



castlepoint

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## **CASTLE POINT BOROUGH COUNCIL**

### **STATEMENT OF ACCOUNTS FOR THE FINANCIAL YEAR 2022/23**

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## 1 Introduction

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and the Council's financial position at the year-end date, 31 March 2023.

The following narrative report was written in 2023 when the draft accounts were first issued and has not been updated for any subsequent events between then and the publishing of this updated Statement of Accounts in October 2024.

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 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 – Outturn 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 of The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("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. There are no such changes applicable for the 2022/23 accounts.

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 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 credited 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 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 which 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 identified governance issues and a report on progress in addressing issues identified in prior years.

Unspent budgets meeting specific criteria may be carried forward into the following financial year. These arise when at year end, goods have been ordered and not received, or works and services have been committed to, but not commenced or completed. After adjusting for these carried forward budgets the overall outturn position at the end of 2022/23 is as shown below:

<b>Outturn position 2022/23</b>	
<b>General Fund</b>	<b>£35k</b> overspend (0.04% of gross budget of <b>£100m</b> )
<b>Housing Revenue Account</b>	<b>£304k</b> overspent (1.68% of gross budget of <b>£18m</b> )
<b>Capital programme</b>	<b>£69k</b> overspend (1.16% of gross budget of <b>£6m</b> )

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

### **2.3 – Council priorities and the Corporate Plan**

To achieve its long-term vision for the Borough, the Council will focus on the following four priority areas and objectives:

- **Economy and Growth:** ‘We want Castle Point to be a place where our economy is thriving, businesses are growing, and we are prospering through having the skills to access good quality jobs.’
  - We want the local economy of Castle Point to create more value, driven by our vibrant town centres, increased earnings and the productivity of our companies.
  - We want the right conditions for existing businesses to grow and new businesses to come here, including good transport links and access to a skilled workforce.
  - We are proud of our strong work ethic and entrepreneurial spirit; we want all of us to embrace the opportunities of work and the prosperity it brings.
  - We want to make sure that everyone has the right skills to access good quality jobs on offer now and in the future.
- **People:** ‘We want Castle Point to be a place where we are a safe, inclusive and healthy community free to get on with our lives with access to the right support when it is needed, particularly our vulnerable residents, the young and elderly.’
  - Our communities are one of our biggest strengths; we want to nurture our community spirit across the whole Borough so that we can all feel safe and that we belong.
  - We want to lead long and healthy lives with access to leisure facilities and organised activities that encourage us to keep active and feel good about ourselves.
  - Those in our community who are vulnerable will be cared for and looked after.
  - We want to nurture young people to reach their full potential and give support to the elderly through providing services that deliver community value.
- **Place:** ‘We want Castle Point to be a place where we have enough good quality homes with appropriate levels of local services and we can get around easily with choices about how we travel.’
  - We need to have enough quality new homes to support our growing population, minimise homelessness and meet our housing needs as this changes over different stages of our lives.
  - We want to ensure that new development is designed to make places safe and helps to deliver affordable housing, transport improvements, great public spaces, schools and healthcare.
  - Getting around is important to us for both work and leisure so we want a transport system that is effective and offers real choice for the way we travel, not just the car but walking, cycling, bus or train.
- **Environment:** ‘We want Castle Point to be a place where our natural and historic assets are protected and enhanced, we are proud of our clean and pleasant surroundings, and we are all helping to improve the local environment and to combat climate change.’
  - Our natural and historic assets are our best kept secret – from the beaches and the foreshore to the ‘green lungs’ of our parks and open spaces – we want to protect and enhance these.
  - We are proud of where we live and want to keep our local neighbourhoods looking clean and green.

- We want to help improve the local environment by reducing waste and reusing and recycling more.
- We also want to help combat climate change by making choices in our lives that reduce CO2 emissions.

Climate change is a significant issue for the UK and the Council is committed to tackling this – agreeing a target of net-zero carbon emissions by 2040 – and has implemented a number of initiatives in recent years to reduce the impact of the Council’s operations on the environment. These include: insulation, boiler replacements in Council-owned housing; LED light upgrades and pool covers in the leisure centres; facilitation of grants to privately-owned houses to improve energy efficiency (especially those experiencing fuel poverty); and various other lighting and insulation improvements to Council offices and community halls. The Council has also set aside funds in a reserve to be able to take forward new projects as they arise.

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>.

#### **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 indicators is shown below.

<b>Indicator</b>	<b>Performance 2021/22</b>	<b>Target 2022/23</b>	<b>Performance 2022/23</b>
Percentage of fly tips removed within one working day	99%	90%	99%
Household waste recycled or composted (inc. food waste)	47.69%	50%	46.65%
Average time to process benefit claims: new claims	23 days	21 days	22 days
Leisure Memberships	3,700	4,000 (Q4)	4,201
Overall tenant satisfaction with repairs and maintenance	94%	96%	96%
Percentage of calls to First Contact resolved without the need to transfer to the back office	96%	95%	96%

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 a selection of these indicators is provided below, using the most recently available information.

- **The total net expenditure on council services** – this has decreased from **£12.6m** in 2020/21 to **£8.9m** in 2021/22. The Council’s cost remains below the average of all district councils, which was **£17.5m** in 2021/22.
- **The total net spend per head of population on council services** – this looks at the same data as the first indicator but presents it as per head of population. This has therefore also decreased from **£139** in 2020/21 to **£100** in 2021/22. The average for all district councils was **£148** in 2021/22.
- **Income from sales, fees and charges as a percentage of total spend** – this increased from **14%** in 2020/21 to **29%** in 2021/22. There is a wide variation in levels of charging between district councils with the same responsibilities, and the Council is currently above the average of all district councils, which was **22%** in 2021/22.

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

Indicator – spend per head / dwelling on:	CPBC 2020/21 £	CPBC 2021/22 £	District Average 2021/22 £
Council tax collection per chargeable dwelling	18	17	11
Sport, play and parks	48	55	28
Waste management	47	44	40
Street cleansing	11	8	11
Planning services	29	29	25

Values are rounded to the nearest pound.

## 2.5 – Financial Reserves and looking ahead

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 2023/24 is **£2.6m** for General Fund reserves and **£659k** for Housing Revenue Account reserves.

The Council's budget for 2023/24 is dependent on the use of general reserves to offset one-off costs associated with the development of a new local plan. In future years funding gaps are forecast of **£1.2m** in 2024/25 and **£1.4m** in 2025/26, meaning that the Council must identify new savings to meet spending plans during these years and until such time as the budget gap is closed. Castle Point is not unique in this position, which has largely arisen as a result of historic reductions in government funding and controls on council tax levels.

The Council, like all local authorities, has been delivering savings and efficiencies for many years but is now at the point where the smaller or easier options have been exhausted. Consequently, the Council is commencing a transformation programme which is able to look at thematic workstreams at strategic level, and at a detailed level identify new and improved ways of working and managing resources. Detailed transformation budget plans are not yet available although an allowance for the cost of change has been made within reserves. Additionally, in the absence of detailed plans, no savings have yet been assumed in the budget although it is possible that ongoing savings will start accruing during 2023/24.

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

As a result of work commenced in the 2021/22 estimates cycle, phasing of capital repairs combined with reviewing the future funding of the HRA means that the business plan is sustainable, but it does identify periods where budget gaps exist that may require funding via internal or external borrowing.

More information in relation to the Council's budget can be found in reports presented to Cabinet and Council in February each year, located 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 other 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 value. The Council had outstanding provisions as at 31 March 2023, primarily in relation to business rates appeals of **£1.076k** and **£25k** relating to ASELA. The provisions are explained in Note 21 to the Core Financial Statements.
- Contingent assets and contingent liabilities are assets and liabilities that are dependent on future events which may or may not occur. The Council had no contingent assets as at 31 March 2023, 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 outstanding and due to be paid to the Council at 31 March 2023 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. An impairment would mean that without adjustment the asset values stated in the balance sheet would be overstated. Further information is disclosed in Note 24.1.

The UK has now officially left the EU and whilst the transition period has come to an end and the deal provides a more certain position in relation to the UK's future relationship with the EU, the full implications will take some time to release. There is therefore a period of uncertainty in relation to many factors that impact the construction markets and costs associated with this market.

In addition to the general uncertainty due to this, the outbreak to Novel Coronavirus (covid-19) is also relevant and has continued to impact.

Finally, the recent Russian invasion of Ukraine has added to the level of global uncertainty.

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 not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

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 whether there are events, both favourable and unfavourable, that have occurred after the end of the accounting period and before the date when the financial statements are authorised for issue, which are required to be reported within the Statement of Accounts. These are referred to as Post Balance Sheet events and are of two types:

- Adjusting events: events that provide additional evidence regarding conditions which existed at the end of the accounting period; and
- Non-Adjusting events: 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 '**date to be determined**', 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 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 2022/23, across both General Fund and Housing Revenue Account, was **£5.9m**, as shown in Section 5 of this Narrative Report.

The main items of capital expenditure during 2022/23 included:

- Council house improvements;
- Disabled Facilities and other home improvement grants;

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.

The Council made early repayments of some of General Fund and HRA Loans in September 2022 to take advantage of discounts which were available, giving a net saving of just over **£3.4m**. The Council's General Fund borrowing now consists of a single fixed rate loan (in relation to the Knightswick Centre) at an interest rate of **1.08%** per annum. The Council's HRA borrowing consists of fixed rate loans at interest rates ranging from **2.31%** to **3.43%** per annum.

As at 31 March 2023 the Council had **£6.3m** relating to the purchase of the Knightswick Shopping Centre) of outstanding General Fund borrowing and **£27.3m** 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 employment terms and conditions, 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 scheme deficit or liability shows the underlying commitment that the Council has in the long run to pay future post-employment benefits. The current pension scheme asset means that the benefits earned by past and current employees are less than the resource the Council has set aside to meet them. The net asset of **£18.4m** as at 31 March 2023 is recorded in the Balance Sheet. Employer contributions take into account the forecast position of the pension fund and will be adjusted as necessary, up or down, to ensure the fund position balances in the long term.

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 CI&ES 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 2022/23 this was an increase of **£9.9m**.

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 2022/23 this amount increased by **£41m**.

##### 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 2023. 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 2023 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 2023 was **£196m**.

### **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 2022/23 was an increase of **£559k**.

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

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 Council 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 45.

### **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 2022/23 was an increase of **£917k**.

**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 2022/23 was **£1.2m**.

**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).

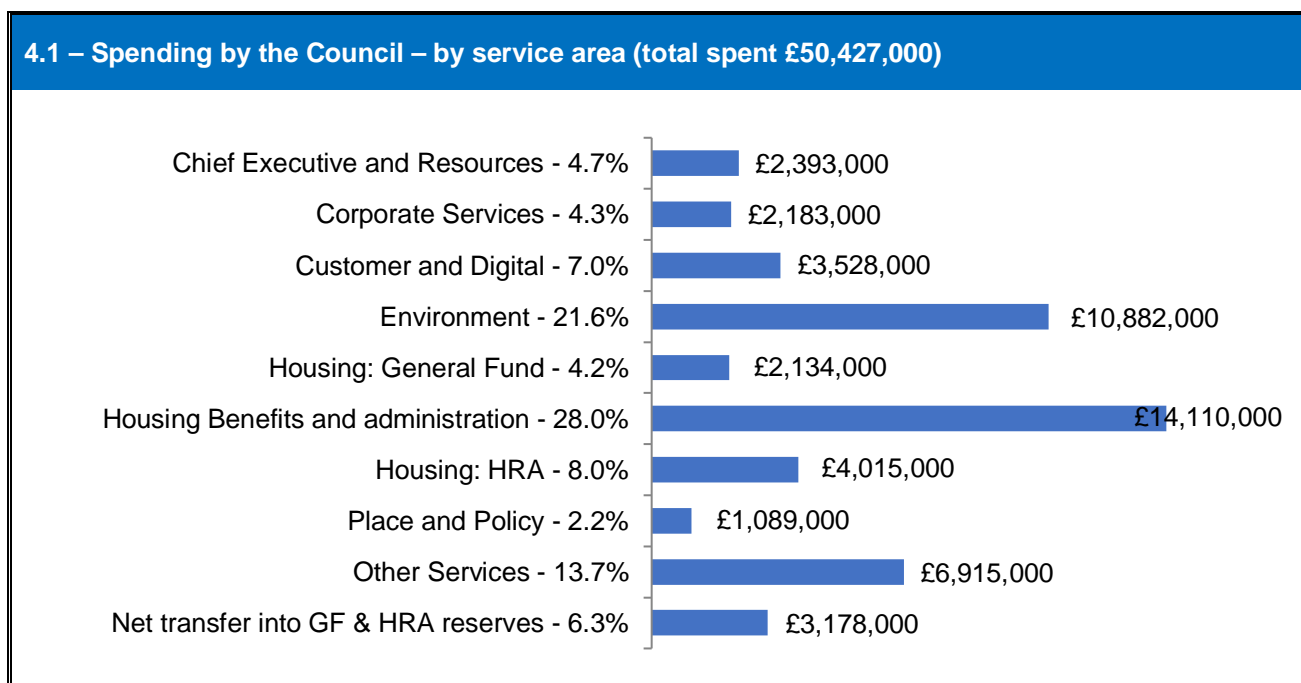
At the end of 2022/23 the Collection Fund reported a surplus on Council Tax of **£1.5m** and a surplus on NDR of **£1.7m**. These amounts will be shared in subsequent years between the Council, Central Government and the other major precepting authorities (Essex County Council, Essex Police, Fire and Crime Commissioner (PFCC) - Fire and Rescue Authority and Essex PFCC - Policing and Community Safety).

The Council’s share of the Council Tax surplus is **£221k** and **£668k** of the surplus on NDR.

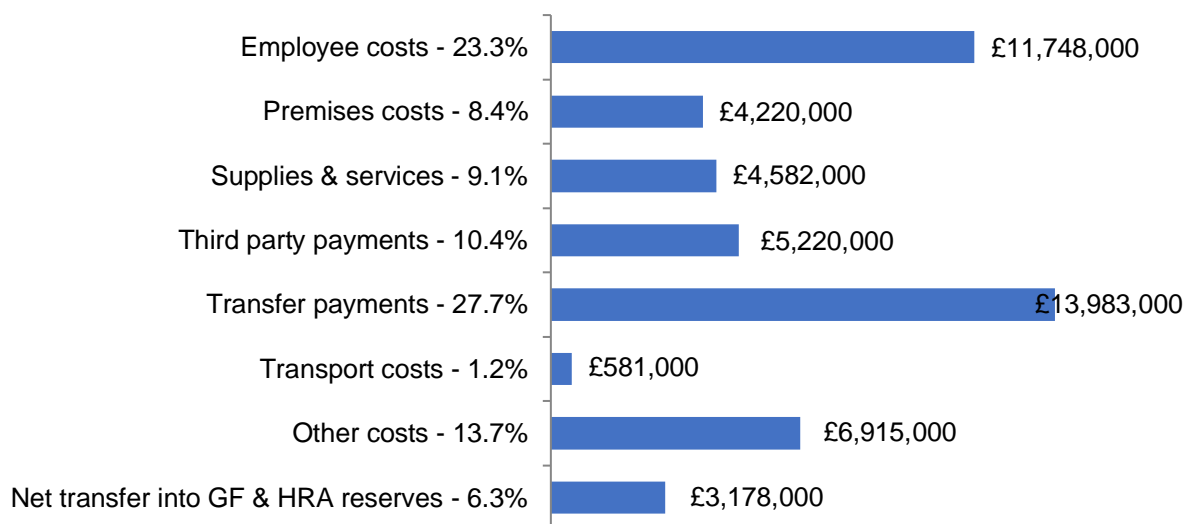
**4 Summary of the Council's Spending and Income**

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

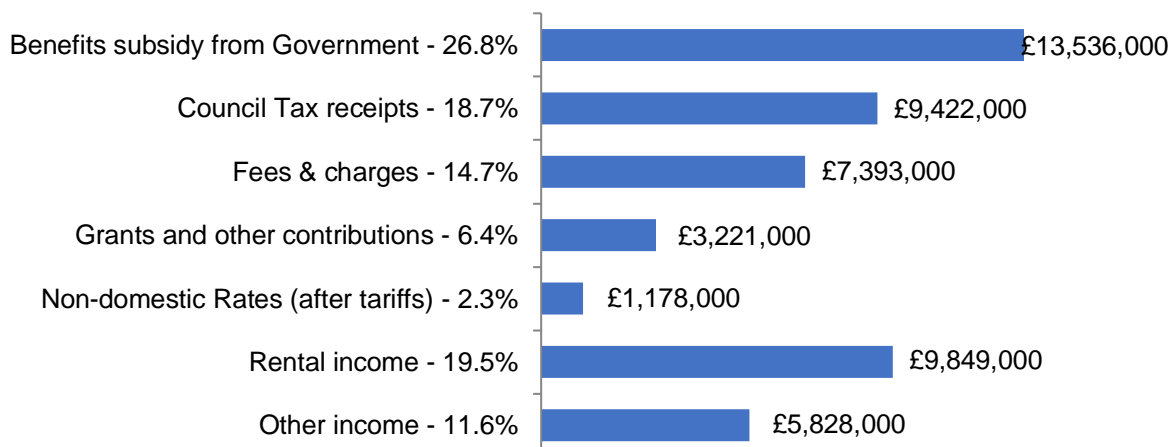
These figures represent a simplified version of the Council's revenue income and expenses, without the statutory adjustments such as capital charges that are required to be used in the amounts reported in the Statement of Accounts. They also exclude internal recharges between services and therefore figures 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.



#### 4.2 – Spending by the Council – by cost type (total spent £50,427,000)



#### 4.3 – Income received by the Council (total received £50,427,000)



#### 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.

**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 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 Benefits and administration** includes the cost of all Housing benefit payments made to claimants, and the cost of administering the Housing Benefit function.

**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.

**Other services** consists 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. This relates to both the General Fund and Housing Revenue Account.

#### **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 reimburse the Council for 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. The 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.



## 5 Outturn for the Financial Year and Comparison to Budget

The following tables compare final outturn against budget for the financial year and include recharges between.

5.1 - The General Fund	Note	Actual (Income) & Expenditure £000s	Revised Net Budget £000s	Difference £000s	Budget Carried Forward £000s	Final Residual Difference £000s
<b>Net Expenditure item</b>						
Chief Executive and Resources		(2,221)	1,547	(3,768)	0	(3,768)
Corporate Services		165	326	(161)	33	(128)
Customer and Digital		1,872	1,673	199	32	231
Environment		6,522	7,484	(962)	71	(891)
Housing - General Fund		782	980	(198)	0	(198)
Place and Policy		1,158	1,548	(390)	244	(146)
<b>Net cost of services</b>		<b>8,278</b>	<b>13,558</b>	<b>(5,280)</b>	<b>380</b>	<b>(4,900)</b>
Exceptional items		(2,839)	0	(2,839)	0	(2,839)
Other operating expenditure/(income)		313	644	(331)	0	(331)
Financing and investment income and expenditure		(942)	(26)	(916)	0	(916)
<b>(Surplus) / deficit on continuing operations</b>		<b>4,810</b>	<b>14,176</b>	<b>(9,366)</b>	<b>380</b>	<b>(8,986)</b>
Council tax, business rates and non specific grant income and expenditure	4	(13,754)	(11,690)	(2,064)	0	(2,064)
<b>(Surplus) / deficit on the provision of services</b>		<b>(8,944)</b>	<b>2,486</b>	<b>(11,430)</b>	<b>380</b>	<b>(11,050)</b>
Adjustments between accounting basis and funding basis under regulations	1	3,866	(2,345)	6,211	0	6,211
Net transfer to / (from) Earmarked Reserves	2	4,785	(469)	5,254	(380)	4,874
<b>Transfer (to) / from General Fund balance</b>		<b>(293)</b>	<b>(328)</b>	<b>35</b>	<b>0</b>	<b>35</b>

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
<b>Income and expenditure</b>						
Service Income		(8,172)	(8,108)	(64)	0	(64)
Service Expenditure		7,051	7,061	(10)	0	(10)
<b>Net Expenditure / (Income) of HRA Services</b>		<b>(1,121)</b>	<b>(1,047)</b>	<b>(74)</b>	<b>0</b>	<b>(74)</b>
HRA Share of other whole Council income and expenditure	3	205	591	(386)	0	(386)
<b>(Surplus) / deficit on the provision of HRA services</b>		<b>(916)</b>	<b>(456)</b>	<b>(460)</b>	<b>0</b>	<b>(460)</b>
Adjustments between accounting basis and funding basis under regulations	1	2,817	54	2,763	0	2,763
Net transfer to / (from) Earmarked Reserves	2	(1,000)	1,000	(2,000)	0	(2,000)
<b>Transfer (to) / from HRA reserve</b>		<b>901</b>	<b>598</b>	<b>303</b>	<b>0</b>	<b>303</b>

5.3 - The Capital programme	Note	Actual Expenditure £000s	Revised Budget £000s	Difference £000s	Budget Carried Forward £000s	Final Residual Difference £000s
<b>Capital Expenditure by service</b>						
Chief Executive and Resources		35	0	35	0	35
Customer and Digital		39	50	(11)	0	(11)
Environment		2,367	2,821	(454)	466	12
Housing - Housing Revenue Account		2,452	2,998	(546)	540	(6)
Place and Policy		54	50	4	0	4
Corporate Services		35	0	35	0	35
<b>Total Capital Expenditure</b>		<b>4,982</b>	<b>5,919</b>	<b>(937)</b>	<b>1,006</b>	<b>69</b>

#### 5.4 - Notes on outturn 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 2023 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 Rating income is returning to pre-covid levels.

## 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 (known as the section 151 officer). At the time of initially preparing these accounts in 2021, that officer was the Strategic Director (Resources), Chris Mills FCPFA. At the time the accounts were updated and reissued, that officer was the Assistant Director, Finance & Procurement, Lance Wosko ACMA CGMA;
- 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 Section 151 Officer

The section 151 officer 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 section 151 officer has:

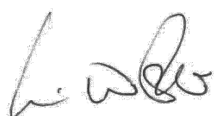
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Local Authority Code.

The section 151 officer 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.

Subsequent to the initial issue of these accounts, irregularities were identified and have been subject to substantial investigation. Full details are contained within the Addendum to the Annual Governance Statement, starting on page 120 within this document.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council as at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.



**Lance Wosko ACMA CGMA**  
**Assistant Director, Finance & Procurement**  
**(s151 officer)**  
**10 December 2024**

I confirm that the Statement of Accounts was approved by the Audit and Governance Committee at the meeting held on 28 November 2024.

Signed on behalf of Castle Point Borough Council by the Chair of the meeting approving the Accounts.



**Councillor Nick Harvey**  
**Chair of Audit Committee**  
**10 December 2024**

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASTLE POINT BOROUGH COUNCIL**

## **Disclaimer of Opinion**

We were engaged to audit the financial statements of Castle Point Borough Council (the Council) for the year ended 31 March 2023 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement,
- the related notes AP1 to AP24 and 1 to 24,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 4, and
- Collection Fund and the related notes 1 to 2.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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

## **Basis for opinion**

As reported in the Independent Auditor's Report to the Members of Castle Point Borough Council for the year ended 31 March 2021, during the completion of our audit of the Council for the year ended 31 March 2021, we became aware of potentially unlawful transactions that occurred between 2012/13 and 2021/22 totalling £1,153,328. As set out in the Council's Addendum to the Annual Governance Statement for 2022/23 on pages 120 to 126 and our value for money assessment below, senior management at the time failed to disclose to us the impact of those transactions on the financial statements. Once we became aware of those transactions, we conducted further enquiries to establish the facts and circumstances leading to the transactions and their non-disclosure to us. Those enquiries led us to conclude that this was in part due to management's failure to implement adequate controls and general lack of guidance in relation to these transactions. However, there was also evidence of deliberate circumvention of controls, which calls into question the integrity of those members of senior management of the Council involved who remained in post during 2022/23.

The issues were raised to us by Internal Audit in March 2022. Although the Council conducted internal and external investigations which were completed in July 2022 and July 2023, respectively, the circumstances which led to the potentially unlawful payments were still present during 2022/23.

In light of these issues, we have determined we are unable to conclude on the completeness, accuracy and reliability of information and representations received from senior management who were in post at the time of preparation of the financial statements.

We have therefore concluded we do not have the evidence we require to issue an audit report on the financial statements for the Council for the year ended 31 March 2023.

## **Matters on which we report by exception**

We are required to report if, in our opinion, the Annual Governance Statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council. Notwithstanding our disclaimer of opinion on the financial statements due to the pervasive limitation described above, we have nothing to report.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

We have nothing to report in these respects.

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

We report to you if we are not satisfied that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023. On the basis of our work, having regard to the Code of Audit Practice 2024 and the guidance issued by the Comptroller and Auditor General in November 2024, we have identified a significant weakness in the Council's arrangements for the year ended 31 March 2023.

We have identified a serious and pervasive weakness in governance arrangements in relation to the effective operation of internal controls and oversight of financial transactions; and procedures regarding recruitment, promotion and pay and conditions approval, leading to a disclaimed opinion on the financial statements.

In forming our assessment, we have considered and reviewed:

- The Internal Audit Report on Senior Management Pay and Conditions issued in June 2022;
- The independent external consultant report on the Internal Audit Report issued in October 2023;
- The legal advice obtained by the Council in September 2023 and January 2024 regarding the lawfulness of the schemes and related payments.

Since the issue was initially brought to our attention in late March 2022, the new Chief Executive has implemented a wide-ranging Transformation programme. The details of the issue and further actions taken by management are detailed in the Council's Annual Governance Statement for 2022/23.

The significant weakness identified in the Council's governance processes increases the risk that inappropriate payments are made, which resulted in financial loss and reputational damage for the Council. It also caused distraction from day-to-day operations of the Council and a delay in implementation of the Council's Transformation agenda.

We recommend that the Council continues to advance their Transformation Programme. We acknowledge that the Council approved management to obtain further legal and other professional advice and analysis to determine what action to take in relation to the potentially unlawful amounts paid.

This issue is evidence of weaknesses in proper arrangements for:

- how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour.

### **Responsibility of the Assistant Director, Finance & Procurement (s151 Officer)**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 16, the Assistant Director, Finance & Procurement is responsible for the preparation of the Statement of Accounts, which includes the Council financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Assistant Director, Finance & Procurement determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Assistant Director, Finance & Procurement is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or has no realistic alternative but to do so.

The authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our ethical responsibilities in accordance with these requirements.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud was subject to pervasive limitation in the scope of our audit set out in the basis for disclaimer of opinion

paragraph above and the significant weakness we reported on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Council and determined that the most significant are:

- Local Government Act 1972,
- Local Government and Housing Act 1989 (England and Wales),
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014 (as amended), and
- The Accounts and Audit Regulations 2015.

In addition, the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

#### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether Castle Point Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Castle Point Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Castle Point Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### **Certificate**

We certify that we have completed the audit of the accounts of Castle Point Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

## Use of our report

This report is made solely to the members of Castle Point Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.



Janet Dawson (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
London  
10 December 2024



## 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	Gross Income	Net		Notes	Gross Expend	Gross Income	Net	
2021/22	2021/23	2021/23			2022/23	2022/23	2022/23	
£000s	£000s	£000s			£000s	£000s	£000s	
			<b>Gross Expenditure, Gross Income and Net Expenditure of Continuing Operations</b>					
4,231	(1,344)	2,887	Chief Executive and Resources		(471)	(1,492)	(1,963)	
2,346	(726)	1,620	Corporate Services		2,252	(696)	1,556	
22,369	(20,140)	2,229	Customer and Digital		18,047	(14,615)	3,432	
11,291	(6,120)	5,171	Environment		12,167	(7,230)	4,937	
4,464	(3,530)	934	Housing: General Fund		4,579	(4,161)	418	
5,936	(7,775)	(1,839)	Housing: Housing Revenue Account (HRA)		6,288	(8,101)	(1,813)	
1,563	(880)	683	Place and Policy		1,265	(675)	590	
<b>52,200</b>	<b>(40,515)</b>	<b>11,685</b>	<b>Net Cost of Services - Continuing Operations</b>		<b>44,127</b>	<b>(36,970)</b>	<b>7,157</b>	
			<b>Exceptional Items</b>					
17	0	17	VAT claims and refunds, including legal fees		(10)	(2,830)	(2,840)	
<b>52,217</b>	<b>(40,515)</b>	<b>11,702</b>	<b>Net Cost of Services after Exceptional Items</b>		<b>44,117</b>	<b>(39,800)</b>	<b>4,317</b>	
			<b>Other Operating Expenditure</b>					
		(150)	(Gain) / loss on disposal / derecognition of non-current assets				303	
		252	Payment of precept to Canvey Island Town Council				263	
		151	Payment of Housing Pooled Capital Receipts to the Government Pool				0	
		45	Pensions - IAS19 administration expenses	18			59	
			<b>Financing and Investment Income and Expenditure</b>					
		1,247	Interest payable on debts and finance leases, and similar charges	19			1,118	
		(110)	Interest and investment income receivable, and similar income				(1,736)	
		(459)	Investment Properties - income, expenditure, changes in the fair value of assets, and (gains) / losses on disposal or derecognition	13			(203)	
		563	Pensions - net interest on the net defined benefit liability	18			302	
		<b>13,241</b>	<b>(Surplus) / Deficit on Continuing Operations</b>				<b>4,423</b>	



## Movement in Reserves Statement

This statement shows the movement from the start to the end of the financial 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 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	Total Unusable Reserves		
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s		
<b>Balance as at 1 April 2021</b>	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	
<b>Movement in reserves during the year</b>														
Total Comprehensive Income and Expenditure	124	271	0	0	0	0	395	18,818	24,213	0	0	43,031	43,426	
Adjustments between accounting basis and funding basis under regulations	11 & 12	310	(7,068)	0	1,979	157	0	(4,622)	(2,346)	(1,484)	5,769	2,683	4,622	0
Increase / (decrease) in the year before transfers to and from Earmarked Reserves		434	(6,797)	0	1,979	157	0	(4,227)	16,472	22,729	5,769	2,683	47,653	43,426
Transfers to and (from) Earmarked Reserves	12.1	(238)	6,000	(5,762)	0	0	0	0	0	0	0	0	0	0
<b>Net increase / (decrease) during the year</b>		196	(797)	(5,762)	1,979	157	0	(4,227)	16,472	22,729	5,769	2,683	47,653	43,426
<b>Balance as at 31 March 2022</b>		5,792	2,075	16,538	3,823	2,445	80	30,753	(12,399)	77,844	84,859	(1,325)	148,979	179,732
<b>Balance as at 1 April 2022</b>		5,792	2,075	16,538	3,823	2,445	80	30,753	(12,399)	77,844	84,859	(1,325)	148,979	179,732
<b>Movement in reserves during the year</b>														
Total Comprehensive Income and Expenditure		8,945	916	0	0	0	1	9,862	32,698	8,329	0	0	41,027	50,889
Adjustments between accounting basis and funding basis under regulations	11 & 12	(3,866)	(2,818)	0	211	540	0	(5,933)	(1,869)	(1,228)	6,196	2,834	5,933	0
Increase / (decrease) in the year before transfers to and from Earmarked Reserves		5,079	(1,902)	0	211	540	1	3,929	30,829	7,101	6,196	2,834	46,960	50,889
Transfers to and (from) Earmarked Reserves	12.1	(4,785)	1,000	3,785	0	0	0	0	0	0	0	0	0	0
<b>Net increase / (decrease) during the year</b>		294	(902)	3,785	211	540	1	3,929	30,829	7,101	6,196	2,834	46,960	50,889
<b>Balance as at 31 March 2023</b>		6,086	1,173	20,323	4,034	2,985	81	34,682	18,430	84,945	91,055	1,509	195,939	230,621

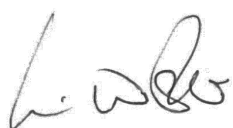
## Balance Sheet

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 2022		Notes	31 March 2023	
£000s			£000s	£000s
	<b>Non-Current (Long Term) Assets</b>			
206,122	Property, plant and equipment	13	216,207	
550	Heritage assets	13	566	
2,206	Investment properties	13	2,212	
152	Intangible assets		75	
163	Long term debtors	14 & 19	170	
1,000	Long term Investments	19	0	
0	Asset related to defined benefit pension scheme	18	18,430	
<b>210,193</b>	<b>Total Non-Current (Long Term) Assets</b>			<b>237,660</b>
	<b>Current Assets</b>			
41,421	Short term Investments	19	37,640	
59	Inventories		73	
7,596	Short term debtors	14 & 19	7,638	
0	Cash and cash equivalents	15	519	
<b>49,076</b>	<b>Total Current Assets</b>			<b>45,870</b>
	<b>Current Liabilities</b>			
(1,311)	Short term borrowing and finance lease liabilities	19	(1,210)	
(8,725)	Revenue and capital grants receipts in advance		(5,419)	
(13,132)	Short term creditors	17	(13,142)	
(1,101)	Provisions	21	(576)	
(40)	Cash and cash equivalents (net overdrawn total)	15	0	
<b>(24,309)</b>	<b>Total Current Liabilities</b>			<b>(20,347)</b>

31 March 2022		Notes	31 March 2023	
£000s			£000s	£000s
	<b>Non-Current (Long Term) Liabilities</b>			
(41,001)	Long term borrowing and finance lease liabilities	19	(32,400)	
(145)	Long term creditors	17	(162)	
(1,683)	Collection Fund - Government and major preceptors	16	0	
(12,399)	Liability related to defined benefit pension scheme	18	0	
<b>(55,228)</b>	<b>Total Non-Current (Long Term) Liabilities</b>			<b>(32,562)</b>
<b>179,732</b>	<b>Net Assets</b>			<b>230,621</b>
	<b>Usable Reserves</b>			
5,792	General Fund		6,086	
2,075	Housing Revenue Account		1,173	
16,538	Earmarked Reserves	12.1	20,323	
2,445	Major Repairs Reserve	11 & 12.2	2,985	
3,823	Capital Receipts Reserve	11 & 12.3	4,034	
80	Capital Grants Unapplied Account	11 & 12.4	81	
<b>30,753</b>	<b>Total Usable Reserves</b>			<b>34,682</b>
	<b>Unusable Reserves</b>			
(12,399)	Pensions Reserve	11, 12.5 & 18	18,430	
77,844	Revaluation Reserve	11, 12.6 & 13	84,945	
84,859	Capital Adjustment Account	11 & 12.7	91,055	
	Other Statutory Adjustment Accounts:			
(1,158)	• Collection Fund Adjustment Account	11 & 12.8	890	
(167)	• Accumulated Absences Account	11 & 12.8	(100)	
0	• Financial Instruments Adjustment Account	11 & 12.8	719	
<b>148,979</b>	<b>Total Unusable Reserves</b>			<b>195,939</b>
<b>179,732</b>	<b>Total Reserves</b>			<b>230,621</b>

I certify that the accounts present to the best of my knowledge a true and fair view of the financial position of the Authority as at 31 March 2023 and the income and expenditure for the year then ended. These financial statements replace the unaudited financial statements the unaudited financial statements certified by the Section 151 Officer on 16 October 2024.



Lance Wosko  
Assistant Director, Finance & Procurement (s151 officer)  
10 December 2024

## 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.

2021/22		Notes	2022/23	
£000s			£000s	£000s
	<b>Operating Activities</b>			
	<b>Cash Outflows on Operating Activities</b>			
9,124	Cash paid to and on behalf of employees		9,444	
252	Precept paid to Canvey Island Town Council		263	
9,572	Housing Benefit paid		8,488	
188	Payments to the Capital Receipts Pool		0	
1,644	Non-domestic Rates - net total of tariff, levy and safety net amounts to/from Central Government		4,150	
1,305	Interest paid, including interest on finance lease liabilities		1,219	
21,639	Cash paid to suppliers of goods and services, and other payments for Operating Activities		21,763	
<b>43,724</b>	<b>Total Cash Outflows on Operating Activities</b>			<b>45,327</b>
	<b>Cash Inflows on Operating Activities</b>			
(2,747)	Rents (after rebates)		(2,941)	
(8,584)	Council Tax received		(9,308)	
(2,405)	Non-domestic Rates received		(5,549)	
(6,842)	Revenue Support Grant and General Government Grants		(1,022)	
(14,406)	Housing Benefit Subsidy		(13,344)	
(6,138)	Cash received from the sale of goods and the rendering of services		(7,235)	
(100)	Interest received		(1,579)	
(9,050)	Other cash receipts from Operating Activities		(6,999)	
<b>(50,272)</b>	<b>Total Cash Inflows on Operating Activities</b>			<b>(47,977)</b>
<b>(6,548)</b>	<b>Net Cash (Inflow)/Outflow from Operating Activities</b>			<b>(2,650)</b>

**Cash Flow Statement**

2021/22		Notes	2022/23	
£000s			£000s	£000s
	<b>Investing Activities</b>			
2,819	Purchase and enhancement of non-current (long term) assets		2,441	
(2,323)	Proceeds from the sale of non-current (long term) assets		(497)	
27	Expenses incurred on Investment Properties		53	
(234)	Rental income received from Investment Properties		(252)	
840	Government capital grants received		(74)	
(399)	Other capital grants and capital cash receipts		(532)	
249,072	Purchase of short term and long term investments		266,301	
(247,152)	Proceeds from redemption of short term and long term investments		(271,231)	
<b>2,650</b>	<b>Net Cash (Inflow)/Outflow from Investing Activities</b>			<b>(3,791)</b>
	<b>Financing Activities</b>	16		
7,900	Repayments of short term and long term borrowing		8,601	
	Collection Fund - Agency Adjustments:			
(295)	• Council Tax relating to major preceptors		(477)	
(3,576)	• Non-Domestic Rates relating to Central Government and major preceptors		(2,242)	
<b>4,029</b>	<b>Net Cash (Inflow)/Outflow from Financing Activities</b>			<b>5,882</b>
<b>131</b>	<b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>			<b>(559)</b>
(91)	<b>Cash and Cash Equivalents as at 1 April</b>			40
<b>40</b>	<b>Cash and Cash Equivalents as at 31 March</b>	15		<b>(519)</b>

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## AP1 - Accounting Policies – Introduction and General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year, 1 April 2022 to 31 March 2023, and its position at the year end date, 31 March 2023. 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 2021/22, 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. 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.

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 2022/23 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 Council's investments and cash balances totalled **£38.2m** at 31 March 2023, which was held in either short term investments (maturing in 2022/23) or cash balances. These accessible balances are forecast to remain above **£10m** for the 2023/24 and 2024/25 financial years with longer term investments increasing to **£15m** by March 2025. The Council has the ability to borrow an additional **£11.5m**, forecast capacity, in 2024/25 should this be required.

The Council's General Reserves remain relatively healthy and exceed the minimum level of **£2.6m** recommended by the Council's s151 Officer.

In addition to General Reserves (**£6.1m** at 31 March 2023) the Council holds Earmarked Reserves to the value of **£20.3m** at 31 March 2023. These reserves are either supported by detailed spending plans which span several financial years, earmarked for transformation and spend to save initiatives 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 **£18.8m** by 31 March 2024. This forecast will change before the budget for 2024/25 is set in February 2024 as other items occur and timings of spend are confirmed.

Going forward there remains uncertainty around local government funding as well as the impact of high inflation on the cost of living, particularly on pay and energy costs. 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.

Future years budgets assume an ongoing reduction in funding from business rates. Whilst future years budgets are not balanced, work is progressing to establish plans to bring spending within resources and maintain the Council's track record of balanced budgets and healthy reserves. This is however made more 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 2022/23 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 2022 for the 2022/23 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 accruals 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 a 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 investment 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 investment 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 debtors, creditors, the 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 (if applicable). 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 of 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 **4.8%** (**2.6%** in 2021/22) 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 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 the 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 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.

## **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.

Implementation of IFRS16 Leases has been deferred until 1 April 2024. 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)

### **Notes to the Core Financial Statements - Summary of Significant Accounting Policies**

- 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, require the use of two valuation methods, depending on the nature and usage of the individual asset.

#### **AP16.4 – Revaluations**

Classes of assets held at current value are carried at re-valued amounts. The revalued 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 Department for Levelling up, Housing and Communities (DLUHC), 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 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

### **Notes to the Core Financial Statements - Summary of Significant Accounting Policies**

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 based on a Central Government calculation which is intended to compensate the Council for debt which may be still outstanding against the sold property, as determined by the original self-financing of the HRA. 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 **69.9%** of the receipt, capped at **£150,854** for 2022/23, paid annually.
- The Council receives **30.1%** of the receipt, capped at **£64,932** for 2022/23. 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 5 years from the end of the year it was received in and can only be used for the replacement of council properties. If after this time an 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.

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

### **Notes to the Core Financial Statements - Summary of Significant Accounting Policies**

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

### **Notes to the Core Financial Statements - Summary of Significant Accounting Policies**

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.

### **Notes to the Core Financial Statements - Summary of Significant Accounting Policies**

- **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 2022/23 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 CI&ES.

Net Expenditure chargeable to the GF & HRA balances 2021/22 £000s	Adjustments (See note 1.3 below) 2021/22 £000s	Net Expenditure in the CI&ES 2021/22 £000s	1.1 Expenditure and Funding Analysis						
			Net Expenditure chargeable to the GF & HRA balances 2022/23 £000s	Adjustments (See note 1.3 below) 2022/23 £000s	Net Expenditure in the CI&ES 2022/23 £000s				
748	2,139	2,887				Chief Executive and Resources	857	(2,820)	(1,963)
(77)	1,697	1,620				Corporate Services	(118)	1,674	1,556
573	1,656	2,229				Customer and Digital	1,463	1,970	3,432
5,074	97	5,171				Environment	5,181	(243)	4,937
1,279	(345)	934				Housing: General Fund	732	(314)	418
(1,125)	(714)	(1,839)				Housing: Housing Revenue Account	(1,325)	(488)	(1,813)
1,091	(408)	683				Place and Policy	983	(394)	590
<b>7,563</b>	<b>4,122</b>	<b>11,685</b>				<b>Net Cost of Services</b>	<b>7,773</b>	<b>(615)</b>	<b>7,157</b>
(1,200)	(10,880)	(12,080)				Other income and expenditure	(10,950)	(6,069)	(17,019)
<b>6,363</b>	<b>(6,758)</b>	<b>(395)</b>				<b>(Surplus) / Deficit</b>	<b>(3,177)</b>	<b>(6,684)</b>	<b>(9,862)</b>
			<b>GF, HRA and earmarked reserves balances (See note 1.2 below):</b>						
(30,768)						Total opening balance at 1 April	(24,405)		
6,363						Add (surplus) / less deficit for the year	(3,177)		
<b>(24,405)</b>						<b>Total closing balance at 31 March</b>	<b>(27,582)</b>		

Note: Table does not cross cast due to roundings.

**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		GF	HRA	Earmarked Reserves
2021/22	2021/22	2021/22	1.2 Analysis of Reserve Balances	2022/23	2022/23	2022/23
£000s	£000s	£000s		£000s	£000s	£000s
(5,596)	(2,872)	(22,300)	Opening balances at 1 April	(5,792)	(2,075)	(16,538)
(434)	6,797	0	Add (surplus) / less deficit for the year	(5,079)	1,902	0
238	(6,000)	5,762	Transfers to and from Earmarked Reserves	4,785	(1,000)	(3,785)
<b>(5,792)</b>	<b>(2,075)</b>	<b>(16,538)</b>	<b>Closing balances at 31 March</b>	<b>(6,086)</b>	<b>(1,173)</b>	<b>(20,323)</b>

Capital (note 1.4.1)	Pensions (note 1.4.2)	Other (note 1.4.3)	Total		Capital (note 1.4.1)	Pensions (note 1.4.2)	Other (note 1.4.3)	Total
2021/22	2021/22	2021/22	2021/22	1.3 Adjustments from the GF and HRA to arrive at the CI&ES amounts	2022/23	2022/23	2022/23	2022/23
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s
2,026	39	74	2,139	Chief Executive and Resources	(3,027)	(31)	238	(2,820)
118	213	1,365	1,696	Corporate Services	114	174	1,386	1,674
143	353	1,161	1,657	Customer and Digital	129	303	1,538	1,970
733	652	(1,287)	98	Environment	724	630	(1,597)	(243)
(127)	99	(317)	(345)	Housing: General Fund	(35)	94	(373)	(314)
(143)	176	(747)	(714)	Housing: Housing Revenue Account	29	172	(689)	(488)
(99)	206	(516)	(409)	Place and Policy	9	167	(570)	(394)
<b>2,651</b>	<b>1,738</b>	<b>(267)</b>	<b>4,122</b>	<b>Net Cost of Services</b>	<b>(2,057)</b>	<b>1,509</b>	<b>(67)</b>	<b>(615)</b>
(9,072)	608	(2,416)	(10,880)	Other income and expenditure	(3,662)	360	(2,767)	(6,069)
<b>(6,421)</b>	<b>2,346</b>	<b>(2,683)</b>	<b>(6,758)</b>	<b>Difference between GF and HRA (surplus) / deficit and CI&amp;ES (surplus) / deficit</b>	<b>(5,719)</b>	<b>1,869</b>	<b>(2,834)</b>	<b>(6,684)</b>

## **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 those 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 2022/23.

## 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.

	2021/22	2022/23
	£000s	£000s
<b>Expenditure:</b>		
Employee expenses	12,641	13,273
Other service expenses	35,012	30,774
Support service recharges from other services	13,645	14,535
Capital charges - depreciation, amortisation, revaluation & impairment	4,569	118
Legal fees re VAT claims	17	(10)
Payment of precept to Canvey Island Town Council	252	263
Payment of Housing Pooled Capital Receipts to the Government Pool	151	0
National Non-Domestic Rates tariffs and levies and safety net	1,718	4,202
(Gain) / loss on disposal / derecognition of non-current (long term) assets	(150)	303
Interest payable and similar charges, including Finance Lease interest	1,247	1,118
Pensions - net interest on the net defined benefit liability, and IAS19 pension administration expenses	608	361
Expenses incurred on Investment Properties	26	55
<b>Total Expenditure</b>	<b>69,736</b>	<b>64,992</b>
<b>Income:</b>		
Fees, charges and other service income	(17,254)	(18,975)
Government and other grants & contributions	(23,283)	(18,033)
Support service recharges to other services	(13,645)	(14,534)
Exceptional items (income)	0	(2,830)
Changes in the fair value of Investment Properties	(260)	(6)
Rental income received on Investment Properties	(225)	(252)
Interest and investment income	(110)	(1,736)
Council Tax income	(8,595)	(9,618)
National Non-Domestic Rates income	(4,767)	(7,232)
General grants and contributions	(1,592)	(1,053)
Capital grants and contributions	(400)	(585)
<b>Total Income</b>	<b>(70,131)</b>	<b>(74,854)</b>
<b>(Surplus) / Deficit on the provision of services</b>	<b>(395)</b>	<b>(9,862)</b>

## 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	2021/22	2022/23
	£000s	£000s
Chief Executive and Resources	(1,250)	(1,434)
Corporate Services	(550)	(635)
Customer and Digital	(683)	(401)
Environment	(3,030)	(4,098)
Housing: General Fund	(3,266)	(3,598)
Housing: Housing Revenue Account (HRA)	(7,786)	(8,139)
Place and Policy	(689)	(670)
<b>Total fees, charges and other service income</b>	<b>(17,254)</b>	<b>(18,975)</b>

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	2021/22	2022/23
	£000s	£000s
Community halls bookings	(108)	(103)
Development control fees and charges	(27)	(78)
Leisure - open spaces	0	(53)
Garden waste bin collections	(374)	(420)
Trade waste bin collections, and other miscellaneous income	(184)	(129)
<b>Total</b>	<b>(693)</b>	<b>(783)</b>

## 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	2021/22 £000's	2022/23 £000's
Fees payable to EY for external audit services	43	52
Fees payable for certification of grant claims and returns	34	50
Fees payable to BDO for certification of housing capital receipts return	2	14
Other external audit fees payable	(18)	25
<b>Total audit fees</b>	<b>61</b>	<b>141</b>

Included in the **£14k** capital receipts return fees for 2022/23, are **£6k** of estimated charges that relate to 2021/22.

## 6 - Members' Allowances

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

Allowance category	2021/22 £000's	2022/23 £000's
Basic allowances	144	146
Special responsibility allowances	95	92
Mileage allowances	8	8
Mayor and Deputy Mayor's allowances	9	9
<b>Total members' allowances</b>	<b>256</b>	<b>255</b>

Members expenses	2021/22 £000's	2022/23 £000's
<b>Total members' expenses</b>	<b>0</b>	<b>1</b>

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	2021/22 £000's	2022/23 £000's
The Peabody Group	35	35
Citizens Advice Bureau	16	16
Carer's Choices	34	34
Castle Point Association of Voluntary Services	141	41
<b>Total donations</b>	<b>226</b>	<b>126</b>

Payments to other organisations	2021/22 £000's	2022/23 £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	6	7
<b>Total donations</b>	<b>99</b>	<b>100</b>

## 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 were no packages in 2022/23 (one employee in 2021/22), 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 2023.

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 – 2021/22						
Package band	Number of compulsory redundancy packages	Number of other packages	Total number of packages	Total cost paid £000's	Total accounting cost	
					No.	£000's
£0 - £20,000	1	0	1	3	1	3
<b>Total</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>3</b>

## 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	2021/22	2022/23
£50,000 – £54,999	8	8
£55,000 – £59,999	7	7
£60,000 – £64,999	2	0
£65,000 - £69,999	0	2
£70,000 – £74,999	2	1
£80,000 - £84,999	1	0
£85,000 - £89,999	0	1
<b>Total</b>	<b>20</b>	<b>19</b>



**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 2021/22 or 2022/23.

**9.2.1 – Remuneration for 2022/23**

<b>Position</b>	<b>Salary (inc. fees and allow.)</b>	<b>PRP and other one off payments *</b>	<b>Expense allow.</b>	<b>Total excluding pension conts.</b>	<b>Employer's pension conts.</b>	<b>Total including pension conts.</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Chief Executive – A Hutchings (Note 1)	92	0	0	<b>92</b>	18	<b>110</b>
Interim Chief Executive (Note 2)	58	0	0	<b>58</b>	0	<b>58</b>
Strategic Director (Corporate Services) - A Smith	120	6	0	<b>126</b>	25	<b>151</b>
Strategic Director (Resources) – C Mills	120	6	0	<b>126</b>	25	<b>151</b>
Head of Environment	64	3	0	<b>67</b>	0	<b>67</b>
Head of Housing	85	4	0	<b>89</b>	18	<b>107</b>
Head of Customer and Digital Services	85	4	0	<b>89</b>	18	<b>107</b>
Head of Place and Policy	85	4	0	<b>89</b>	18	<b>107</b>
<b>Total</b>	<b>709</b>	<b>27</b>	<b>0</b>	<b>736</b>	<b>122</b>	<b>858</b>

\*Performance Related Pay (PRP).

- **Note 1** – Angela Hutchings joined the Council in July 2022 as Chief Executive.
- **Note 2** – The role of Chief Executive was covered by interim appointments until June 2022.

**9.2.2 – Remuneration for 2021/22**

<b>Position</b>	<b>Salary (inc. fees and allow.)</b>	<b>PRP and other one off payments *</b>	<b>Expense allow.</b>	<b>Total excluding pension conts.</b>	<b>Employer's pension conts.</b>	<b>Total including pension conts.</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Chief Executive	4	155	0	<b>159</b>	0	<b>159</b>
Interim Chief Executive - A Grant	140	0	0	<b>140</b>	0	<b>140</b>
Strategic Director (Corporate Services) - A Smith	118	6	0	<b>124</b>	25	<b>149</b>
Strategic Director (Resources) – C Mills	118	6	0	<b>124</b>	25	<b>149</b>
Head of Environment**	62	11	0	<b>74</b>	0	<b>74</b>
Head of Housing	80	3	0	<b>83</b>	17	<b>100</b>
Head of Customer and Digital Services	80	3	0	<b>83</b>	17	<b>100</b>
Head of Place and Policy	83	3	0	<b>86</b>	17	<b>103</b>
<b>Total</b>	<b>685</b>	<b>187</b>	<b>0</b>	<b>873</b>	<b>101</b>	<b>974</b>

\*Performance Related Pay (PRP) and other one off payments include payments in relation to annual leave buy back.

\*\* Due to rounding to the nearest thousand, this row has the appearance of not adding correctly. However, the total is based on the unrounded numbers before it itself is rounded to the nearest thousand.

## 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	2021/22	2022/23
	£000s	£000s
<b>Chief Executive and Resources</b>		
• Miscellaneous grants relating to Elections and Electoral Registration	(94)	(15)
• Miscellaneous grants	0	(44)
<b>Corporate Services</b>		
• Various Local Strategic Partnership grants	(61)	(61)
• Various Community Safety grants	(15)	0
• Community Transport schemes	(100)	0
<b>Customer and Digital</b>		
• Housing Benefit subsidy	(14,406)	(13,388)
• Discretionary Housing Payments	(210)	0
• National Non-domestic Rates administration grant	(75)	0
• Benefits administration grant	(148)	(164)
• Localised Council Tax Support scheme funding	(81)	(78)
• Miscellaneous grants relating to Benefits and Business rates	(218)	(175)
• Covid grants	(4,319)	(159)
• Cost of living support	0	(249)
<b>Environment</b>		
• Essex County Council (ECC) Recycling schemes	(678)	(730)
• 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	(27)	(26)
• Furlough Grant	(5)	0
• Miscellaneous grants relating to sports and fitness	(10)	(14)
• Covid Enforcement Grant (note 1)	(114)	75
• Miscellaneous grants	(1)	0
<b>Housing - General Fund (GF)</b>		
• Flexible Homelessness Support Grant	(263)	0
• Housing and homelessness New Burdens grants	0	(563)
• Furlough Grant	(1)	0
<b>Housing: Housing Revenue Account (HRA)</b>		
• Furlough Grant	(11)	0

**Notes to the Core Financial Statements - Movement in Reserves Statement**

<b>Place &amp; Policy</b>		
• Regeneration projects grants	(8)	0
• Covid grants	(163)	0
• Miscellaneous grants	(20)	(5)
<b>Total Revenue Grants and Contributions</b>	<b>(21,136)</b>	<b>(15,704)</b>

*Note 1 – The payment in 2022/23 relates to a repayment of unspent grant received in 2021/22*

**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:

<b>Service line and grant or contribution name</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£000s</b>	<b>£000s</b>
<b>Environment</b>		
• Disabled Facilities Grant	(351)	(289)
• Decent / Warm / Healthy Homes Grant	(1,796)	(2,039)
<b>Total REFCUS Grants and Contributions</b>	<b>(2,147)</b>	<b>(2,328)</b>

**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:

<b>Grant or Contribution name</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£000s</b>	<b>£000s</b>
<b>General Government Grants</b>		
Local Services Support Grant (Homelessness Prevention)	(198)	(6)
New Homes Bonus Grant	(17)	(141)
New Burdens Grants	(120)	(133)
Business Rate Relief Grants	0	(156)
Lower Tier Service Grant	(96)	(104)
Preceptors Council Tax technical changes funding	(428)	(488)
Covid Support	(732)	(26)
<b>Total General Government Grants</b>	<b>(1,591)</b>	<b>(1,054)</b>

<b>Capital Grants and Contributions</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£000s</b>	<b>£000s</b>
<b>Environment</b>		
• Coastal communities	(22)	(54)
• Labworth car park improvements	(311)	0
• Safe tourism grant	(67)	0
<b>Housing: Housing Revenue Account (HRA)</b>		
• Section 106 Developer Contribution towards new build	0	(530)
<b>Total Capital Grants and Contributions</b>	<b>(400)</b>	<b>(584)</b>

## 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 2022/23	Usable Reserves:					Unusable Reserves:			
	General Fund (GF) Balance £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Pensions Reserve £000s	Revaluation Reserve £000s	Capital Adjustment Account £000s	Other Adjustment Accounts £000s
<b>Adjustments to Revenue Resources</b>									
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	(1,741)	(128)	0	0	0	1,869	0	0	0
• Council Tax and Non-Domestic Rates income	2,048	0	0	0	0	0	0	0	(2,048)
• Accumulated Absences (holiday pay)	70	(3)	0	0	0	0	0	0	(67)
• Early Repayment Discounts	410	309	0	0	0	0	0	0	(719)
<b>Adjustments between Revenue and Capital Resources</b>									
Adjustments for depreciation, amortisation, revaluation and impairment of non-current assets	2,018	(28)	0	(2,108)	0	0	0	118	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)	2,383	530	0	0	0	0	0	(2,913)	0
Adjustment for Revenue Expenditure Funded from Capital Under Statute	(2,328)	0	0	0	0	0	0	2,328	0
Capital receipts arising other than from the disposal of a non current asset	67	0	(67)	0	0	0	0	0	0
Adjustment for disposal/derecognition of non-current assets & Investment Properties	3	(313)	(498)	0	0	0	0	808	0
Adjustment for changes in the fair value of Investment Properties	6	0	0	0	0	0	0	(6)	0
Provisions for the repayment of debt and finance lease liabilities	817	0	0	0	0	0	0	(817)	0
Revenue contribution to finance capital expenditure	113	2,451	0	0	0	0	0	(2,564)	0
Transfer from Capital Receipts Reserve for the Housing Capital Receipts Pool	0	0	0	0	0	0	0	0	0
<b>Adjustments to Capital Resources</b>									
Transfer from the Major Repairs Reserve to finance capital expenditure	0	0	0	1,568	0	0	0	(1,568)	0
Transfer from Usable Capital Receipts to finance capital expenditure	0	0	354	0	0	0	0	(354)	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			0	0	0	0	0	0	0
Adjustment for the difference between fair value depreciation and historical cost depreciation	0	0	0	0	0	0	934	(934)	0
Adjustment to write out accumulated gains on disposal and derecognition of non-current assets	0	0	0	0	0	0	294	(294)	0
<b>Total Adjustments</b>	<b>3,866</b>	<b>2,818</b>	<b>(211)</b>	<b>(540)</b>	<b>0</b>	<b>1,869</b>	<b>1,228</b>	<b>(6,196)</b>	<b>(2,834)</b>

**Notes to the Core Financial Statements - Movement in Reserves Statement**

11.2 - Adjustments for 2021/22	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
<b>Adjustments to Revenue Resources</b>									
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	(2,170)	(176)	0	0	0	2,346	0	0	0
• Council Tax and Non-Domestic Rates income	2,416	0	0	0	0	0	0	0	(2,416)
• Accumulated Absences (holiday pay)	258	9	0	0	0	0	0	0	(267)
<b>Adjustments between Revenue and Capital Resources</b>									
Adjustments for depreciation, amortisation, revaluation and impairment of non-current assets	(2,829)	143	0	(1,883)	0	0	0	4,569	0
Adjustment for recognised capital grants and contributions (applied and unapplied)	2,547	0	0	0	0	0	0	(2,547)	0
Adjustment for Revenue Expenditure Funded from Capital Under Statute	(2,146)	0	0	0	0	0	0	2,146	0
Capital receipts arising other than from the disposal of a non current asset	35	0	(35)	0	0	0	0	0	0
Adjustment for disposal/derecognition of non-current assets & Investment Properties	36	92	(2,322)	0	0	0	0	2,194	0
Adjustment for changes in the fair value of Investment Properties	260	0	0	0	0	0	0	(260)	0
Provisions for the repayment of debt and finance lease liabilities	822	0	0	0	0	0	0	(822)	0
Revenue contribution to finance capital expenditure	612	7,000	0	0	0	0	0	(7,612)	0
Transfer from Capital Receipts Reserve for the Housing Capital Receipts Pool	(151)	0	151	0	0	0	0	0	0
<b>Adjustments to Capital Resources</b>									
Transfer from the Major Repairs Reserve to finance capital expenditure	0	0	0	1,726	0	0	0	(1,726)	0
Transfer from Usable Capital Receipts to finance capital expenditure	0	0	227	0	0	0	0	(227)	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	756	(756)	0
<b>Total Adjustments</b>	<b>(310)</b>	<b>7,068</b>	<b>(1,979)</b>	<b>(157)</b>	<b>0</b>	<b>2,346</b>	<b>1,484</b>	<b>(5,769)</b>	<b>(2,683)</b>

## 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 31/03/21 £000s	Additions in 2021/22 £000s	Deductions in 2021/22 £000s	Balance 31/03/22 £000s	Additions in 2022/23 £000s	Deductions in 2022/23 £000s	Balance 31/03/23 £000s
Coronavirus Impact	490	610	(487)	613	0	0	613
Revenue grants unspent	791	154	(360)	585	460	(160)	885
Carbon reduction	0	0	0	0	400	0	400
Future asset maintenance	2,780	632	(385)	3,027	351	(477)	2,901
Priority initiatives reserve	0	0	0	0	2,830	0	2,830
Insurance	348	0	0	348	0	0	348
Non-domestic rates equalisation	1,401	3,392	(1,236)	3,557	1,214	(3,370)	1,401
Council tax support scheme	158	92	(30)	220	0	(20)	200
Vehicle replacements	0	11	0	11	407	0	418
Improvement fund	469	601	(131)	939	462	0	1,401
Pension deficit payment	987	352	0	1,339	178	0	1,517
Planning - local development scheme and plan	110	326	(110)	326	1,107	0	1,433
Planning - joint strategic plan	360	46	(250)	156	30	0	186
ICT projects	2,218	414	(471)	2,161	247	(322)	2,086
Knightswick shopping centre	632	431	0	1,063	674	(35)	1,702
Commitments from previous year	357	363	(357)	363	50	(264)	149
Other earmarked reserves (note 1)	676	282	(198)	760	251	(94)	917
HRA earmarked reserves	7,000	1,000	(7,000)	1,000	0	(1,000)	0
	<b>18,777</b>	<b>8,706</b>	<b>(11,015)</b>	<b>16,468</b>	<b>8,661</b>	<b>(5,742)</b>	<b>19,387</b>
Collection fund timing difference	3,523	0	(3,453)	70	866	0	936
<b>Total Earmarked Reserves</b>	<b>22,300</b>	<b>8,706</b>	<b>(14,468)</b>	<b>16,538</b>	<b>9,527</b>	<b>(5,742)</b>	<b>20,323</b>

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

### 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.

The total closing balance at 31 March 2023 of **£2.8m**, must be used for replacement housing purposes. Any of this not used within five years of the year end from the date of original receipt is repayable to Central Government.

### 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	2021/22	2022/23
	£000s	£000s
<b>Balance as at 1 April</b>	<b>(28,871)</b>	<b>(12,399)</b>
Remeasurements of the net defined benefit liability, reported in Other Comprehensive Income and Expenditure on the CI&ES	18,818	32,698
Total adjustments included in the MIRS, as shown in note 11	(2,346)	(1,869)
<b>Balance as at 31 March</b>	<b>(12,399)</b>	<b>18,430</b>



## 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	2021/22	2022/23
	£000s	£000s
<b>Balance as at 1 April</b>	<b>55,115</b>	<b>77,844</b>
Revaluations and impairments of assets, reported in Other Comprehensive Income and Expenditure on the CI&ES:		
Increases in asset values	29,057	9,273
Decreases in asset values	(4,844)	(944)
<b>Total reported in Other Comprehensive Income and Expenditure</b>	<b>24,213</b>	<b>8,329</b>
Total adjustments included in the MIRS, as shown in note 11	(1,484)	(1,228)
<b>Balance as at 31 March</b>	<b>77,844</b>	<b>84,945</b>

## 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 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 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.

- **PWLB Adjustment Account** – This account manages the recognition of early repayment discount received on the repayment of General Fund (GF) and Housing Revenue Account (HRA) loans in 2022/23. The benefit will be recognised over ten years into the GF and HRA accounts.

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

Other Statutory Adjustment Accounts	Collection Fund Adjustment Account		Accumulated Absences Account		PWLB Adjustment Account	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance as at 1 April</b>	<b>(3,574)</b>	<b>(1,159)</b>	<b>(434)</b>	<b>(167)</b>	<b>0</b>	<b>0</b>
Total adjustments included in the MIRS, as shown in note 11	2,415	2,049	267	67	0	719
<b>Balance as at 31 March</b>	<b>(1,519)</b>	<b>890</b>	<b>(167)</b>	<b>(100)</b>	<b>0</b>	<b>719</b>

## 13 - Non-Current (Long Term) Assets

13.1 - Comparative asset movements during 2022/23	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										
<b>Cost or valuation (Gross Book Value)</b>										
<b>1 April 2022</b>	<b>148,410</b>	<b>55,100</b>	<b>5,624</b>	<b>374</b>	<b>596</b>	<b>467</b>	<b>210,571</b>	<b>555</b>	<b>2,206</b>	<b>213,332</b>
Additions & enhancements	1,568	0	39	0	0	973	2,580	0	0	2,580
Derecognition on disposal	(341)	0	(29)	0	0	0	(370)	0	0	(370)
Other derecognitions	(467)	0	0	0	0	0	(467)	0	0	(467)
Other Reclassifications	0	0	108	0	0	(108)	0	0	0	0
Impairments and Revaluations – applied to Revaluation Reserve:										
• Increases	2,492	4,132	0	0	0	0	6,624	16	0	6,640
• Decreases	(728)	(216)	0	0	0	0	(944)	0	0	(944)
Impairments and Revaluations – applied to (Surplus) / Deficit on the provision of services:										
• Increases	2	3,233	0	0	0	0	3,235	0	28	3,263
• Decreases	(31)	(33)	0	0	0	0	(64)	0	(22)	(86)
<b>31 March 2023</b>	<b>150,905</b>	<b>62,216</b>	<b>5,742</b>	<b>374</b>	<b>596</b>	<b>1,332</b>	<b>221,165</b>	<b>571</b>	<b>2,212</b>	<b>223,948</b>
<b>Depreciation and Impairments</b>										
<b>1 April 2022</b>	<b>(17)</b>	<b>(82)</b>	<b>(4,171)</b>	<b>(178)</b>	<b>0</b>	<b>0</b>	<b>(4,448)</b>	<b>(5)</b>	<b>0</b>	<b>(4,453)</b>
Depreciation charged	(2,107)	(576)	(471)	(14)	0	0	(3,168)	(5)	0	(3,173)
Derecognition on disposal	1	0	21	0	0	0	22	0	0	22
Other derecognitions	8	0	0	0	0	0	8	0	0	8
Impairments and Revaluations – applied to:										
• the Revaluation Reserve	2,108	520	0	0	0	0	2,628	5	0	2,633
<b>31 March 2023</b>	<b>(7)</b>	<b>(138)</b>	<b>(4,621)</b>	<b>(192)</b>	<b>0</b>	<b>0</b>	<b>(4,958)</b>	<b>(5)</b>	<b>0</b>	<b>(4,963)</b>
<b>Balance Sheet Amount (Net Book Value)</b>										
<b>1 April 2022</b>	<b>148,392</b>	<b>55,018</b>	<b>1,453</b>	<b>196</b>	<b>596</b>	<b>467</b>	<b>206,122</b>	<b>550</b>	<b>2,206</b>	<b>208,878</b>
<b>31 March 2023</b>	<b>150,898</b>	<b>62,078</b>	<b>1,121</b>	<b>182</b>	<b>596</b>	<b>1,332</b>	<b>216,207</b>	<b>566</b>	<b>2,212</b>	<b>218,985</b>

13.2 - Comparative asset movements during 2021/22	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										
<b>Cost or valuation (Gross Book Value)</b>										
<b>1 April 2021</b>	<b>130,221</b>	<b>52,661</b>	<b>5,653</b>	<b>374</b>	<b>446</b>	<b>560</b>	<b>189,915</b>	<b>427</b>	<b>1,946</b>	<b>192,288</b>
Additions & enhancements	1,726	781	101	0	0	359	2,967	0	0	2,967
Derecognition on disposal	(2,210)	0	(130)	0	0	0	(2,340)	0	0	(2,340)
Other derecognitions	0	0	0	0	0	0	0	0	0	0
Other Reclassifications	17	285	0	0	150	(452)	0	0	0	0
Impairments and Revaluations – applied to Revaluation reserve:										
• Increases	18,563	7,719	0	0	0	0	26,282	129	0	26,411
• Decreases	(50)	(4,793)	0	0	0	0	(4,843)	(1)	0	(4,844)
Impairments and Revaluations – applied to (Surplus) / Deficit on the provision of services:										
• Increases	143	460	0	0	0	0	603	0	260	863
• Decreases	0	(2,013)	0	0	0	0	(2,013)	0	0	(2,013)
<b>31 March 2022</b>	<b>148,410</b>	<b>55,100</b>	<b>5,624</b>	<b>374</b>	<b>596</b>	<b>467</b>	<b>210,571</b>	<b>555</b>	<b>2,206</b>	<b>213,332</b>
<b>Depreciation and Impairments</b>										
1 April 2021	(3)	(236)	(3,798)	(164)	0	0	(4,201)	(10)	0	(4,211)
Depreciation charged	(1,884)	(628)	(502)	(14)	0	0	(3,028)	(5)	0	(3,033)
Derecognition on disposal	7	0	129	0	0	0	136	0	0	136
Other derecognitions	9	0	0	0	0	0	9	0	0	9
Impairments and Revaluations – applied to:										
• the Revaluation Reserve	1,853	782	0	0	0	0	2,635	10	0	2,645
<b>31 March 2022</b>	<b>(18)</b>	<b>(82)</b>	<b>(4,171)</b>	<b>(178)</b>	<b>0</b>	<b>0</b>	<b>(4,449)</b>	<b>(5)</b>	<b>0</b>	<b>(4,454)</b>
<b>Balance Sheet Amount (Net Book Value)</b>										
<b>1 April 2021</b>	<b>130,218</b>	<b>52,425</b>	<b>1,855</b>	<b>210</b>	<b>446</b>	<b>560</b>	<b>185,714</b>	<b>417</b>	<b>1,946</b>	<b>188,077</b>
<b>31 March 2022</b>	<b>148,392</b>	<b>55,018</b>	<b>1,453</b>	<b>196</b>	<b>596</b>	<b>467</b>	<b>206,122</b>	<b>550</b>	<b>2,206</b>	<b>208,878</b>

### 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 2022/23, with comparative figures for 2021/22. 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 31/03/22 £000's	GBV at 31/03/23 £000's
Revaluations performed in 2022/23	0	49,306
Revaluations performed in 2021/22	55,036	12,846
Revaluations performed in 2020/21	0	0
Revaluations performed in 2019/20	64	64
Revaluations performed in 2018/19	0	0
Revaluations performed in 2017/18	0	0
<b>Total land and buildings gross book value</b>	<b>55,100</b>	<b>62,216</b>

### 13.4 – Capital expenditure

The Council undertook capital expenditure during 2021/22 and 2022/23 as follows:

Capital expenditure item	2021/22 £000's	2022/23 £000's
Council house improvements	1,693	1,568
Council housing acquisitions and new developments	262	884
Disabled facilities and other home improvement grants	2,147	2,328
Seafront regeneration	22	54
Labworth car park	579	0
Waterside soft play	0	39
Squash courts refit	223	0
Capitalised IT systems expenditure – hardware, software, licences	0	39
Replacement playground equipment	80	0
Solar toilet cabin	108	0
Knightswick shopping centre refurbishment	0	35
<b>Total capital expenditure</b>	<b>5,114</b>	<b>4,947</b>

### 13.5 – Financing of capital expenditure

The total amount of capital expenditure incurred in 2021/22 and 2022/23 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.

	2021/22 £000s	2022/23 £000s
<b>Opening Capital Financing Requirement at 1 April</b>	<b>54,230</b>	<b>46,408</b>
<b>Capital Expenditure</b>		
Acquisition / enhancement of Property, Plant and Equipment assets	2,967	2,580
Acquisition of intangible assets	0	39
Revenue expenditure funded from capital under statute (REFCUS)	2,147	2,328
<b>Sources of Finance</b>		
Capital receipts applied	(228)	(354)
Government grants and other contributions applied	(4,274)	(4,480)
Sums set aside from revenue or charged direct to revenue	(8,434)	(3,381)
<b>Closing Capital Financing Requirement at 31 March</b>	<b>46,408</b>	<b>43,140</b>
<b>Explanation of the movements in the Capital Financing Requirement during the year</b>		
Increase / (decrease) in underlying need to borrow (unsupported by Government financial assistance)	(7,822)	(3,268)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(7,822)</b>	<b>(3,268)</b>

### 13.6 – Commitments under capital contracts

As at 31 March 2023 the Council had committed the following for capital expenditure in 2023/24:

Capital commitments	£000's
Disabled facilities grants	37
Fit and proper homes grants	17
Council house improvements – kitchens, bathrooms and rewiring	317
Council house improvements – doors	347
Council house improvements – central heating	114
Council house improvements – roofs, chimneys, facias and soffits	109

Additional capital expenditure is budgeted to be spent in 2023/24 in these and other capital areas but had not yet been contracted for as at 31 March 2023.

### 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 2023 providing data as at March 2023 concluded that movements in values during 2022/23 had resulted in an increase of 0% to 0.5% in the value of the Council's dwelling stock at March 2023. They also reported adjustments ranging from -4% to 6% in the value of assets valued using the Depreciated Replacement Cost method and adjustments ranging from -2% to -5% 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 CI&ES consists of the following items:

Investment properties	2021/22 £000's	2022/23 £000's
Expenses incurred on investment properties	26	55
Rental income received from investment properties	(225)	(252)
Changes in the fair value of investment properties	(260)	(6)
<b>Total reported on the CI&amp;ES</b>	<b>(459)</b>	<b>(203)</b>

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
<b>Values at 31 March 2023</b>			
Land, offices and similar assets	1,656	0	1,656
Halls, pavilions and similar assets	224	332	556
<b>Total</b>	<b>1,880</b>	<b>332</b>	<b>2,212</b>
<b>Values at 31 March 2022</b>			
Land, offices and similar assets	1,672	0	1,672
Halls, pavilions and similar assets	224	310	534
<b>Total</b>	<b>1,896</b>	<b>310</b>	<b>2,206</b>

There are no Investment Properties classified as level 1. There were no non-recurring valuations in 2022/23. The total amount recognised in the CI&ES for changes in the fair value of Investment Properties on level 3 assets for 2022/23 was **£23k** (**£5k** for 2021/22). 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	2021/22 £000's	2022/23 £000's
Balance as at 1 April	309	310
Revaluations	5	22
Transfer of an asset to level 2	(4)	0
<b>Balance as at 31 March</b>	<b>310</b>	<b>332</b>

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

	Value at 31/03/23 £000s	Valuation technique used	Unobservable Inputs	Range (weighted average use)
Hall, pavilions and similar assets	332	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 CI&ES. Amortisation charges are appropriated to the Capital Adjustment Account, through the MIRS.

Intangible assets	2021/22 £000s	2022/23 £000s
Balance at 1 April		
Gross book value	804	550
Accumulated amortisation	(271)	(398)
<b>Net balance at 1 April</b>	<b>533</b>	<b>152</b>
Purchases in year	0	39
Other changes (note 1)	(254)	0
Amortisation in year	(127)	(116)
<b>Net balance at 31 March</b>	<b>152</b>	<b>75</b>
Comprising of:		
Gross book value	550	588
Accumulated amortisation	(398)	(513)
	<b>152</b>	<b>75</b>

Note 1 – following significant issues with the delivery of the Housing Management System, the decision was taken to discontinue the project.

**14 - Debtors**

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

Debtor category	31/03/22		31/03/23	
	£000s		£000s	
<b>Short Term Debtors (amounts falling due within one year)</b>				
Trade receivables	2,134		1,426	
Less impairment allowances for bad and doubtful debts	(963)		(804)	
Net trade receivables		1,171		622
Prepayments		268		447
Other receivable amounts	8,184		8,756	
Less impairment allowances for bad and doubtful debts	(2,027)		(2,187)	
Net other receivable amounts		6,157		6,569
<b>Net Total Short Term Debtors</b>		<b>7,596</b>		<b>7,638</b>
<b>Long term Debtors (amounts falling due after one year)</b>				
Other receivable amounts		163		170
<b>Total long term Debtors</b>		<b>163</b>		<b>170</b>
<b>Total Debtors</b>		<b>7,759</b>		<b>7,808</b>

Other receivable amounts include Central Government and Local Government, HMRC, Council Tax and Non-Domestic Rate 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	31/03/22	31/03/23
	£000s	£000s
Petty cash floats held by the Council	2	2
Bank current accounts: net credit / (overdrawn balance)	(42)	517
<b>Total cash and cash equivalents as at 31 March</b>	<b>(40)</b>	<b>519</b>

**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.

Reconciliation of Liabilities arising from Financing Activities 2022/23	01/04/22	Financing cash flows	31/03/23
	£000s	£000s	£000s
Long Term Borrowings	41,001	(8,601)	<b>32,400</b>
Short Term Borrowings	900	0	<b>900</b>
Collection Fund Agency Adjustments (Long Term & Short Term)	(612)	2,718	<b>2,106</b>
	<b>41,289</b>	<b>(5,883)</b>	<b>35,406</b>

Reconciliation of Liabilities arising from Financing Activities 2021/22	01/04/21	Financing cash flows	31/03/22
	£000s	£000s	£000s
Long Term Borrowings	41,901	(900)	<b>41,001</b>
Short Term Borrowings	7,900	(7,000)	<b>900</b>
Collection Fund Agency Adjustments (Long Term & Short Term)	(4,483)	3,871	<b>(612)</b>
	<b>45,318</b>	<b>(4,029)</b>	<b>41,289</b>

## 17 - Creditors

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

Creditor category	31/03/22	31/03/23
	£000s	£000s
Trade payables (note 1)	4,417	5,082
Other payables (note 2)	8,860	8,222
<b>Total Creditors</b>	<b>13,277</b>	<b>13,304</b>

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 **£162k** of sundry creditors as at 31 March 2023 (**£145** at 31 March 2022), which were due after 12 months and were accordingly classified as long term on the Balance Sheet at that date.

Note 2 – **£2.8m** (**£3m** at March 2022) 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 may hold 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 future liability cashflows. 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 of 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** - In the event that the members live longer than assumed a deficit will emerge in the Fund.
- **Climate risk** - Climate risk can be grouped into two categories; Physical and Transitional risks. Physical risks are direct risks associated with an increased global temperature such as heatwaves and rising sea levels. Transitional risks are the costs of transitioning to a low carbon economy. These risks will manifest themselves in many of the other risks detailed above which the fund is exposed to, for example investment returns may be affected.
- **Regulatory risk** - Regulatory uncertainties could result in benefit changes to past future benefits which could result in additional costs.
- **Orphan risk** - As many unrelated employers participate in each 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 in that fund.

These risks are mitigated to an extent by the requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute, as described in Accounting Policy AP8. Furthermore, all of 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 2023. 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 a ministerial statement in response to this was published on 13 May 2021. The statement confirms that changes will be made to the LGPS Regulations to compensate members directly affected by the change to career average benefits from 1 April 2014. Draft regulations were consulted on earlier in 2023 and came into force on 1 October 2023.

The Actuary believes the potential cost of the judgment on employers' liabilities is very much dependent on the membership profile of the employer and assumed future salary increases. For example, an employer with a high proportion of active members with service in the remedy period and a high salary increase assumption is likely to be more affected than an employer with a low proportion of active members with service in the remedy period and a low salary increase assumption. The Actuary has taken the view to include an allowance for the McCloud judgment in employers' accounting liabilities as a default unless the employer chooses to opt out. To estimate the cost of the remedy, they have estimated the equivalent final salary benefit that would have been earned instead of post 2014 CARE benefits by the active members since the 1 April 2014 Scheme reform (2015 for Scottish funds) up to 31 March 2022 (the date up to which the protections will apply). This approach essentially assumes that the draft remedy regulations will come into force.

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 DLUHC 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. As a result, the Government have confirmed that a remedy is required in all affected public sector pension schemes. Which includes the LGPS.

As this has just been announced the actuary does not have an accurate indication of the potential impact this may have on the value of employers' liabilities or the cost of the scheme. Any indication of cost at this stage will only be a rough estimate as in most cases, funds will not have this information or data to hand. It is their understanding that the Government Actuary's Department (GAD) is undertaking a review to assess the potential impact on public sector pension schemes, which the Actuary expect will be minimal for LGPS funds.

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. It is possible that the impact on individual employers will vary depending on their specific membership profile, although any cases resulting in a significant impact are likely to be few and far between.

### **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 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 MIRS. The transactions are as shown on the following table:

18.3 Comprehensive Income and Expenditure Statement	2021/22	2022/23
	£000s	£000s
<b>Net Cost of Services:</b>		
• Service costs:		
o Current service costs	3,231	3,093
o Past service costs, including curtailments	0	1
<b>Other Operating Expenditure:</b>		
• Administrative expenses	45	59
<b>Financing and Investment Income and Expenditure:</b>		
• Net interest on defined benefit liability	563	302
<b>Other Comprehensive Income and Expenditure:</b>		
• Remeasurements of the net defined benefit liability:		
o Return on plan assets (in excess of interest)	(6,969)	2,277
o Actuarial (gains) / losses: changes in demographic assumptions	(2,936)	0
o Actuarial (gains) / losses: changes in financial assumptions	(5,522)	(44,094)
o Other actuarial (gains) / losses on assets	(996)	0
o Experience (gain) / loss on defined benefit obligation	(2,395)	9,119
<b>Net charge / (credit) to the CI&amp;ES</b>	<b>(14,979)</b>	<b>(29,243)</b>
<b>Movement in Reserves Statement</b>		
• Reversal of net charges made for post-employment benefits in accordance with IAS 19	(3,839)	(3,455)
• Employer's contributions payable to the scheme	1,493	1,586
<b>Net adjustment in the Movement in Reserves Statement</b>	<b>(2,346)</b>	<b>(1,869)</b>

#### 18.4 – Pension assets and liabilities recognised in the Balance Sheet

18.4.1 Net Liability	2021/22	2022/23
	£000s	£000s
Present value of the funded defined benefit obligation	(112,814)	(80,964)
Fair value of the scheme assets	102,108	100,813
<b>Sub-total</b>	<b>(10,706)</b>	<b>19,849</b>
Present value of the unfunded defined benefit obligation	(1,693)	(1,419)
<b>Net (liability)/asset arising from defined benefit obligation</b>	<b>(12,399)</b>	<b>18,430</b>

18.4.2 Reconciliation of Movements in the Fair Value of the Scheme Assets	2021/22 £000s	2022/23 £000s
<b>Balance as at 1 April</b>	<b>94,068</b>	<b>102,108</b>
Interest income on assets	1,864	2,634
Remeasurement gain / (loss):		
• Return on plan assets (in excess of interest)	6,969	(2,277)
• Other actuarial (gains) / losses on assets	996	0
Contributions from employer	1,493	1,586
Contributions from employees	459	500
Benefits paid	(3,696)	(3,679)
Administration expenses	(45)	(59)
<b>Balance as at 31 March</b>	<b>102,108</b>	<b>100,813</b>

18.4.3 Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	2021/22 £000s	2022/23 £000s
<b>Balance as at 1 April</b>	<b>122,939</b>	<b>114,507</b>
Current service costs	3,231	3,093
Past service costs, including curtailments	0	1
Interest cost	2,427	2,936
Contributions by scheme participants	459	500
Remeasurement gains / (losses):		
• Actuarial (gains) / losses: changes in demographic assumptions	(2,936)	0
• Actuarial (gains) / losses: changes in financial assumptions	(5,522)	(44,094)
• Experience gain / (loss) on defined benefit obligation	(2,395)	9,119
Benefits paid	(3,696)	(3,679)
<b>Balance as at 31 March</b>	<b>114,507</b>	<b>82,383</b>

18.4.4 Analysis of scheme assets	31/03/22		31/03/23	
	£000s	%	£000s	%
Estimated allocation of Fund assets for the Council by asset type:				
Equities	59,505	63	58,069	58
Government bonds (Gilts)	2,397	3	1,474	1
Other bonds	4,576	5	0	0
Property	6,629	7	8,257	8
Cash	2,369	3	3,251	3
Alternative assets	10,812	11	15,956	16
Other Managed Funds	7,780	8	13,806	14
<b>Total Assets</b>	<b>94,068</b>	<b>100</b>	<b>100,813</b>	<b>100</b>

### 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 2023, 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	2021/22	2022/23
Rate of CPI inflation	3.20%	2.90%
Rate of increase in salaries	4.20%	3.90%
Rate of increase in pensions	3.20%	2.90%
Rate for discounting scheme liabilities	2.60%	4.80%
Life expectancy assumptions from 65 years of age, in years:		
• Males retiring today	21.0	21.1
• Females retiring today	23.5	23.5
• Males retiring in 20 years	22.3	22.3
• Females retiring in 20 years	24.9	25.0
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 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	81,224	82,383	83,570
• Projected service cost	1,250	1,293	1,337
Adjustment to long term salary increase:	+0.1%	Base	-0.1%
• Present value of total obligation	82,478	82,383	82,289
• Projected service cost	1,294	1,293	1,292
Adjustment to pension increases and deferred revaluation:	+0.1%	Base	-0.1%
• Present value of total obligation	83,497	82,383	81,296
• Projected service cost	1,338	1,293	1,250
Adjustment to life expectancy assumptions:	+ 1 Year	Base	-1 Year
• Present value of total obligation	85,800	82,383	79,116
• Projected service cost	1,339	1,293	1,248

### 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 2022/23, which provided a valuation of the fund as at 1 April 2022. This valuation is effective for contributions payable to the scheme from 1 April 2023. The next actuarial valuation will take place during 2025/26 to provide a valuation as at 1 April 2025 which will be effective for contributions from 1 April 2026. 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 results of the valuation results as at 31 March 2022 reported a surplus for Castle Point Borough Council which meant the Council was fully funded. At 31 March 2019 the Council had a deficit of approximately **£206m**. The following changes had a net decrease in the deficit to result in a closing surplus of approximately **£182m**:

- Higher than assumed investment returns have decreased the Fund's deficit by approximately **£1,456m**.
- Changes in market conditions, particularly a rise of the expected future inflation, have increased the Fund's deficit by approximately **£446m**.
- Actual inflation over the previous three years has been lower than assumed leading to a decrease of the deficit by approximately **£152m**.
- The change in financial assumptions increased the deficit by approximately **£1,009m**.

- This was offset by the change in demographic assumptions which led to a fall in life expectancies and decreased the deficit by approximately **£196m**.
- The increase in Fund liability on the ongoing basis due to allowing for the McCloud ruling is **£46m**

The scheme deficit, or liability, shows the underlying commitment that the Council has in the long run to pay future post-employment benefits. An Asset or credit balance means that the benefits earned by past and current employees are less than the resources the Council has set aside to meet them. At 31 March 2023 the scheme reported a net asset of £18.4m. Employer contributions take into account the forecast position of the pension fund and will be adjusted as necessary up or down to ensure the fund position balances in the long run.

#### **18.8 – 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](http://www.essexpensionfund.co.uk)

## 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 were charged during the year. Discounts on PWLB Loan early repayments were 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 also 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:

Nature of financial instruments and balances	Non-Current	Current	Non-Current	Current
	31/03/22	31/03/22	31/03/23	31/03/23
	£000s	£000s	£000s	£000s
Borrowings (including accrued interest) at amortised cost	11,550	1,007	5,400	934
Borrowings re HRA reform	29,451	304	27,000	276
Creditors	145	4,454	162	4,695
<b>Total liabilities</b>	<b>41,146</b>	<b>5,765</b>	<b>32,562</b>	<b>5,905</b>
Short term investments	1,000	41,421	1,000	37,641
Debtors	163	3,162	170	3,353
Cash and cash equivalents	0	(40)	0	519
<b>Total assets</b>	<b>1,163</b>	<b>44,543</b>	<b>1170</b>	<b>41,513</b>

Under accounting requirements, the financial instrument value as shown in the Balance Sheet includes the principal amount borrowed plus accrued interest. Accrued interest of £301k (£411k at 31

March 2022), although relating to long-term liabilities, is due within one year. An analysis of the maturity profile of borrowing is shown in note 19.6.5.

### 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:

Income, expense, gains and losses	2021/22	2022/23
	£000s	£000s
<b>Financial Liabilities, measured at amortised cost</b>		
Interest expense, including interest on finance leases	1,247	1,118
<b>Financial Assets - loans and receivables</b>		
Interest income	98	927

### 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 (3.71% for General Fund borrowing and varying from 3.71% to 3.77% for HRA borrowing) have been used to calculate the fair value which is £2.1m less than the carrying amount. This is a level 2 valuation within the fair value hierarchy, as defined in accounting policy AP11.
- PWLB loan early repayment discount has been recognised through the PWLB Adjustment Account.
- No other 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:

Fair value of assets and liabilities carried at amortised cost	Carrying	Fair	Carrying	Fair
	Amount	Value	Amount	Value
	31/03/22	31/03/22	31/03/23	31/03/23
	£000s	£000s	£000s	£000s
PWLB debt (borrowing) - Interest Rates: 1.08% to 4.10%	12,557	15,475	6,334	7,181
PWLB debt (borrowing) re HRA - Interest Rates: 2.31% to 3.49%	29,755	33,521	27,276	24,312
Creditors	4,599	4,599	4,857	4,857
<b>Total financial liabilities</b>	<b>46,911</b>	<b>53,595</b>	<b>38,467</b>	<b>36,350</b>
Investments	42,421	42,443	38,641	28,515
Long term debtors	163	163	170	170
Trade debtors	3,162	3,162	3,383	3,383
Cash and cash equivalents	(40)	(40)	519	519
<b>Total financial assets</b>	<b>45,706</b>	<b>45,728</b>	<b>42,713</b>	<b>32,587</b>

### 19.5 – Analysis of investments

The Council had funds invested of **£37.42m** as at 31 March 2023 (**£42.24m** as at 31 March 2022):

Category		£000s
Money Market Funds:	Aviva Sterling Liquidity Fund	4,090
	Deutsche MMF	4,530
	LGIM Sterling Liquidity Fund Class 4	5,000
Local authorities:	Thurrock Council	3,000
Banks:	Lloyds deposit	2,000
	Santander plc notice account	1,000
	Goldman Sachs International	4,000
	SMBC Bank International PLC	4,000
	Lloyds Bank Corporate Markets NRFB	4,000
Debt Management Office	DMO	5,800
<b>Total</b>		<b>37,420</b>

The carrying and fair value amounts for investments are higher than the principal amount due to the inclusion of accrued interest of **£221k** (**£75k** at 31 March 2022) 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 2022/23 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.
- Table of minimum credit ratings for counterparties.

These policies are implemented by the Financial Services team. The full documents for 2022/23 are available on request and the equivalent Strategies for 2023/24 can be found on the Council's website: [www.castlepoint.gov.uk/council-strategies-and-policies](http://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 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 2022/23 are detailed as follows:

<i>Specified investments for the financial year 2022/23</i>			
Investment	Counterparty limit	Security / Minimum Credit Rating	Maximum period of investment
<b>Debt Management Agency Deposit Facility (DMADF)</b> (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)
<b>Treasury Bills</b> 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
<b>Term Deposits</b> 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 <b>£5m</b> 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
<b>Term Deposits</b> with institutions, part nationalised by the UK Government	The lesser of <b>£5m</b> or 33% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody’s & S&P)	364 days
<b>Money Market Funds</b> (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 <b>£5m</b> or 33% of total investments	Fitch, Moody’s or Standard and Poors AAA (Minimum of two ratings)	n/a (repayable on demand)
<b>Current accounts, notice accounts or term deposits</b> with credit-rated deposit takers (UK banks and building societies)	The lesser of <b>£4m</b> 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)
<b>Forward deals</b> with credit rated banks and building societies < 1 year (i.e. negotiated deal period plus period of deposit)	The lesser of <b>£4m</b> or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody’s & S&P)	364 days
<b>Certificates of Deposit</b> issued by UK institutions	The lesser of <b>£4m</b> or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody’s & S&P)	364 days
<b>Covered bonds</b> (maximum 364-day period includes borrower extension option)	The lesser of <b>£4m</b> or 25% of total investments	long-term AA-, short-term F1 (lowest common denominator Fitch, Moody’s & S&P)	364 days
<b>Reverse repurchase agreements “repos”</b> (a form of secured lending with enhanced security)	The lesser of <b>£4m</b> or 25% of total investments	long-term AA-, short-term F1 (lowest common denominator Fitch, Moody’s & S&P)	364 days

<b>Non-specified investments for the financial year 2022/23</b>			
<b>Investment</b>	<b>Counterparty limit</b>	<b>Security / Minimum Credit Rating</b>	<b>Maximum period of investment</b>
<b>Term deposits</b> 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 <b>£5m</b> 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
<b>Current accounts, notice accounts or term deposits</b> with credit-rated deposit takers (UK banks and building societies)	The lesser of <b>£4m</b> or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	2 years
<b>Property funds</b>	The lesser of <b>£4m</b> or 25% of total investments	Unrated	n/a
<b>Bond funds</b>	The lesser of <b>£4m</b> or 25% of total investments	Unrated	n/a
<b>Multi-asset funds</b>	The lesser of <b>£4m</b> or 25% of total investments	Unrated	n/a
<b>Equity funds</b>	The lesser of <b>£4m</b> 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 assessment 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 debtors 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 **£15.3m**, AAA rated money market funds and other counterparties of **£19.4m**, 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 2023 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:

Debtor loss allowance	2021/22	2022/23
	£000s	£000s
<b>Opening Balance 1 April</b>	2,068	1,848
Amounts written off	(172)	(185)
Other changes	(48)	176
<b>As at 31 March</b>	<b>1,848</b>	<b>1,839</b>

The analysis below summarises the Council's potential maximum exposure to credit risk as at 31 March 2023, 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	Gross Balances	Impairment	Total not Impaired	Of Which:	
				Financial Instruments	Non Financial
				£000s	£000s
<b>Investments (no provision)</b>					
AAA rated counterparties	19,420	0	19,420	19,420	0
AA rated counterparties	0	0	0	0	0
A rated counterparties	15,265	0	15,265	15,265	0
Government bodies	0	0	0	0	0
<b>Total Investments</b>	<b>34,685</b>	<b>0</b>	<b>34,685</b>	<b>34,685</b>	<b>0</b>
<b>Debtors (by provision percentage):</b>					
0%	1,582	0	1,582	1,006	576
1% to 25%	521	(136)	385	71	314
26% to 50%	678	(299)	379	311	68
51% to 75%	0	0	0	0	0
76% to 99%	2,090	(1,860)	230	184	46
100%	704	(696)	8	0	8
<b>Total Debtors</b>	<b>5,575</b>	<b>(2,991)</b>	<b>2,584</b>	<b>1,572</b>	<b>1,012</b>
<b>Overall Total</b>	<b>40,260</b>	<b>(2,991)</b>	<b>37,269</b>	<b>36,257</b>	<b>1,012</b>

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 **£7.5k**.

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 **£5.6k** shown in the previous table, **£1.1k** is past its due date (**£1.9k** at 31 March 2022) 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	31/03/23
	£000s
Total Balance Sheet long term and short term debtors	7,808
Add back impairment allowances	2,991
<b>Total Balance Sheet Debtors (before impairment allowances)</b>	<b>10,799</b>
Adjust to exclude debtors not exposed to credit risk:	
Statutory and other debtors	(4,777)
Prepayments	(447)
<b>Total Debtors exposed to credit risk</b>	<b>5,575</b>
Less impairment allowances	(2,991)
Less debtors not yet due for payment	(530)
<b>Total debtors past due date and not impaired</b>	<b>2,054</b>

Debts past due date and not impaired as at 31/3/23	Council Tax & NDR	Benefit Over Payments	Other Customers	Total
	£000s	£000s	£000s	£000s
Less than one month	11	15	617	643
One to three months	11	22	152	185
Three to six months	11	15	84	110
Six months to one year	107	38	93	238
More than one year	307	410	161	878
<b>Total</b>	<b>447</b>	<b>500</b>	<b>1,107</b>	<b>2,054</b>

Debts past due date and not impaired as at 31/3/22	Council Tax & NDR	Benefit Over Payments	Other Customers	Total
	£000s	£000s	£000s	£000s
Less than one month	13	30	91	134
One to three months	21	11	99	131
Three to six months	25	19	86	130
Six months to one year	154	53	105	312
More than one year	248	676	261	1,185
<b>Total</b>	<b>461</b>	<b>789</b>	<b>642</b>	<b>1,892</b>

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 team 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	31/03/22	31/03/23
	£000s	£000s
Less than one year	1,007	276
Between one and two years	1,204	6,000
Between two and five years	8,700	13,000
Between five and ten years	17,200	7,500
More than ten years	14,201	6,500
<b>Total</b>	<b>42,312</b>	<b>33,276</b>

Maturity Term	Actual	Cumulative Actual	Approved Limit*
	31/03/23	31/03/23	
Less than one year	1%	1%	50%
Between one and two years	18%	19%	50%
Between two and five years	39%	58%	60%
Between five and ten years	23%	80%	80%
More than ten years	19%	100%	100%
<b>Total</b>	<b>100%</b>		

\* 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 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 team 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:

Increase in borrowing rate by 1%	2021/22	2022/23
	£000s	£000s
Increase in interest payment on variable rate borrowings	0	
Increase in interest payment on variable rate investments	444	468
<b>Impact on Comprehensive Income and Expenditure Statement</b>	<b>444</b>	<b>468</b>

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 16 October 2024 by the Assistant Director, Finance & Procurement (s151 Officer), 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.

In 2022 an Internal Audit report into Senior Manager Pay and Conditions was completed. This report uncovered significant concerns with the approach taken to senior management pay and remuneration. As a result, the Council instigated a number of processes which at time of writing in October 2024 are nearing completion. Full details are contained within the Addendum to the Annual Governance Statement, starting on page 120 of this Statement of Accounts.

## 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 2023:

2021/22	Total Provisions £000's
<b>Balance as at 1 April 2022</b>	<b>1,101</b>
Amounts used in 2022/23	(134)
Additional provisions made in 2022/23	26
Unused amounts reversed in 2022/23	(417)
<b>Balance as at 31 March 2023</b>	<b>576</b>

The balance relates entirely to the following provisions:

- Business rates provision for rateable loss** – 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.
- ASELA provision** – The Council is a partner in the Association of South Essex Local Authorities (ASELA) Joint Committee. ASELA ended 2021/22 in a deficit position and the Council determined it would be prudent to establish a provision in case its share of the deficit needed to be made good by way of an additional payment. For 2022/23, ASELA has recorded only a small in-year surplus and therefore remains in an overall deficit position. Consequently the Council has determined it is reasonable to continue holding the provision. The forecast for 2023/24 is for a larger surplus and therefore if ASELA's financial position improves the provision will be reviewed again at that point.

### 21.2 – Contingent Assets

The Council has no contingent assets to report as at 31 March 2023.

### 21.3 – Contingent Liabilities

The Council has the following contingent liabilities to report as at 31 March 2023:

- 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 has for a number of years been part of a group litigation against Royal Mail regarding the scope of VAT on postal services. Following a number trials and appeals, the group litigation has been unsuccessful and an adverse costs liability has been created. Negotiations are underway in an attempt to agree Royal Mail's reasonable costs and to what extent those will be covered by After The Event insurance. Until the uninsured value of the reasonable costs is established it is not possible to calculate the Council's share of the liability.
- 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 site 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.
- 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 2022 for the 2022/23 financial year). The applicable changes for 2022/23 are as follows:

- **IFRS 16 Leases** – requirement to adopt change delayed to 1 April 2024.
- **Definition of Accounting Estimates (amendments to IAS8)** – This has no impact on the Council's accounts.
- **Disclosure of Accounting Policies (amendments to IAS 1 and IFRS Practice Statement 2)** - This has no impact on the Council's accounts.
- **Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendments to IAS12)** - This has no impact on the Council's accounts.
- **Updated Reference to the Conceptual Framework (amendments to FIRS 3)** - 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 Non-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 Department for Levelling Up, Housing and Communities (DLUHC) 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 to the majority 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 2023, 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 **£16k** for each year that the useful lives were decreased.

**Estimated effect if results differ from assumptions** – The impact of a **1%** valuation change on the Knightswick Shopping Centre would be **£140k**.

### 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 2022/23 the actuary advised that the net pension liability had increased by **£44.1m** due to changes in financial assumptions and decreased by **£9.1m** 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.

2021/22 £000s		Notes	2022/23 £000s
	<b>Income</b>		
(7,055)	Dwelling rents		(7,299)
(97)	Non-dwelling rents		(85)
(623)	Charges for services and facilities		(717)
<b>(7,775)</b>	<b>Total Income</b>		<b>(8,101)</b>
	<b>Expenditure</b>		
1,569	Repairs and maintenance		2,016
2,357	Supervision and management		1,801
235	Rents, rates, taxes and other charges		273
1,741	Depreciation, revaluation and impairment of non-current assets	3	2,136
34	Increase / (decrease) in allowance for bad or doubtful debts		62
<b>5,936</b>	<b>Total Expenditure</b>		<b>6,288</b>
<b>(1,839)</b>	<b>Net Expenditure / (Income) of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>(1,813)</b>
27	HRA services' share of Corporate and Democratic Core		25
712	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		666
<b>(1,100)</b>	<b>Net Expenditure / (Income) of HRA Services</b>		<b>(1,122)</b>
	<b>HRA Share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement</b>		
(103)	(Gain) / loss on disposal / derecognition of non-current (long term) assets		313
(21)	Interest and Investment income		(463)
953	Interest payable on debt, and similar charges		886
0	Capital grants and contributions		(531)
<b>(271)</b>	<b>(Surplus) / Deficit for the Year on HRA Services</b>		<b>(917)</b>

### 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.

2021/22		Notes	2022/23	
£000s			£000s	£000s
(2,872)	Housing Revenue Account Balance Brought Forward			(2,075)
(271)	(Surplus) / Deficit for the Year on the HRA Income and Expenditure Statement			(917)
	<b>Adjustments between accounting basis and funding basis under statute</b>			
143	Revaluation and impairment of non-current (long term) assets	3	(29)	
93	Net gain / (loss) on disposal or derecognition of non-current (long term) assets		(313)	
0	Adjustment for recognised capital grants and contributions (applied and unapplied)		530	
(334)	Reversal of net charges made for post-employment benefits in accordance with IAS 19		(273)	
9	Adjustment for Accumulated Absences (holiday pay)		(2)	
7,000	Revenue contribution to finance capital expenditure		2,451	
157	Employer's contributions payable to pension fund		146	
0	Adjustment for PWLB early repayment discount		309	
<b>7,068</b>	<b>Total adjustments</b>			<b>2,819</b>
<b>6,797</b>	<b>Net Decrease / (Increase) Before Transfers To / (From) HRA Earmarked Reserves</b>			<b>1,902</b>
(6,000)	Transfers to / (from) HRA Earmarked Reserves			(1,000)
<b>797</b>	<b>Decrease / (Increase) in the HRA Balance for the Year</b>			<b>902</b>
<b>(2,075)</b>	<b>Housing Revenue Account Balance Carried Forward</b>			<b>(1,173)</b>

## Notes to the Housing Revenue Account

### 1 HRA Capital Expenditure and Receipts

Capital expenditure during 2021/22 and 2022/23 was as follows:

Item	2021/22 £000's	2022/23 £000's
Enhancement works	1,693	1,568
Property acquisitions and new developments	262	884
<b>Total capital expenditure</b>	<b>1,955</b>	<b>2,452</b>
Funded from:		
Major repairs reserve (note 1)	(1,726)	(1,568)
Grants and capital receipts	(229)	(884)
<b>Total funding sources</b>	<b>(1,955)</b>	<b>2,452</b>

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 2022/23 totalled **£491k** (**£2,298k** in 2021/22), from which **£5k** was deducted for costs incurred. The balance of unused HRA capital receipts held as at 31 March 2023 was **£2.778m**, of which **£2.107m** must be used for replacement housing purposes. Any of this portion not used within five years of the year end from the date of original receipt is repayable to Central Government.

### 2 Housing Assets

The Council sold 4 council properties during 2022/23 (16 in 2021/22) and demolished 4 as part of a development project. 40 garages were demolished in 2022/23 (67 in 2021/22). The housing assets included in the Balance Sheet are as follows:

Dwelling type – property numbers	31/03/22	31/03/23
	Number	Number
1 bedroom	505	504
2 bedroom	357	355
3 bedroom	414	413
4 bedroom	11	11
Bedsits	203	203
<b>Total dwellings</b>	<b>1,490</b>	<b>1486</b>
<b>Total garages</b>	<b>293</b>	<b>253</b>

**Housing Revenue Account (HRA)**

Dwelling type - valuation	31/03/22 £000s	31/03/23 £000s
Council dwellings	147,635	150,177
Garages	757	721
<b>Total balance sheet net book value at 31 March</b>	<b>148,392</b>	<b>150,898</b>

Vacant possession	01/04/21 £000s	01/04/22 £000s
Vacant possession value of council dwellings at 1 April	296,601	335,192

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 1 April 2022 is an estimate only as there was no formal valuation at that date in 2022/23.

### 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 Department for Levelling Up, Housing and Communities (DLUHC), 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 2022 providing data as at March 2022 concluded that movements in values during 2022/23 had resulted in a 0.5% increase in the value of the Council's dwelling stock at March 2023, 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	2021/22 £000s	2022/23 £000s
Dwellings and garages depreciation charge	1,884	2,107
Revaluation losses	0	29
Reversal of previous revaluation losses	(143)	0
<b>Total</b>	<b>1,741</b>	<b>2,136</b>

### 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 2021/22 £000s	COUNCIL TAX 2021/22 £000s	TOTAL 2021/22 £000s		Notes	BUSINESS RATES 2022/23 £000s	COUNCIL TAX 2022/23 £000s	TOTAL 2022/23 £000s
			<b>Income</b>				
0	(59,863)	(59,863)	Council Tax income receivable	1	0	(62,633)	(62,633)
(12,425)	0	(12,425)	Non-domestic rates income receivable	2	(13,358)	0	(13,358)
<b>(12,425)</b>	<b>(59,863)</b>	<b>(72,288)</b>	<b>Total Income</b>		<b>(13,358)</b>	<b>(62,633)</b>	<b>(75,991)</b>
			<b>Expenditure</b>				
			<b>Apportionment of previous year surpluses / (deficits)</b>				
(4,317)	0	(4,317)	Central Government		(1,403)	0	(1,403)
(3,453)	2	(3,451)	Castle Point Borough Council		(1,123)	(104)	(1,227)
(777)	11	(766)	Essex County Council		(253)	(324)	(577)
0	2	2	Essex PFCC - Policing and Community Safety		0	(49)	(49)
(86)	1	(85)	Essex PFCC - Fire and Rescue Authority		(28)	(18)	(46)
			<b>Precepts, demands and shares</b>				
7,293	0	7,293	Central Government		6,382	0	6,382
5,835	8,562	14,397	Castle Point Borough Council		5,106	8,797	13,903
1,313	41,521	42,834	Essex County Council		1,149	43,688	44,837
0	6,457	6,457	Essex PFCC - Policing and Community Safety		0	6,814	6,814
146	2,288	2,434	Essex PFCC - Fire and Rescue Authority		128	2,349	2,477

BUSINESS RATES 2021/22 £000s	COUNCIL TAX 2021/22 £000s	TOTAL 2021/22 £000s	Notes	BUSINESS RATES 2022/23 £000s	COUNCIL TAX 2022/23 £000s	TOTAL 2022/23 £000s
			<b>Other charges to the Collection Fund</b>			
75	0	75	Costs of collection	74	0	74
493	790	1,283	Increase / (decrease) in allowance for bad and doubtful debts	9	108	117
(61)	0	(61)	Increase / (decrease) in allowance for appeals	(1,312)	0	(1,312)
<b>6,461</b>	<b>59,634</b>	<b>66,095</b>	<b>TOTAL EXPENDITURE</b>	<b>8,729</b>	<b>61,261</b>	<b>69,990</b>
(5,964)	(229)	(6,193)	(Surplus) / deficit for the year	(4,629)	(1,372)	(6,001)
8,923	36	8,959	(Surplus) / deficit brought forward	2,959	(193)	2,766
<b>2,959</b>	<b>(193)</b>	<b>2,766</b>	<b>(SURPLUS) / DEFICIT CARRIED FORWARD</b>	<b>(1,670)</b>	<b>(1,565)</b>	<b>(3,235)</b>

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.

BUSINESS RATES 2021/22	COUNCIL TAX 2021/22	TOTAL 2021/22		BUSINESS RATES 2022/23	COUNCIL TAX 2022/23	TOTAL 2022/23
1,479	0	1,479	Central Government	(834)	0	(834)
1,184	(25)	1,159	Castle Point Borough Council	(668)	(221)	(889)
266	(139)	127	Essex County Council	(151)	(1,107)	(1,258)
0	(22)	(22)	Essex PFCC - Policing and Community Safety	0	(177)	(177)
30	(7)	23	Essex PFCC - Fire and Rescue Authority	(17)	(60)	(77)
<b>2,959</b>	<b>(193)</b>	<b>2,766</b>	<b>(SURPLUS) / DEFICIT CARRIED FORWARD</b>	<b>(1,670)</b>	<b>(1,565)</b>	<b>(3,235)</b>

## Notes to the Collection Fund Income and Expenditure Statement

### 1 Council Tax Base

The Council's tax base for 2022/23, 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	1,942	4,765	11,739	7,722	4,067	1,767	710	59	32,771
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	1,294	3,706	10,435	7,722	4,970	2,553	1,183	118	31,981
Collection rate adjustment									(800)
<b>Council tax base for 2022/23</b>									<b>31,181</b>

### 2 Income Collectable from Non-Domestic Rates (NDR)

Non-Domestic Rates are organised on a national basis. The Government specified an amount of **51.2p** in 2022/23 with a small business rate of **49.9p** in 2022/23 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 Non-Domestic rateable value as at 31st March 2023 was **£41,780K** (**£42,191K** in 2021/22) before rates reliefs and other adjustments:

National non-domestic rate multiplier at 31st March	2021/22 £000s	2022/23 £000s
Multiplier Business Rate Relief	51.2	51.2
Small Business Rate Relief	49.9	49.9



## 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/SOLACE Delivering Good Governance in Local Government: Framework*, around which the details presented in section 4 are structured. A copy of this Local Code is available to download from the Council's website at <https://www.castlepoint.gov.uk/local-code-of-corporate-governance>

This annual governance statement explains how the Council has complied with the 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 is accountable 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 the changing landscape in which local government operates.

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 the Council delivering its priorities 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 delivery of the Council's priorities 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 ending 31 March 2023 and up to the date of approval of the Statement of Accounts.

### 3 The Council's Governance Framework

1.1 The governance framework ensures that the Council's priorities and objectives are effectively promoted and progressed through its corporate governance arrangements and business processes. The key business processes in 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 (EMT) and to 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 nominated officers (who lead on each of the governance processes in this framework) informing the assessments presented below in 3.5
- an annual report – this Annual Governance Statement – to Leadership Team and the Audit Committee on the adequacy of governance arrangements.

The Council has in place a Good Governance Group, comprising 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 Good 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 2021/22	Assessment 2022/23
Consultation and Engagement	Satisfactory	Satisfactory
Business Planning and Strategy, including Partnerships	Partial	Partial
Financial Planning, Reporting and Budgetary Control including Value for Money	High	High
Asset Management	Satisfactory	Partial
Risk Management	Satisfactory	Partial
Health and Safety	Satisfactory	Partial
Business Continuity	Partial	Partial
Performance Management	Satisfactory	Partial
Workforce Management	Partial	Partial
Data Quality	Satisfactory	Satisfactory
Information Governance	Satisfactory	Satisfactory
Procurement	Satisfactory	Satisfactory
Project Management	Partial	Partial
Complaints	Satisfactory	Satisfactory
Ethical Governance, including Anti-fraud & Corruption and Whistleblowing	Satisfactory	Satisfactory

The Council's key governance and business processes are also subject to audit on a risk basis. This work forms part of the evidence base 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 2022/23, the governance group again found that in several areas whilst the core business processes were in place, the application of those processes was not always consistent across the different areas of the Council's business. This is set out in more detail for specific processes in the following sections.

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

**CIPFA Core 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 Satisfactory.

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. In 2022, new Councillors received training in the importance of ethical governance and the existence of the Code as part of their induction. This was repeated for new Members elected in the May 2023 elections. The new LGA Code of Conduct was formally adopted at full Council in November 2022 and full training on the new code will be rolled out to all members in June 2023.

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.

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>, albeit these will be subject to review and refresh as part of the Council's Transforming Together programme. 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 in their induction pack. The Council's annual appraisal template includes a record of whether any declarations of interest have been made by staff during the year and an email is sent to all staff in December reminding them of rules around gifts and hospitality. 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 has remained low (three investigations in 2022/23, the same number as in 2021/22).

An audit of Ethical Governance commenced in the first quarter of 2022/23, with initial findings indicating that a number of the key documents that form the ethical governance framework require review and updating, publishing on the intranet, promoting and reinforcing to all staff to ensure awareness of these documents and what is required to comply with the principles and expectations around behaviours and values that they contain.

The Council ensures access to its [complaints policy](#) 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 a key part of the process, and without which an investigation cannot take place.

Counter Fraud and Investigation services continue to be provided by Thurrock Council with a member of the team attending Operational Management Team (OMT), raising awareness of their work across a wider range of managers. A programme of work was in place during the year and progress in delivering the programme was presented to Audit Committee in July 2022 and in January 2023 with a final annual report due to be presented in July 2023. The value of reported suspected fraud against the Council during 2022/23 was **£247,500**. The value of detected fraud in the Castle Point Borough during 2022/23 was **£47,000**.

A piece of work was carried out with the Housing Service which has resulted in 43 tenancy audits taking place this year. This ensures that the correct individuals are living in the housing that they are allocated.

## **CIPFA Core Principle B**

### **Ensure Openness and Comprehensive Stakeholder Engagement.**

The Council has the core requirements for **Customer Engagement and Consultation** in place and has been assessed as Satisfactory.

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 by the Council's contractor 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 the winner of *Best Member Experience – Local Authority 2022* and was a finalist for *Regional Centre of the Year for the South region at the UK Active Awards 2022*, both reflecting not only quality of provision but high levels of customer satisfaction.

A public consultation was held over May and June 2022 to establish customer satisfaction with a range of Council services as well as gather thoughts about where people live and the communities around them. However, despite making the survey available online, in hard copy from the Council offices and from any of the four libraries in the Borough, just 125 responses were received. Work in this area continued later in the year, with the development of a new consultation and engagement brand for the Council called *Castle Point Together*, reflecting a different approach to engagement beyond surveys. The first events under this new brand were focus groups held with residents in March 2023. Suggestions and ideas for improvement generated from these sessions have been discussed with the Council's Leadership Team, with a report planned for Cabinet in 2023.

Towards the end of 2022/23, the consultation and engagement programme for the new Castle Point Plan was developed to be rolled out over the new financial year, starting with a consultation to help the Council understand what local people value and would like to see improved in their area.

The Council also has in place a consultation toolkit available for services to use and this is set out in the 'How it Works' guidance.

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>. In February 2023, the Council included a leaflet with Council tax bills setting out its performance highlights from the previous year.

Compliance with processes around the handling of **Complaints** has been assessed as Satisfactory. There is a complaints policy in place and complaints are managed in accordance with this policy. Information on the website has improved signposting to the organisation best placed to respond to the complaint, depending on which service the complainant has an issue with. Recording of complaints in a consistent manner and sharing of learning from complaints is something which continues to require some development, although a new tool to record corporate complaints is now in place (from April 2023). The Housing service is an exemplar in this area, with processes in place to ensure compliance with the Housing Ombudsman Complaints Handling Code, including an annual self-assessment of complaints handling and using complaints as an opportunity to learn and improve processes. Over 2022/23, the Housing Ombudsman investigated two complaints, finding in the Council's favour in one case and against the Council in one case. The Local Government & Social Care Ombudsman received one complaint about the Council in the period 1 April 2022 to 31 March 2023 which it decided to not investigate.

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> .

**CIPFA Core Principle C:**

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

The Council's Corporate Plan 2021-24 was developed jointly with Cabinet and Leadership Team as well as through engagement with the Council's Scrutiny Committees and a public consultation on priorities and objectives. The Corporate Plan was formally adopted by Council in September 2021 and sets out a high-level vision for the area with four corporate priorities: Economy & Growth; People; Place; and Environment. The plan complies with a number of good-practice requirements, including defined and measurable outcomes which have been reported to Cabinet over the year in the quarterly Corporate Performance Scorecard.

The Council works closely with partners on joint objectives and outcomes. For example, with the Castle Point & Rochford Health and Wellbeing Board and the Community Safety Partnership, both of which have membership from a range of stakeholders. Work continued in 2022/23 with the South East Essex Alliance, a health and wellbeing partnership across the NHS, local government and the community and voluntary sector.

The Council remains an active member 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. Officers represent the Council across the ASELA workstreams (Economy and Skills; Digital Connectivity; Transport and Infrastructure; Housing; and The Environment), with the Council's Chief Executive leading on the Environment workstream. A Memorandum of Understanding is in place for ASELA, and the Council is a member of the ASELA Joint Committee in accordance with S101 of the Local Government Act.

**CIPFA Core Principle D**

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

The Castle Point Plan is a key piece of work commenced in 2022/23. Work on the Castle Point Plan followed the decision of Council to not adopt the previous draft Local Plan 2018 - 2033 at its meeting on 23 March 2022, with a further decision to withdraw it at a meeting on the 15 June 2022.

In compliance with the Act and Regulations, the Plan was withdrawn from the Council's website. In addition, staff and the Development Management Committee were advised that the now withdrawn Castle Point Local Plan 2018 – 2033 is no longer a material consideration in determining planning applications.

The remainder of 2022/23 was therefore spent on preparatory work for the new Castle Point Plan, including the following steps:

- Engagement with Government to set out the approach being taken by the Council to develop the new Plan.
- Approval of a new Local Development Scheme setting out the programme and resources required for preparing the Castle Point Plan in November 2023.
- Establishment of a cross-party Castle Point Plan Board to develop, agree and oversee the approach for the new Castle Point Plan.
- Quarterly updates to Cabinet on progress in the development of the new Plan.
- The procurement of engagement software and the implementation of the first round of engagement on the Castle Point Plan.
- The development and agreement of specifications for key pieces of evidence base work to inform the Castle Point Plan's approach to housing and to Green Infrastructure.

The Council continues to face significant financial challenges and needs to pursue actions to reduce net operational spend over the coming years and increase income substantially. Whilst the budget set in February 2023 for 2023/24 was balanced, significant financial pressures remain. The ongoing cost of living financial pressures continue to place Council budgets under significant pressure both in terms of inflation and also demand for Council services. Work continues to address forecast budget gaps and the Council's transformation programme is expected to deliver cashable savings.

Additionally, the restructuring of the Council as part of this programme will provide a clear structure against which tiers of financial delegations can be given, replacing the current mix of delegations at the same organisational level which sometimes leads to uncertainty and a culture of needing to ask before doing anything. Finally, the Local Government external audit landscape remains challenging, with a significant number of audits outstanding across multiple years. The Council is affected by this and is still working to have its 2020/21 accounts signed off, after which the audit of 2021/22 will be able to commence. Having outstanding audits has created additional challenges for the Financial Services team and also delayed the production of the 2022/23 accounts. Government, alongside CIPFA, the National Audit Office and the Financial Reporting Council are considering what measures can be taken to help the sector clear the backlog of audits. 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, supported by processes/activity which includes: monthly budgetary reports to budget holder; bi-monthly financial updates to Cabinet; a “budget fortnight” to focus efforts in the lead up to budget setting.

The assessment of the Council’s **Project Management** arrangements remains Partial. Over three days in March 2022, training was provided on the new toolkit and workbook to OMT and others in the Council who manage projects. The focus of 2022/23 was to ensure that the revised project toolkit and workbook was being used as intended and that projects were set up more robustly and project delivery effectively managed. To this end, a further piece of audit work was undertaken which concluded partial assurance. The audit reported that the new toolkit and workbook provided a “solid foundation for project management, particularly in relation to early scoping and initiation of projects”, however, “reporting and escalation arrangements set out in the toolkit have not been established in practice and as a result projects have not been subject to sufficient scrutiny and oversight.” Fieldwork for the audit confirmed that all projects taken in the sample had been thoroughly scoped and had a clear rationale but four of the six had not been fully monitored as projects progressed. The audit included a range of recommendations for implementation over 2023/24, including the establishment of a Project Board. Implementation of these recommendations is included in the action plan at the end of this governance statement.

The approach to **Business Continuity** (BC) has been assessed as Partial. An internal audit on business continuity arrangements within the Council was completed in October 2022. 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. Revised service-level business impact analysis and response plan templates have been produced and rolled out in November 2022 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 discussed quarterly at OMT meetings. The Council’s emergency planning and business continuity framework document produced in 2018, and updated annually, 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 any lessons learnt and following any significant changes in the Council. The Council’s Joint Emergency Planning Officer (JEPO) coordinated and facilitated a business continuity desktop exercise during Business Continuity Week in 2022. A follow-up audit of BC arrangements has been undertaken but is in the process of being finalised. However, any actions arising from the audit will be added to the action plan at the end of this governance statement. Key areas of focus for 2023/24 include: review and refresh of the IT Disaster Recovery Plan; incorporating newly identified BC risks into the Council Corporate risk Register; training needs assessment following any organisational restructure; and a BC desktop exercise to validate the Council corporate BC plan.

The Council’s **Business Planning and Strategy, inc Partnerships** process has been assessed as Partial. Last year’s governance statement raised issues around the length of time taken for services to produce plans and finalisation of plans later than usual. The template for 2023/24 service plans was revised and compliance with this business process has improved and, although there remains some inconsistency in quality, service plans for 2023/24 are in place for most service areas. There is an opportunity to change the focus of service plans as they are developed for the 2024/25 financial year, linking them strongly with the Transforming Together programme, emphasising transformation and change activity over business as usual. The Corporate Performance Scorecard for 2022/23 remained broadly similar to that in 2021/22, although some measures were removed from the

scorecard as they no longer provided insight into priority areas of performance. The Council's policy framework operates satisfactorily; policies and strategies continue to be refreshed by services, although some updates are overdue. A register of policies and strategies is in place, updated annually and reported to Cabinet in October 2022. The policy framework is set out in the Policy Framework and Budget Setting report which went to Cabinet and Council in February 2022. The reason for the assessment of Partial relates to the Partnerships aspect of this governance process – see paragraphs below.

### **CIPFA Core Principle E**

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

The Council uses partnerships to good effect to increase its capacity. The Council is a lead member of the Joint Castle Point and Rochford Health and Wellbeing Board and Community Safety Partnership. The Leader and representatives from Leadership Team (as well as other Council officers) 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. Work with the South East Essex Alliance has allowed the Council to better understand the range of work being undertaken by partners to improve the health and wellbeing of Castle Point residents, providing the opportunity for more joint working.

Building on the excellent work across local government, health and the community and voluntary sectors in response to Covid-19, work continued over 2022/23 on Levelling Up, working closely with Essex County Council who have committed resource to the area to support the Council's ambitions, with a particular focus on Canvey Island. In September 2022, the Council submitted to Government its investment plan for the UK Shared Prosperity Fund (UKSPF) to unlock £1m of funding from 2022/23 to 2024/25. Work on Levelling Up and UKSPF will continue into 2023/24.

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:

- **£85k** Levelling Up Parks funding, used towards improvements to playground facilities at Thorney Bay Open Space
- **£79k** (the 2022/23 allocation from the £1m UKSPF) used to: supplement funding for improvements to playground facilities at Thorney Bay Open Space; develop the Council's capacity through engagement brand development and new software; and hold a series of focus groups in March 2023

Partnership assurance processes have been subject to further development work in the 2022/23 financial year, although further progress is required. A partnership strategy and framework remains in place; this gives guidance to those considering setting up new partnerships and advice on how to ensure that existing partnerships continue to be effective. During 2022/23, work on some key partnerships was reported to members. For example, in November 2022, the work of the Mid and South Essex Integrated Care Board (MSE ICB) was presented to the Wellbeing Policy and Scrutiny Committee (PSC) to improve understanding of this important partnership across health, local government and the community and voluntary sector.

For 2023/24, work will continue on ensuring that the work of key partnerships is reported to elected members. A further area of focus will be on grants to community and voluntary sector organisations to ensure that the Council continues to see, and is able to evidence, the impact of these grants across the Borough on those people who use the services provided by these organisations.

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; a revised version of the Constitution was adopted by Council in November 2022.

The information needs of elected members to effectively develop policy and make decisions is widely considered, and reports to Cabinet and Council include considerable detail where required to give a full understanding of the implications of recommendations made and decisions to be taken.



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 three 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 receives monitoring reports on its effectiveness. 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** has been assessed as having a Partial level of compliance. The Council has effective recruitment and retention arrangements (including a new policy around the use of market supplements, introduced in 2022) 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. The Council continues to fund those wishing to pursue professional and academic qualifications relevant to their job alongside more generic training. The Council also makes use of online training platforms particularly for induction and training in health and safety arrangements. The Council continues to be signed up to *Working Well*, a programme of workplace-based wellbeing training courses offered through a service commissioned by Essex County Council. A new Employee Assistance Programme was commissioned towards the end of 2021/22 and went live on 1 April 2022, allowing employees to access support about wellbeing, family matters, debt management and illness. A gap in capacity to support the Organisational Development side of workforce management has been identified resulting in the need for an additional resource to support the Transforming Together programme, which includes workforce development as a key component.

During the year the Council engaged the Local Government Association to undertake a Decision Making Accountability review of the Council's workforce, looking at the number of layers of management the Council has, and what it needs in order to deliver its aims and objectives in the most effective way. The Council has used the results of this to inform a transformation programme called Transforming Together. This is aiming to right size and shape the Council, defining and upskilling the workforce to ensure it has the right skills and capabilities at the right cost to establish the foundations for the Council to transform into a modern, customer focused and financially sustainable organisation.

The transformation programme is organised into four workstreams that are interlinked, run concurrently and address: Organisation re-design; New ways of working; Workforce development and; Communication and engagement. The programme is underway with the first stages of the organisation redesign being implemented, and the whole programme timetabled to be completed by March 2024.

### **CIPFA Core Principle F**

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

**Core Performance Management** arrangements are in place but overall assessed as Partial. The Council uses a database to produce performance information for all service areas, with a performance scorecard of measures linked to the priorities and objectives in the corporate plan, produced every quarter and presented to Cabinet. There is some variance in the comprehensiveness 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. There are some strong examples of high compliance with performance management processes in the leisure service and in street scene service. The service plans include performance indicators for both Council-run services as well as for services provided on the Council's behalf by contractors or partners. A Business Review Board (consisting of the Leadership Team) was introduced by the Chief

Executive and which covers a range of performance information including the corporate performance scorecard, health & safety, risk management and implementation of audit recommendations. 2022/23 was used to start to establish the rhythm around the Business Review Boards, with further development in 2023/24. From the workforce side of performance management, the practice of regular performance reviews alongside records of annual appraisals remains patchy and inconsistent across the organisation, and will be subject to further work in 2023/24, linked to the Transforming Together programme.

The organisation's approach to **Risk Management** has been assessed as Partial and requires further development work. A corporate risk register remains in place and is reviewed by Leadership Team at its Business Review Board, although the number of risks on the register are too numerous and it requires a refocus. Risks have been identified as part of the development of service plans for 2023/24 and risks get escalated to the corporate risk register should the identified issue be considered significant. Some gaps in service and directorate risk registers have been identified and so training on risk management was arranged for OMT in March 2023. Directors and Heads of Service will be working with their service areas to develop and refresh their own risk registers to support the re-development of the corporate risk register.

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 OMT to highlight areas of concern. Significant health and safety issues are escalated to the Leadership Team. Compliance with health and safety processes has been assessed as Partial, and an internal audit of health and safety conducted in 2022 has made recommendations to deliver improvements that will improve the level of assurance that the Council has for meeting its responsibilities in respect of health and safety. The vast majority of health and safety incidents relate to minor incidents to members of the public when using Council facilities such as leisure centres. In 2022/23, no incidents were required to be reported under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 2013. Work to review, update and introduce health and safety policies and guidance notes is ongoing and a piece of work is planned for 2023/24 for an external review of arrangements to support the Council in this area and any gaps in arrangements are filled. One area that requires further attention is the health and safety e-learning completion rates which has been noted at the Business Review Board and will be reviewed at each subsequent meeting to ensure progress is made.

To deliver against its priorities and objectives, the Council has a number of assets at its disposal, from IT equipment and information assets through vehicles, plant and machinery to buildings and land assets, which are now captured by services in a new section of service plans introduced as optional for 2020/21 and mandatory for 2021/22 onwards. Overall, compliance with **Asset Management** processes is assessed as Partial. The Corporate Asset Management Plan and the Housing Asset Management Plan both contain progress in asset management activities and plans which contribute towards the short-, medium- and long-term aims and objectives of the Council in relation to asset management. An extensive Planned Preventative Maintenance Programme is in the process of being commissioned for 2023/24 across 10 corporate assets, with works anticipated to begin in late Spring 2023. Funding provision has been earmarked and completion of the works is planned for November 2023. Statutory compliance testing is completed as required. Lease renewals were completed with a range of organisations operating from Council-owned buildings or land. The asset list was comprehensively updated in 2022 to inform asset valuation so the Council now has more reliable measurements for floor areas of buildings and areas of land owned.

All ITC-related assets – including infrastructure such as servers, network equipment etc – are managed as part of the Council's contract with an external provider. The Council owns a small fleet of vehicles and runs a vehicle maintenance workshop to carry out ongoing checks, servicing and repairs. We look to replace these vehicles with new vehicles every seven to eight years in accordance with their expected useful life.

The assessment of Partial is largely based on the need for a more strategic approach to asset management (buildings and land) which takes a view across the assets managed by individual service areas to ensure that these are put to best use to support the Council to deliver its aims and objectives. This is a piece of work to be led by the Strategic Asset Group over 2023/24 and beyond.

### **Role of the Chief Financial Officer**

The Section 151 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 Leadership 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 compliance is Satisfactory. Guidance has been incorporated into the 'How it Works' document. Arrangements are led by the Solicitor to the Council 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. Managers are also required to follow the data security breach management procedure in the event of a data breach, although the number of incidents is small with just two during 2022/23. The Solicitor to the Council continues to ensure compliance with the General Data Protection Regulations (GDPR) which came into force in May 2018. The GDPR online annual training module was refreshed, including an update on key legal personnel and how to report or obtain assistance in order to improve staff understanding of GDPR. Staff are reminded to undertake this training (and refresher training) by the Council's e-learning platform. Information Governance is a regular agenda item at OMT. An audit of cyber security has been undertaken and identified the foundations of a basic control environment in relation to the incident management process confirming that some controls are in place to mitigate the risks in this area. However, there are some gaps that need to be addressed to further mitigate the risks including the need for clarity over roles and responsibilities for cyber security. The Council has in place processes for managing any Freedom of Information (FOI) requests received. Performance for

responding to FOIs is reported at the Business Review Board and new processes will be implemented in 2023/24 to provide some resource to review and send out reminders to those with FOIs that are approaching the 20 working days statutory deadline.

Compliance with **Procurement** processes is Satisfactory. The Council has a comprehensive procurement toolkit and strategy and associated governance processes which have been subject to an annual review by the Solicitor to the Council. The new Procurement bill is awaiting Royal Assent and once enacted a review of the procurement toolkit and associated documents will be undertaken. The existing 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. Procurement training is given to OMT each year. The Procurement Bill *Transforming public procurement* was formally introduced in the Queens speech in May 2022. It is envisaged that the Procurement Bill will become law in 2023, with a 6-month implementation period to follow. A fully revised toolkit setting out the new requirements and procedures to ensure compliance with the reforms will be issued once details are known. Some issues have arisen over the year when insufficient notice has been given to service areas supporting procurement activity resulting in more limited options for procurement than would have been possible with a longer lead in time. The contracts register requires some further attention to ensure that it is as up to date as possible, something which will help with planning the procurement activity expected over the year. A further area of focus for 2023/24 is shifting the organisation's approach to procurement to having more of a strategic commissioning view where options for alternative provision of a good or service is taken into account before the procurement exercise starts in earnest. An audit of Procurement arrangements confirmed that there is scope for improvement of understanding of procurement requirements in parts of the organisation, and that the passing of the Procurement Bill into law should be used as an opportunity to refresh officers understanding of how to ensure compliance with regulations.

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. Systems are designed in some areas to ensure data quality requirements are considered, for example, the operation of a detailed performance management framework in housing, and systems in place across revenues and benefits. 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 OMT in March 2022, with a reminder of the content of the training sent to OMT in March 2023.

### **Internal Audit**

The annual risk-based audit plan was prepared in consultation with Heads of Service, Leadership Team and the Audit Committee. The audit plan has been progressed, 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 Leadership Team and the Audit Committee at each of its meetings, although these were reduced in number because of amendments to arrangements. 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 for 2022/23 states:

"The Council continued to operate risk management, control and governance arrangements, despite the challenges posed by the external environment that it operates within, particularly in respect of the wider economic situation, with the impact of inflation, including the cost of energy, creating additional financial pressures for the Council, residents, the supply chain, and other stakeholders, as well as the wider impacts of the fallout from the Covid-19 pandemic. Significant changes that have occurred to the operations of the Council are becoming embedded, including many staff working remotely and the changes implemented to enable that remote working. These changes enabled the Council to deliver what was required in response to the pandemic, and similar focus now needs to be applied to the financial challenges that the Council is facing, so that the Council can address the

medium-term budget gap that has arisen and bring the Council back into a financially sustainable position.

During the year the Council appointed a new permanent Chief Executive, who is driving a transformation programme aimed at addressing the challenges that the Council is facing and transforming the Council into a modern, financially sustainable organisation focussed on delivering the priorities of the Council and residents. The success of the transformation programme will be critical for the Council to transform the culture and the way that the Council operates, so that the Council shifts to a culture, a focus, a structure, and ways of working that are most appropriate, effective and financially sustainable to deliver the priority outcomes in the changed circumstances that the Council is now facing.

Management needs to continue to monitor both the actual and potential impact of these pressures, the progress against delivery of the transformation programme to drive change that arises, as well as delivery of the Corporate Plan. Management and Members need to be ready to adjust, if necessary, as the situation continues to evolve and the understanding of the impact on future needs and priorities becomes clearer.

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 that still needs to be addressed.

With regards to the assurance provided by audit work undertaken, the results of the work indicate that for the design of the Council's risk management arrangements satisfactory assurance can be provided – although the Risk Management Policy Statement and Strategy is due to be reviewed and refreshed – but partial assurance in respect of operation, as there is a need for further embedding of the arrangements within the services so that there is increased understanding of the need to capture the conversations about risk that are happening, to provide increased visibility, transparency and accountability for decision making around the risks that sit below those on the corporate risk register. The design and operation of internal control can be provided with satisfactory assurance, but issues have been highlighted in respect of the application of the governance framework as operated for the year, indicating that this requires improvement before it can be considered to be satisfactory overall. Therefore, partial assurance is provided for the year. Work to improve elements of the governance framework is being undertaken, as reflected in the Annual Governance Statement.

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.”

The Internal Audit plan for 2023/24 will have increased focus on the key business processes that underpin the governance framework.

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 EY (the business name of Ernst & Young Global Limited) 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.

As noted above the significant number of external audits outstanding across the sector, and multiple years, is also impacting the Council which is still working towards completion of the audit for the 2020/21 Statement of Accounts, after which the audit of 2021/22 will be able to commence, followed by the audit of 2022/23. This Annual Governance Statement, that forms part of the Council's Statement of Accounts for 2022/23, will be finalised through the completion of the audit for 2022/23.

**External Inspections**

There were no external inspections carried out in 2022/23 to report in this Annual Governance Statement.

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

The table below sets out the actions identified and an assessment of progress. Progress on implementation of these actions has been reported to Audit Committee as part of the governance monitoring report.

Number	Issue	Action 2022/23	Date of implementation	Responsible officer	Progress
1.	Improve the organisation's understanding of the effectiveness of partnership working.	<p>Develop and introduce reporting mechanisms on key partnerships to members and senior managers</p> <p>Implement recommendations from the Internal Audit of Partnerships</p>	Sep 2022	Strategy, Policy and Performance Manager	<p>Reporting mechanisms on key partnerships is still in development although there have been some examples of partnership work being reported to elected members. For example, in November 2022, the work of the Mid and South Essex Integrated Care Board (MSE ICB) was presented to the Wellbeing Policy and Scrutiny Committee (PSC) to improve understanding of this important partnership across health, local government and the community and voluntary sector.</p> <p>Responsibility for overseeing partnerships will be clarified through the Transforming Together programme, and a follow-up audit will be scheduled in 2023/24 once the new target operating model is in place.</p> <p><i>Action to roll over into 2023/24</i></p>
2.	Appraisal process value and compliance.	Review the appraisal process to ensure it brings value to individual performance management and compliance is in place for all services	Jan 2023	Human Resources Manager	<p>Additional resource has been obtained to support this piece of work. The focus of their work since arrival in January 2023 has been on the organisation re-design element of the transformation programme. Work on this and other workforce development elements will be picked up in 2023/24.</p> <p><i>Action to roll over into 2023/24</i></p>

Number	Issue	Action 2022/23	Date of implementation	Responsible officer	Progress
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.	Sep 2022	Head of Internal Audit	<p>The Risk Management Policy and Strategy was refreshed and approved by Audit Committee in January 2018 and a further refresh is now being developed to ensure that service-level risk registers remain current. Internal Audit are considering utilisation of service-level risk registers as a standard element of all audits. This work supports the implementation of the remaining areas of focus identified in the health check of risk management.</p> <p>Work is planned for 2023/24 with Leadership Team to re-engage across directorates to support development of directorate-level risk registers, building on the service-level risk registers, which will support a refresh of the Corporate Risk Register.</p> <p><i>Action to roll over into 2023/24</i></p>
4.	Raise compliance with service planning requirements.	Review of the service plan template and process. Further engagement with service managers in lead up to and throughout the service plan development period.	Jan 2023	Strategy, Policy and Performance Manager	<p>The template for 2023/24 service plans was revised and compliance has improved. Although there remains some inconsistency in quality, service plans for 2023/24 are in place for most service areas.</p> <p><i>Action completed</i></p>
5.	Address any issues raised as part of the audit of business continuity.	Implement audit actions.	TBC	Senior Resilience and Procurement Officer	<p>The audit was not concluded in 2022/23 and, at the time of this report, has not yet concluded although is in the final stages. Therefore, this action will be added to the 2023/24 action plan.</p> <p><i>Action to roll over into 2023/24</i></p>



Number	Issue	Action 2022/23	Date of implementation	Responsible officer	Progress
6.	Address any issues raised as part of the audit of cyber security.	Implement audit actions.	TBC	ICT Manager	The audit was finalised towards the end of 2022/23 and so this action will be included in the action plan for 2023/24.  <i>Action to roll over into 2023/24.</i>
7.	Simplify the process for recording and managing complaints.	Create a simpler and more accessible recording and monitoring tool and review complaints process.	Sep 2022	Head of Governance	A new monitoring tool for corporate complaints has been developed and replaced the existing monitoring system in April 2023.  <i>Action completed.</i>


## Key governance issues

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

Number	Issue	Action 2023/24	Date of implementation	Responsible officer
1.	Improve the organisation's understanding of the effectiveness of partnership working	Develop and introduce reporting of key partnerships to members and senior managers.  Review of grants to external bodies.	Q3 2023/24  Q2 2023/24	Strategy, Policy and Performance Manager
2.	Appraisal process value and compliance Employee element of performance management - appraisal process value and compliance. Link to wider work around workforce development.	Review the appraisal process to ensure it brings value to individual performance management and compliance is in place for all services.  Develop the approach to workforce development.	Q3 2023/24	Human Resources Manager
3.	Improve the organisation's understanding and application of good risk management	Re-engage across directorates to support development of directorate-level risk registers, building on the service-level risk registers, which will support a refresh of the Corporate Risk Register.	Q2 2023/24	Head of Internal Audit
4.	Address any issues raised as part of the audit of business continuity.	Implement audit recommendations.	TBC once audit is finalised	Emergency Planning and Resilience Consultant
5.	Improve the organisation's approach to reporting and escalation arrangements for projects to ensure sufficient scrutiny and oversight of delivery.	Implement the recommendations in the follow up audit of project management arrangements.	Q3 2023/24	Strategy, Policy and Performance Manager
6.	Address any issues raised as part of the audit of cyber security	Implement the audit recommendations.	Q4 2023/24	ICT Manager
7.	Strategic approach to asset management.	Further develop a strategic approach to asset management (buildings and land) which takes a view across the assets managed by individual service areas to ensure that these are collectively put to best use to support the Council to deliver its aims and objectives.	From Q3 2023/24	Strategic Asset Group
8.	Compliance with Health & Safety e-learning requirements.	Continue to monitor e-learning completion rates at Business Review Board  External review of arrangements to support the Council in this area	Over 2023/24  Q2 2023/24	Environmental Health Operational Manager

**CONCLUSION**

This statement has been considered by the governance group of officers as well as EMT 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 Dave Blackwell  
Leader of the Council  
July 2023



Ms. Angela Hutchings  
Chief Executive  
July 2023

## **Addendum to the Annual Governance Statement**

### **Requirement for an Addendum to the Annual Governance Statement**

The Annual Governance Statement within this Statement of Accounts remains in its original form as agreed in July 2023. In 2022 the Council became aware of governance failings which substantially alter the findings contained with the Annual Governance Statement. The following addendum provides narrative on the identification of the issues, the process undertaken to understand the extent of the issues and the subsequent actions being taken.

1. In March 2021, the Council had in place an Interim Chief Executive following the death of its incumbent Chief Executive, David Marchant.
2. In January 2022, an Internal Audit report into Senior Manager Pay and Conditions was begun following concerns having been raised by the then interim chief executive. The terms of reference for this new audit were discussed and agreed with the Council's then s151 Officer, and the interim chief executive. The work took place from January 2022 and was substantially completed by 25 April 2022. As a result of the findings of the audit, Internal Audit informed the then s151 Officer that the findings would be shared with the Council's external auditors, Ernst Young ("EY"), for their information.
3. The Council appointed a second Interim Chief Executive on 7 April 2022 and the current permanent Chief Executive on 3 May 2022 (confirmed at Annual Council on 18 May 2022). The Chief Executive took up post on 1 July 2022.
4. A finalised version of the Internal Audit findings (the "IA Report") was issued to the Chief Executive on 12 July 2022. A copy of the Internal Audit report is attached as an appendix to this Addendum. In summary, the IA Report uncovered significant concerns with the approach taken to Senior Management pay and remuneration including:
  - a. A lack of an open, fair and transparent approach to recruitment to ensure the best suited individuals are recruited into senior roles, and the setting of salaries of these individuals
  - b. The payment of market supplements and retentions without clear rationale or supporting evidence to substantiate the payments initially or on an ongoing basis
  - c. Performance payments made to individuals without clear setting of objectives, or evidence of assessment to demonstrate performance has been satisfactory and thus payments are due
  - d. Unequal and preferential treatment of senior managers via their pay and conditions compared to other staff within the organisation, including for the granting of flexible retirement and associated schemes
  - e. Inappropriate authorisation of payments made by officers and deliberate attempts to conceal the actions being taken in some cases
  - f. Senior managers using their position within the organisation to change and develop policies that they will benefit from without following appropriate processes.
5. In the late summer/autumn of 2022, following discussions between the Chief Executive and EY it was agreed that an independent external investigation needed to take place to address the concerns raised in the IA Report and determine any further action required. The issues identified would impact EY's audit of the financial statements of Castle Point and separate VFM assessment.
6. An experienced independent investigator was commissioned following advice from the Council's external legal advisers Bevan Brittan LLP. The purpose of the investigation was to establish the full facts and circumstances of each element of the payments that have been made, including consideration of whether senior officers had knowledge of, or involvement in, the decisions taken to make the payments and to consider whether there are further matters or payments that have not

currently been identified. The investigation was not forensic in nature but it was evidence based, and the experienced investigator was given the mandate to follow the investigation where the evidence took him.

7. The investigator began the commission in December 2022, speaking initially with the Internal Audit officers and then, after Christmas, began to interview various officers from across the organisation, including individuals who were no longer employed by or associated with the Council.
8. On 12 July 2023, the Audit Committee considered a letter from EY which highlighted concerns about the impact of the slow progress on resolving this issue on the Council's transformation agenda as well as day to day operations due in part to the focus which the Chief Executive was having to give to this matter. The letter noted that at that point there had been no formal reporting to the Audit Committee on this issue and that it was not in the public domain. EY also explained that the issues arising from the IA Report needed to be resolved by the Council before EY was able to consider the results of that resolution and determine any impact that had on their audit of the 2020/21 financial statements.
9. The Committee noted the correspondence from EY and requested that the Chief Executive put in place all necessary arrangements as soon as possible to enable the 2020/21 Audit of Accounts to be concluded and that the IA Report be presented at the earliest opportunity to the Committee.
10. As the Independent Report confirmed the results of the IA Report and endorsed the recommendations that it made, the Chief Executive was finally able to provide the management response to the recommendations and the matter came before an Extraordinary Audit Committee on 24 July 2023, convened especially for that purpose. The matter remained private and confidential at that time because the IA Report contained information relating to identifiable individuals which meant that the Committee was conducted in private, with public and press excluded.
11. The contents of the IA Report were made available to all Members in July 2023, ahead of the Audit Committee on 24 July. It was unfortunately necessary to incept unusual procedures to view the document securely to protect its confidentiality. The Leader (Canvey Island Independents Party Group), the Deputy Leader (People's Independent Party Group) and the Leader of the Opposition (Conservative Group) were briefed by the Chief Executive and invited them to brief their members accordingly. The Chief Executive also briefed the Chair of the Audit Committee.
12. The Audit Committee formed the view that the work of the Transformation Programme had substantially addressed the issues raised by the IA Report and the Chief Executive provided assurance to the Audit Committee that all of the recommendations proposed by the IA Report were wholly accepted by management and were being actioned. The Audit Committee agreed that further reassurance could be provided to EY by including monitoring of the management action plan into the Transforming Together Audit in the Internal Audit Work Plan for 2023/24.
13. The Audit Committee was updated on progress at the meeting of the Committee on 29 September 2023 confirming that there were no outstanding actions on the management action plan that were expected to have been completed by that time. Minute 15 of the Internal Audit Service Quarterly Performance report Q1 refers.
14. As a failure in governance in terms of decision making had been identified, it was necessary to seek a legal opinion as to whether those failures amounted to a breach of public law such that those decisions were beyond the powers of the Council ("ultra vires") and, as such, unlawful.
15. The Council's external legal advisers, Bevan Brittan LLP provided advice on the legality of the actions concerned which was shared with members as a confidential appendix to a report provided to the Staff Appointments and Review Panel on 27 February 2024. This advice had previously been shared with EY on 23 October 2023.

16. Following this legal advice, it was identified that certain of the payments had been unlawfully made in the opinion of the current statutory officers. The matter was therefore presented in a report to a meeting of full Council on 13 March 2024. Three options were presented as follows:
- to ratify the remuneration decisions made by and in respect of the late chief executive and the former chief finance officer as referred to in the report; OR
  - to note the unlawful decisions and potentially unlawful payments made at that time and obtain further legal and other professional advice and analysis with a view to issuing a claim or claims for restitution; OR
  - to note the unlawful decisions and potentially unlawful payments made at that time and write down these monies as not to be recovered or irrecoverable.

17. The payments are set out in the report to Council dated 13 March 2024 and are reproduced here:

<b>Type of payment</b>	<b>Value</b>	<b>Lawfulness</b>
Flexible retirement decisions for senior managers	The value of the pension strain payments was £542,925 - this was paid to the Pension Fund and not to any individual	It is permissible to grant flexible retirement in line with the corporate policy however this decision was taken incorrectly
Flexible retirement decisions for late chief executive	The value of the financial strain payment was £60,085 – this was paid to the Pension Fund and not to any individual	The decision was taken by members – albeit incorrectly by Cabinet instead of correctly by full Council
Flexible retirement scheme additional payments for senior managers through senior manager annual leave buy back scheme	The value of payments is £263,351	No policy framework existed for these payments to be made and there is no evidence that members knew about them (but contractual terms and conditions were amended). Non-Disclosure Agreements were put in place.
Flexible retirement scheme additional payments for late chief executive through senior managers annual leave buy back scheme – includes payment following death	The value of payments is £201,966 <sup>1</sup>	No policy framework existed for these payments to be made and there is no evidence that Members knew about them. There is also no evidence that contractual terms and conditions were amended
Authorising performance payments to oneself – late CEX	£79,189	Failure of process and no evidence that Performance Related Pay (PRP) was payable under the contractual terms and conditions
Authorising performance payments to oneself – ex s151 officer	£5,812	Failure of process but PRP was payable under the contractual terms and conditions
<b>Total</b>	<b>£1,153,328</b>	

18. The recommendation to the Council was Option 2 namely to note the view as to the unlawful decisions, and potentially unlawful payments made at that time, and to obtain further legal and other professional advice and analysis with a view to issuing a claim or claims for restitution. The report to full Council also amounted to a formal report of the Monitoring Officer and S.151 Officer to Council in respect of an unlawful decision concerning expenditure of the Council having been made.

19. At the meeting of Full Council on 13 March 2024 the Council agreed with the recommendation proposed and resolved to note the unlawful decisions and potentially unlawful payments made at that time and obtain further legal and other professional advice and analysis with a view to issuing a claim or claims for restitution; and that the s151 Officer be given delegated authority in consultation with either the Leader of the Council or the Cabinet Member for Resources to withdraw from the General

<sup>1</sup> The value of payments is £201,966. This is higher than in the Internal Audit Report as that only went back to 2016/17 but the payments to the late chief executive under the scheme commenced in 2012/13

Reserve sums above £50,000 to a maximum of £100,000 to meet the cost of the further legal and other professional advice and analysis.

20. Further legal advice was commissioned from Bevan Brittan which included potential strategies for recovery and the costs and risks associated with that. At its meeting on 09 October 2024, Full Council considered a report incorporating this legal advice. The options presented within the report were to either:
  - a. note the unlawful decisions, and potentially unlawful payments made, and to write down these monies as not to be recovered or irrecoverable in accordance with the Council's Financial Regulations; and/or
  - b. to agree the exercise of the delegation of the Assistant Director, Legal & Democratic Services and Monitoring Officer (in Consultation with the Section 151 Officer, the Chief Executive, the Leader of the Council, the Deputy Leader of the Council and the Cabinet Member for Resources) to issue and settle court proceedings.
21. Giving due consideration to the report and the legal advice within, Full Council resolved that it would apply the first option, that is write-off the monies as non-recoverable, in respect of all items except for the £201,966 in respect of the application of the flexible retirement annual leave buy back scheme to the late Chief Executive and the £79,189 in respect of the PRP payments the late Chief Executive authorised to himself. For these two items, the second option was agreed and will now be progressed.

#### **Action Plan**

22. The following Action Plan is proposed to address the governance issues that have been identified. The recommendations of the IA Report have also been accepted by management and are subject to monitoring by the Audit & Governance Committee.

	<b>Issue</b>	<b>Action</b>	<b>Date of implementation</b>	<b>Responsible officer</b>
1.	A lack of an open, fair and transparent approach to recruitment to ensure the best suited individuals are recruited into senior roles, and the setting of salaries of these individuals	The Council's transformation programme has implemented a new establishment structure at Tiers 2 and 3 of the organisation. Appointments to roles have been made through advertisement and a robust interview process utilising external advisers, member panels and skills tests. Roles have been job evaluated by the East of England LGA. Across the rest of the workforce job evaluation is being undertaken with all roles (current and new) evaluated in line with the LGA's Single Status Agreement. All new roles are advertised and appointed following an objective interview process. Progress of the job evaluation project is reported to the Staff Appointments and Review Panel. Appointments to Chief Officer posts are made by Full Council.	September 2024	Assistant Director People & Engagement
2.	The payment of market supplements and retentions without clear rationale or supporting evidence to substantiate the payments initially or on an ongoing basis	The Council's Market Supplement Policy was rewritten and agreed by the Trade Unions (Unison and GMB) and formally reported to the Staff Appointments and Review Panel on 5 July 2023 Where market supplements are paid to staff the process set out in the policy is followed and reviewed annually by HR in line with that policy with all supporting evidence and sign offs provided.	December 2022	Assistant Director People & Engagement
3.	Performance payments made to individuals without clear setting of objectives, or evidence of assessment to demonstrate performance has been satisfactory and thus payments are due	The scheme which had existed was brought to an end on 31 October 2023. The Council does not now have any such payments.	November 2023	Head of Paid Service
4.	Unequal and preferential treatment of senior managers via their pay and conditions compared to other staff within the organisation, including for the granting of flexible retirement and associated schemes	The scheme which had existed was brought to an end on 31 March 2023. The Council does not now have any such payments.	April 2023	Head of Paid Service



	Issue	Action	Date of implementation	Responsible officer
5.	Inappropriate authorisation of payments made by officers and deliberate attempts to conceal the actions being taken in some cases	<p>The Council's Constitution and Financial Regulations have been updated and adopted by Full Council on 22 May 2024</p> <p>The process of review of the Constitution was overseen by the Council's Scrutiny Committee.</p> <p>This new constitution sets out the delegations for officers and for members. Training is being provided to officers and members.</p> <p>The refreshed Audit &amp; Governance Committee and the Overview &amp; Scrutiny Committee are receiving specialist external training for members and Independent Persons are being recruited to participate in meetings to assist members in their scrutiny function.</p>	September 2024	<p>Assistant Director Finance &amp; Procurement (s151 Officer)</p> <p>Assistant Director Legal &amp; Democratic Services (Monitoring Officer)</p>
6.	Senior managers using their position within the organisation to change and develop policies that they will benefit from without following appropriate processes.	<p>The restructuring of the senior management team has enabled new transparency in terms of clear, defined roles and responsibilities with "dotted line" accountabilities incorporated as well as hierarchical line management. The s151 Officer and the Monitoring Officer are part of management meetings at Tier 2 and Tier 3 to ensure corporate visibility and meet regularly with the Head of Paid Service as a "Golden Triangle" to review issues and risks.</p>	September 2023	Head of Paid Service

23. This addendum to the Annual Governance Statement and the Action Plan contained within it has been considered by the Council's statutory officers. 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.
24. The LGA has undertaken a Corporate Peer Challenge (CPC) at the Council in September 2024, following on from a HealthCheck which was undertaken in December 2023. CPC forms a key part of the improvement and assurance framework for local government to support continuous improvement and assurance across the sector. CPC is also recognised as assisting councils to meet their Best Value duty by having one CPC at least every five years. The Council last had a CPC in February 2018.
25. The HealthCheck focussed on the progress of the transformation programme. The CPC covered the five core elements detailed below as local areas of focus or specific challenges requested by the Council:
- Local priorities and outcomes
  - Organisational and place leadership
  - Governance and culture
  - Financial planning and management
  - Capacity for improvement.
26. Following the CPC, a draft report outlining the key findings and recommendations from the peer team has been shared with the Council. The report will soon be finalised and in the spirit of openness and transparency, Councils are required to publish this report, alongside an action plan, within three months of the CPC. If the Council is unable to publish the action plan at the same time as the report, it is required to publish the action plan no later than five months after the CPC.
27. A progress review takes place approximately ten months after the original CPC. The progress review provides space for the Council's senior leadership to report to the peer team on the progress made against the CPC recommendations, discuss early impact or learning and receive feedback on the implementation of the action plan.

### **Certification**

We have been advised on the result of the review of effectiveness of the governance arrangements by the Audit & Governance Committee and it is recognised that there is scope for further development to ensure these are as effective as possible. Work is underway to make the necessary improvements, as set out in the action plan above.



Councillor Dave Blackwell  
Leader of the Council  
28 November 2024



Angela Hutchings  
Chief Executive  
28 November 2024

# Internal Audit Services Report

## Senior Manager Pay and Conditions

Reference Number: 21-121

Date Issued: July 2022

### Audit Team

Auditor	Rebecca Gill
Audit Manager	Andrew Barnes

### Distribution List

Chief Executive	Angela Hutchings
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# Senior Manager Pay and Conditions

## Objective

To assess the adequacy of arrangements to ensure senior management are effectively recruited, that pay and conditions are properly governed, applied consistently and administered appropriately.

### ***Opinion: Minimal assurance***

***Opinion Summary: Business management processes are not operating effectively. Risks to delivering objectives are not understood or mitigated to acceptable level.***

***The audit has uncovered significant concerns with the approach taken to Senior Management pay and remuneration including:***

- ***A lack of an open, fair and transparent approach to recruitment to ensure the best suited individuals are recruited into senior roles, and the setting of salaries of these individuals***
- ***The payment of market supplements and retentions without clear rationale or supporting evidence to substantiate the payments initially or on an ongoing basis***
- ***Performance payments made to individuals without clear setting of objectives, or evidence of assessment to demonstrate performance has been satisfactory and thus payments are due***
- ***Unequal and preferential treatment of senior managers via their pay and conditions compared to other staff within the organisation, including for the granting of flexible retirement and associated schemes***
- ***Inappropriate authorisation of payments made by officers and deliberate attempts to conceal the actions being taken in some cases***
- ***Senior managers using their position within the organisation to change and develop policies that they will benefit from without following appropriate processes.***

## Scope

The key risks audited are set out in the Action Plan attached at Appendix A, with details of any action required to mitigate them further.

Recommendations are only made where they are necessary to mitigate further the risks audited. Therefore, they should be implemented by the date agreed unless there is a good operational reason why this is not practical.

# Senior Manager Pay and Conditions

## Background

Concerns were raised to the Internal Audit team during the course of the planned Workforce Development audit by the then Interim Chief Executive and HR Manager.

Given the nature of the concerns, and the issues identified by the Workforce Development work it was deemed necessary to undertake this audit as soon as reasonably practicable, so it was added into the 2021/22 audit plan.

## Key Themes

### Senior Manager Structure

The Council's 'Managing Organisational Change Policy and Recommended Guidance' states that in all circumstances a business case must be prepared when organisational change is proposed, including in cases of recruitment. The template provided ensures the proposed changes, rationale, costs and benefits are considered and documented. The policy requires changes to first and second tier officers to be consulted on with the Leader of the Council and the Lead Member for Resources and for approval to be required from the Strategic Director (Resources).

A senior manager restructure took place in early 2020, focusing on the structure of the Executive Management Team (EMT).

There is no business case available to support this re-structure and so it is not possible to confirm why it was deemed to be necessary, or the benefits that were expected to arise. However, the Head of Housing and Communities in place at the time was retiring, which would be a reasonable trigger for reviewing the structure of EMT. The Strategic Director (Resources) has advised that the Chief Executive's intention was to create capacity within EMT as its membership was reducing, as well as there being "*other aspects of succession planning that did not come to pass*".

There is no evidence to show the review of EMT or the proposed changes to its structure had been discussed and / or agreed with either the Leader of the Council or the Lead Member for Resources.

Some copies of the proposed structures that were reportedly discussed between the Strategic Director (Resources) and Chief Executive have been provided. These contain a number of different options that were being explored along with associated costings. However, there is:

- no detail to support the reason for the organisational change being needed, or how the option being proposed will meet the desired need
- no exploration of risks or benefits of the options being explored.

In addition, the options already identify existing staff members against each of the roles being proposed as part of the changes, resulting in 'promotion' for each of them by way of increased responsibility in their new roles, and enhanced salary packages. This could be interpreted as the structure being developed to fit the individuals being considered rather than being developed based on the needs of the Council.

## Senior Manager Pay and Conditions

The outcome of the review / restructure was:

- the removal of the retiring Head of Housing and Communities post
- the retention of the Head of Environment post
- the introduction of posts for the:
  - Head of Housing
  - Head of Customer and Digital
  - Head of Place and Policy.

### **Senior Manager Recruitment**

The Council's Constitution outlines that:

- appointment of Statutory Officers will be via an appointment panel
- appointment of Officers other than Statutory Officers will be the responsibility of the Head of Paid Service.

Good practice stipulates that when a post is being recruited to:

- there should be an accurate job description and person specification in place to ensure the key duties and responsibilities are clear, along with essential and desirable competencies
- shortlisting should be fair and based solely on the required attributes of the person specification and should not be undertaken by individuals alone
- an interview panel should be used to reduce the effect of individual prejudices and a scoring matrix used to score applicants objectively.

These requirements are also outlined within the Council's 'Managers Recruitment Guide and Procedures' dated 2015. In addition, the Council guidance requires all vacancies to be advertised internally which should support the transparency of the process and ensure those who wish to apply have the opportunity to do so.

Advertising vacancies internally and externally will help to ensure the best possible candidate is selected for the role.

### **EMT Restructure 2020**

None of the EMT positions are statutory roles, so the appointment of officers to these posts was the responsibility of the Head of Paid Service and did not require appointment via the Appointments Panel.

Following the decision to restructure EMT, a formal recruitment process was not followed, and the new Head of Service roles identified above were filled by existing managers within the Council. This goes against the Council's policy, outlined above, which requires all posts to be advertised internally (except for cases where slotting is applicable).

None of the roles were advertised internally or externally, no candidate shortlisting was completed and no interviews were undertaken. Emails seen for one of the posts from the Strategic Director (Resources) suggest the individual was approached directly for the role; *"I have spoken to [the individual] and outlined to [redacted] the plan for [redacted] – in confidence"* and states that [redacted] was *"very pleased and surprised in equal measure"*.

On this basis, it is not possible to confirm that a fair process was undertaken, or that the best individuals were offered the roles.

## Senior Manager Pay and Conditions

The Council's 'Managing Organisations Change' Policy states that, in the event of organisational changes, staff may be slotted where:

- the post in the new structure is fundamentally the same as their existing post (normally where the role is >75% the same)
- there is just one employee for the job
- they have been 'acting up' for a period of >6 months, but consideration must be given to their substantive post as unless this has disappeared, they are unlikely to be slotted.

Due to the scope of the role, it is possible that the Head of Place and Policy post could have been subject to slotting. However, there is no evidence available to show that slotting had been considered and / or that the requirements for slotting had been met.

### Strategic Director (Resources) 2018

The Head of Resources took the Strategic Director (Resources) role from 1<sup>st</sup> April 2018, which replaced the Strategic Director (Transformation and Resources). The Head of Resources role was subsequently deleted. Requests for documentation prepared at the time to outline the rationale for the restructure have indicated that no such documentation exists.

Similarly to the EMT recruitment above, there is no evidence that a formal recruitment process was followed or that the post was eligible for slotting and thus it is not possible to demonstrate that the best individual was appointed to the role.

An email sent to the Financial Services Manager and HR Manager from the then Chief Executive on 5<sup>th</sup> April 2018 states he had consulted with and informed the Leader and Deputy Leader of his intention to recruit the individual into the position, and that they had supported this. There is no further evidence available to support that this conversation took place.

The Council's Constitution requires appointments to take place via the Staff Appointments Panel when:

- recruiting into Statutory Officer roles
- when an individual's salary exceeds £100,000.

The Head of Resources already held the Chief Finance Officer role and associated s151 authority, and this moved with her into the new Strategic Director (Resources) role. Although this is not a new appointment, it may have been good practice to have informed the Staff Appointments panel of the change.

The starting salary for the role in year one was £[REDACTED] for 2018/19. This is below the £[REDACTED] threshold and so would not require Staff Appointment Panel agreement. However, the new contract of employment stipulated that in year two (2019/20) this increased to £[REDACTED] and in year three (2020/21) this rose to £[REDACTED]. These increases were not subject to performance and were agreed from the beginning as part of the new contract.

## Senior Manager Pay and Conditions

All of these figures were shared by the Chief Executive with the Financial Services Manager and the HR Manager in April 2018. The email chain shows that the Financial Services Manager highlighted that the year one figure was based on an assumption of a 2% pay award, and until that was announced the package for year one would be £[REDACTED]. The Chief Executive responded “Yes, that was my understanding as well – the important point being the year end and earnings reported in the Statement of Accounts would not exceed £100k”.

This statement suggests that the salary was deliberately kept below the £100,000 threshold at the point of recruitment to avoid the Staff Appointments Panel needing to agree the appointment, but with increases in place of 6.7% for year 2 and 8.1% for year 3. This is inappropriate and demonstrates a lack of transparency of officer decision making which in turn restricts members ability to have suitable oversight.

There is currently no requirement for any notification to be made at member level when salaries increase from below, to above the £100,000 threshold.

Salaries should be reported through the Pay Policy Statement annually, as required by the Localism Act 2011 and the LGA: Association of Local Authority Chief Executives advise the statement should include the Council’s policy on:

- the level and elements of remuneration for each chief officer
- other specific aspects of chief officers remuneration: remuneration and recruitment, increases and additions to remuneration, use of performance related pay and bonuses and termination payments.

In addition, the Accounts and Audit Regulations 2011 require the Council to publish number of employees in the year to which the accounts relate paid over £50,000. This element of the required disclosure is currently published as the number of individuals in bands of £5,000, as required by the Regulations.

Legal advice to Northumberland County Council, from Nigel Giffin QC in light of concerns raised around allowance payments made to their Chief Executive highlighted that; “Under s 38(4)(a) and (c) of the Localism Act, a pay policy statement must include, amongst other matters, the authority’s policies relating to “the level and elements of remuneration for each chief officer”, and “increases and additions to remuneration for each chief officer”. Although the Act does not require actual numerical amounts to be determined as part of the policy (as the statutory guidance confirms), it is plain that the statement should identify what elements a chief officer’s remuneration will contain, and how those elements will be fixed”.

These mechanisms should offer an element of transparency of senior management pay and benefits. However, while the level of Chief Officer remuneration is included within the Statement of Accounts, there is no breakdown of what makes up this sum, as is required by Schedule 1 of the Accounts and Audit Regulations 2015.

In addition, while the Pay Policy statement identifies different elements of remuneration (eg. retentions, market supplements, performance pay) that may be used:

- the Council does not have supporting policies in place to outline when these can be used or how they will be administered
- the statement does not outline who within the Council, including Chief Officers, are in receipt of those enhancements. While this is not specifically required by legislation, it is deemed to be good practice to allow for increased transparency.



# Senior Manager Pay and Conditions

## Market Supplements

Guidance from the Local Government Association (LGA) on the use of Market Supplements describes their use for when an organisation finds it difficult to recruit to specific posts, and / or struggles to retain employees within these posts. It states that organisations should have a formal policy on the use of market supplements which should include:

- a standard application form to ensure qualifying criteria is met and supporting evidence is provided
- standard methodology for setting the level of market supplement to be paid eg. requirement to assess the extent of the difference between comparators and the equivalent grade within the organisation
- considerations to be made when approving the market supplement and the approval process eg. roles and responsibilities of decision makers, objectivity of those individuals and the supporting evidence to be provided to aid decision making.

In addition, the LGA guidance states market supplements should be:

- paid separately to basic pay, and there should be clarity on whether they are treated as gross pay and thus are subject to sickness, maternity or redundancy payments
- time limited (ie. effective for two years) and reviewed every 12 months to ensure market forces remain and still make the payment necessary.

The Council does not have a policy on market supplements. As such, there is no guidance available on these key areas identified by the LGA which may mean market supplements are not being administered consistently, fairly or appropriately.

Within the annual Pay Policy Statement reported to Cabinet and Council, the Council states it may pay market supplements as part of a salary package offered to individuals in order to '*attract and retain the right calibre staff to key posts*'. There is no reporting on who receives market supplement payments, or the value of market supplements paid each year.

The total value of Market Supplement payments over the last three years are:

Year	Total
2019/20	£15,591
2020/21	£17,509
2021/22	£19,940

## Senior Manager Pay and Conditions

The Council currently pays market supplement to a number of staff. Payments are made monthly as part of the overall salary payment. Those staff falling within the remit of this audit that are in receipt of a market supplement are the:

- [REDACTED] who is in receipt of payment equal to 10% of SCP [REDACTED] since their appointment in [REDACTED]  
[REDACTED]
- [REDACTED] and [REDACTED] who received 5% of SCP [REDACTED] in [REDACTED], rising to 7.5% in [REDACTED] and 10% in [REDACTED].
- [REDACTED] who is in receipt of payment equal to 10% of SCP [REDACTED] from [REDACTED] onwards.

For each of these Heads of Service, there is nothing available to demonstrate or support the rationale for the market supplement payments to be made, for example evidence that:

- the roles were difficult to fill and as such, market supplement was required. As outlined above, there was no recruitment process undertaken for any of the roles
- that the basic salary being offered for the role was below the market rate, and enhancement was needed to attract or retain individuals to the roles.

At the time of the EMT restructure in 2020 and the [REDACTED] moving into post, challenge was made by the [REDACTED] to the [REDACTED] around the market supplements via email:

- *“with the new funding gap, does there need to be any review of retention or market supplements for this financial year for the new EMT appointments?”*
- *“can we justify a market supplement and retention”* (for retention, see below)
- [REDACTED] *isn't a hard to fill post”*

The email response from the [REDACTED]

- *“The Chief Executive and I thought about this and agreed to proceed as originally planned”*
- *“All Heads of Service receive the same elements to their pay. EMT members are equal in pay regardless of whether a post is hard to fill”*

While this email trail suggests there has been some informal consideration given to new and continual payment of market supplements in 2020, there is no real evidence of this and nothing to demonstrate that there has been:

- any review of the value of market supplements in payment to ensure they remain necessary, or the level of payment remains suitable
- the decision to begin or continue paying a market supplement has been based on suitable supporting evidence, and appropriately authorised by an objective and independent individual.

## Senior Manager Pay and Conditions

The [REDACTED] advised that as EMT pay exceeded the pay scale, the Chief Executive and [REDACTED] originally decided to “*salami slice up the EMT officer pay rather than pay a single element of base pay*”. The LGA guidance outlines that market supplements should not be used for when problems cannot be addressed through the use of the Job Evaluation and grading process.

The [REDACTED] also advised that it is [REDACTED] view that this was done to “*give the organisation maximum flexibility to be able to renegotiate an individual’s pay should a need arise. The organisation could withdraw the Market Supplement or retention element at any time they choose*”. While this may have been the intention (although there is no evidence to support it and there have been no instances of market supplement being removed), the [REDACTED] contracts contain no terms and conditions around market supplements being subject to review or removal, or on what grounds this may occur and as mentioned above, there is no organisational policy addressing this either.

### Retention Payments

There is no specific LGA guidance on the use of retention payments, as there is for market supplements. However, general information available on employment practice indicates:

- Retention payments can be a tool to entice key employees to remain within an organisation for a set period of time
- Contracts should specify how long the employee is to remain with the organisation in return for the amount of the payment. This would rarely be for an indefinite amount of time
- The value of the retention payment should depend on factors including the reason for the payment, competitors’ salaries and funding available.

As with market supplements, the Council does not have a policy on retention payments and as such, there is no guidance available on how these should be applied within the organisation. This may mean retention payments are not being administered consistently, fairly or appropriately. Information within contract documents of those in receipt of the payments (with the exception of the Chief Executive) is that retention allowance is to secure the commitment of the individual to remain in the Council’s employment and ‘*retain the services of key staff as identified by the Head of Paid Service to ensure continued improvement and the effective delivery of services*’.

Within the annual Pay Policy Statement reported to Cabinet and Council, the Council states it may make retention payment as part of a salary package offered to individuals in order to ‘*attract and retain the right calibre staff to key posts*’. This is the same reason provided as why a market supplement may be paid (see above) and so there is no clarity on when which would be the more appropriate to use.

There is no clarity on how the need for retention payments are assessed, agreed or reviewed.

## Senior Manager Pay and Conditions

Information seen in the name of a previous [REDACTED] suggests the retention payment scheme was first introduced around 2006. In a letter [REDACTED] states that EMT is considering implementing a scheme but that when [REDACTED] has put forward an outline scheme, [REDACTED] was told that “no such formal arrangements are required and it will be for Directors to identify the key personnel they wish to retain” and that those identified “will be asked not to discuss the arrangement with colleagues”. The letter from the previous [REDACTED] continues “I have expressed a view that this will be discriminatory and the organisation will be at risk and vulnerable to tribunal claims and such a scheme would more than likely be illegal and contrary to equal pay legislation. My advice appears to have been ignored and the retention payment is due to be offered to at least two members of staff in the near future”.

The opinion expressed in the letter is supported by Internal Audit.

The total value of retention payments made to staff within the scope of this audit over the last three years are:

Year	Total
2019/20	£52,161
2020/21	£56,456
2021/22	£48,955

The Council makes retention payments to a number of staff. Payments are made monthly as part of the salary payment. Those falling within the remit of this audit are the:

- [REDACTED] who is in receipt of payment equal to 10% of SCP [REDACTED], increasing to 10% of SCP [REDACTED] from [REDACTED]
- [REDACTED] who is in receipt of payment equal to 10% of SCP [REDACTED]. The [REDACTED] was also in receipt of retention in line with this up until his full retirement in [REDACTED].
- [REDACTED] and [REDACTED] who received 5% of SCP [REDACTED] in [REDACTED], rising to 7.5% in [REDACTED] and 10% in [REDACTED]
- [REDACTED] who is in receipt of payment equal to 10% of SCP [REDACTED]
- [REDACTED] and [REDACTED] who receive 10% of the basic salary ([REDACTED] in [REDACTED])
- Chief Executive who was in receipt of 10% of his basic salary (£11,035 in 2020/21).

For each individual, there is no evidence available to:

- Support the need for the payment, to provide clarity on why the organisation would wish to retain the individual for a defined period of time, such as due to the specific skills, experience or knowledge that they hold and the need to make a retention payment to achieve this
- Demonstrate how the value of the retention payment has been decided
- Show that the retentions in payment have been reviewed and re-considered on a regular basis, to ensure they remain necessary ahead of continuing to be paid.

## Senior Manager Pay and Conditions

There is one exception to this point. Documentation from Chief Officer Reviews in April 2008 covering the 2007/08 financial year show that retention contracts were considered for ██████████ in post at the time. In respect of the ██████████ a performance score of five out of five is given, and it states *'Extend existing contract to give effect of 3 years wef ██████████* There is no indication as to why the retention payment remains necessary. The document is signed by the Leader in place at the time.

The ██████████ challenged the continuation of a retention payment to the ██████████ following a regrading of the post in 2021.

- The application was submitted on the 14<sup>th</sup> June 2021, supported by the ██████████ who stated in the email submission *"I would be obliged if you would make the adjustments to the post and salary as required and I am happy to provide approval to bring parity with other posts on CMT [Corporate Management Team]"*.
- An email from the ██████████ to the ██████████ on 21<sup>st</sup> June states *"Further to my earlier email concerning the ██████████ regrading, please see attached detail of the current actual CMT salaries to inform your decision. The two ██████████ comparators referred to in the regrading application at their maximum pay will receive less than ██████████ current salary because of the retention payment"*
- In ██████████ response, the ██████████ writes *"Please action the regrading application as submitted by ██████████ in line with the approval" and "I am anxious to avoid it becoming a staff grievance as there is a discrepancy with other posts on CMT. As regards the retention payment it will be for the new chief executive to review the organisation and pay scales and I do not intend to make any decision and will leave it to the next incumbent to look into the matter"*

This is a clear example of where the lack of clear policy and due process around the application of retention payments has led to pay inequality within the Council.

Those in receipt of retention payments have varying contractual arrangements in place around their payments which seems to be dependent on when they joined the organisation and / or when the payment started.

The majority have an appendix within the contract covering retention payments that states:

- Retention will be paid for periods of three years (commitment period) on a continuous rolling basis
- Renewal of the retention allowance after the expiry of the commitment period will be automatic and this condition shall form part of the contract of employment
- Retention will be 10% of the employee's basic salary and is paid in addition to the employee's basic salary / scale point
- Employee may request that the commitment period be rescinded upon giving the Council 12 months notice.

There is nothing within these contracts allowing the Council to cease paying the retention allowance, due to the rolling nature of the condition within the contracts.

## Senior Manager Pay and Conditions

There are a few exceptions:

- The [REDACTED] appendix states renewal is automatic until such a time it is terminated in writing by the Council or Employee, with 12 months notice
- The [REDACTED] appendix is as above in the [REDACTED] contract, but a 'Variation to Contract of Employment' letter in [REDACTED] states that retention payment is payable '*until such time that it is terminated in writing by the Council or yourself*'.
- There was nothing within the former Chief Executive's original contract allowing for retention payments.

In September 2008 a review of Senior Manager pay and performance was undertaken by an Independent Consultant. This largely focused on the remuneration of the Chief Executive and one recommendation was for a three year commitment contract to be offered, with a salary adjustment of £12,000 to reflect the commitment. It is not clear who agreed this recommendation and authorised the adjustment to salary to be made.

A contract variation in April 2010, effective from September 2008, changed the retention payment from a fixed period to automatic renewal unless terminated in writing by the employee or employee. This is signed by the Leader of the Council in place at the time.

### **Performance Payments**

The use of performance pay can help to encourage high levels of performance in the workplace. The Hutton Fair Pay review in 2011 stated that there are compelling reasons why performance pay should be used, but that there needs to be both rewards and penalties within schemes. The Hutton review suggested schemes should be configured in a way that means managers have to meet objectives in order to earn back an element of their basic pay which has been placed at risk.

In order to ensure a fair and transparent performance payment scheme, some key principles that should be considered when administering them include:

- Pre-agreed performance objectives should be in place
- Objectives should be protected from political interference as much as possible
- Performance should not be measured using specific targets if possible, instead organisations should look towards using benchmarking, milestones and direction of travel to demonstrate performance
- Measures should be objective, but supporting them with 360 degree and stakeholder reviews, if possible, can be beneficial
- A robust performance appraisal process should be in place, allowing the achievement of objectives and progress made during the year to be formally captured
- Distribution of awards should be controlled and coordinated by independent committees to ensure fairness and transparency.

Para 4.4 of the Financial Procedure Rules within the Council's Constitution states that '*The Chief Executive is the officer designated by the Council as the Head of Paid Service and is responsible for providing overall management to staff and for ensuring that there is a proper use of evaluation or other agreed methods for determining remuneration*'.

## Senior Manager Pay and Conditions

Article 10.2 (a) within the Council's Constitution also states '*The Head of Paid Service will advise the Leader and Cabinet on the manner in which the discharge of the Council's functions is co-ordinated, the number and grade of staff required for the discharge of functions and the organisation of staff and is solely responsible for the management structure and engagement and deployment of council staff*'.

As with market supplement and retention payments, the Council does not have a policy on the use of performance payments and as such, there is no guidance available on how these should be administered. This means that payments may not be made fairly, consistently or appropriately.

The Council's Pay Policy statement references the use of performance pay and since 2015/16 has remained unchanged and states '*there is a delicate balance to be struck between defending the attractiveness of public service careers while ensuring taxpayers can be confident that public money is being wisely used. Performance-related pay allows pay to vary down as well as up with performance, and ensure that failure is not rewarded*'.

There is no detail within the current Pay Policy statement to indicate that the Council makes performance payments, who to or the value of these payments.

Prior to this, the 2014/15 Pay Policy statement read; '*The Council has adopted an 'earn back' policy in which the Chief Executive and other appropriate Chief Officers participate. The scheme requires the Chief Executive and other appropriate Chief Officers to have their performance monitored and independently verified in order to earn back an element of basic pay placed at risk, and only if performance is satisfactory can additional awards be made. This allows pay to vary down as well as up with performance, and ensures that failure is not rewarded*'.

The concept of the performance payments being "earn back" with an element of basic pay being put at risk continues into the documentation where performance pay is calculated and authorised each year. It states '*In accordance with the Council's pay policy statement the Council operates a system of "earn back" for the senior officers shown above. These officers have their performance monitored on an annual basis to "earn back" an element of basic pay that has been placed at risk. Basic pay placed "at risk" is paid automatically following the financial year end unless the Officer(s) has/have been officially informed prior to the 31<sup>st</sup> March that their performance has not been "satisfactory" and all or part of their basic pay placed "at risk" will not be paid*'.

On this basis, an individual who received a 5% performance payment on a basic salary of £50,000 should receive 95% (£47,500) of this total annual payment across the year, with the final 5% (£2,500) then being paid in the April following confirmation of satisfactory performance.

This is not how the scheme has operated in practice though. Performance payments have been calculated in addition to the stated basic salary, based on a set percentage of the individual's basic salary (in full) + market supplement + retention.

## Senior Manager Pay and Conditions

Performance payments are made in addition via a lump sum at the end of each year. They are made to the following individuals:

- [REDACTED], [REDACTED], [REDACTED] and [REDACTED] at 5% as specified in individual employment contracts
- [REDACTED] at 5% as specified in employment contracts
- Chief Executive at 10%, as specified in a contract variation dated April 2010. This was recommended by the Council's Independent Consultant in September 2008 to be made up of 5% general performance and 5% on performance against specific targets, although this is not specified in the contract variation.

Evidence available suggests that historically performance payments were paid following a review process, overseen by a Review Panel made up of the Leader, Deputy Leader and Independent Verifier. The 2012/13 documentation obtained outlines the requirement for Officers to submit a paper to the panel detailing:

- The actions taken to achieve the objectives for the year
- Issues likely to impact their service in the next two years and the key pressures facing their service in the next 12 months
- How the future strategic direction of the Council was likely to impact the working of the authority.

The [REDACTED] has advised that Officers were also required to give a presentation to the panel and be challenged on achievements or for items that Members felt could have been handled differently.

The 'Review Outcome' for the year clearly stated whether each officer's performance has been found to be satisfactory or not.

The document also outlines a change in review process from 2013/14 *'Basic pay will be paid automatically following the financial year unless the Officer(s) has been officially informed prior to the 31<sup>st</sup> March that their performance has not been "satisfactory" and therefore all or part of their basic pay placed "at risk" will not be paid'*.

An 'Approval' point at the end of the document is signed by the Leader of the Council at the time.

[REDACTED]

It has been suggested that the Panel was re-convened in 2019/20, however no evidence of this has been provided despite requests.

The Strategic Director (Resources) advised that in lieu of the panel, performance was assessed continuously by the Chief Executive who fed back verbally to those subject to the performance payment scheme, with targets being set as part of the corporate and service planning process. No evidence to support these later arrangements have been seen.



## Senior Manager Pay and Conditions

### Performance Payments 2019/20

Evidence has been seen to show the Chief Executive authorised performance payments totalling £28,645 in March 2020 for the 2019/20 financial year. This included his own payment of £11,814.

At the time, the [REDACTED] reported into the Chief Executive directly and so it is reasonable to assume that he would have a sound view on whether performance was satisfactory, but [REDACTED] in place at the time reported into the [REDACTED]. Nothing has been seen to demonstrate adequate performance, performance against set objectives, or to show a performance review took place for any of the individuals receiving payment.

The Chief Executive authorising his own performance payment is inappropriate. It does not allow for independent or objective oversight of performance or the payment being made. There is no reporting on performance payments made or evidence to suggest the payment was agreed with Members. This lack of transparency with Members means there was no opportunity for the payment to be reviewed or challenged.

### Performance Payments 2020/21

The Strategic Director (Resources) stepped in to authorise the performance payments for 2020/21 in April 2021 following the death of the Chief Executive in March 2021.

These payments totalled £36,453 and were made to the [REDACTED] and the estate of the Chief Executive, whom she would have reported to before he passed away. The Strategic Director (Resources) had no line management responsibility for any of these individuals and, as with the 2019/20 performance payment, nothing has been seen in the course of the audit to demonstrate adequate performance, performance against set objectives, or to show a performance review took place for any of the individuals receiving payment. Therefore it is not clear what the basis for the performance payments were.

The Strategic Director (Resources) also authorised her own performance payment of £5,812, which is consistent with the above rates. However, as with the Chief Executive authorising his own payment in 2019/20, this is inappropriate and does not allow for independent or objective oversight of the payment being made.

The Strategic Director (Resources) advised that the calculations were performed by the Financial Services Manager, which she checked for accuracy. *“No performance deficiency had been raised with me and I was not aware of any against others (the Chief Executive would have told me) and so I was happy to authorise. I would not have performed the calculation myself and authorised it”.*

When asked whether the performance payment had been discussed and agreed with members at all, she advised *“I would not have normally authorised my own performance payment. This was an unusual year. I did not consult the Deputy Leader (who had stepped into Leader role). Perhaps I should have done in hindsight but I had been asked to act as Head of Paid Service and so followed the process that had adopted the year before – as demonstrated to me in the prior year example provided to me”.*

[REDACTED]

## Senior Manager Pay and Conditions

[REDACTED]

[REDACTED]

While the Financial Services Manager has put together the calculations for payments due, the decision to make the payment lies with and has been made by the Strategic Director (Resources).

### Performance Payments 2021/22

Performance payments were made for 2021/22 in April 2022, totalling £26,984. These were made to the [REDACTED] and [REDACTED].

The Interim Chief Executive was asked by the Financial Services Manager to authorise the payments on 21<sup>st</sup> March 2022. He raised concerns with the calculation of payments on the basis that they did not reflect the 'earn back' scheme as described on the request and that the performance payment percentage had been added to basic pay, meaning no pay was actually at risk.

[REDACTED]

[REDACTED]

[REDACTED]

## Senior Manager Pay and Conditions

- [REDACTED]

[REDACTED]

The Interim Chief Executive responded, outlining his concerns. *“I’m sure you’ll agree that no Chief Executive could sign off additional bonus payments without any measure of previously set objectives in a proper process. I am sure Members and other staff would expect rigour and process before awarding additional performance pay however richly deserved. Performance payments are in contracts but are not pensionable pay and not enshrined in basic pay. They can’t be if they depend on performance during the year ahead.* [REDACTED]

[REDACTED]

[REDACTED]

The Interim Chief Executive authorised the payments on 30<sup>th</sup> March 2022. [REDACTED]

On the 31<sup>st</sup> March 2022 the Interim Chief Executive asked the Financial Services Manager for a hold on the payment due to him leaving that day, asking that the decision be held over to be reviewed and made final by the successor Head of Paid Service. The Financial Services Manager advised that officers needed to be informed no later than 31<sup>st</sup> March if their performance had not been satisfactory and therefore their performance payment would not be paid, all or in part. The Interim Chief Executive responded to say no staff had been notified of unsatisfactory performance, but that he had *“not assessed any of these staff against a set of objectives produced by which performance can be measured and indeed have not had cause to inform them of any exceptional performance over and above their standard work roles or normal expectations”*. He finishes *“I assume that you will progress to pay as per the emails to me but I remain concerned about the process and will let the Internal Audit review make its recommendations.”*

## Senior Manager Pay and Conditions

[REDACTED]

The Financial Services Manager confirmed that he made the payment on the basis that the Interim Chief Executive “confirmed the conditions for payment were satisfied (i.e. no performance issues raised) and said that he assumed that I would then make the payments, and also giving due consideration to the Head of Internal Audits advice, I was comfortable I had sufficient authorisation to inform payroll to make the payments”.

It is important to note that none of the individuals involved in the decision to pay the 2021/22 performance payment receive performance payments themselves. [REDACTED]

### **Flexible Retirement**

The Council’s Retirement Policy includes information on phased and flexible retirement options. The scheme for flexible retirement allows for staff aged 55 and over to apply to reduce their hours worked or grade at which they are employed.

It is clear that the scheme is discretionary and that the application must be approved by the Line Manager and Head of Service before seeking consent from the Strategic Director (Resources) in consultation with the Chief Executive. Flexible retirement of the Chief Executive requires the Leader of the Council and lead Member for Resources’ consent. Requiring a number of individuals to have sight of and agree to any flexible retirement proposal helps to ensure robust check and challenge has taken place, and that the decision will not impact the Council adversely.

The policy requires flexible retirement to benefit the service and a full business case must be submitted before consent can be obtained. This business case will include any financial strain to the Essex Pension Fund with the service being responsible for payment of any cost implications. Both the employer and employee’s pension contribution ceases upon commencement of the flexible retirement and the employee will then receive their pension payments as well as their reduced ongoing salary (proportionate to their reduced hours).

There are some weaknesses noted on the business case template and associated guidance which require strengthening:

- Clarity is needed on what is deemed an ‘acceptable’ financial implication
- Guidance should be included on how much the Council may ‘spend to save’ or what the level or period of benefit realisation and pay-back of any up-front costs should be
- Detail of the supporting evidence to be provided to demonstrate the accuracy or completeness of any financial calculations is needed, as well as guidance on how estimates / assumptions should be tested to ensure they are sound



## Senior Manager Pay and Conditions

All individual's flexible retirements became effective from August 2016, with the exception of the [REDACTED] whose became effective in [REDACTED].

The 'LGPS Flexible Retirement Application Form' completed:

- Includes signed declarations from all six officers confirming they would reduce their working hours by 25% to 27.75 hours per week
- Under financial implications, simply states *'the cost of the flexible retirements can be funded by a transfer of existing budget from the improvement fund to the relevant cost centres during 2015/16. The savings from the reduction in hours will be shown against relevant cost centres in each year thereafter'*.

The 'Implications and Solutions Supporting a Request for Flexible Retirement' document is vague and lacks detail. This should be where the impact of the proposals are captured, but the information recorded simply states that individuals will work flexibly to ensure the Council does not suffer as a result of the reduction in working hours, and that time will be managed effectively to ensure services continue to be delivered.

Finally, the 'Business Case for Flexible Retirement':

- Outlines the operational reason for the proposal as being *'the first stage of tackling the significant budget gap forecast in 2017/18' to 'help reduce the ongoing costs of EMT whilst retaining key personnel & a full range of skills to deliver critical tasks over the next 17 months'*
- Includes the costs and benefits, including:
  - The total one-off cost of £540,000 (the strain on the pension fund) to be funded from the Improvement Fund and HRA budgets.
  - The reduction in ongoing costs with no detrimental impact to the service; *'the resultant savings would be £12k in 2015/16, £153k in 2016/17 and £210k p.a. thereafter'*.

While the business case references savings from 2015/16, these are not overall savings to the Council at the point they are being claimed due to the need for these savings to off-set the cost the Council incurred by paying the pension strain of individuals included within the business case. An actual overall cash saving would not be achieved under the business case until 2018/19:

Year	Cost	Saving	Overall Net Position
2015/16	£540,000	£12,000	£528,000 cost
2016/17	£0	£153,000	£375,000 cost
2017/18	£0	£210,000	£165,000 cost
2018/19	£0	£210,000	£45,000 saving

## Senior Manager Pay and Conditions

- that the strain on the pension fund would be unavoidable should any of the individuals be made redundant, so taking the action now not only *'reduces the ongoing employment costs'* but will *'also result in up to £167k in additional savings for the Council at a later stage if restructure of the management team were to take place due to the lower salary base that will be used to calculate redundancy costs'*
- The retention of key personnel and skills.
- Includes a statement that 'the s151 Officer has been consulted and is in support of the proposal'. At the time of the flexible retirement, the s151 officer was the then Head of Resources, now Strategic Director (Resources).

There is no signature within the documentation from the s151 Officer to support this statement. [REDACTED]

There is a further statement that the Council's Independent Advisor had been consulted and was in support of the proposal. There is no evidence available to support this statement.

There is nothing within any of the documents relating to the flexible retirement (including the confidentiality agreement, see below) that requires the individuals to:

- Remain with the Council for a set period of time to ensure the pension strain paid on their behalf is offset by the planned savings
- Repay any pension strain paid on their behalf but not realised in savings, should they decide to leave before these are achieved.

As a result, the Council held a large risk that the anticipated savings would not be realised. There is no recognition of this risk within any of the documentation seen.

Three individuals left the Council before achieving savings for the Council on their Flexible Retirement. The figures below have been provided by the Financial Services Manager and show the overall cost or saving of each officer under the scheme:

Individual	Total as at 31 <sup>st</sup> March 2022
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED] [REDACTED]*

\* [REDACTED]

## Senior Manager Pay and Conditions

### *Flexible Retirement Sign Off and Authorisation*

Notes at the end of the application form and business case, underneath where the Chief Executive has signed states *'Note – The Chief Executive has asked all eligible members of the Council's EMT if they would be willing to consider a flexible retirement. The joint application will therefore be decided by the Chief Executive as it also includes the Strategic Director (Transformation and Resources) who normally deals with these applications on a day to day basis on behalf of the Chief Executive'*.

Both the application and the business case have been signed only by the Chief Executive. The process normally requires sign off by the Line Manager and Head of Service, ahead of the relevant Strategic Director's consent – this would have been the Strategic Director (Transformation and Resources) at the time.

The Head of Governance reported into the Strategic Director (Corporate Services) at the time, but there is no evidence to show he was consulted on the application or decision made.

The remaining individuals reported directly into the Chief Executive. For this reason, there would have been benefit in consultation being undertaken with the Leader of the Council and Lead Member for Resources, to ensure appropriate, independent oversight and agreement of the decision being made. Given the note that the Chief Executive had asked those involved to consider taking early retirement, this is considered even more important to ensure objectivity of the decision being made.

Due the level of up-front pension strain to be funded at £542,925 and the anticipated savings for future years that the business case claimed this would bring, it would have been reasonable to expect the information to be shared with Cabinet and Council as part of the budget setting arrangements for the coming years. Budget papers for 2016/17 include an *'Austerity and Commercial Strategy'* which highlights the need for cost reduction and services to be delivered differently. A table within the strategy outlining cost reductions during 2015/16 which are ongoing includes *"ongoing reduction in staffing related costs for all services, largely relating to a lower assumed pay increase for 2016/17 and later years than originally budgeted for"* but does not include the flexible retirement savings, despite the business case anticipating savings of £153,000 in 2016/17. It is not clear why this information was not included. It is possible that Officers were aware that the savings identified in the business case were misleading, or that they didn't want to draw attention to the arrangements that had been agreed internally, without Member oversight.

### *Confidentiality Agreement*

Each individual was required to sign a confidentiality agreement covering the details of their flexible retirement. It is not clear:

- who drafted the agreement.
- why it was deemed to be needed.



## Senior Manager Pay and Conditions

Having a confidentiality agreement in place raises concerns over the legitimacy and transparency of these flexible retirements. [REDACTED]

### Chief Executive - 2012

While the timing of the Chief Executive's flexible retirement falls outside the scope of the audit, information is included here as context for the Annual Leave Buy Back section later in this report, and to reference the different approach that was taken to this decision.

The business case for the Chief Executives flexible retirement suggests that it was taken in April 2012 in response to a request from the Leader to reduce management costs. The paper outlines that:

- advice was received from the Essex Pension Fund
- the Leader and Deputy leader were consulted with, receiving independent advice and guidance on the matter from the DCLG Lead Official at the time
- external audit were advised of the proposal and raised no objections.

The paper continues to outline the requirement of working hours to be reduced by 25%, but that the strategic management capacity of the Council provided by the Chief Executive would be maintained and the corporate objectives will continue to be delivered within the 75% operating hours. It states that *'it is a requirement of the Chief Executives position that additional hours are worked to ensure the effective delivery of Council services and this remains unchanged'*. The paper is signed by the following individuals:

- Strategic Director (Transformation & Resources)
- Leader of the Council
- Deputy Leader of the Council
- DCLG Lead Official, as Independent Witness.

The paper outlines that the flexible retirement would deliver savings of approximately £60,000 from 2013.

A report outlining these arrangements went to a Special Cabinet meeting on 20th June 2012 with recommendations that members note the report, actions taken and current management arrangements.

The approach taken and transparency in the decision-making arrangements for the flexible retirement of the Chief Executive in 2012 is notably different to the approach that was taken to the flexible retirement of other senior officers in 2016.

## Senior Manager Pay and Conditions

### Annual Leave Buy Back

There are a number of policies available on Castle Point's staff intranet site that outline how the annual leave scheme at the Council operates, specifically the Staff Handbook and the 'Guide to Annual Leave and Bank Holiday Entitlement'. Both outline the leave entitlement of officers and the general rules to be followed. The latter specifies that:

- Staff can carry over a maximum of five days subject to Head of Service or Strategic Director approval. It is clear within the policy that this is not an automatic right.
- Pay will not be made in lieu of outstanding leave.

The Council's Staff Handbook states '*overtime is payable to employees on salary point 22 and below. Officers paid on salary point 23 and over will normally receive time owed in lieu (TOIL)*'. On this basis, none of the Officers who have flexibly retired would be eligible for overtime payments for hours above their 27.75 a week.

With regards to TOIL, the handbook states:

- Employee's must agree in advance with their Line Manager work they intend to undertake outside of normal working hours
- No more than 20 hours TOIL may be accumulated in any 4 week period
- Employee's must take TOIL within one month of accrual
- TOIL should be an exception rather than a regular or routine occurrence
- Payment in lieu of TOIL will not be made.

Using the TOIL scheme as per the staff handbook would also not have enabled those on flexible retirement to be paid for the extra hours they had worked.

A further document was obtained during the audit titled 'Annual Leave Exchange Scheme for Senior Managers (Flexible Retirement)'. This was provided by the HR Manager and was seen as a variation within the employment contracts of those who had taken Flexible Retirement in 2016 (see above). The variation was issued in June 2018, but the letter to individuals from HR states it should have been varied at the same time as the flexible retirement took effect. This means that the costs of the Annual Leave Exchange Scheme should have been included in the cost benefit analysis as part of the business case for the flexible retirement scheme. As those costs were not included this had a significant impact of the financial case for the scheme, as illustrated in the 'Flexible Retirees - 2016' section below, and meant that the decision to proceed was based on significantly flawed information, likely to significantly influence the decision that was taken.

A similar scheme is included in the new contracts of the [REDACTED] and [REDACTED] when they were appointed to their roles in [REDACTED] titled 'Annual Leave Exchange Scheme for Senior Managers'.

[REDACTED]

## Senior Manager Pay and Conditions

The schemes are not published on the Council's intranet site and there is nothing to suggest the change in policy for senior managers was agreed by Councillors. The lack of transparency around the scheme [REDACTED] and the lack of formal agreement or oversight raises questions over its legitimacy.

These two schemes state:

- Senior Managers who are members of the EMT and / or CMT who are working on a flexible retirement contract of employment may either 'sell' annual leave entitlement (subject to the legal minimum of 20 (pro rata) holiday days requirement that must be taken as leave) OR 'buy' extra annual leave entitlement
- That in order to ensure services do not suffer as a result of the flexible retirement, *'annual leave entitlement and reduction in contracted hours has been consolidated and converted into hours so that it can be taken in a more flexible manner throughout the year'*  
(Note: This point is only included in the flexible retirement version of the scheme.)
- Senior Managers are required to track actual leave taken and in February each year submit this data to the Financial Services Manager. They should advise how much of the surplus they wish to carry forward and how much they wish to sell
- The Financial Services Manager will then calculate the cost of the leave to be sold and submit this to the Chief Executive for approval.

There is nothing within the schemes that increases the amount of unused annual leave that is able to be carried over. Therefore, a maximum of five days will be eligible for carry over, in line with the policy position outlined in the 'Guide to Annual Leave and Bank Holiday Entitlement'.

The second bullet point detailed above, *'annual leave entitlement and reduction in contracted hours has been consolidated and converted into hours so that it can be taken in a more flexible manner throughout the year'* has given individuals on flexible retirement an inflated annual leave balance which is made up of:

- normal leave entitlement, reduced to reflect the contractual 0.75 FTE that those on flexible retirement are contracted for
- bank holidays, reduced to reflect the contractual 0.75 FTE
- the reduction in contracted hours (equating to 0.25 FTE)

## Senior Manager Pay and Conditions

The impact of this can be seen in the table below for 2021/22. The same approach has been taken each year, but the 'Plus Bank / Other Holiday Entitlement' line may vary slightly. For example, in 2021/22 an additional day of Annual Leave was given to staff as a thank you for their work during Covid-19.

	Chief Exec / Strategic Director	Head of Service
Normal Leave Entitlement	205.35	149.85
Plus: Bank / Other Holiday Entitlement	55.50	55.50
Plus: Reduction in Contracted Hours	481.00	481.00
<b>Total AL Hours for 2021/22</b>	<b>742.00</b>	<b>687.00</b>

Staff have then been able to choose to:

- Take the increased annual leave as leave when they are not working
- Receive payment for any untaken annual leave

Note: This is calculated at the individuals hourly rate based on their full salary package, so basic salary + retention + market supplement (if applicable) + performance payment

- Carry the untaken annual leave over into the next year.

There are no minimum or maximum limits on how the three options are utilised by individuals each year.

In discussion with the Financial Services Manager, he advised that the increased annual leave allowance had been used as a way to compensate those on flexible retirement for working hours above the 27.75 a week they became contracted for when they took retirement. He explained that it operates like overtime, with people being able to decide whether to take the time off, or work and claim the payment for 'annual leave' that was unused.

In theory, being able to use the 25% reduction in working hours flexibly across the year can be seen to have benefits, for example, to allow Senior Managers flexibility in short periods of high demand, such as at year end. However, incorporating this within the annual leave entitlement along with the removal of the cap on the amount of annual leave that can be sold:

- undermines the case that underpins the flexible retirement agreement where all parties agreed that the reduction in working hours would not impact their ability to deliver services
- opens the revised annual leave scheme up to abuse due to potential lack of transparency on why additional hours are being worked, and
- raises concerns and questions over the intentions of the scheme, as well as equality and fairness due to the scheme only being available and applied to senior managers.

## Senior Manager Pay and Conditions

If it was deemed that those on flexible retirement should be paid for additional hours worked, it would have been more appropriate to adjust the overtime policy and allow individuals to claim for pre-agreed overtime. On the basis that all overtime payments would need to be approved by a line manager, this would have helped to ensure:

- transparency over the payments being made to individuals
- only additional hours actually worked are paid for
- there was a clear business need for the additional hours to be worked.

### Flexible Retiree's – 2016

At the end of each year, individuals are asked to provide the Financial Services Manager with a breakdown of their leave taken in the year, the days they wish to carry forward and the days they wish to receive payment for. Process notes seen state that the information is then presented to the Chief Executive for authorisation.

There was nothing in place to verify the number of annual leave days stated as taken and those not taken prior to the 2022/23 financial year. It is understood that all leave must now be booked via the online system, although this has not been seen to confirm its operation or effectiveness.

Emails from 2019/20 show the Chief Executive authorised annual leave payments totalling £38,363. This includes a payment for his own unused annual leave totalling £13,328 (see below).

The 2020/21 annual leave payments were authorised by the Strategic Director (Resources), following the death of the Chief Executive in March 2021.

The 2021/22 annual leave payments were authorised by the Interim Chief Executive prior to the 31<sup>st</sup> March 2022.

It was not examined whether annual leave payments have been made to other senior managers who are party to the 'Annual Leave Exchange Scheme for Senior Managers', but not flexibly retired, although these other senior managers only have a standard amount of annual leave to exchange.

A cost benefit analysis of the flexible retirements taking into consideration the additional costs of the 'Annual Leave Buy Back Scheme' was undertaken by the Financial Services Manager in 2021/22. This includes information on the value annual leave exchange payments made to those who flexibly retired in 2016:

Year	Annual Leave Payments Made
2016/17	£45,719
2017/18	£70,602*
2018/19	£47,139
2019/20	£25,337
2020/21	£52,072
2021/22	£22,482
Total	£263,351

## Senior Manager Pay and Conditions

An updated cost benefit analysis for the flexible retirement scheme, including the cost of the annual leave element of the scheme, calculates the total savings that will be achieved up to the 31<sup>st</sup> March 2022. The calculations compare the total payments made to, or in relation to individuals at their original 1FTE contract vs. the 0.75FTE flexible retirement contract, including salary, retentions, market supplements, 'earn back', annual leave buy back, national insurance and pension payments. In summary:

	£	Payback Achieved By
Total savings since 2015/16 with annual leave payments	6,899	2021/22
Total savings since 2015/16 with annual leave payments adjusted*	0	Not yet achieved £24,003 costs outstanding
Total savings since 2015/16 without annual leave payments	272,005	2018/19

\* [REDACTED]

These figures demonstrate that the senior manager annual leave scheme has undermined the original flexible retirement business case, which anticipated a break even point during 2018/19. This has been exacerbated by paying individuals for untaken annual leave carried forward between years, which is not covered by any policy (legitimate or otherwise).

The flexible retirement scheme has not provided the Council with value for money.

### Chief Executive

The Chief Executive's contract of employment entitled him to 37 days annual leave (35 plus two days extra statutory days). When he took flexible retirement in 2012, his working hours reduced by 25%. His total pay and benefits package reduced in line with this, entitling him to 27.75 days annual leave each year.

When including the additional annual leave that was provided and also allowed to be carried forward, the level of annual leave the Chief Executive had accrued by 2020/21 was 2030.8 hours, equivalent to over 274 days.

## Senior Manager Pay and Conditions

Elements of Annual Leave	Original (hours)	Adjusted (hours) <sup>1</sup>
Reduction in Working Hours	481	454.64
Normal Leave Entitlement	205.35	194.1
Public / Bank Holiday Entitlement <sup>2</sup>	49.95	49.95
Total for 2020/21 (rounded up)	737	699
Carried forward from previous years	1331.8	1331.8
<b>New total for 2020/21</b>	<b>2068.8</b>	<b>2030.8</b>

The original hours calculated by the Council were adjusted to reflect that the Chief Executive did not work for the full year.

There is no documentation available to support the legitimacy of this level of annual leave being provided to or held by the Chief Executive.

There was not a copy of the 'Annual Leave Flexible Retirement' scheme within the Chief Executives personal HR or Payroll file. The scheme did not exist when the Chief Executive took flexible retirement in 2012 and there is nothing to suggest the scheme was extended to him in 2016 when it was developed, or in 2018 when the variations were made to contracts of those who took flexible retirement in 2016.

When the Chief Executive passed away in March 2021, he held an annual leave balance of 1542 hours. A payment of £142,726 was paid to his estate in respect of this.

Legal advice given to Northumberland County Council from Nigel Giffin QC in relation to allowance payments made to their Chief Executive, identified in a recent s114 report from the s151 Officer states; *"Any payment made to the Chief Executive needed, in order to be lawful, to fall within s112 of the Local Government Act 1972, which allows an authority to appoint officers "on such reasonable terms and conditions, including conditions as to remuneration, as the authority appointing [the officer] think fit." By virtue of s112(2A), this power is subject to s41 of the Localism Act, which in turn requires any determination relating to the remuneration or other terms and conditions of a chief officer to be made in compliance with the authority's pay policy statement under s38 of the Localism Act"*. On this basis, it would need to be determined whether the payment to the Chief Executive's estate can be deemed "reasonable" within the meaning of s112.

The Pay Policy statement provides no coverage on the Council's position of making payments to an employee's family upon their death if they are employed at the time. The statement does require severance packages for staff leaving the authority for £100,000 and above to be approved by full Council. Although this payment to the Chief Executive's estate of £142,726 was not specifically a severance package, in the circumstances of a payment to an individual at this level it would be reasonable for the same expectation to apply.

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<sup>1</sup> These hours were adjusted to reflect the passing of the Chief Executive in March 2021.

<sup>2</sup> Bank holiday entitlement is variable each year depending on the number of bank holiday days within the year.

## Senior Manager Pay and Conditions

The payment was made via Payroll to the Chief Executive's bank account following his death. There has been no evidence made available to us to confirm the consultation or authorisation process followed for the payment. However, the Financial Services Manager reports that:

- an accrual had been held on the financial statements to account for the annual leave deemed to be owed to the Chief Executive through the scheme.
- the payment was authorised by the Strategic Director (Resources) who is the Council's s151 officer.
- it was a conscious decision to pay the annual leave at the current hourly rate as opposed to the rate at the time it would have been accrued.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



## Senior Manager Pay and Conditions

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Guidance notes provided by the previous Financial Services Manager when he left the Council in 2019 state *“This all normally gets paid in March, so will not need an accrual. However the Chief [Executive] is often interested in how his total salary will look on the senior officers note in the accounts. The Chief Accountant will be preparing this so you may need to liaise with her to be able to advise the Chief [Executive] what the effect of his leave payment will then do to his figure quoted in the note to the accounts. The Chief Executive may then ask for some of his to be paid in April, in which case it will need an accrual”*.

An email in December 2017 from the Strategic Director (Transformation and Resources) to the Chief Executive reads: *“As usual, I presume that you will want to be paid for 10 days & to carry the remainder forward. Failure to comply could result in you sticking out like a sore thumb in the accounts !! 😊”*

[REDACTED]

## Senior Manager Pay and Conditions

Information provided by the Financial Services Manager shows the following annual leave payments had been made to the Chief Executive since 2016/17.

Year	Leave Payment Made
2016/17	£6,342
2017/18	£6,405
2018/19	£13,067
2019/20	£13,328
2020/21	£142,726
Total	£181,868

As mentioned above, the Chief Executive would authorise the annual leave payments for those who took flexible retirement in 2016. Evidence seen for 2019/20 show that this included the authorisation of his own annual leave payment, and process notes suggest this was the standard approach taken each year. Authorisation of own payments is inappropriate, it carries a high risk of fraud and / or error, removes objectivity from the process and raises questions around individual integrity.

### Oversight from Members

The remit of Members within the issues explored in this audit are limited and confined to two areas, both of which are required under the Localism Act 2011:

- Review of appointments of staff members who are paid over £100,000 a year
- Review of the Pay Policy Statement (see above).

A level of oversight of organisational approach to remuneration and conditions is needed to fulfil Members' governance responsibilities. It was recommended as part of the Workforce Management audit completed in April 2022 that the Council introduce a form of a personnel committee responsible for reviewing, agreeing and / or overseeing:

- organisational pay policy and strategy, taking into account key factors such as organisational objectives, long term strategy, relevant market information, and compliance with relevant laws and regulations
- Human Resources related policies and procedures
- appointments of high paid individuals (as per the existing arrangements mentioned above)
- the setting / changing of salaries and / or terms and conditions of Senior Officers
- changes to employee terms and conditions, or variations to the establishment where these affect a number or group of officers
- the objectives set for Senior Officers and administration of any performance related payments annually.

# Senior Manager Pay and Conditions

## Salary Makeup

Contracts in place for those recruited into posts since 2010 include a 'special condition' which states; *'all earnings composing salary, retention payment and any performance award made...and any other additional payment arising under the terms and conditions of service shall be deemed to be part of the basic salary for the post'*. This condition is not included in earlier employment contracts but was captured in contract variations to the [REDACTED] and Chief Executive issued in April 2010.

This is contradicted in other areas of the contract, for example within the Retention Payment appendices, information states that retention is paid in addition to the employee's basic salary / scale point.

This is also contradicted in other Council documents, such as the spreadsheet used to calculate the annual performance payments. This determines basic salary as being the spinal point referenced in the 'Castle Point Borough Council Salary Scale Points' document. Retention and market supplements are then added, to provide a sub total which the performance payment is then calculated on to determine the 'full salary package'.

Good practice indicates that market supplements and retention payments should be reviewed regularly to ensure they remain necessary and appropriate. Incorporating them into individual's basic salary may make this difficult, and could unnecessarily inflate salaries in the longer term, resulting in the Council failing to achieve value for money.

Similarly, by incorporating performance payments within the basic salary the 'earn back' approach that the Council reports it has adopted is not the case in practice, as again the base salary has already been inflated to account for it.

## **Reporting**

The information provided that form the contents of report has been discussed and agreed to be factually accurate with the Financial Services Manager and the Human Resources Manager.

The report has been discussed with the Interim Chief Executive and discussed and finalised with the newly appointed Chief Executive.

The results of this audit work will be reported to the Chief Executive in July 2022.

**This report can be provided in alternative formats such as**

**Braille, audiotape or in large print.**

**Translations of this document in alternative languages are also available.**

**Appendix A: Senior Manager Pay and Conditions Action Plan**

	<b>Agreed Management Action</b>	<b>Benefits</b>	<b>Lead officer</b>	<b>When by</b>
<b>Potential risk</b>	<b>Recruitment into senior management posts may not be undertaken in a fair, transparent or competitive manner to ensure the best individual for the role is identified and selected.</b>			
R1	<p>Extend the 'Managing Organisational Change' Policy to include increased guidance on decision making. For example how:</p> <ul style="list-style-type: none"> <li>slotting is to be agreed, including the need for some independent oversight to ensure decisions are sound and evidence based</li> <li>restructures at a senior level within the organisation are authorised, including where those who normally have decision making authority such as the Strategic Director (Resources) are involved directly, or their line reports. As with slotting, this should include a level of independence to allow for suitable challenge and objectivity.</li> </ul>	<p>Introducing clarity on the need for independent oversight and decision making around recruitment and organisational change will help to ensure:</p> <ul style="list-style-type: none"> <li>decision making is sound, impartial and objective</li> <li>suitable challenge can be made to ensure the best / most appropriate actions are being taken</li> <li>there is transparency over the actions and decisions taken by the organisation.</li> </ul>		
R2	<p>As per R6 of the Workforce Management report issued April 2022, implement an approvals workflow for internal promotions, similar to that for external recruitment, which enables oversight and scrutiny of these decisions.</p> <p>Include the requirement to agree and / or report on all changes to senior positions within the Council (i.e. CMT and EMT members) to the Personnel Committee (see R14).</p> <p>Capture the revised process within the 'Managers Recruitment Guide and Procedures'.</p>	<p>Implementing a suitable approval and notification workflow will support the organisation in making the most appropriate decisions and in a transparent manner.</p>		

DRAFT FOR DISCUSSION PURPOSES ONLY

**Appendix A: Senior Manager Pay and Conditions Action Plan**

	<b>Agreed Management Action</b>	<b>Benefits</b>	<b>Lead officer</b>	<b>When by</b>
<b>Potential risk</b>	<b>Senior manager basic salaries, salary increases and additional payments may not be clear / transparent, reviewed and authorised in accordance with approved policies on a regular basis to ensure they remain fair, in line with market rates and reflective of responsibilities.</b>			
R3	<p>As per R8 of the Workforce Development report issued in April 2022, complete the current job evaluation review, working alongside the Local Government Association and trade unions. As part of this review, produce a tangible output, mapping all roles within the Council to local government pay bands based on Local Government Association standards.</p> <p>Ensure staff are engaged appropriately and updated on the progress of this review on a regular basis.</p> <p>Following the review, consider the need to make any changes to pay rates based on this output.</p> <p>Capture the outcomes in a document, which will be subject to consultation as appropriate and agreed by EMT and / or members via the Personnel Committee (see R14).</p> <p>Pay particular attention to senior roles as part of this review, ensuring careful consideration of the varying responsibilities of senior staff members. Following completion of the review, re-review and update the output at least once every three years or when there are significant changes or challenges to staffing.</p> <p>Ensure Councillors are updated regularly on progress of this review, and sign off on the final output.</p>	<p>Job evaluation is a key process that provides a documented rationale for the relative value of roles, without which the Council may be open to legal challenge, including equal pay challenges, from employees.</p> <p>Job evaluation can also ensure the Council does not overpay staff, whilst offering competitive salaries to attract individuals with the required skillsets.</p>		

DRAFT FOR DISCUSSION PURPOSES ONLY

**Appendix A: Senior Manager Pay and Conditions Action Plan**

	<b>Agreed Management Action</b>	<b>Benefits</b>	<b>Lead officer</b>	<b>When by</b>
R4	<p>Clarify the definition and composition of: 'basic salary', 'base pay' and 'total salary package'.</p> <p>Give due consideration to:</p> <ul style="list-style-type: none"> <li>• all payments currently being made / likely to be made in the future eg. salary scale payment, retentions, market supplements, performance payments etc.</li> <li>• how sickness, maternity and redundancy pay would be applied and / or calculated under each of the definitions.</li> </ul> <p>Agree the revised definitions with the Personnel Committee (see R14) and publish them within the annual Pay Policy Statement.</p> <p>Update employment contracts to reflect the agreed definitions and treatment of pay elements.</p>	<p>Clarity on the makeup of salaries will allow for understanding and transparency on the full cost of employees and allow individuals, and the Council, to be better informed on the actual and potential financial implications of staffing decisions.</p>		
<b>Potential risk</b>		<b>Retention payments and market supplements may not be supported by appropriate rationale, be suitably authorised, or administered in line with agreed policies.</b>		
R5	<p>Introduce a policy on the Council's use of market supplements, along with supporting guidance notes. Ensure these include:</p> <ul style="list-style-type: none"> <li>• when the use of market supplements is appropriate eg. where the market rate is higher than what is offered by the Council and there has been difficulty recruiting / retaining individuals in roles as a result</li> <li>• details of the qualifying criteria to be met at the time of initial award and any renewal of the market supplement</li> </ul>	<p>Introducing a clear policy on the use of market supplements will help to ensure they are administered only when necessary, in a transparent, fair and consistent manner, allowing the Council to attract and retain the skills required to deliver high quality services to residents.</p>		

DRAFT FOR DISCUSSION PURPOSES ONLY

**Appendix A: Senior Manager Pay and Conditions Action Plan**

	<b>Agreed Management Action</b>	<b>Benefits</b>	<b>Lead officer</b>	<b>When by</b>
	<ul style="list-style-type: none"> <li>• how to determine the value of market supplement to be paid</li> <li>• the requirement for market supplements to be time limited (ie. effective for two years)</li> <li>• need for market supplements to be reviewed annually to ensure the ongoing need, as well as if there is any re-grading following job evaluation</li> <li>• an application form to be completed by managers</li> <li>• guidance on the evidence required to be provided in support of the application</li> <li>• how approval to market supplement payments (initial and continuation) should be made, including the need for approval by a suitably independent and senior member of staff (or members in the case of Chief Officers).</li> </ul> <p>Report the new policy to the Personnel Committee (see R14) for approval.</p> <p>Review the policy on a regular (at least three yearly) basis and report it, along with any changes, to the Personnel Committee for agreement / approval of its continuation.</p>			

DRAFT FOR DISCUSSION PURPOSES ONLY

**Appendix A: Senior Manager Pay and Conditions Action Plan**

	<b>Agreed Management Action</b>	<b>Benefits</b>	<b>Lead officer</b>	<b>When by</b>
R6	<p>Introduce a policy on the Council's use of retention payments, along with supporting guidance notes. Ensure these include:</p> <ul style="list-style-type: none"> <li>• when the use of retentions is appropriate eg. where individuals hold specialist knowledge or tacit skill that is deemed essential to the organisation</li> <li>• how to determine the value of retention to be paid</li> <li>• how payment will be made eg. in a lump sum, or as a monthly payment in addition to salary</li> <li>• The length of time the employee is required to stay with the organisation in return for the payment</li> <li>• Requirements to re-pay retention payments should the employee not stay with the Council for the specified period</li> <li>• an application form to be completed by managers</li> <li>• guidance on the evidence required to be provided in support of the application</li> <li>• how approval for retention payments (initial and continuation) should be made, including the need for approval by a suitably independent and senior member of staff (or members in the case of Chief Officers).</li> </ul> <p>Report the new policy to the Personnel Committee (see R14) for approval.</p> <p>Review the policy on a regular (at least three yearly) basis and report it, along with any changes, to the Personnel Committee for agreement / approval of its continuation.</p>	<p>Introducing a clear policy on the use of retention payments will help to ensure they are administered only when necessary, in a transparent, fair and consistent manner, allowing the Council to attract and retain the skills required to deliver high quality services to residents.</p>		



DRAFT FOR DISCUSSION PURPOSES ONLY

**Appendix A: Senior Manager Pay and Conditions Action Plan**

	<b>Agreed Management Action</b>	<b>Benefits</b>	<b>Lead officer</b>	<b>When by</b>
R7	<p>Undertake a review of all market supplement and retentions currently in payment against the newly introduced policies and assess whether the criteria for each have been met.</p> <p>If the criteria have been met:</p> <ul style="list-style-type: none"> <li>ensure the level of payment remains appropriate and adjust in line with the current assessment</li> <li>adjust employment contracts to reflect the entitlement to payment and any conditions attached (eg. time limit / review requirements etc)</li> <li>seek approval for the continued payment in line with the policy requirements.</li> </ul> <p>If the criteria have not been met, seek to cease the payment. Adjust employment contracts as required to reflect the change.</p>	<p>Reviewing payments currently in place will help to ensure:</p> <ul style="list-style-type: none"> <li>they remain aligned to policy and are therefore warranted and appropriate</li> <li>continue to provide the Council with value for money</li> <li>fairness and equality of pay is maintained within the organisation.</li> </ul>		
R8	<p>Extend the information currently included in the Pay Policy Statement on market supplement, retention and performance payments to:</p> <ul style="list-style-type: none"> <li>outline the number of                             <ul style="list-style-type: none"> <li>market supplement and retentions currently in payment, highlighting any changes from previous years</li> <li>individuals eligible for performance payments</li> </ul> </li> <li>confirm those in payment have been administered in line with the agreed policies</li> </ul>	<p>Extending the information currently published allows:</p> <ul style="list-style-type: none"> <li>for greater accountability for pay policy decisions made by the organisation, including Councillors</li> <li>opportunity for transparency, and to provide context and justification to the public on how their money is being used appropriately in the pay and reward of senior staff.</li> </ul>		

DRAFT FOR DISCUSSION PURPOSES ONLY

**Appendix A: Senior Manager Pay and Conditions Action Plan**

	<b>Agreed Management Action</b>	<b>Benefits</b>	<b>Lead officer</b>	<b>When by</b>
	<ul style="list-style-type: none"> <li>specify the details of any market supplements, retentions or performance awards in payment to Chief Officers / EMT members.</li> </ul>			
<p><b>Potential risk</b>                      <b>Performance payments may not be:</b></p> <ul style="list-style-type: none"> <li><b>appropriately authorised and supported by robust evidence, including performance reviews demonstrating achievement of agreed performance targets</b></li> <li><b>made in line with contractual agreements, Council policy and / or good practice.</b></li> </ul>				
R9	<p>Introduce a policy on the Council's use of performance payments, along with supporting guidance notes. Ensure these include:</p> <ul style="list-style-type: none"> <li>clarity on whether the scheme is an 'earn back' or bonus payment scheme, and as such, how the scheme is administered and how the value of the payment should be calculated</li> <li>eligibility criteria for performance payments eg. what roles / level within the organisation they are applicable to</li> <li>the requirement for:                             <ul style="list-style-type: none"> <li>objectives / targets to be formally set and agreed at the beginning of the year</li> <li>a full performance appraisal to be undertaken in order to assess standard of general performance and achievement against the pre-agreed objectives / targets</li> </ul> </li> </ul>	<p>Performance payments can help to encourage high levels of performance among officers when used alongside clear objective setting and performance monitoring. Introducing suitable independent oversight to the process will help to ensure payments are made fairly and appropriately.</p>		

DRAFT FOR DISCUSSION PURPOSES ONLY

**Appendix A: Senior Manager Pay and Conditions Action Plan**

	<b>Agreed Management Action</b>	<b>Benefits</b>	<b>Lead officer</b>	<b>When by</b>
	<ul style="list-style-type: none"> <li>final approval of performance payments for Chief Officers to be made by an appropriate, independent committee eg. Personnel Committee.</li> </ul> <p>Report the new policy to the Personnel Committee (see R14) for approval.</p> <p>Review the policy on a regular (at least three yearly) basis and report it, along with any changes, to the Personnel Committee for agreement / approval of its continuation.</p> <p>Note: objective setting and performance appraisals should be undertaken between the individual and their line manager and for Chief Officers, also include the Leader and Deputy Leader of the Council.</p>			
R10	<p>Review the Council authorisation for the payments that have been made to demonstrate that they are not ultra vires.</p> <p>If they are determined to be ultra vires consider the implications for the payments that have been made and what further action the Council should take.</p>	<p>Confirming that payments made to employees under the performance payment scheme have been made legally and with proper authority, and taking proper action if not, will help to demonstrate the Council's commitment to ensuring proper process is followed.</p>		

**Appendix A: Senior Manager Pay and Conditions Action Plan**

	<b>Agreed Management Action</b>	<b>Benefits</b>	<b>Lead officer</b>	<b>When by</b>
<b>Potential risk</b>	<b>Flexible retirements of senior managers may not be supported by effective business cases, or be executed in line with agreements, opening the Council up to financial loss and failure to achieve value for money.</b>			
R11	<p>Update the Council's 'Retirement Policy and Procedures' to include:</p> <ul style="list-style-type: none"> <li>• guidance on what is deemed to be an acceptable financial implication, how much the Council can spend-to-save and the maximum period of payback allowable</li> <li>• detail of supporting information needed to demonstrate the accuracy / completeness of financial calculations, and how any estimates / assumptions should be tested to ensure they are sound</li> <li>• the requirement to consider the operational impact on the organisation in the short, medium and long term, as well as the strategic impact for those in relevant roles eg. CMT / EMT</li> <li>• the need to explore and capture any risks associated with granting the application, and details on how these will be mitigated</li> <li>• an extension to the current authorisation process, to require approval from the Leader of the Council and Lead Member for Resources for EMT members applications</li> <li>• any reporting requirements deemed necessary to Personnel Committee (see R14) to ensure appropriate transparency and oversight of decision making.</li> </ul>	<p>Fully considering the risks, costs and benefits to the organisation when considering and granting flexible retirements will help to ensure the Council can protect itself against financial and other risks, while also achieving value for money.</p>		

**Appendix A: Senior Manager Pay and Conditions Action Plan**

	<b>Agreed Management Action</b>	<b>Benefits</b>	<b>Lead officer</b>	<b>When by</b>
	<p>Report the updated policy to the Personnel Committee (see R14) for approval.</p> <p>Review the policy on a regular (at least three yearly) basis and report it, along with any changes, to the Personnel Committee for agreement / approval of its continuation.</p>			
<p><b>Potential risk</b>                      <b>Annual leave entitlement may not be awarded or administered fairly, consistently or in line with agreed policy, contractual agreements or good practice.</b></p>				
R12	<p>Review the 'Annual Leave Exchange Scheme for Senior Managers', including the Flexible Retirement version and make a decision on whether the scheme is to continue. Give due consideration into whether the scheme is fair and treats staff within the organisation equitably.</p> <p>If the scheme is to continue, seek approval to it from the Personnel Committee (see R14).</p> <p>If approved:</p> <ul style="list-style-type: none"> <li>introduce independent review and approval of any annual leave payments and report the payment information in advance to the Personnel Committee (see R14)</li> <li>detail the scheme within the Pay Policy Statement, in addition to the current 'Leave Buy Back' reference</li> <li>publish the copies of the approved scheme(s) on the CPBC intranet</li> <li>review the scheme on a regular (at least three yearly) basis and report it, along with any changes, to the</li> </ul>	<p>Ensuring changes in policy affecting select members of staff is properly considered by those not party to the arrangements will allow for more fairness around the process due to:</p> <ul style="list-style-type: none"> <li>independent and objective decision making</li> <li>greater transparency of arrangements.</li> </ul>		

DRAFT FOR DISCUSSION PURPOSES ONLY

**Appendix A: Senior Manager Pay and Conditions Action Plan**

	<b>Agreed Management Action</b>	<b>Benefits</b>	<b>Lead officer</b>	<b>When by</b>
	<p>Personnel Committee for agreement / approval of its continued use.</p> <p>If the scheme is to cease, update affected individuals' contracts to reflect the change.</p>			
R13	<p>Clarify the Council's position on senior management's ability to carry over unlimited amounts of unused annual leave into future years.</p> <p>If the approach taken is to conflict with the current documented approach within the 'Guide to Annual Leave and Bank Holiday Entitlement', seek approval to the change from the Personnel Committee (see R14).</p> <p>If approved:</p> <ul style="list-style-type: none"> <li>• update the guidance / policy document</li> <li>• reflect the policy position in the Pay Policy Statement</li> <li>• report annually to the Committee on the level of annual leave carried forward in excess of the standard five days and the monetary value of this carry over.</li> </ul>	<p>Ensuring changes in policy affecting select members of staff is properly considered by those not party to the arrangements will allow for more fairness around the process due to:</p> <ul style="list-style-type: none"> <li>• independent and objective decision making</li> <li>• greater transparency of arrangements</li> </ul>		

**Appendix A: Senior Manager Pay and Conditions Action Plan**

	<b>Agreed Management Action</b>	<b>Benefits</b>	<b>Lead officer</b>	<b>When by</b>
<b>Potential risk</b>	<b>Councillors may not have appropriate involvement and / or oversight of senior management recruitment, terms and conditions, and performance, limiting their ability to ensure arrangements remain fit for purpose while providing value for money.</b>			
R14	<p>As per R10 of the Workforce Management audit, introduce a Personnel Committee, made up of members, responsible for oversight and approval of:</p> <ul style="list-style-type: none"> <li>• organisational pay policy and strategy</li> <li>• Human Resources related policies and procedures</li> <li>• the setting / changing of salaries and / or terms and conditions of Senior Officers (CMT and EMT), including where total salary packages increase above £100k.</li> <li>• changes to employee terms and conditions, or variations to the establishment where these affect a number or group of officers</li> <li>• the objectives set for Senior Officers and administration of any performance related payments annually.</li> </ul>	<p>Workforce matters are key to the delivery of the Council's priorities, and a level of oversight of workforce arrangements is needed to fulfil members' governance responsibilities.</p> <p>Implementation of this action will facilitate the review of the Council's overall approach to workforce matters while allowing for greater transparency and accountability of decision making.</p>		

## **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 8 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 66.



### **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 10 or 98.

### **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 9 or 94.

## **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 8 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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