
Net trade receivables		1,122		1,600
Prepayments		501		352
Other receivable amounts	4,600		10,965	
Less impairment allowances for bad and doubtful debts	(1,541)		(1,783)	
Net other receivable amounts		3,059		9,182
Net total short term debtors		4,682		11,134
Long term debtors (amounts falling due after one year)				
Other receivable amounts		149		155
Total long-term debtors		149		155
Total debtors		4,831		11,289

Other receivable amounts include Central Government and Local Government, HMRC, Council Tax and NDR payers, Housing Rent payers and debtors on Housing Benefit overpayments.

15 - Cash and Cash Equivalents

Cash and Cash Equivalents on the Cash Flow Statement and Balance Sheet consists of the following items:

Cash and cash equivalent elements	31/03/20	31/03/21
	£000s	£000s
Petty cash floats held by the Council	2	2
Bank current accounts: net credit / (overdrawn balance)	144	89
Total cash and cash equivalents as at 31 March	146	91

16 - Reconciliation of Liabilities Arising from Financing Activities

This note reconciles the balances of relevant liabilities on the Balance Sheet to the movements reported in the Financing Activities section of the Cash Flow Statement.

	01/04/20	Financing Cash Flows	31/03/21
	£000s	£000s	£000s
Long term borrowings	49,801	(7,900)	41,901
Short term borrowings	900	7,000	7,900
Collection fund agency adjustments (Long Term & Short Term)	2,180	(6,663)	(4,483)
	52,881	(7,563)	45,318

	01/04/19	Financing cash flows	31/03/20
	£000s	£000s	£000s
Long term borrowings	41,701	8,100	49,801
Short term borrowings	0	900	900
Collection fund agency adjustments (long term and short term)	2,266	(86)	2,180
	43,967	8,914	52,881

17 - Creditors

The long term and short term creditors total on the Balance Sheet consists of the following amounts:

Creditor category	31/03/20	31/03/21
	£000s	£000s
Trade payables (note 1)	5,680	7,559
Other payables (note 2)	1,850	8,521
Total creditors	7,530	16,080

Other payables include Central Government and Local Government, HMRC, Council Tax and Non-Domestic Rates payers, Housing Rent payers and accumulated absences adjustments.

Note 1 – all creditors are due within 12 months, except for **£149k** of sundry creditors as at 31 March 2021 (**£114k** at 31 March 2020), which were due after 12 months and were accordingly classified as long term on the Balance Sheet at that date.

Note 2 – in 2020/21 **£3.7m** of the creditor's balance relates to various Covid-19 related grants where the Council is acting as an agent for the distribution of these funds.

18 - Post-Employment Benefits and Net Pension Liability

18.1 – Characteristics of defined benefit plans and associated risks

As part of the terms and conditions of employment of its officers, the Council contributes towards the cost of post-employment benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments and disclose them at the time that employees earn their future entitlement. The Council participates in the Local Government Pension Scheme (LGPS). This was a funded defined benefit final salary scheme, meaning that both the Council and its employees pay contributions into a fund, calculated at a level intended to balance the pension fund's liabilities with its investment assets. From 1 April 2014 the scheme became a Career Average Revalued Earnings (CARE) scheme rather than a final salary scheme, with various protections in place regarding membership in the scheme prior to that date.

The pension scheme is administered locally by Essex County Council (ECC), in accordance with the Local Government Pension Scheme Regulations 2013. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within ECC. Where appropriate some functions are delegated to the Fund's professional advisers.

The principal risks to the Council of participating in a defined benefit scheme are:

- **Investment risk** - The Fund holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long term, the short term volatility can cause additional funding to be required if a deficit emerges.
- **Interest rate risk** - The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- **Inflation risk** - All the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- **Longevity risk** - If the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the fund there is an orphan liability risk where employers leave the fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

These risks are mitigated to an extent by the requirements to charge to the General Fund and HRA the amounts required by statute, as described in Accounting Policy AP8. Furthermore, all the risks may also benefit the Council, e.g., higher than expected investment returns or employers leaving the fund with excess assets which eventually get inherited by the remaining employers.

18.2 – Legal rulings

The pension fund liabilities and costs include an allowance to reflect the Court of Appeal judgement in respect of the McCloud and Sargeant cases which relate to age discrimination within the Judicial and Fire Pension schemes, respectively. This allowance was incorporated into the accounting results as at 31 March 2020. These results, including the allowance, have been rolled forward and remeasured to obtain the accounting results as at 31 March 2021. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. The actuary does not believe there are any material differences between the approach underlying our estimated allowance and the proposed remedy. A more detailed analysis at this stage would require a significant volume of member data which is not yet available. Therefore, the actuary has not included any further adjustment in light of the ongoing consultation in this report.

The actuary believes no adjustments are necessary to the value placed on the liabilities as a result of the High Court's ruling on the equalisation of Guaranteed Minimum Pension between genders and following publication on 23 March 2021 by the Government of its Guaranteed Minimum Pension Indexation consultation.

The latest news on the Lloyds Banking Group court case involved a ruling that, in cases where a member exercised their right to a transfer value out of the scheme, the trustee had the duty to make a transfer payment that reflects the member's right to equalised benefits and remains liable if an inadequate transfer payment had been paid. It is not yet known if, or how, this will affect the LGPS. Further guidance from CIPFA and MHCLG is awaited. The actuary's standard approach currently is to make no allowance to reflect this judgement.

Following a case involving the Teachers' Pension scheme, known as the Goodwin case, differences between survivor benefits payable to members with same-sex or opposite-sex survivors have been identified within a number of public sector pension schemes. Although the results of the Government Actuary's Department's review, it is the actuary's expectation that the impact on the value of LGPS liabilities as a whole, and for the majority of employers participating in the LGPS, will not be material. However, it's possible that the impact on individual employers may vary depending on their specific membership profile, although any cases resulting in a significant impact are likely to be few and far between. For employers who are receiving accounting disclosures at 31 March 2021, the actuary does not currently intend to make an allowance for the potential impact of this decision. The actuary does not yet have enough information to make an accurate estimate of the potential impact on employers' liabilities.

18.3 – Transactions relating to post-employment benefits

The Council recognises the cost of post-employment benefits in the (Surplus) / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (CI&ES) when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out through the Movement in Reserves Statement (MIRS). The transactions are as shown on the following table:

18.3 Comprehensive Income and Expenditure Statement	2019/20 £000s	2020/21 £000s
Net cost of services:		
• Service costs:		
o Current service costs	2,256	2,327
o Past service costs, including curtailments	561	18
Other operating expenditure:		
• Administrative expenses	24	55
Financing and investment income and expenditure:		
• Net interest on defined benefit liability	724	644
Other comprehensive income and expenditure:		
• Remeasurements of the net defined benefit liability:		
o Return on plan assets (in excess of interest)	5,864	(19,771)
o Actuarial (gains) / losses: changes in demographic assumptions	(396)	(1,666)
o Actuarial (gains) / losses: changes in financial assumptions	(8,936)	22,842
o Other actuarial (gains) / losses on assets	(693)	0
o Experience (gain) / loss on defined benefit obligation	(16)	(1,427)
Net charge / (credit) to the CI&ES	(612)	3,022
Movement in Reserves Statement		
• Reversal of net charges made for post-employment benefits in accordance with IAS 19	(3,565)	(3,044)
• Employer's contributions payable to the scheme	1,218	3,068
Net adjustment in the Movement in Reserves Statement	(2,347)	24

18.4 – Pension assets and liabilities recognised in the Balance Sheet

18.4.1 Net liability	2019/20	2020/21
	£000s	£000s
Present value of the funded defined benefit obligation	(99,860)	(120,936)
Fair value of the scheme assets	72,935	94,068
Sub-total	(26,925)	(26,868)
Present value of the unfunded defined benefit obligation	(1,992)	(2,003)
Net liability arising from defined benefit obligation	(28,917)	(28,871)

18.4.2 Reconciliation of movements in the fair value of the scheme assets	2019/20	2020/21
	£000s	£000s
Balance as at 1 April	78,528	72,935
Interest income on assets	1,858	1,711
Remeasurement gain / (loss):		
• Return on plan assets (in excess of interest)	(5,864)	19,771
• Other actuarial (gains) / losses on assets	693	0
Contributions from employer	1,218	3,068
Contributions from employees	429	456
Benefits paid	(3,903)	(3,818)
Administration expenses	(24)	(55)
Balance as at 31 March	72,935	94,068

18.4.3 Reconciliation of present value of the scheme liabilities (defined benefit obligation)	2019/20	2020/21
	£000s	£000s
Balance as at 1 April	109,275	101,852
Current service costs	2,256	2,327
Past service costs, including curtailments	561	18
Interest cost	2,582	2,355
Contributions by scheme participants	429	456
Remeasurement gains / (losses):		
• Actuarial (gains) / losses: changes in demographic assumptions	(396)	(1,666)
• Actuarial (gains) / losses: changes in financial assumptions	(8,936)	22,842
• Experience gain / (loss) on defined benefit obligation	(16)	(1,427)
Benefits paid	(3,903)	(3,818)
Balance as at 31 March	101,852	122,939

18.4.4 Analysis of scheme assets	31/03/20		31/03/21	
	£000s	%	£000s	%
Estimated allocation of Fund assets for the Council by asset type:				
Equities	42,691	59	59,505	63
Government bonds (Gilts)	3,144	4	2,397	3
Other bonds	4,419	6	4,576	5
Property	6,559	9	6,629	7
Cash	3,032	4	2,369	3
Alternative assets	8,401	12	10,812	11
Other managed funds	4,689	6	7,780	8
Total assets	72,935	100	94,068	100

18.5 – Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, i.e. an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Estimates for the fund are based on the latest full valuation of the scheme as at 1 April 2019, amended for updated expectations subsequently. The principal assumptions used by the actuary were as shown in the following table:

Basis for estimating assets and liabilities	2019/20	2020/21
Rate of RPI inflation	1.00%	1.00%
Rate of CPI inflation	1.95%	2.85%
Rate of increase in salaries	2.95%	3.85%
Rate of increase in pensions	1.95%	2.85%
Rate for discounting scheme liabilities	2.35%	2.00%
Life expectancy assumptions from 65 years of age, in years:		
• Males retiring today	21.8	21.6
• Females retiring today	23.7	23.4
• Males retiring in 20 years	23.2	22.9
• Females retiring in 20 years	25.2	24.7
Other actuarial assumptions:		
• Members will exchange 50% of their commutable pension for cash at retirement;		
• Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age:		
• The proportion of active members who take up the option to pay 50% of contributions for 50% of benefits will remain the same as at the previous valuation date.		

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis on the following page 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 being analysed changes whilst all other assumptions remain constant. In practice however, this is unlikely to occur, and changes in some of the assumptions are more likely to be interrelated. The table shows the impact on the defined benefit obligation and projected service cost of changes of plus and minus 0.1% or 1 year on various assumptions.

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate:	+0.1%	Base	-0.1%
• Present value of total obligation	120,828	122,939	125,090
• Projected service cost	3,660	3,783	3,910
Adjustment to long term salary increase:	+0.1%	Base	-0.1%
• Present value of total obligation	123,139	122,939	122,741
• Projected service cost	3,785	3,783	3,781
Adjustment to pension increases and deferred revaluation:	+0.1%	Base	-0.1%
• Present value of total obligation	124,870	122,939	121,041
• Projected service cost	3,908	3,783	3,661
Adjustment to life expectancy assumptions:	+ 1 Year	Base	-1 Year
• Present value of total obligation	129,761	122,939	116,502
• Projected service cost	3,956	3,783	3,617

18.6 – Asset and liability matching strategy

The actuary does not use a formal asset and liability matching strategy to match types of assets invested into the liabilities in the defined benefit obligation. Instead the actuary adopts a policy of diversification of investment into alternative asset classes including property and bonds to reduce overall volatility in the delivery of fund returns without a significant reduction in the overall expected return.

18.7 – Impact on the Council's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Funding levels are monitored on an annual basis.

The pension fund is reviewed every three years and contributions are set as a result of each actuarial valuation. The most recent review was undertaken during 2019/20, which provided a valuation of the fund as at 1 April 2019. This valuation is effective for contributions payable to the scheme from 1 April 2020. The next actuarial valuation will take place during 2022/23 to provide a valuation as at 1 April 2022 which will be effective for contributions from 1 April 2023. There are no minimum funding requirements in the LGPS, but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. The actuary estimates that the duration of the employer's liabilities is 10 years.

The total employer contributions expected to be made to the pension scheme by the Council in the year to 31 March 2022 is estimated at **£1.5m**. In April 2020 the Council made a single, triennial payment of **£1.6m** to cover the actuarial deficiency contribution for 2020/21 to 2022/23. The Council took advantage of the opportunity to pay this amount rather than in monthly instalments across the three-year period. This was done to benefit from significant cash savings on the single lump sum amount compared to the total that would otherwise have been paid over the three years.

The scheme deficit, or liability, shows the underlying commitment that the Council has in the long run to pay future post-employment benefits. The net liability of **£28.9m** as at 31 March 2021 has a substantial impact on the net worth of the Council recorded in the Balance Sheet. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

18.8 – Impact of Covid-19

To make an allowance for the actual member mortality experience over the accounting year would require a full valuation of updated membership. The actuary's standard approach is to continue with a roll forward approach in calculating the liabilities, rather than carry out a full valuation of member data. This means that mortality experience is estimated through the benefits paid out to members. The difference between this estimate and the employer's actual mortality experience will then be incorporated once the next actuarial valuation of the Fund in 2022/23 is complete. No events relating to Covid-19 that are allowed for in the 2020/21 Pension Fund accounting results. For example, there have been no changes to funding agreements or suspension of payment of individual member transfer values.

18.9 – Further information

Further information can be found in the Essex Pension Fund Annual Report, which is available on the Essex Pension Fund website: www.essexpensionfund.co.uk

draft and unaudited

19 - Financial Instruments

19.1 – Financial instruments

Financial assets and liabilities are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument. They are initially measured at fair value and then subsequently carried at amortised cost. Interest is charged or credited to the Financing and Investment Income and Expenditure line in the CI&ES. These amounts are based on the principal outstanding multiplied by the interest rate for the instruments. The amounts for borrowing and investments shown on the Balance Sheet are the carrying amount, which is outstanding principal and accrued interest. No premiums nor discounts were charged or credited during the year.

As stated above, Financial assets are classified and measured at amortised cost, none are measured at Fair Value through Profit and Loss. This is because no gains or losses are expected on investments. The Council's business model is to hold investments to collect contractual cash flows and so all are treated as solely payment of principal and interest.

The Council has not made nor received any soft loans at less than market rates, nor entered into any financial guarantees that are required to be accounted for as financial instruments.

Impairment losses reflect the expectation that the future cash flows might not take place because the debtor could default on their obligations. They are calculated using the simplified method on a collective basis, based on age of the debt and recovery stage, and by making a judgement on individual larger or overdue accounts, based on individual debtors' circumstances.

19.2 – Nature of Financial instruments and Financial instruments balances

A Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another and is settled in exchange for cash or cash equivalents. For the Council this means that all borrowings and investments, trade receivables and payables (debtors and creditors), cash and overdrafts are recognised as financial instruments. Statutory amounts that do not arise under contracts are not accounted for as financial instruments. This includes Council Tax debt, National Insurance and VAT.

The financial instruments disclosed in the Balance Sheet are made up of the following categories:

	Non-Current	Current	Non-Current	Current
	31/03/20	31/03/20	31/03/21	31/03/21
	£000s	£000s	£000s	£000s
Borrowings (including accrued interest) at amortised cost	13,350	1,016	12,450	1,012
Borrowings re HRA reform	36,451	358	29,451	7,358
Creditors	114	4,730	149	8,057
Total liabilities	49,915	6,104	42,050	16,427
Short term investments	2,003	29,173	2,000	38,498
Debtors	149	3,311	156	4,537
Cash and cash equivalents	0	146	0	91
Total assets	2,152	32,630	2,156	43,126

Under accounting requirements, the financial instrument value as shown in the Balance Sheet includes the principal amount borrowed plus accrued interest. Accrued interest of **£469k (£474k at 31 March 2020)**, although relating to long-term liabilities, is due within one year. An analysis of the maturity profile of borrowing is shown in note 19.5.

19.3 – Financial instruments income, expense, gains and losses

The gains and losses recognised in the CI&ES in relation to financial instruments are made up as follows:

	2019/20	2020/21
	£000s	£000s
Financial liabilities, measured at amortised cost		
Interest expense, including interest on finance leases	1,343	1,385
Financial assets - loans and receivables		
Interest income	257	122

19.4 – Fair value of Assets and Liabilities carried at Amortised Cost

The figures quoted for debtors and creditors exclude statutory amounts such as Council Tax and also prepayments and receipts in advance.

The Council's portfolio of loans includes a number of fixed rate loans which were taken out when interest rates were higher than those available for similar loans at the Balance Sheet date. Should the Council wish to settle these loans earlier than current terms, a premium or penalty charge would be payable to the lender. Conversely, where the Council has loans with rates lower than current market rates, earlier settlement of these will attract a discount. The net effect of these factors has resulted in a higher fair value amount for financial liabilities.

Financial Assets and Liabilities are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- IFRS13 states fair value is a market-based measurement with prices determined by transactions between market participants. However for Public Works Loan Board (PWLB) loans, premature repayment rates from PWLB (varying between 0.20% to 1.23% for General Fund borrowing and -0.13% to 1.22% for HRA borrowing) have been used to calculate the fair value which is **£10.2m** more than the carrying amount. This is a level 2 valuation within the fair value hierarchy, as defined in accounting policy AP11.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate the fair value, and is taken to be the principal outstanding plus accrued interest.
- The fair value of trade debtors and creditors is taken to be the invoiced or billed amount.
- Cash and cash equivalent assets can be accessed without notice, and therefore fair value and carrying value are the same.

Details of carrying amount and fair value are shown below:

	Carrying Amount 31/03/20 £000s	Fair Value 31/03/20 £000s	Carrying Amount 31/03/21 £000s	Fair Value 31/03/21 £000s
PWLB debt (borrowing) - Interest Rates: 1.08% to 4.10%	14,366	19,630	13,647	17,587
PWLB debt (borrowing) re HRA - Interest Rates: 2.31% to 3.49%	36,809	45,282	36,809	43,023
Creditors	4,844	4,844	8,206	8,206
Total financial liabilities	56,019	69,756	58,662	68,816
Investments	31,176	31,212	40,498	40,526
Long term debtors	149	149	156	156
Trade debtors	3,311	3,311	4,537	4,537
Cash and cash equivalents	146	146	91	91
Total financial assets	34,782	34,818	45,282	45,310

19.5 – Analysis of investments

The Council had funds invested of **£40.43m** as at 31 March 2021 (**£30.12m** as at 31 March 2020):

Category	£000s
Money market funds:	Aberdeen Liquidity Fund
	5,000
	Aviva Sterling Liquidity Fund
	5,000
	Black Rock Sterling Liquidity Fund
	2,430
	Deutsche Managed Sterling Fund
Local authorities:	5,000
	Federated Short-Term Liquidity Fund
	5,000
	Goldman Sachs Sterling Liquidity Fund
Banks:	5,000
	Morgan Stanley Sterling Liquidity Fund
	5,000
Local authorities:	Stoke-on-Trent City Council
	2,000
	Highland Council
Banks:	2,000
	Thurrock Council
Banks:	Lloyds Bank plc notice account
	1,000
Banks:	Santander plc notice account
	1,000
Total	40,430

The carrying and fair value amounts for investments are higher than the principal amount due to the inclusion of accrued interest of **£68k** (**£53k** at 31 March 2020) which is not reflected in the above amounts.

19.6 – Disclosure of nature and extent of risk arising from financial instruments

19.6.1 – Key risks

The Council's activities expose it to a variety of financial risks. The key risks are:

- **Credit risk** – the possibility that other parties might fail to pay amounts due to the Council.
- **Liquidity risk** – the possibility that the Council might not have funds available to meet its commitment to make payments.
- **Re-financing risk** – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market risk** – the possibility that financial loss might arise for the Council as a result of changes in interest rates.

19.6.2 – Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the Treasury Management in the Public Services Code of Practice and Investment Guidance issued by Government. Overall, these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirement of the Code of Practice.
- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations and constitution.
- By approving annually in advance, prudential indicators for the following three years limiting:
 - the Council's overall borrowing.
 - its maximum and minimum exposure to fixed and variable rates.
 - its maximum and minimum exposure to the maturity structure of its debt.
 - its maximum annual exposure to investments beyond a year.
- By approving an Investment Strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting meeting or before the start of the year to which they relate. These items are reported with the Annual Treasury Management and Investment Strategy which outlines the approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

The 2020/21 strategy included sections on:

- Definition of Treasury Management
- The prospects for interest rates
- Current debt position
- Borrowing strategy and objectives
- Borrowing maturity structure
- Interest rate sensitivity
- Limits of fixed and variable rate exposure
- Investment principles – security, liquidity and yield
- Specified and non-specified investments
- Security of capital and the use of credit ratings
- Banking crisis – temporary guidance
- Table of minimum credit ratings for counterparties

These policies are implemented by the Financial Services team. The full documents for 2020/21 are available on request and the equivalent Strategies for 2021/22 can be found on the Council's website: www.castlepoint.gov.uk/council-strategies-and-policies

The Council maintains written principles for risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through Treasury Management Practices. The Treasury Management Practices are a requirement of the Code of Practice and are regularly reviewed.

19.6.3 – Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria specified in the Annual Investment Strategy, which also imposes a maximum amount and time to be invested with a financial institution in each category.

The credit criteria in respect of financial assets held by the Council during 2020/21 are detailed as follows:

Specified investments for the financial year 2020/21			
Investment	Counterparty limit	Security / Minimum Credit Rating	Maximum period of investment
Debt Management Agency Deposit Facility (DMADF) (this facility is at present available for investments up to 6 months)	No limit	The Debt Management Office is an agency of the UK Government	6 months (DMO imposed time limit)
Treasury Bills issued by the UK Government (currently maximum 6-month duration)	No limit	The Debt Management Office is an agency of the UK Government	364 days
Term Deposits with the UK Government or with UK local authorities (i.e. local authorities as defined under section 23 of the 2003 Act)	The lesser of £5m or 33% of total investments	High quality as either directly invested or via agencies of UK Government. (Although local authorities are not specifically credit rated)	364 days
Term Deposits with institutions, part nationalised by the UK Government	The lesser of £5m or 33% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days
Money Market Funds (i.e. a collective investment scheme as defined in SI 2004 No 534) CNAV, LVNAV and VNAV These funds do not have a maturity date	The lesser of £5m or 33% of total investments	Fitch, Moody's or Standard and Poors AAA (Minimum of two ratings)	n/a (repayable on demand)
Current accounts, notice accounts or term deposits with credit-rated deposit takers (UK banks and building societies)	The lesser of £4m or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days (Call deposits repayable on demand)
Forward deals with credit rated banks and building societies < 1 year (i.e. negotiated deal period plus period of deposit)	The lesser of £4m or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days
Certificates of Deposit issued by UK institutions	The lesser of £4m or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days
Covered bonds (maximum 364-day period includes borrower extension option)	The lesser of £4m or 25% of total investments	long-term AA-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days
Reverse repurchase agreements "repos" (a form of secured lending with enhanced security)	The lesser of £4m or 25% of total investments	long-term AA-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days

Non-specified investments for the financial year 2020/21			
Investment	Counterparty limit	Security / Minimum Credit Rating	Maximum period of investment
Term deposits with the UK Government or with UK local authorities (i.e. local authorities as defined under section 23 of the 2003 Act)	The lesser of £4m or 25% of total investments	High quality as either directly invested or via agencies of UK Government. (Although local authorities are not specifically credit rated)	2 years
Current accounts, notice accounts or term deposits with credit-rated deposit takers (UK banks and building societies)	The lesser of £4m or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	2 years

Non-specified investments for the financial year 2020/21 (note – new additions from 2020/21)			
Investment	Counterparty limit	Security / Minimum Credit Rating	Maximum period of investment
Property funds	The lesser of £4m or 25% of total investments	Unrated	n/a
Bond funds	The lesser of £4m or 25% of total investments	Unrated	n/a
Multi-asset funds	The lesser of £4m or 25% of total investments	Unrated	n/a

- All Specified Investments listed above must be sterling-denominated.
- All investments are managed in-house.
- No shares or loan capital is held by the Council
- None of the investments are classified as capital expenditure.

Customers are normally assessed taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings and parameters set by the Council. Where the Council has a statutory duty to provide services, such as homelessness, the Council has no discretion whether to incur a debt and there may be a reduced chance of recovery. In these cases, an impairment loss allowance is calculated. An impairment allowance is calculated for debts more than 30 days overdue unless collection is almost certain. Impairment allowances are calculated by both collective assessments based on age of the debt and recovery stage, and also by making a judgement on individual larger or overdue accounts, based on individual debtors' circumstances.

The Council's write-off policy describes the procedure for establishing if a debt is irrecoverable and defines when a debt is irrecoverable. Debts are written off if they are irrecoverable, uneconomic to collect, or should or cannot be enforced because of the debtor's circumstances. The Financial Services Manager has delegated authority to write off up to a limit of **£10k**. Debts above this level are referred to the s151 Officer. Debts written off may subsequently be recovered when a debtor is later traced or a dividend in bankruptcy received.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of **£2.3m**, AAA rated money market funds and other counterparties of **£38.5m**, cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. The Council monitors credit ratings of investment

counterparties and other market information on a monthly basis as part of the on-going assessment of change in credit risk since initial recognition of the financial asset. A risk of non-recovery applies to all of the Council's deposits but there was no evidence at 31 March 2021 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the year. Whilst uncertainty in international markets may have raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties.

The changes in loss allowance for each class of financial asset during the year were as follows:

Financial instrument debtors loss allowance	2019/20 £000s	2020/21 £000s
Opening balance 1 April	1,598	1,781
Amounts written off	(184)	(113)
Other changes	367	400
As at 31 March	1,781	2,068

The analysis below summarises the Council's potential maximum exposure to credit risk as at 31 March 2021, based on experience of default assessed by the ratings agencies and the Council's experience over the last eleven financial years, since the 2008 financial crisis, adjusted to reflect current market conditions. The amount stated for customers excludes impairment allowances for bad debts.

Gross carrying amounts amortised cost	Of Which:				
	Gross Balances	Impairment	Total not Impaired	Financial Instruments	Non-Financial
	£000s	£000s	£000s	£000s	£000s
Investments (no provision)					
AAA rated counterparties	32,430	0	32,430	32,430	0
AA rated counterparties	0	0	0	0	0
A rated counterparties	2,323	0	2,323	2,323	0
Government bodies	6,035	0	6,035	6,035	0
Total investments	40,788	0	40,788	40,788	0
Debtors (by provision percentage):					
0%	2,062	0	2,062	2,062	0
1% to 25%	406	(96)	310	107	203
26% to 50%	924	(337)	587	512	75
51% to 75%	415	(308)	107	96	11
76% to 99%	1,622	(1,464)	158	145	13
100%	494	(494)	0	0	0
Total debtors	5,923	(2,699)	3,224	2,922	302
Overall total	46,711	(2,699)	44,012	43,710	302

The simplified approach, not the twelve-month approach or lifetime losses approach for impairment is used for all debtors. No impairment is provided for investments, including bank balances and money market funds, as they are expected to be repaid in full and the expected credit loss is estimated at only £1k.

The Council allows credit to its customers only in exceptional cases, mainly where there is a statutory responsibility to provide services. The Council actively pursues all debtors in accordance with its debt management policy and does not write debt off until it has exhausted all options for recovery. The Council regularly reviews its levels of debt, which includes considering the adequacy of its impairment allowance for bad debts.

Of the total debtors of **£5.9k** shown in the previous table **£1.8k** is past its due date (**£1.7k** at 31 March 2020) and is unimpaired, as shown in the tables below. The majority relates to Housing Benefit payments.

Reconciliation of debtors from balance sheet to debtors past due date and not impaired	31/03/21 £000s
Total balance sheet long-term and short-term debtors	11,289
Add back impairment allowances	2,699
Total balance sheet debtors (before impairment allowances)	13,988
Adjust to exclude debtors not exposed to credit risk:	
Statutory and other debtors	(7,713)
Prepayments	(352)
Total debtors exposed to credit risk	5,923
Less impairment allowances	(2,699)
Less debtors not yet due for payment	(1,463)
Total debtors past due date and not impaired	1,761

Debts past due date and not impaired as at 31/3/21	Council Tax & NNDR £000s	Benefit Over Payments £000s	Other Customers £000s	Total £000s
Less than on month	16	20	58	94
One to three months	10	22	88	120
Three to six months	12	41	114	167
Six months to one year	106	48	80	234
More than one year	158	743	245	1,146
Total	302	874	585	1,761

Debts past due date and not impaired as at 31/3/20	Council Tax & NNDR £000s	Benefit Over Payments £000s	Other Customers £000s	Total £000s
Less than on month	5	17	72	94
One to three months	3	50	110	163
Three to six months	6	41	107	154
Six months to one year	55	136	104	295
More than one year	92	823	67	982
Total	161	1,067	460	1,688

During the year the Council held no collateral as security.

19.6.4 – Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy reports), as well as through cash flow management procedures required by the Code of Practice. This seeks to ensure that cash is available when needed. The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need and whilst the PWLB provides access to longer terms funds, it also acts as a lender of last resort to councils. The Council is also required to provide a balanced budget by the Local Government Finance Act 1992, which ensures that sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

19.6.5 – Re-financing and maturity risk

The Council maintains a debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing exposure to replacing financial instruments as they mature. This risk relates to the maturing of longer-term financial liabilities. The approved prudential indicator limits for the maturity structure of debt, and the limits on investments placed for greater than one year are key parameters used to address this risk. The Council approved Treasury and Investment Strategies address the main risks and the Financial Services Unit addresses the operational risks within the approved parameters. The maturity analysis of loans, including finance lease liabilities, by value and percentage, is as follows:

Maturity term	31/03/20	31/03/21
	£000s	£000s
Less than one year	1,374	8,369
Between one and two years	7,900	900
Between two and five years	8,700	8,700
Between five and ten years	11,500	18,100
More than ten years	21,701	14,201
Total	51,175	50,270

Maturity term	Actual	Cumulative Actual	Approved Limit*
	31/03/21	31/03/21	
Less than one year	17%	17%	50%
Between one and two years	2%	19%	50%
Between two and five years	17%	36%	60%
Between five and ten years	36%	72%	80%
More than ten years	28%	100%	100%
Total	100%		

* Approved Maximum upper Cumulative Limit

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

19.6.6 – Market risk*Interest rate risk*

The Council is exposed to interest rate movements on its investments and on any future borrowings or rescheduling of existing borrowings. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowing at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services on the Comprehensive Income and Expenditure Statement (CI&ES) will rise.
- Borrowing at fixed rates – the fair value of the borrowing liability will fall.
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services on the CI&ES will rise.
- Investments at fixed rates – the fair value of longer-term assets will fall.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the CI&ES. However, changes in interest payable and receivable on variable rate borrowings and investments will be allocated to the CI&ES and will affect the General Fund Balance. The Annual Treasury Management Strategy brings together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposures. The Financial Services Unit will monitor market and forecast interest rates within the year to adjust exposure appropriately.

If all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2019/20	2020/21
	£000s	£000s
Increase in interest payment on variable rate borrowings	0	0
Increase in interest payment on variable rate investments	347	376
Impact on Comprehensive Income and Expenditure Statement	347	376

The impact of a 1% fall in interest rates would be as above but with the movements being reversed (assuming negative rather than zero interest rates).

Price risk

The Council does not invest in equity shares. It therefore has no exposure to risk arising from movement in prices.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

20 - Events after the Balance Sheet Date

Events after the Balance Sheet Date are accounted for in accordance with Accounting Policy AP10. The unaudited financial statements were signed and authorised for issue on 23 July 2021 by the Strategic Director (Resources), the Council's responsible financial officer. This establishes the date after which events have not been recognised in the Statement of Accounts. The Council had no events after the Balance Sheet date to report.

21 - Provisions, Contingent Assets and Contingent Liabilities

Provisions, contingent assets and contingent liabilities are accounted for in accordance with Accounting Policy AP21 - Provisions and Contingencies. The balance of outstanding provisions appears under Current Liabilities on the Balance Sheet.

21.1 – Provisions

The Council holds the following total provisions balance as at 31 March 2021:

2020/21	Total Provisions £000's
Balance as at 1 April 2020	1,298
Amounts used in 2020/21	(196)
Additional provisions made in 2020/21	135
Unused amounts reversed in 2020/21	(137)
Balance as at 31 March 2021	1,100

The balance relates entirely to the following provision:

- **Business rates provision for appeals** – The Local Government Finance Act 2012 introduced a business rates retention scheme from 1 April 2013 that enables local authorities to retain a portion of the business rates generated in their area. As part of this process each local authority assumed part of the liability for refunding ratepayers who had successfully appealed against the rateable value of their properties on the rating list. This included amounts that were paid over in respect of 2012/13 and prior years to Central Government. The Council calculated an initial provision and charged it to the Collection Fund in 2013/14. In each subsequent year the Council has re-estimated the required level of provision at 31 March each year to take into account the latest information on successful and unsuccessful appeals and those which are still unresolved, and adjusted the provision accordingly. Please also refer to note 23.

21.2 – Contingent Assets

The Council has no contingent assets to report as at 31 March 2021.

21.3 – Contingent Liabilities

The Council has the following contingent liabilities to report as at 31 March 2021:

- Currently there are court cases and also disputes with contractors and other parties where the Council may take or defend legal action which may give rise to costs depending on the outcome.
- The Council signed agreements with the Homes and Communities Agency (HCA) in March 2010 in order to secure funding in relation to projects for the regeneration of Hadleigh and Canvey Island Town Centres. Failure to meet future regeneration targets could result in some of the funding becoming repayable to the HCA, now known as Homes England. Funding may also become repayable in the event that the Crown public house is sold and a capital receipt realised as part of the regeneration of the Hadleigh Island site.

- The Council has undertaken a great deal of work around pay harmonisation and single status including undertaking post comparisons etc. A full job evaluation exercise as required by the 2004 National Agreement has not been undertaken and there is no information available that can be used to form a view on the estimated future likely costs that the Council could face. The risk of a claim being made against the Council and/or the financial implications arising through such a claim is not considered significant.
- A high profile legal case challenged the basis upon which councils recharged the provision of water services to residents. The legal challenge was based upon reselling of water legislation introduced on 1 April 2001. Typically a council would pay the annual water charge for council properties less a commission to the water provider, but would charge the full cost to residents via their weekly rents, not passing on the reduction as required by the legislation. The Council has a potential exposure of 1 year between the legislative start date of 1 April 2001 and the end of the Council's arrangement on 31 March 2002.
- In September 1992 Municipal Mutual Insurance (MMI) went into receivership. Zurich took over the vast majority of MMI's staff and renewal business and changed their name to Zurich Municipal. Zurich did not however take over MMI's residual liabilities and therefore Castle Point Borough Council along with other major creditors, agreed to a Scheme of Arrangement (SOA), under s425 of the Companies Act 1985. This became effective in January 1994. A Supreme Court judgement was handed down in March 2012 and found against MMI in respect of the Employer Liability Policy Trigger Litigation for cases of negligent exposure to asbestos. In November 2012 the SOA was triggered by the MMI board of directors as it was no longer foreseen that a solvent run-off of MMI would be achieved and as a consequence Councils would now be required to contribute. The Council's maximum exposure is approximately **£464k**. The Council made provision of **£114k**, i.e. around 25% of the liability, during 2012/13. Payment of **£69k** (15%) was made during 2013/14 and **£46k** (10%) during 2016/17. Any subsequent repayments that may be required continue to remain subject to uncertainty. The Council holds the remaining **£348k** (75%) in an earmarked reserve to cover any potential further payments, as shown in Note 12.1.

22 - Accounting Standards Issued But Not Yet Adopted

The Council is required to disclose information on the impact of a change in accounting policy that will be required by an accounting standard that has been issued but not yet adopted. This applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. 1 January 2020 for the 2020/21 financial year). The applicable changes for 2021/22 are as follows:

- **Amendments to IFRS3 Business Combinations** – this has no impact on the Council's accounts.
- **Annual Improvements to IFRS Standards 2015-2017 Cycle** - This included scope clarifications for certain group account disclosures. This has no impact on the Council's accounts.
- **Interest Rate Benchmark Reform: Amendments to IFRS9, IAS39 and IFRS7 – Interest Rate Benchmark Reform**. This has no impact on the Council's accounts.
- **Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS9, IAS39, IFRS7, IFRS4 and IFRS16**. This has no impact on the Council's accounts.

23 - Critical Judgements in Applying Accounting Policies

In applying the Council's accounting policies, the Council has made certain judgements about complex transactions or those involving uncertainty around future events. The judgements made in the Statement of Accounts include, but are not limited to, the following:

- There is a continuing high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not enough to provide an indication that the Council's assets might be impaired, for example as a result of a need to close facilities and reduce levels of service provision.
- The Council has previously estimated the likelihood of having to make payment under the Municipal Mutual Insurance receivership case described in the preceding notes, and this is currently being reported as a contingent liability under note 21.3 above.
- The Council has estimated the likelihood of success of appeals against National No-Domestic Rates liabilities submitted to the Valuation Officer by rate payers, and has made provision, as disclosed in note 21.1. In 2018/19 a new "Check, Challenge, Appeal" process was introduced by the Government for organisations disputing their rateable charges against the 2017 ratings list. It is not yet known how this will impact the level of appeals submitted on the properties within the borough and the success, dismissal or withdrawal of those appeals. The Ministry of Housing, Communities and Local Government (MHCLG) has previously estimated a nationwide impact of 4.7% on rates income from appeals, and when calculating the appeals provision the Council applies this percentage typically to 75% of the income relating to the 2017 ratings list. The remaining income which relates to larger properties is subject to specific provisions.

The ultimate impact on the Council will be greater or lower than 4.7% and the calculation will be revisited and refined in later years as more data becomes available on those organisations in the borough submitting appeals through the "Check, Challenge, Appeal" process.

24 - Future Assumptions and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future that are uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with absolute certainty, actual results could be different from these assumptions and estimates. The items in the Balance Sheet as at 31 March 2021, for which there could be a risk of material adjustment in the forthcoming financial year, are as follows:

24.1 - Property, Plant and Equipment (See Note 13)

Area of uncertainty - Assets are depreciated over their useful lives, which are partly dependent upon assumptions about the levels of repairs and maintenance to be carried out on those assets in future years. Reduced levels of funding could impact on the Council's planned spending on repairs and maintenance, which could then influence the expected lives of these assets.

Estimated effect if results differ from assumptions - If the useful lives of assets were to reduce, then the annual depreciation charges on these assets would increase and their carrying value on the Balance Sheet would decrease. It is estimated that the annual depreciation charge for all General Fund operational buildings would increase by **£18k** for each year that the useful lives were decreased.

Area of uncertainty - The outbreak of Covid-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th of March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. The valuations are therefore reported by the valuer as being subject to 'material valuation uncertainty' as set out in VP3 and VPGA10 of the 'RICS Valuation – Global Standards'. Consequently, less certainty, and a higher degree of caution, is attached to the valuations than would normally be the case.

The inclusion of the 'material valuation uncertainty' declaration, however, does not mean that the valuation cannot be relied upon, rather that the declaration has been included to ensure transparency of the fact that, in the current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case.

The largest single asset owned by the Council is the Knightswick Shopping Centre and a 1% change in valuation for the asset would have an impact in the region of **£105k**. The centre's main tenant represents 59% of the annual rental stream for the centre and continued to trade throughout the pandemic. The Council continues to work with its Management Agent to maintain occupancy levels at the centre and will monitor performance of all investment properties closely to assess identify and manage as far as possible any potential longer-term impact which may affect valuations.

Council dwellings represent the majority of the Council's assets at **£130m**. Based on market data available post 30 March 2021, their value is unlikely to be materially impacted by Covid-19.

Likewise, with assets valued at depreciated replacement cost are not valued by reference to market information and are therefore unlikely to be impacted by Covid-19.

The Council is satisfied that the valuer has exercised his professional judgement in providing the valuations adopted and that these remain the most reliable available to the Council at the time of producing the accounts.

Estimated effect if results differ from assumptions – The impact of a 1% valuation change on the Knightswick Shopping Centre would be **£105k**.

24.2 - Pensions Liability (See Note 18)

Area of uncertainty - 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. Expert advice about the assumptions to be applied in the Council's accounts is provided by Essex Pension Fund and Barnett Waddingham, an independent firm of actuaries.

Estimated effect if results differ from assumptions - The effect on the net pension liability of changes in individual assumptions can be measured. The actuary has estimated the effect of increases and decreases in several areas and these are reported in note 18.4. However, the assumptions interact in complex ways. For example, during 2020/21 the actuary advised that the net pension liability had increased by **£22.8m** due to changes in financial assumptions, decreased by **£1.7m** due to changes in demographic assumptions, and decreased by **£1.4m** due to experience gains.

24.3 - Fair Value Measurements (See Accounting Policy AP11 and Notes 13 and 19)

Area of uncertainty – When the fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets (level 1 inputs) the value is measured using other valuation techniques. Where possible the inputs to these techniques are based on observable data, but if this is not possible, then judgements and assumptions are required to establish fair values. This could affect the fair value derived from these judgements. The Council will use relevant experts, such as the external valuers who value Investment Properties, in order to determine Fair Value.

Estimated effect if results differ from assumptions – The Council uses the methods described in the above mentioned Accounting Policy and Notes to measure the fair value of its Investment Properties and report the fair value of some of its Financial Instruments, including the significant unobservable inputs also described in those notes. Changes in these inputs could result in a higher or lower value of the associated asset or liability.

Housing Revenue Account Income and Expenditure Statement

The Housing Revenue Account (HRA) reflects a statutory obligation to maintain a separate revenue account for local authority housing provision in accordance with the Local Government and Housing Act 1989. The Housing Revenue Account 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 and government grants. The Council charges rent to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the funding basis through which rents are raised, is shown in the Movement on the Housing Revenue Account Statement, shown on the following page. Most of the amounts shown on this statement are also included within the overall Comprehensive Income and Expenditure Statement.

2019/20 £000s		Notes	2020/21 £000s
	Income		
(6,908)	Dwelling rents		(6,968)
(113)	Non-dwelling rents		(112)
(779)	Charges for services and facilities		(667)
(7,800)	Total Income		(7,747)
	Expenditure		
1,759	Repairs and maintenance		1,482
1,756	Supervision and management		1,773
229	Rents, rates, taxes and other charges		191
1,755	Depreciation, revaluation and impairment of non-current assets	3	1,841
95	Increase / (decrease) in allowance for bad or doubtful debts		47
5,594	Total Expenditure		5,334
(2,206)	Net Expenditure / (Income) of HRA Services as included in the Comprehensive Income and Expenditure Statement		(2,413)
24	HRA services' share of Corporate and Democratic Core		27
834	HRA services' share of other amounts included in the whole Council net cost of services - continuing operations, but not allocated to specific services, plus HRA services' share of other recharges from the General Fund		738
(1,348)	Net Expenditure / (Income) of HRA Services		(1,648)
	HRA Share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement		
(96)	(Gain) / loss on disposal / derecognition of non-current (long term) assets		124
(85)	Interest and Investment income		(48)
1,087	Interest payable on debt, and similar charges		1,088
(179)	Capital grants and contributions		0
(621)	(Surplus) / Deficit for the Year on HRA Services		(484)

Movement on the Housing Revenue Account Statement

This statement shows how the HRA Income and Expenditure Statement (surplus) / deficit for the year, as shown on the previous page, reconciles to the movement on the Housing Revenue Account balance for the year, calculated in accordance with the Local Government and Housing Act 1989.

2019/20 £000s		Notes	2020/21 £000s	£000s
(3,494)	Housing Revenue Account Balance Brought Forward			(3,122)
(621)	(Surplus) / Deficit for the Year on the HRA Income and Expenditure Statement			(484)
	Adjustments between accounting basis and funding basis under statute			
46	Revaluation and impairment of non-current (long term) assets	3	22	
86	Net gain / (loss) on disposal or derecognition of non-current (long term) assets		(129)	
179	Adjustment for recognised capital grants and contributions (applied and unapplied)		0	
(211)	Reversal of net charges made for post-employment benefits in accordance with IAS 19		(223)	
(3)	Adjustment for Accumulated Absences (holiday pay)		(11)	
2	Revenue contribution to finance capital expenditure		0	
116	Employer's contributions payable to pension fund		299	
215	Total adjustments			(42)
(406)	Net Decrease / (Increase) Before Transfers To / (From) HRA Earmarked Reserves			(526)
778	Transfers to / (from) HRA Earmarked Reserves			776
372	Decrease / (Increase) in the HRA Balance for the Year			250
(3,122)	Housing Revenue Account Balance Carried Forward			(2,872)

Notes to the Housing Revenue Account

1 HRA Capital Expenditure and Receipts

Capital expenditure during 2019/20 and 2020/21 was as follows:

Item	2019/20 £000's	2020/21 £000's
Enhancement works	1,478	679
Property acquisitions and new developments	943	589
Housing management system	0	254
Total capital expenditure	2,421	1,522
Funded from:		
Major repairs reserve (note 1)	(1,478)	(697)
Grants and capital receipts	(941)	(571)
Revenue contributions	(2)	0
HRA – minimum revenue provision	0	(254)
Total funding sources	(2,421)	(1,522)

Note 1 - The Council is required to maintain a Major Repairs Reserve (MRR) for the funding of HRA capital expenditure. The MRR is described in Note 12.2 to the Core Financial Statements, Analysis of the Movement in Reserves Statement. Movements in the MRR during the year are reported in Note 11 to the Core Financial Statements, Reconciliation of amounts included in "Adjustments between accounting basis and funding basis under regulations."

An estimated amount of the previous carrying value of the enhancement works was derecognised in accordance with Policy Note AP16.11. This was based on the value of works with an inflation adjustment applied to reduce the value back to the estimated value at the point the original cost was incurred, as well as a further adjustment for accumulated depreciation over the period since the most recent valuation on each asset group.

Gross capital receipts from the disposal of Council dwellings and repayment of Right to Buy discounts received during 2020/21 totalled **£428k** (**£902k** in 2019/20), from which **£5k** was deducted for costs incurred and **£189k** was payable to Central Government under statutory pooling arrangements. The balance of un-used HRA capital receipts held as at 31 March 2021 was **£867k**, of which **£732k** must be used for replacement housing purposes. Any of this portion not used within three years of the quarter-end from the date of original receipt is repayable to Central Government. These rules are changing in 2020/21 but do not impact on these accounts.

2 Housing Assets

The Council sold 4 council properties during 2020/21 (5 in 2019/20) and completed 2 development projects adding 6 new properties to the housing stock. No garages were demolished or sold in either 2020/21 or 2019/20. The housing assets included in the Balance Sheet are as follows:

Dwelling type – property numbers	31/03/20 Number	31/03/21 Number
1 bedroom	512	510
2 bedroom	357	363
3 bedroom	425	423
4 bedroom	11	11
Bedsits	203	203
Total dwellings	1,508	1,510
Total garages	357	357

Dwelling type - valuation	31/03/20 £000s	31/03/21 £000s
Council dwellings	130,136	129,388
Garages	827	830
Total balance sheet net book value at 31st March	130,963	130,218

Vacant possession	01/04/19 £000s	01/04/20 £000s
Vacant possession value of council dwellings at 1 April	282,484	290,716

When compared to the vacant possession value, the Balance Sheet values of HRA dwellings show the economic cost of providing council housing at less than open market rents. The Balance Sheet value shows the effect of the discounted valuation methodology, as described in Accounting Policy AP16.4, as well as depreciation charges. The value at 01/04/20 is an estimate only as there was no formal valuation at that date in 2020/21.

3 Revaluation and Impairment Reviews of Non-Current Assets

Council houses are re-valued using the Guidance on Stock Valuation for Resource Accounting issued by the Ministry of Housing, Communities and Local Government (MHCLG), as detailed in Accounting Policy AP16.4. The Council's independent valuers, Wilks Head and Eve, carry out an annual market and impairment review at the end of each financial year, reporting on any issues arising at the Balance Sheet date of 31 March. The review performed during April 2021 providing data as at March 2021 concluded that movements in values during 2020/21 had resulted in a 2% decrease in the value of the Council's dwelling stock at March 2021, which has been adjusted for on the Balance Sheet

Council Dwelling revaluation and impairment amounts recognised in the HRA Income and Expenditure Statement are currently transferred through the Movement on the HRA Statement to the Capital Adjustment Account (CAA) to avoid having any impact on rent levels.

The HRA also receives a depreciation charge based on the value, age and condition of property calculated in accordance with proper accounting practices. Depreciation is also transferred through the Movement on the HRA Statement to the CAA, with additional adjustments through the Major Repairs Reserve.

The entries included in the Depreciation, Revaluation and Impairment of non-current (long term) assets lines on the HRA Income and Expenditure Statement are as follows:

Item	2019/20 £000s	2020/21 £000s
Dwellings and garages depreciation charge	1,802	1,863
Revaluation losses	114	8
Reversal of previous revaluation losses	(161)	(30)
Total	1,755	1,841

4 Housing Rent Arrears

The total value of housing rent arrears included on the Balance Sheet, less an allowance to meet possible future bad debts, is as shown in Note 14 to the Core Financial Statements, Debtors.

Collection Fund Income and Expenditure Statement

The Collection Fund Income and Expenditure statement 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 Non-domestic Rates (NDR).

BUSINESS RATES 2019/20 £000s	COUNCIL TAX 2019/20 £000s	TOTAL 2019/20 £000s		Notes	BUSINESS RATES 2020/21 £000s	COUNCIL TAX 2020/21 £000s	TOTAL 2020/21 £000s
			Income				
0	(56,100)	(56,100)	Council Tax income receivable	1	0	(57,915)	(57,915)
0	0	0	Council Tax benefit transferred from the General Fund		0	(381)	(381)
(14,657)	0	(14,657)	Non-domestic rates income receivable	2	(5,441)	0	(5,441)
(14,657)	(56,100)	(70,757)	Total Income		(5,441)	(58,296)	(63,737)
			Expenditure				
			Apportionment of previous year surpluses / (deficits)				
(214)	0	(214)	Central Government		16	0	16
(171)	103	(68)	Castle Point Borough Council		12	36	48
(39)	488	449	Essex County Council		3	174	177
0	68	68	Essex PFCC - Policing and Community Safety		0	26	26
(4)	28	24	Essex PFCC - Fire and Rescue Authority		0	10	10
			Precepts, demands and shares				
6,898	0	6,898	Central Government		7,212	0	7,212
5,519	8,189	13,708	Castle Point Borough Council		5,770	8,402	14,172
1,242	39,113	40,355	Essex County Council		1,298	40,913	42,211
0	5,941	5,941	Essex PFCC - Policing and Community Safety		0	6,151	6,151
138	2,231	2,369	Essex PFCC - Fire and Rescue Authority		144	2,288	2,432

BUSINESS RATES	COUNCIL TAX	TOTAL	Notes	BUSINESS RATES	COUNCIL TAX	TOTAL
2019/20	2019/20	2019/20		2020/21	2020/21	2020/21
£000s	£000s	£000s		£000s	£000s	£000s
			Other charges to the Collection Fund			
76	0	76	Costs of collection	76	0	76
0	0	0	Write-offs of bad debts and appeals	0	0	0
86	485	571	Increase / (decrease) in allowance for bad & doubtful debts	261	850	1,111
726	0	726	Increase / (decrease) in allowance for appeals	(496)	0	(496)
14,257	56,646	70,903	Total expenditure	14,296	58,850	73,146
(400)	546	146	(Surplus) / deficit for the year	8,855	554	9,409
468	(1,064)	(596)	(Surplus) / deficit brought forward	68	(518)	(450)
68	(518)	(450)	(Surplus) / deficit carried forward	8,923	36	8,959

The (surpluses) / deficits on Council Tax and NDR on the Collection Fund are shared between Castle Point Borough Council and the other bodies as shown below and are included in the calculation and distribution of Council Tax and NDR in subsequent years.

The total amount attributable to Castle Point Borough Council is shown under Reserves on the Balance Sheet, and the amounts attributable to the other bodies are shown within current assets and liabilities and non-current liabilities on the Balance Sheet.

2019/20	2019/20	2019/20		2020/21	2020/21	2020/21
£000s	£000s	£000s		£000s	£000s	£000s
34	0	34	Central Government	4,461	0	4,461
27	(76)	(49)	Castle Point Borough Council	3,570	5	3,575
6	(366)	(360)	Essex County Council	803	27	830
0	(55)	(55)	Essex PFCC - Policing and Community Safety	0	2	2
1	(21)	(20)	Essex PFCC - Fire and Rescue Authority	89	2	91
68	(518)	(450)	(Surplus) / deficit carried forward	8,923	36	8,959

Notes to the Collection Fund Income and Expenditure Statement

1 Council Tax Base

The Council's tax base for 2020/21, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings, was calculated as follows:

Band	A	B	C	D	E	F	G	H	Total
Number of dwellings after discount	1,846	4,643	11,588	7,680	4,043	1,738	661	57	32,256
Ratio to band D	6:9	7:9	8:9	9:9	11:9	13:9	15:9	18:9	
Number of band D equivalent dwellings	1,230	3,612	10,300	7,680	4,941	2,511	1,101	114	31,489
Collection rate adjustment									(520)
Council tax base for 2020/21									30,969

2 Income Collectable from Non-Domestic Rates (NDR)

Central Government specifies a national multiplier of **51.2p** (**50.4p** in 2019/20) and, subject to the effects of transitional arrangements and any reliefs, local businesses pay rates which are calculated by multiplying the rateable value of their business properties by the multiplier. The Council is responsible for collecting rates due from the ratepayers in its area, and retains part of the amounts collected, with the remainder distributed to Central Government, Essex County Council and Essex PFCC - Fire and Rescue Authority. The following table shows the gross business rates income collectable from ratepayers, before rates reliefs and other adjustments:

	2019/20 £000s	2020/21 £000s
Non-domestic rateable value as at 31 March	41,993	41,957
National multiplier	0.504	0.512
Gross amount of rates collectable from ratepayers	21,164	21,482

Annual Governance Statement

1 Scope of Responsibility

The 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.

In discharging this overall responsibility, the Council must put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

Castle Point Borough Council has approved and adopted a Local Code of Governance, which is consistent with the principles of the CIPFA Delivering Good Governance in Local Government: Framework. A copy of the Council's code is on our website at <https://www.castlepoint.gov.uk/local-code-of-corporate-governance> or can be obtained from the Strategy, Policy and Performance Manager by e-mail bbrook@castlepoint.gov.uk or by phone on 01268 882220. This annual governance statement explains how the Council has complied with the local code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

2 The Purpose of the Governance Framework

The governance framework comprises the vision, culture and values, systems and processes and structure by which the Council is organised, directed and controlled as well as its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The framework needs to be flexible to ensure it meets the needs of a changing environment.

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; and
- manage them efficiently, effectively and economically.

The governance framework has been in place at Castle Point Borough Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts.

3 The Council's Governance Framework

The governance framework ensures the Council's vision and key priorities are effectively promoted and progressed through its corporate governance arrangements and business planning processes. The key business process elements of the governance framework are as follows:

- Consultation and Engagement
- Business Planning and Strategy, including Partnerships
- Financial Planning, Reporting and Budgetary Control, including Value for Money
- Asset Management
- Risk Management
- Health and Safety
- Business Continuity

- Performance Management
- Workforce Management
- Data Quality
- Information Governance
- Procurement
- Project Management
- Complaints
- Ethical Governance, including Anti-Fraud and Corruption, and Whistleblowing

These areas form the main sources of assurance to be considered in any review of the internal control environment. In support of the review process, the Local Code of Governance sets out further detail to be reviewed in each area before an opinion on the effectiveness of the system of internal control can be expressed.

The Strategy, Policy and Performance Manager has been given the responsibility for overseeing the implementation and monitoring of the Code, through a process which includes:

- two reports over the financial year to Executive Management Team and the Audit Committee which set out:
 - weaknesses identified in the governance arrangements;
 - any corrective action necessary to resolve concerns identified; and
 - progress against the actions to address key governance issues identified in the previous year's Annual Governance Statement
- an annual review of the governance framework supported by manager assurance statements certified by service managers and reviewed and certified by Directors / Heads of Service
- a year end review of key governance business processes with a nominated officer informing the assessments presented below
- an assessment of compliance with the core principles of the *CIPFA Delivering Good Governance in Local Government: Framework*
- an annual report – this Annual Governance Statement – to Executive Management Team and the Audit Committee on the adequacy of governance arrangements.

The Council has in place a governance group of officers, including the Head of Internal Audit, responsible for the implementation and monitoring of key governance business processes. The group provides a challenge to the operation of the processes and a "sense check" of individual assessments in the manager assurance statements of core governance processes for which they are responsible. Some of their findings and further work have been incorporated into the views expressed in this governance statement. Each business process is subject to an overall assessment by the governance group according to one of four assessments:

- High (majority or all requirements being met),
- Satisfactory (significant proportion greater than 50% of requirements are met),
- Partial (Some requirements are met but less than 50%);
- Minimal (very few requirements are met).

A summary of the key findings for each business process is set out in the table below and further detail relating to the findings is incorporated into the review of effectiveness set out in section 4:

Key Governance Business Process	Assessment
Consultation and Engagement	Satisfactory
Business Planning and Strategy, including Partnerships	Satisfactory
Financial Planning, Reporting and Budgetary Control including Value for Money	High
Asset Management	Satisfactory
Risk Management	Satisfactory
Health and Safety	Satisfactory
Business Continuity	Satisfactory
Performance Management	Satisfactory
Workforce Management	High
Data Quality	Satisfactory
Information Governance	Satisfactory
Procurement	Satisfactory
Project Management	Partial
Complaints	Satisfactory
Ethical Governance, including Anti-fraud & Corruption and Whistleblowing	High

The Council's key governance and business processes are also subject to audit on a risk basis. This work forms part of the evidence in support of the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's risk management, control and governance framework.

4 Review of Effectiveness

Castle Point Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors and Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies.

The Internal Audit service also produce reports throughout the year on a range of subject areas, that support provision of an opinion on the adequacy and effectiveness of the Council's risk management, control and governance framework. These reports are considered when reviewing the effectiveness of the framework, with audit findings taken into account and reflected in the assessments presented in the table above.

During the review of the operation of the framework for 2020/21, the governance group found that in several areas whilst the core business processes were in place, the application of those processes was not always consistent across the areas of the Council's business. This is set out in more detail for specific processes in the following sections.

This section of the report is structured around the core principles of the *CIPFA Delivering Good Governance in Local Government: Framework (2016 Edition)* with any reference to the key governance business processes – as summarised in section 3 – in bold text to allow for easy referencing.

CIPFA Key Principle A:

Behave with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

An assessment of **ethical governance** has been undertaken and the arrangements have been assessed as high.

The Council has Codes of Conduct for Members and Staff contained within the Council's Constitution. The Code of Conduct for Members makes specific reference to the Seven Principles of Public Life (the "Nolan Principles"), was developed by an Essex-wide legal partnership and has been adopted by a number of councils across Essex.

As a condition of office, all Members are required to sign an undertaking that they will observe the Code of Conduct. There is a requirement to re-sign this undertaking when there are any major revisions to the Code as well as on election or re-election.

The Constitution also includes the requirement for the Council to appoint a Review Committee which has a role that includes promoting and maintaining high standards of conduct and behaviour as well as hearing any complaints referred for breaches of the Code. The Council has appointed two Independent Persons who must be consulted before the Council makes a finding as to whether a Member has failed to comply with the Code of Conduct.

These arrangements relating to Member conduct were effectively implemented following a complaint about an alleged breach of the Code received in 2020/21. An independent investigation took place which concluded that the Code of Conduct had been breached. However, because of the resignation of the councillor concerned, it was not necessary to convene the Review Committee.

Key corporate documents relating to staff conduct are in place. The Council has an established set of organisational values. These values can be found in the Council's Corporate Plan which is available at <https://www.castlepoint.gov.uk/council-strategies-and-policies>. The Code of Conduct for Staff sets out policies and expectations for staff conduct. It is published on the Intranet and a copy is issued to every new starter as part of the induction pack. The Council's PPDP (Appraisal) form includes a record of whether any declarations of interest have been made by staff during the year (although note that monitoring of PPDP compliance is an area to be picked up in 2021/22). Where there is a suspected case of staff misconduct, arrangements are in place to investigate such potential breaches. The number of investigations into alleged staff misconduct was lower in 2020/21 than the already low levels in previous years (3 investigations in 2020/21 down from 8 in 2019/20).

The Council ensures access to its **complaints policies** and **whistle blowing procedures** by publishing these on the Council's website. Easy access to these is important as the raising of a complaint or concern is an important part of the process, and without which an investigation cannot take place.

A new e-learning package for countering fraud, bribery, corruption and money laundering was launched in September 2019 and is completed by all staff. Counter Fraud and Investigation services continue to be provided by Thurrock Council. A programme of work was in place during the year and progress in delivering the programme is presented to Executive Management Team and Audit Committee. The value of suspected fraud against the Council investigated during 2020/21 was **£1,113,400**. The value of detected fraud in the Castle Point Borough over 2020/21 was **£126,000**.

It should be noted that Covid-19 restrictions, in particular lockdown at the start of 2020/21, caused a cease to home visits which greatly affected the work of the Counter Fraud and Investigation (CFI) team. However, any cases that could not be progressed due to movement restrictions were recorded in the team's intelligence system for follow up post-Covid-19. Later in 2020/21, the work of the team increasingly focussed on the range of grants made available by Government in response to the pandemic. Despite the speed of administration of some **£24m** of Covid-19 related grants, very low levels of potential fraud have been identified.

CIPFA Key Principle B

Ensure Openness and Comprehensive Stakeholder Engagement.

The Council has the core requirements for **customer engagement and consultation** in place.

Corporate guidance requires the results of any customer engagement or consultation activities to be considered as part of the service planning process. Individual services undertake consultation on a range of areas. For example, the Housing Department undertakes routine satisfaction surveys following repairs and maintenance on Council-owned properties. Leisure Services undertake regular feedback from customers and use software to calculate a “Net Promoter Score” which gives an indication of how likely existing customers are to recommend the leisure centres to other people. The Leisure service was informed in December 2020 that it had retained its 2019 award for Best Member Experience – Local Authority as well as winning a prestigious Platinum Medal, the only club in the UK to achieve this honour and 1 of just 5 from a worldwide pool of over 5,000 leisure facilities.

The Council’s Corporate Plan 2018-21, which was subject to the annual refresh of objectives approved by Cabinet in March 2020, refers to public consultation to develop priorities and includes satisfaction levels for a range of services as well as on priorities for improvement. The plan also includes updated Resident Survey results from a consultation commissioned by Essex County Council. The corporate plan update also includes an Annual Report which sets out progress made against the objectives from the previous year.

The emerging Corporate Plan for 2021-24 was subject to public consultation, which started towards the end of 2020/21, running from 1 March to 30 April 2021. 213 responses were received and used to inform a further iteration of the plan which will be presented to the Council for adoption in autumn 2021.

The new Local Plan was published for consultation on the 16 December 2019 for eight weeks through to the 14 February 2020, during which 1,105 responses were received. These responses informed the revised version of the Local Plan which was submitted to the Secretary of State on 2 October 2020 for examination.

The Council also has a consultation toolkit available for services to use and this is set out in the ‘How it Works’ guidance. The Council ensures it involves staff in any appropriate decisions and elicits their views on issues. For example, a monthly staff forum meets to discuss and agree any issues important to staff.

The Council ensures its services provide clear expectations for service users and members of the public through a set of service standards known as the “Customer Promise” which is published on the Council’s website <https://www.castlepoint.gov.uk/customer-promise>.

Further work was undertaken in 2020/21 to improve the tracking of Freedom of Information requests to maximise performance on response times. As part of this work, more open data sets are now available on the website <https://www.castlepoint.gov.uk/freedom-of-information-foi>, increasing transparency.

All public meetings are [broadcast live](#) and recorded so that members of the public can engage in Council-business without leaving their homes. Agendas and minutes of meetings are made available on the website <https://www.castlepoint.gov.uk/agendas-minutes-library>.

The Council works closely with partners on joint objectives. For example, with the Castle Point & Rochford Health and Wellbeing Board and the Crime and Disorder reduction partnership, both of which have membership from a range of stakeholders.

CIPFA Core Principle C:

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

The Council’s Corporate Plan sets out a high-level vision for the area with four corporate priorities: Environment; Housing and Regeneration; Health and Community Safety; A Commercial and Democratically Accountable Council. The plan complies with a number of good-practice requirements and sets out some defined outcomes. Much of 2020/21 was spent responding to the health emergency caused by Covid-19 and so the final year of the Council’s current Corporate Plan 2018-21 did not receive the same degree of attention as it has done in previous years. However,

outcomes set out in the plan continued to be monitored over 2020/21 through the Corporate Performance Scorecard which was presented to Cabinet each quarter.

A joint “away day” with Cabinet and the Council’s Executive Management Team in December 2019 was the starting point for the development of a new Corporate Plan for 2021-24. Good progress has been made further developing this plan over 2020/21, including engagement with the Council’s Scrutiny Committees and a public consultation on priorities and objectives. The new plan which has the proposed priorities of: Economy & Growth; People; Place; and Environment is scheduled for Cabinet and Council in the autumn when it will be formally adopted.

The Council is committed to working in partnership with all other South Essex authorities to develop the South Essex 2050 partnership with ambitions that will include Regeneration, Economic Infrastructure, Transport, Housing and Quality of Life. A Memorandum of Understanding is in place; a prospectus for growth and recovery was submitted to government in July 2021; and a proposal for a Joint Committee under S101 of the Local Government Act is being considered by each member council.

CIPFA Core Principle D

Determining the interventions necessary to optimise the achievement of the intended outcomes.

Further to the threat of intervention from central government due to lack of progress with the development of its Local Plan, progressing the draft Castle Point Local Plan remained a top priority in 2020/21. In October 2020, the new Castle Point Local Plan was submitted to the Secretary of State for examination. This examination, by an independent Inspector, commenced upon submission and the hearings stage of the examination started in May 2021. The Council’s Local Development Scheme requires the Local Plan to be adopted by the end of 2021.

The Council faces significant financial challenges and needs to reduce net operational spend over the coming years or increase income substantially. Whilst the budget set in February 2020 for 2020/21 was balanced, the impact of the Covid-19 pandemic created significant financial pressures. However, as a result of careful financial management over the year, together with support grants from Government, these pressures have been mitigated. The 2021/22 budget has been set and work continues to address forecast budget gaps in future years. Longer-term, this will be achieved through the combination of a variety of approaches including service reviews, maximising the use of estate and assets, utilising new technology to transform working practices and procedures, procurement, and exploring ways of securing greater income. The Council has made good progress in developing further a Commercialism Strategy with a draft recently shared with specific Cabinet Members for consultation. Work is being undertaken to close the budget gap and will be monitored. Nevertheless, it should be noted that **financial reporting, including budgetary management** is assessed as high level of compliance, so the Council has good control over its finances.

The assessment of the Council’s **project management** arrangements continues to be partial. The Council has had in place for a number of years comprehensive project management arrangements with a framework and suite of templates based on PRINCE2 principles. Over 2019/20, this framework and templates were revised, simplified and updated in response to feedback from users. Those managers who used the new templates have reported that they find them easier to follow. However, an advisory audit of the Council’s project management arrangements identified several areas of partial compliance and indicated a number of recommendations for improvement, including a further and more comprehensive revision of project documentation together with a review of project oversight arrangements. The audit also identified varying levels of knowledge about the project framework, recommending a programme of training to those in the Council who work on projects to ensure consistency of approach and effective project management. This will feature as a key piece of work in 2021/22.

The approach to **business continuity** (BC) has been assessed as satisfactory. The Council’s BC arrangements were severely tested at the beginning of the 2020/21 financial year when large parts of the Council were required to work from home at very short notice following the lockdown announcement at the end of March 2020. However, arrangements for home working, where possible,

were quickly put in place and proved effective over the first and subsequent lockdowns. As a result of the flexibility of staff coming to terms with these new arrangements and robustness of recently improved telephony and IT systems, there was not a major disruption to service delivery which, in most cases, was able to continue, albeit with some modifications. An internal audit on business continuity arrangements within the Council was completed in September 2020. This provided partial assurance over the arrangements in place and identified areas of best practice for the Council to develop, which have now been incorporated into the Council's business continuity activities. In response, revised service level business impact analysis and response plan templates have been produced to further improve usability, clarity and outcomes involving a BC incident. A corporate generic business continuity response plan exists, which has recently been subject to full review and revision, as part of a three-year cycle. The subject of business continuity is incorporated into the quarterly risk management sections of Operational Management Team (OMT) meetings. The Council's emergency planning and business continuity framework document, produced in 2018, describes how the Council will go about meeting its duty to be suitably prepared for dealing with emergencies and disruptions to the organisation's ability to deliver its critical services to the public. This will continue to be updated and revised to reflect the lessons learnt from dealing with the Covid-19 emergency.

The Council's **business planning** process has been assessed as satisfactory. A review of the manager assurance statements demonstrated that most services assessed themselves as having satisfactory or high compliance. The business planning processes have been complied with and this included a challenge of individual service plans that was fed back to service managers for further action. Although there remains some inconsistency, service plans for 2021/22 are in place for all areas, with implementation from April 2021. Progress on delivery of these plans is considered at Directorate Management Team meetings each month. The Corporate Performance Scorecard for 2020/21 remains broadly similar to that in 2019/20 as a number of indicators were at risk of being impacted negatively by actions taken in response to Covid-19; for example, leisure memberships as a result of closure of the Council's leisure centres and the inclusion of an indicator of benefit processing times which could be impacted by an increase in volume of applications. The Council's policy framework operates satisfactorily; policies and strategies largely continue to be refreshed by services. A register of policies and strategies is in place, updated annually and reported to Cabinet in October. The policy framework is set out in the Policy Framework and Budget Setting report which went to Cabinet and Council in February 2021.

CIPFA Core Principle E

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

The 2018 Corporate Peer Challenge report recognised strong officer leadership and stated: "CPBC is led by strong senior managerial leadership. This is recognised by many, including senior influential figures from external partners, who see the Council as a professional and well-respected organisation". The report also notes that "Positive officer and member relationships have also been identified as a key factor for past success". However, it is also considered that more is required with regular briefings on key issues and the developing vision for the area as well as issues of importance for members to allow them to ask questions. Although formal scrutiny work was impacted by the pandemic, a special meeting of all scrutiny committees was held in August 2020 to present and discuss the proposed aims and objectives in the emerging Corporate Plan 2021-24 to ensure that a wider group of Members were engaged in the vision for the area. A meeting to update on the Council's response to Covid-19 was held in June 2020, together with more formal reports to Council in July. An "E-brief" is sent to all Councillors usually weekly with special briefings sent out as and when required.

The information needs for members to effectively develop policy and make decisions is also considered, and reports to Cabinet included considerable detail in some areas, for example: Housing Allocations Policy Review; Arrangements for the Disposal of Non-recyclable Waste; Test & Trace Support Payments Scheme; Tender for the ICT contract, Tender for the Housing Repairs and Maintenance contract; Health and Wellbeing; Budget and Policy Framework for 2021/22.

Constructive working relationships exist between officers and members across the Council and the work undertaken by Cabinet and Executive Management Team in developing the new corporate plan is a good example of this.

The Council uses partnerships to good effect to increase its capacity. The Council has a Local Strategic Partnership jointly with Rochford District Council and is a lead member of the Joint Castle Point and Rochford Health and Wellbeing Board, Community Safety Partnership and Community Development Board. The Leader and Chief Executive continued as active members of the Association of South Essex Local Authorities (ASELA), a partnership of seven neighbouring councils that have come together to promote growth and prosperity in the region. The Council is also actively involved in the Regeneration Partnership and Opportunity South Essex. Senior officers are leading workstreams in the South Essex 2050 emerging vision for future growth and the delivery of the programmes.

Partnership working was critical to the successful response to Covid-19 and, over the course of the year, the Council further strengthened existing relationships with partners across the public and community sectors. An example of this was the decision to work with and support the Castle Point Association of Voluntary Services (CAVS) to operate the “Castle Point Hub” set up to support residents in need of help; initially to those self-isolating because of a clinical extreme vulnerability to the virus and expanding over time to include a wider group of people who had emerging issues with loneliness and isolation, mental health, financial worries and access to food and essentials. Many existing community and voluntary organisations, and indeed some new ones that were established in response to the pandemic, acted with flexibility to meet the surge in demand for food parcels and other support.

The Council is successful in obtaining grant funding to pursue projects that will result in better outcomes for local people. Recent and current examples include:

- A successful application to the Getting Building Fund for **£700k** to support the resurfacing of the Labworth car park
- **£2.3** million grant from the Department for Business, Energy and Industrial Strategy under the Green Homes Grant Local Authority Delivery scheme, to fully upgrade the insulation on **250** homes at Kings Park Village, Creek Road, Canvey Island.
- **£1.5m** funding from Round 5 of the Coastal Communities Fund for a **£1.7m** regeneration scheme at Thorney Bay.

Building on work undertaken over 2019/20 to compile a more accurate and complete picture of partnerships that the Council is involved in, together with a revised partnership framework and toolkit, last year's Annual Governance Statement identified a need to develop and introduce reporting mechanisms on key partnerships to members and senior managers. Although this work was not completed in 2020/21 as planned, Cabinet did receive updates during the year on the Community Safety partnership and on the Castle Point and Rochford Health and Wellbeing Board, two key partnerships for the Council. An audit of partnerships which concluded in July 2021 made some recommendations around this point of reporting and implementation of those recommendations is included in the action plan contained in this report.

The Monitoring Officer is responsible for the maintenance of the Constitution and for reviewing its relevance and effectiveness. Any significant changes to the Constitution are approved by full Council following consideration of a report made by the Chief Executive.

Decisions made by the Cabinet may be called-in (in accordance with the procedure for a Call-in, which is shown in the Overview and Scrutiny Procedure Rules) by the Scrutiny Committee. A decision made by Cabinet is published within 4 working days of the Cabinet meeting and can be called-in for consideration by the Scrutiny Committee within 5 working days of the publication by either the Chairman of the committee or by 3 committee members.

The Constitution sets out the responsibilities for Scrutiny Committee, Policy and Scrutiny Committees and the Audit Committee. The Audit Committee's role includes an overview of the governance arrangements and it received monitoring reports on its effectiveness. In addition, the committee also considered the corporate risk register. The new Audit Committee Chairman received an induction from the Head of Internal Audit. Additional training is provided to meet identified needs and every agenda to the committee includes any relevant publications to help with good practice in governance awareness.

Workforce management demonstrates a high level of compliance. The Council has effective recruitment and retention arrangements and provides a corporate programme of training to ensure staff skills are further developed to improve the capacity of the Council and the continued development of staff. Some development for existing employees can be funded by the Apprenticeship Levy. Development and training is varied and includes professional programmes such as CIPFA qualifications through to generic training. The Council has recently signed up to *Working Well*, a programme of workplace-based wellbeing training courses offered through a service commissioned by Essex County Council. The Council also makes use of online training platforms particularly for induction and training in health and safety arrangements. Reporting on compliance with the appraisal process slipped in 2020/21 with the disruption caused by Covid-19 although managers have been able to carry out regular meetings with their teams thanks to the new technology put in place over 2019/20. Review of the PPDP process will be a focus for 2021/22 to ensure it brings value to individual performance management and compliance is in place for all services.

The organisation continues to ensure that there is leadership capacity, bringing in new people where a gap exists and re-assigning people to new posts where there is a business need to do so. Further to the departure of the Head of Housing in the summer of 2020, some changes were made to the Executive Management Team arrangements to ensure continuity of service and wider sufficient leadership capacity. Recruitment continued over 2020/21 and the introduction of remote working allowed the Council to attract candidates from a wider geographical area, ensuring that the Council attracted the best candidates.

In March 2021, it was with great sadness that the Council announced the passing of Mr. David Marchant, Chief Executive. As a testament to the skill and thought with which he assembled his management team, the Council has continued to function effectively, including the delivery of a complex set of elections in May 2021. The Council's Constitution provides that the Strategic Directors are authorised to act in the absence of the Chief Executive and have done so together with the Executive Management Team.

CIPFA Core Principle F

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

Core **performance management** arrangements are in place and this includes the operation of a database to produce performance information for all services, with performance scorecard reports produced every quarter and reviewed by Executive Management Team before consideration by Cabinet. There is some variance in the completion of performance information and in the robustness of target setting as although this is reviewed and challenged when compiling performance indicators from service plans for the new financial year, decisions on selection of indicators and target setting ultimately rest with the service managers. However, there are some strong examples of high compliance with performance management processes in the housing and revenues & benefits service areas, where performance officers are in post, and in other areas such as Leisure and Community Services and Financial Services where performance information has been used to inform decision making and deliver improvements in performance levels.

Whilst the key performance reporting arrangements remain in place, there is a need in 2021/22 to resurrect highlight reporting and twice-yearly in-depth reviews of the corporate action plan by Corporate Management Team which monitors the delivery of corporate objectives.

There are three Policy and Scrutiny Committees which may make proposals in relation to their functions, including the review and development of policy items, whose proposals support the Council's published priorities. The work undertaken by the committees was paused in 2020/21 but will resume in the new financial year.

A refresh of the corporate risk register was undertaken in December 2020 by Corporate Management Team following which a new look register was developed in March 2021. The Audit Committee discussed the corporate risk register in April 2021. The risk register will be updated by Corporate Management Team and presented to the Audit Committee at least twice a year. Risks and health and safety issues were also discussed at directorate meetings during the year. The Head of Internal Audit met with some Directorate Management Teams over 2020/21 and attended Corporate Management Team in June 2021 to better understand the organisation's approach to **risk management** and felt that whilst understanding of risks and how to manage these was good, further work was needed to ensure consistency across the organisation.

As an employer the Council continues in its aim to meet its statutory **health and safety** duties and to achieve this employs a 'competent person'. The 'competent person', who as the corporate health and safety lead maintains an overview of Council arrangements and provides analysis on current management performance, attending Operational Management Team to highlight areas of concern. Significant health and safety issues are raised to the Executive Management Team. Compliance with health and safety processes has been assessed as satisfactory with significant work undertaken in 2020/21 to ensure protection from the Covid-19 virus as well as introduction of a wider group of Mental Health First Aiders to support employees. Audit work commenced on this area in 2020/21 and although did not conclude in the financial year, there were no serious concerns raised at the time of writing this report.

The key functions of the corporate health and safety lead is to advise and assist the Council's Operational Management Team in developing a positive health and safety culture, where risk is managed sensibly with specific aims to reduce accidents and ill health, and to bring about improvements in overall efficiency, quality and productivity. Completion rates of the health and safety online training modules remain high.

At the time of writing this report it is not possible to know when the country will fully return to normal following the pandemic, or what the lasting impact on the Council's financial position may be post recovery. The Council has considered many varying scenarios but, given the high degree of uncertainty, has not made changes to its detailed budget at this time. It has, however, planned to respond to any impact which may arise in a measured way. An earmarked reserve has been established which will sit alongside the detailed budget, demonstrating prudent financial management by setting aside a sum of money which may be utilised to smooth any detrimental impact and maintain a balanced budget.

The position will be monitored throughout 2021/22 and the reserve applied as and when required. The intention is for the 2022/23 budget process to incorporate the lasting impact of the pandemic and changes in services, once these are better understood. This work will be undertaken throughout 2021/22 and Cabinet will be updated accordingly. As a result, it is possible that the budget gap for future years may be greater or less than that currently predicted in the Council's current financial forecast.

Central government have already committed to supporting local authorities with the direct and immediate financial impact of the pandemic, specifically during the first quarter of 2021/22. This support would not however extend to compensating for changes in demand or use of services which may continue post recovery.

Setting aside the potential impact of the pandemic, the financial forecast is currently indicating a budget deficit in 2022/23 circa **£1m** and work is currently progressing across the organisation to identify and implement options to bring the budget into balance.

Regular reports including a revised medium term financial forecast are made to Cabinet, supported by service specific financial monitoring reports informed by risk assessment. Departures from budget are reported to Executive Management Team.

Role of the Chief Financial Officer

The s151 Chief Financial Officer (CFO) occupies a key position in the Council, managing the Councils' finances and ensuring that resources are used wisely to secure positive results.

In order to support the post holder in the fulfilment of their duties and ensure that the Council has access to effective financial advice, in 2010 the Chartered Institute of Public Finance and Accounting (CIPFA) issued a Statement on the Role of the Chief Financial Officer (CFO) in Local Government, most recently updated in 2016. The statement sets out how the requirements of legislation and professional standards should be fulfilled by CFOs in the carrying out of their role, and includes five key principles that define the core activities and behaviours that belong to the role of the CFO in public service organisations and the organisational arrangements needed to support them. These statements are set out below

- 1) The CFO in a local authority is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.
- 2) The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy.
- 3) The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.
- 4) The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose.
- 5) The CFO in a local authority must be professionally qualified and suitably experienced.

The Council has the necessary arrangements and procedures in place which ensure that these principles are either directly complied with or, where not directly complied with, there are alternative procedures in place so that the necessary outcomes and objectives are still achieved, and suitable controls are in place. For example, the CFO is a member of the leadership team (Executive Management Team) and reports directly to the Chief Executive.

CIPFA Core Principle G:

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

The processes for **information governance** are in place and guidance has been incorporated into the 'How it Works' document, which is updated annually. Arrangements are led by the Head of Law and include a number of policies ranging from a clear desk policy and document retention policy to guidance on privacy of data and when data is clearly public. Information asset registers are also in place for services. Managers are also required to follow the data security breach management procedure in the event of a data breach. The Head of Law continues to ensure compliance with the General Data Protection Regulations which came into force in May 2018. The Council's insurer, Zurich Municipal, was commissioned during 2020/21 to undertake a review of Data & Information Governance. The findings from this review conclude that the Council is at "Level 3 – Managed" of their model's five-level scale, providing external validation of the assessment of a satisfactory level of compliance for this governance area. Further details of this review are presented in the section below on "External Inspections".

The Council has a comprehensive **procurement** toolkit and strategy and associated governance processes which have been subject to an annual review by the Head of Law. The arrangements are proving to be effective and officers use the expertise provided by the Essex Procurement Hub to help develop invitation to tenders for a range of services and to quantify savings from procurements compared to budgeted costs. The 2019/20 annual governance statement suggested that the organisation would benefit from a plan of upcoming procurements to allow for planning of resources internally and at the Essex Procurement Hub and details of progress against this action is included in the table below. The Government ran a consultation through the Green Paper *Transforming public procurement* in the last quarter of 2020/21 which emphasised the importance of delivering social value - including economic, social and environmental outcomes – through public procurement and the Council will give close regard to the direction set out in this Green Paper when revising its procurement toolkit.

Compliance with requirements around **data quality** is assessed as satisfactory. Guidance on the importance of data quality requirements was set out in the 'How it Works' document and communicated to all managers. The 'How it Works' document was refreshed in November 2020. Systems are designed in some areas to ensure data quality requirements are considered, for example, the operation of a detailed performance management framework in the Housing Services, and systems for revenues and benefits and planning. Internal Audit gave a positive opinion on data quality when looking at financial data. Although there is no evidence of poor data quality, there is a risk of variations in the implementation of the approach as there are different systems for a variety of services, with some operating under a nationally set framework and others operating local frameworks. To provide further assurance in this area, training was provided to Operational Management Team in March 2021

The Council has the core processes in place to ensure decisions consider key information requirements. All Cabinet reports are required to include considerations for financial, legal and equality issues. The Council also recognises when there is the need for external support and has, for example, service level agreements in place to obtain professional advice and support to undertake effective housing estate management and procurement, as well as for a fraud, and internal audit services. The Council continues to procure specialist support in the design and construction of new council homes in the borough.

Internal Audit

The annual risk-based audit plan was prepared in consultation with Heads of Service, Executive Management Team and the Audit Committee. The audit plan was delivered with reports issued to senior managers at the conclusion of each audit highlighting internal control weaknesses identified and the actions required to address them. Recommendations were also reviewed to ensure they were implemented properly, by the due date. A performance report was taken to Executive Management Team and the Audit Committee at each of its meetings, although these were reduced in number because of the impact of the pandemic. The Head of Internal Audit annual report and opinion was also considered by the Audit Committee and included an assessment of compliance with relevant professional standards. The Head of Internal Audit's annual opinion states:

"The Council continues to maintain satisfactory and effective risk management, control and governance arrangements, despite the challenges posed by the impact of the Covid-19 pandemic throughout this year. The Council continues to face financial pressures that it is dealing with, and the impact of the pandemic on the longer term financial position is being worked on. During the previous year an external provider reported on a high-level assessment of the Council's risk management arrangements which concluded that risk management is happening as expected across the Council, however there is further work to be done to fully embed this to drive value from the process and help inform decision making at all levels of the Council. Work has begun to move this forward, but this has yet to be completed. However, reliance continues to be placed on the Council's risk management arrangements, and steps will be taken to further enhance the consistent utilisation of arrangements and to refresh the Risk Management Policy and Strategy.

The work of the Good Governance Group and results of the audits completed continue to confirm that:

- corporate business management processes remain generally well designed and, in some areas, work is underway to update or strengthen them further
- there is inconsistency in terms of application, across some services which still need to be addressed.

Therefore as a result of the assurance provided by audit and other work undertaken, the design and operation of the Council's risk management, control and governance framework in place for the year remains satisfactory overall.

The impact of the Covid-19 pandemic has manifested itself throughout the year as the Council was initially in emergency response mode in line with the rest of the country and most of the world. The Council's response appears to have held up well, cooperating with and coordinating a range of resources from a range of different sources to provide the support, response and management of the community to meet the requirements of the Borough as it has gone through different periods of lockdown during the year. There remains work to be done as the situation continues to evolve and there will be further challenges as the Borough and the Council works on recovery from the pandemic, and the Council is gearing itself up to deliver and meet the multiple challenges ahead.

During the year there have been changes made to way the Council is operating, including most staff operating remotely for most of the time. These new ways of working in the current situation appear to have worked effectively throughout the year, but continue to develop and evolve, and there is a need for an opportunity for them to be properly embedded with assurance obtained that they are working effectively as intended. However as the situation continues to develop and evolve the opportunity for a period of time in which things can settle into a 'new normal' does not appear to be forthcoming very soon.

The Council also experienced the sad passing of the Chief Executive in March 2021, and while the Council has continued to function effectively in his absence, this has stretched the capacity of management. As a result the Council should seek to move forward with making a decision about how to deliver that role in the future and then implementing that decision as quickly as possible to end the current period of uncertainty and enhance the capacity of management to deliver the objectives of the Council.

Therefore, the remainder of this report should be read within this context.

No issues have come to my attention this year, other than those already disclosed, that I believe need including in the Council's Annual Governance Statement."

Internal Audit is subject to a formal, independent review of its compliance with professional standards every five years.

Audit Committee

The Audit Committee consists of a chairman and four other members. The committee's role is to provide independent assurance to Council on the adequacy of the risk management framework and associated internal control environment and the integrity of the financial reporting and governance processes.

External Audit

External Audit is undertaken by Ernst & Young and their work includes:

- providing an opinion on the financial statements, including whether they provide a true and fair view of the financial position at the end of the year and the expenditure and income for the year, and that they have been properly prepared in accordance with relevant legislation and applicable accounting standards;

- reviewing and providing a conclusion of the arrangements in place to secure value for money.

Where the auditor identifies weaknesses in the Council's arrangements or significant deficiencies in internal controls, these are highlighted in the final report to the Audit Committee.

External Inspections

Planning Improvement Peer Challenge

Early in 2019, the Council commissioned the Local Government Association (LGA) and Planning Advisory Service (PAS) to undertake a peer challenge of Planning. The peer challenge team made a number of recommendations, including progressing the local plan and a newly constituted development management committee.

Good progress has been made on recommendations relating to the Local Plan, which is currently at examination stage. The Council also established a Local Plan Delivery Board, which acts as the interface between Councillors and developers of sites allocated in the emerging local plan. This Board has met on a regular basis since September 2020.

The new modernised Development Management Committee has been inaugurated with meetings scheduled to be held in early 2021/22. The new arrangements are being implemented.

Data & Information Governance Review

The Council commissioned a Data & Information Governance Review from its insurers, Zurich Municipal, towards the end of the 2020/21 financial year.

The review – which consisted of a survey and interviews with key individuals – concluded that *Castle Point BC has been determined to be Level 3 Managed based on 3 in scope categories – Leadership and Management, Strategy & Policy and People & Training*. The model used by Zurich has a five-level scale and so supports the Council's own assessment of satisfactory compliance with information governance processes.

The review included the following recommendations which will be implemented over 2021/22 and are included in the action plan which accompanies this annual governance statement:

Leadership and Management

1. Remind all staff of who is the current DPO and the reporting requirements associated to a data breach.
2. Formalise the home working policy to include a reminder on higher levels of password security, phishing, email impersonation.
3. ICT to discuss with new IT suppliers the potential to increase controls such as email encryption and auto archiving.
4. Determine how paper-based records can be reduced or removed from the Council and a detailed audit of the bunker contents.

Strategy and Policy

1. Revise the homeworking policy to include more detail on expected colleague behaviours relating to data and information governance in the home environment.
2. Remind Members on the acceptable use of council assets and email addresses.
3. Senior Leadership Team to consider an acceptable timeframe for asset register reviews and updates including a document classification.

4. Issue a reminder to all staff on GDPR / DPA training on sharing data outside the organisation and the requirement for a DPIA (Data Privacy Impact Assessment).

People and Training

1. Include members on any wider Council data and information governance training refresh.
2. Senior Leaders to consider an annual training refresh on data and information governance.
3. ICT to lead and develop a long term solution to remove paper from the organisation where appropriate.

Risk management health check

The Council commissioned a Risk Management Health Check Report from its insurers, Zurich Municipal, during 2019/20.

Although an advisory report rather than official audit, the review concluded that *there is clear evidence that the organisation recognises the need and importance to engage in risk management and has the appropriate tools and methodologies to do so*. The review identified five areas for improvement:

1. Increase visibility of directorate risk profile
2. Risk management training and awareness
3. Risk register and reporting formats
4. Approach to risk appetite (awareness and understanding)
5. Project risk management

Progress has been made in areas 1 and 3 with outstanding action required to address areas 2,4 and 5. Areas for improvement in risk management are also identified under core principle F and therefore risk management features as an area for further work in 2021/22.

Progress against Recommendations Identified in last year's Annual Governance Statement

The table below sets out the actions identified and an assessment of progress. Starting in 2020/21, progress on implementation of these actions has been reported to Audit Committee as part of the governance monitoring report. Some actions have been delayed because of Covid-19 response work over the year with revised implementation dates clearly indicated.

Number	Issue	Action 2020/21	Date of implementation	Responsible officer	Progress
1.	Improve the organisation's understanding of the effectiveness of partnership working	Develop and introduce reporting mechanisms on key partnerships to members and senior managers.	Mar 2021 Mar 2022	Strategy, Policy and Performance Manager	<p>Work has not yet begun on this action and will be informed by an audit of partnerships which is due to conclude early in 2021/22 financial year. The action will therefore be included in the action plan for 2021/22, exact timing to be confirmed following audit recommendations.</p> <p>Nevertheless, Cabinet has received updates during 2020/21 on the Community Safety Partnership and on the Castle Point and Rochford Health and Wellbeing Board, two key partnerships for the Council.</p>
2.	Address awareness and training needs for project management	<p>Participate in a follow-up audit of project management and use the learning to develop and deliver a training programme for Operational Management Team and others in the Council who manage projects.</p> <p>Develop and implement project governance structures for approval of business cases and ongoing monitoring of key project delivery.</p>	<p>May 2021</p> <p>Training by Sep 2021</p>	Strategy, Policy and Performance Manager	<p>An advisory audit of the Council's project management arrangements was issued in January 2021.</p> <p>This audit indicated a number of recommendations for improvement, including a further and more comprehensive revision of project documentation, followed by training.</p> <p>The project documentation is now in draft form with training planned to take place in Q2 2021/22</p>
3.	Improve the organisation's understanding and application of good risk management	Update the Risk Management Policy and Strategy and implement the remaining areas of focus identified in the health check of risk management.	Dec 2020 Mar 2021	Head of Internal Audit	<p>This action has been delayed and remains work in progress at the end of March 2021 to be completed during 2021/22.</p> <p>The updated Risk Management Policy and Strategy will be taken to the Audit Committee meeting in January 2022.</p>

Number	Issue	Action 2020/21	Date of implementation	Responsible officer	Progress
4.	Better corporate coordination of data quality	Raise awareness of the importance of data quality and work with internal audit to develop a system of spot-checks in areas of risk.	Dec 2020 Mar 2021	Strategy, Policy and Performance Manager	Training was given at Operational Management Team (OMT) at the March meeting and work continues with internal audit on developing a system of spot checks in areas of risk.
5.	Coordination of procurement activity to plan required resources to undertake this procurement	Use service plans to create a register of planned procurement showing timescales and expected resource requirements. Training on procurement to be delivered.	Dec 2020 Mar 2021 Dec 2020 Sep 2021	Senior Resilience and Procurement Officer	Service plans and the Contracts Register were used to identify planned procurements and provide Legal information required to ensure capacity. Whilst some online training was offered during the Covid lockdown, other planned training was delayed. There is a risk that the training element of this action may be further delayed by ongoing Covid-19 response work and will need to be revised to reflect the remote working environment.
6.	Overdue implementation of the recommendations in the Planning Improvement Peer Review	Implement the outstanding recommendations made in the Planning Improvement Peer Review report.	Oct 2020 Oct 2021	Head of Place and Policy	All of the recommendations of the peer review and the actions in the Action plan are either in place or ongoing – including the progression of the local plan, which is at Examination stage. The first meeting of the newly constituted Development Management Committee is being held in April 2021. The Peer review recommendations include a revisit by the review team. No date has been fixed for this.
7.	Business continuity training and exercising is overdue (audit finding)	Undertake business continuity training and exercising with manager and other relevant staff.	Feb 2021	Senior Resilience and Procurement Officer	Business Continuity training was initiated in November 2020, with annual refresher being planned for relevant managers and staff. Desktop exercises (November 2020) sent to service managers and department heads. These are planned as a continuous six-monthly activity and will reflect required Covid considerations going forward.

Key governance issues

The following are the key governance issues that have been identified:

Number	Issue	Action 2020/21	Date of implementation	Responsible officer
1.	Improve the organisation's understanding of the effectiveness of partnership working Improve the organisation's understanding of the effectiveness of partnership working	Develop and introduce reporting mechanisms on key partnerships to members and senior managers. Implement recommendations from the Internal Audit of Partnerships	Mar 2022	Strategy, Policy and Performance Manager
2.	Address awareness and training needs for project management	Develop and deliver a training programme for Operational Management Team and others in the Council who manage projects	Sep 2021	Strategy, Policy and Performance Manager
3.	Coordination of procurement activity to plan required resources to undertake this procurement	Procurement training	Sep 2021	Senior Resilience and Procurement Officer
4.	Resurrect formal monitoring of the implementation of the corporate action plan	Re-introduce the highlight reporting at CMT against key corporate objectives and twice-yearly in-depth reviews of the corporate action plan which is established	Aug 2021	Strategy, Policy and Performance Manager
5.	Local Plan adoption	Progress the Local Plan through examination stage to formal adoption	Dec 2021	Head of Place & Policy
6.	PPDP compliance	Review the PPDP process to ensure it brings value to individual performance management and compliance is in place for all services	Aug 2021	Human Resources Manager
7.	Improve the organisation's understanding and application of good risk management	Update the Risk Management Policy and Strategy and implement the remaining areas of focus identified in the health check of risk management	Jan 2022	Head of Internal Audit
8.	Improve the organisation's approach to information governance	Implement the recommendations from the Zurich Municipal review of Data & Information Governance	Mar 2021	Head of Law

CONCLUSION

This statement has been considered by the governance group of officers as well as Executive Management Team and is considered an accurate reflection of the Council's governance arrangements. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Councillor Andrew Sheldon
Leader of the Council
July 2021

Ms. Ann Horgan
Head of Governance
July 2021

draft and unaudited

GLOSSARY OF TERMS

Accounting Period

The period of time covered by the accounts. For the Council, this is a period of 12 months from 1 April in one year until 31 March in the following year. The end of the accounting period is the date of the Balance Sheet.

Accruals concept

Income and expenditure are recognised when they are earned or incurred, not when money is received or paid.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial surplus and deficits that arise because either events have not coincided with previous actuarial assumptions, or where actuarial assumptions have changed.

Adjustment Account

Statutory adjustment accounts which are used for the differences between the accounting cost of providing services in accordance with generally accepted accounting practices, and the amount to be funded from taxation for the General Fund and housing rents for the Housing Revenue Account. Examples include the Capital Adjustment Account and the Revaluation Reserve. These accounts form part of Unusable Reserves as reported on both the Balance Sheet and the Movement in Reserves Statement.

Assets

Resources controlled by the Council as a result of past events, and from which future economic benefits or service potential are expected to flow to the Council. See also Intangible Assets and Tangible Assets.

Balance Sheet

One of the primary statements. The Balance Sheet is a statement of all the assets, liabilities, reserves and other balances held by the Council to show the overall net worth of the Council at a certain point in time. It brings together details of the individual funds maintained by the Council as at the end of the relevant accounting period. Please also refer to the detailed description on pages 9 or 24.

Capital Adjustment Account

A statutory unusable reserve included on the Balance Sheet, which represents the balance of capital resources set aside to finance capital expenditure, and certain other capital financing transactions, including the reversal of some entries posted to the Movement in Reserves Statement.

Capital Charges

Charges made to service department revenue accounts to reflect the cost of non-current assets used during the period. This primarily relates to depreciation charges.

Capital Expenditure

Expenditure on the acquisition of a new non-current asset, such as a piece of land or a building, or expenditure which adds to, and not merely maintains, the value of an existing non-current asset, for example by prolonging its useful life.

Capital Financing Requirement

The value of the capital expenditure incurred historically by the Council that has yet to be financed. Please also refer to the detailed description on page 67.

Capital Receipt

The proceeds from the sale of a non-current asset. The government prescribes the amount of the receipt which must be set aside to repay debt and the usable amount which may be used to finance capital expenditure.

Carrying Amount

The principal amount plus accrued interest at the Balance Sheet date.

Cash Flow Statement

One of the primary statements. The statement shows how the Council has generated and used cash and cash equivalents during the period, classified into operating, investing and financing cash flow activities. Please refer to the detailed description on pages 9 or 26.

Chartered Institute of Public Finance and Accountancy (CIPFA)

The Chartered Institute of Public Finance and Accountancy is the professional body responsible for determining local government financial regulations. CIPFA issues annually the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Code of Practice on Local Authority Accounting in the United Kingdom

A document issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which sets out the proper accounting practices for Local Government to adhere to in the preparation of their annual Statement of Accounts.

Comprehensive Income and Expenditure Statement (CI&ES)

One of the primary statements. This statement brings together income and expenditure relating to all of the Council's functions. It demonstrates how the costs have been financed from government grants and income from local taxpayers. Please also refer to the detailed description on pages 8 or 21.

Collection Fund Income and Expenditure Account

One of the supplementary statements. All receipts of Council Tax and National Non-Domestic Rates are paid into this account. The Council uses this money to pay the precepts due to Essex County Council, Essex PFCC - Fire and Rescue Authority and Essex PFCC - Policing and Community Safety, and also the Council Tax demand by the Council's General Fund, which finances the Council's day to day expenditure. Please refer to the detailed description on pages 11 or 97.

Contingent Asset

A possible asset that arises from past events but will only be confirmed by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent Liability

This is either:

- A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one of more uncertain future events, not wholly within the Council's control, or
- A present obligation that arises from past events but which is not recognised because either it is not probable that a transfer of economic benefits will occur, or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core (CDC)

CDC is reported within Central and Corporate Services on the Comprehensive Income and Expenditure Statement and incorporates the following sub-divisions:

- Democratic Representation and Management costs – includes all aspects of Members' activities including corporate, programme and service policy-making, general governance and representing local interests.
- Corporate Management costs – concerns those activities which provide the infrastructure which allows services to be provided, whether by the Council or not, and the information required for public accountability.

Creditor

Amounts owed by the Council for goods, services or works received by the Council, for which payment had not been made by the Council at the Balance Sheet date.

Current Asset

An asset held which will be used or received within the next financial year.

Current Liability

An amount which could or will become payable within the next financial year.

Debtor

Amounts owed to the Council for goods, services or works provided by the Council, for which payment had not been received by the Council at the Balance Sheet date.

Derecognition of non-current assets

Derecognition is when an amount that has been included as part of a non-current asset is removed from the asset value recorded on the Balance Sheet. This is either:

- On disposal, or
- When no further economic benefits are expected from that asset or part of asset.

When an asset has enhancement work performed on it to replace or restore all or part of it, an adjustment is applied to remove the estimated amount already recorded in the asset value of that part replaced or restored.

Depreciation

The measure of the loss in value of an asset during the period due to age, wear and tear, deterioration or obsolescence. This charge is spread over the useful life of the asset.

Earmarked Reserve

Amounts set aside for specific future commitments or potential liabilities.

Expenditure

The gross outflow of economic benefits or service potential during the accounting period, which result in a decrease in reserves, either through the consumption of assets or an increase in liabilities.

Expenditure and Funding Analysis (EFA)

A note to the accounts which shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The EFA also shows how this expenditure is allocated between the Council's directorates.

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

General Fund

This is the main Income and Expenditure account which summarises the cost of all services (except those related to Council Housing) provided by the Council.

Government Grants

Grants made by the Government to support council services and used for capital or revenue expenditure. They may be for specific schemes or to support Council services in general.

Gross Book Value

The Gross Book Value is the original price paid for an asset, adjusted for subsequent revaluations, acquisitions, enhancements and disposals, prior to deductions for depreciation.

Heritage Asset

Non-current (long-term) assets which have historical, artistic, scientific, technological, geophysical or environmental qualities, are held and maintained principally for their contribution to knowledge and culture, and are intended to be preserved in trust for future generations due to their cultural, environmental or historical associations.

Housing Revenue Account (HRA) Income and Expenditure Statement

One of the supplementary statements. The Housing Revenue Account reflects a statutory obligation to account separately for local authority housing provision, specifically the management and maintenance of the Council's housing stock. It shows the major elements of housing revenue expenditure and how this is met by rents, subsidy and other income. Please also refer to the detailed description on pages 10 or 93.

Impairment

A reduction in the value of a non-current asset caused by an event occurring to the asset or to the economic environment in which it operates. This reduces the Gross Book Value of the asset recorded on the Balance Sheet.

Income

The gross inflow of economic benefits or service potential during the accounting period, which result in an increase in reserves, either through an enhancement of assets or a decrease in liabilities.

Intangible Assets

Non-current (long-term) assets that do not have a physical substance but are identifiable and are controlled by an entity through custody or legal rights. This includes software licences.

Investment Properties

Non-current (long-term) assets which are held by the Council to earn rental income from, or for capital appreciation, rather than for use in providing services.

Leases

These can be either:

- Finance lease – a lease that transfers the substantial risks and rewards of ownership of a non-current asset to the lessee and so the asset is shown on the balance sheet of the lessee not the lessor.
- Operating lease – a lease other than a finance lease. This is a method whereby a Council can use an asset, but not own it. The asset is therefore not classified as capital expenditure and is not shown on the balance sheet of the lessee.

Liabilities

Present obligations of the Council arising from past events, which are expected to be settled through an outflow of resources from the Council, in the form of future economic benefits or service potential.

Materiality concept

The premise that the financial statements often cannot be precisely accurate but this need not distract from their ability to be fairly stated. Within certain limits a tolerance is permitted in measurement and disclosure of financial statement items and the concept of materiality determines the degree of this tolerance.

Minimum Revenue Provision (MRP)

This 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.

Movement in Reserves Statement (MIRS)

One of the primary statements. The MIRS summarises the change in the financial year across all the reserves and balances held by the Council. Please refer to the detailed description on pages 9 or 23.

Movement on the Housing Revenue Account (HRA) Statement

One of the supplementary statements. This shows how the HRA Income and Expenditure Statement surplus or deficit for the year is adjusted and reconciled to reach the closing HRA balance for the year.

National Non-Domestic Rates (NDR)

A rate in the pound set by central government multiplied by the value of non-domestic properties to calculate the gross amount of rates due from businesses in the borough. The Council is responsible for collecting rates due from the ratepayers in its area and retains part of the amounts collected, with the remainder distributed to Central Government, Essex County Council and Essex PFCC - Fire and Rescue Authority. Commonly also referred to as Business Rates.

Net Book Value

The Net Book Value of an asset is equivalent to its Gross book value, less the deduction of cumulative depreciation charges. Net Book Value is also often referred to as depreciated cost. Asset values recorded on the Balance Sheet are at Net Book Value.

Net Cost of Services

The total cost of providing services after deducting any specific grants or other income.

Net debt

The Council's total borrowings and obligations less cash and investments held by the Council.

Non-Current (Long Term) Assets

Assets that yield benefit to the Council and the service it provides for a period of more than one year. These are split into Tangible Assets and Intangible Assets – please see those definitions.

Non-Distributed Costs (NDC)

NDC is reported within Central and Corporate Services on the Comprehensive Income and Expenditure Statement. It relates to overheads for which no service receives any benefit, for example, pension costs arising from discretionary added years' service and costs relating to unused assets, and is not therefore apportioned to services.

Other Comprehensive Income and Expenditure

The increase or decrease in the net worth of the Council as a result of movements in the fair value of its assets, as reported on both the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.

Precept

The levy made on billing authorities, such as Castle Point Borough Council, by precepting authorities, such as Essex County Council, Essex PFCC - Fire and Rescue Authority and Essex PFCC - Policing and Community Safety. These levies require the billing authority to collect income from Council Taxpayers and NDR payers on behalf of the precepting authorities.

Principal amount

The original amount of a debt or investment on which interest is calculated.

Prudential Code

This sets out the regulatory system of capital finance and capital controls for local authorities. This gives authorities the freedom to determine how much of their capital investment they can afford to fund by borrowing, and seeks to ensure that an authority's capital investment plans are affordable, prudent and sustainable. As part of this, local authorities are required to set and report on certain Prudential Indicators.

Public Works Loan Board (PWLB)

A central government agency which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government itself can borrow.

Reserves

The accumulation of surpluses of income over expenditure from previous years, or capital appreciation. They are not allocated to specific liabilities in the way that provisions are although earmarked reserves are allocated for specific purposes. See also Usable Reserves and Unusable Reserves.

Revaluation

A revaluation of non-current assets is a technique used to adjust for the true value of certain classes of non-current assets owned by the Council. The purpose of a revaluation is to bring into the accounts the fair market value of non-current assets.

Revaluation Reserve

A statutory unusable reserve included on the Balance Sheet, which represents increases in value arising from revaluations of non-current assets. Impairment to an asset will reduce any previous increase in value for that asset recorded in this reserve. Other statutory adjustments are also posted to this reserve on disposal of assets, and also for depreciation.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure normally categorised as capital expenditure which does not result in or remain matched with a non-current asset and which may be properly deferred. An example is expenditure on improvement grants.

Substance over Form

This concept requires that transactions and other events are accounted for and represented in financial statements with regard to their economic substance and financial reality rather than just their legal form.

(Surplus) / Deficit on the provision of services

The increase (surplus) or decrease (deficit) in the net worth of the Council as a result of incurring expenses and generating income, as reported on both the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.

Tangible Assets

Non-Current (long-term) assets which have physical substance. Examples include land, buildings and vehicles.

Unusable Reserves

Reserves which are not available to fund future expenditure and liabilities, as reported on both the Balance Sheet and the Movement in Reserves Statement. These reserves represent unrealised gains and losses, such as on the revaluation of non-current assets, as well as an estimate of the liability arising on the pension fund.

Usable Reserves

Revenue and Capital resources available to fund future expenditure and liabilities, as reported on both the Balance Sheet and the Movement in Reserves Statement. These reserves represent the accumulation of previous years' surpluses of revenue income above revenue expenditure, and also other sources of income, such as from the sale of non-current assets.

Useful Life

The period over which benefits will be derived from the use of a non-current asset.

Value Added Tax (VAT)

VAT is an indirect tax levied on most business transactions, and on many goods and some services.

There are two elements to VAT:

- Input tax - tax paid by the Council on purchases it makes; and
- Output tax - tax received by the Council on sales it makes.

VAT must be passed on to HM Revenue and Customs (HMRC), when output tax exceeds input tax, or reclaimed from HMRC when input tax exceeds output tax.

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