

Tendring **District Council**



SUBJECT TO

STATEMENT OF ACCOUNTS

2009/10

TENDRING DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2009/10

CONTENTS

	Page No
Summary Financial Information and Explanatory Foreword	1 - 4
Introductory Information to the Statement of Accounts	5 - 9
Accounting Concepts, Estimation Techniques and Statement of Accounting Policies	10 - 22
Statement of Responsibilities for the Statement of Accounts	23
Report of the Auditors	24 - 25
Conclusion on arrangements for securing economy, efficiency and effectiveness in the Use of Resources	25 - 26
Core Financial Statements	
Income and Expenditure Account	27
Statement of Movement on the General Fund Balance	27
Statement of Total Recognised Gains and Losses	28
Balance Sheet	29 - 30
Cash Flow Statement	31
Notes to Core Financial Statements	32 - 73
Supplementary Financial Statements	
Housing Revenue Account – Income and Expenditure Account	74
Housing Revenue Account – Statement of Movement on the Housing Revenue Account Balance	75
Notes to the Housing Revenue Account	75 - 83
Collection Fund Income and Expenditure Account	84 - 87
Group Statements	
Group Income and Expenditure Account	88
Reconciliation of the Single Entity Surplus/Deficit to the Group Surplus/Deficit	89
Group Statement of Total Recognised Gains and Losses	89
Group Balance Sheet	90 - 91
Group Cash Flow Statement	92
Notes to the Group Financial Statements	93 - 96

Other Financial Information	
Members' Allowances and Expenses.....	97 - 99
Other Information	100
Glossary of Terms used in the Statement of Accounts	101 - 104
Annual Governance Statement	Annex

K L Neath
Head of Financial Services
Town Hall
Clacton on Sea
Essex CO15 1SE
28th June 2010

SUBJECT TO AUDIT

SUMMARY FINANCIAL INFORMATION AND EXPLANATORY FOREWORD

INTRODUCTION

In previous years the Statement of Accounts has been prepared to 'present fairly' the Council's financial position. However, since 2006/07 local authority reporting requirements have gradually been brought into line with those of the private sector and UK generally accepted accounting practices (UKGAAP) and as a result the financial statements are now prepared on a 'true and fair view' basis, whilst continuing to provide clear information about the Council's finances in particular to explain:

- What the cost of the Council's services were for 2009/10;
- Where the Council's funding came from;
- What the Council's assets and liabilities were at the end of 2009/10.

The format and information provided follows the Statement of Recommended Practice for Local Authority Accounting in the United Kingdom 2009 (SORP). This brings together accounting recommendations and best practice.

SUMMARY OF THE 2009/10 FINANCIAL YEAR

Tendring District Council's expenditure is divided between revenue and capital. Revenue expenditure is on items which are consumed within the year and is financed from the proceeds of council tax, business rates, government grants, rents, fees and charges. Capital expenditure is on items that have value to the Council for longer than one year and is financed from loans, proceeds from the sale of capital assets, capital grants, revenue contributions, external contributions or from the Council's reserves.

Revenue Expenditure

Revenue expenditure is classified as either Housing Revenue Account (HRA) expenditure or General Fund expenditure.

The Housing Revenue Account is a separate account that records the income and expenditure in relation to the provision of council housing. This account is ring fenced and should not be subsidised from the General Fund or vice versa.

The General Fund records all the day-to-day spending on council services (apart from those that must be charged to the HRA).

The table that follows sets out the net revenue spending and financing compared with the estimate for the year.

	Estimate £000	Actual £000
Net Cost of Services	15,030	10,066
Interest Payable for the year	1,131	1,128
Pension interest cost and expected return on pension assets	1,917	2,795
Other Operating Costs	1,234	1,274
Net Operating Expenditure	19,312	15,263
Contribution to/(from) Reserves	(5,324)	300
Other Movement on General Fund Balances	9,565	7,942
Movement on General Fund Balance	4,241	8,242
Increase/(Decrease) in General Fund Balance for the year	21	21
	23,574	23,526
Financed by:		
Income from Council Tax Payers	9,166	9,119
Government Grants	3,171	3,170
National Non-Domestic Rates	11,237	11,237
	23,574	23,526

The income and expenditure relating to the Housing Revenue Account is also included in the 'Net Cost of Services' above. The net increase or decrease is then transferred out as part of the 'Movement on the General Fund Balance' to arrive at the net general fund expenditure for the year.

General Fund 2009/10

Due to the size, nature and lead-in times of some revenue and capital schemes (which are part funded by revenue contributions) expenditure can span financial years with some schemes and projects not completed by the 31 March in any one year. In such circumstances it is possible to carry forward the budget to enable projects to be completed. For 2009/10 these items total £4.088 million and the increase in the General Fund balance for the year of £0.021 million shown above is the remaining balance after taking this into account, which was in line with the budget.

General Fund balances at 31 March 2010 now stand at £13.326 million, of which £9.427 million has been set aside for specific policy purposes within earmarked reserves (an analysis of the earmarked reserves can be found on page 62 note 33 to the Core Financial Statements). The balance of £3.899 million is in the uncommitted reserve and of this sum £1.6 million is required to be maintained as the Council's Minimum Working Balance to support the Council's cash flow requirements during the year.

Housing Revenue Account 2009/10

The Council's revised estimates for 2009/10 planned for an overall surplus for the year of £0.005 million but the final figure was a £0.039 million surplus. This surplus has been contributed to HRA Balances which now total £5.016 million at the end of March 2010. When added to the balance of £0.583 million in the Housing Repairs Account which is held to support the maintenance of the Council's housing stock, the total Housing Revenue Account Balances total £5.599 million at 31 March 2010.

Capital Investment 2009/10

Expenditure is capitalised when it is spent on the acquisition, creation or enhancement of assets that have a value to the Council or the community for more than one year. Examples of capital expenditure incurred by the Council during the year were improvements to the Council's housing stock, information technology projects and coastal defence works.

The Council's capital expenditure in 2009/10 totalled £7.033 million, compared with a budget for the year of £13.138 million. This variance was primarily due to spending on schemes being rescheduled into the 2010/11 Capital Programme as projects can span financial years as previously mentioned. Included in the capital programme was the sum of £0.164 million for the replacement of vehicles through leasing arrangements/contract hire, of which vehicles to the value of £0.149 million were acquired during the year.

The capital expenditure was financed from borrowing, government grants and other external contributions, proceeds from the sale of capital assets and revenue resources.

The Prudential Code for Capital Finance in Local Authorities

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

The Council manages its debt portfolio with advice from external consultants. In accordance with the Council's approved annual Treasury Strategy no new external borrowing was undertaken during 2009/10. The total external debt of the Council as at 31 March 2010 stood at £22.3 million compared to its capital financing requirement (which represents the overall borrowing requirement) as at 31 March 2010 of £26.4 million. The difference between external debt and the capital financing requirement is the amount met by internal resources.

Current Year

General Fund

The Council's overall net General Fund budget for 2010/11 is £21.925 million to be met by Government support of £14.200 million and £7.725 million from local taxpayers.

The revised capital budget for the year is £9.591 million. This will be financed by government grants and other government funding (£3.546 million), borrowing (£1.250 million), capital receipts (£0.465 million), revenue (£2.287 million) and other sources including external contributions (£2.043 million).

The Council has General Fund balances of £13.326 million to bring forward into 2010/11. Of this sum, £9.427 million is earmarked in specific reserves.

Within the overall budget figures mentioned above, significant investments in the District which are planned or ongoing into 2010/11 include the following items:

- Disabled Facilities Grants - £1.527 million
- Harwich and Clacton Regeneration - £1.253 million
- Coastal Pathfinder Schemes - £0.794 million
- Coastal Defence Works - £2.593 million
- Various Play Area Projects - £0.531 million

Housing Revenue Account

The Housing Revenue Account expenditure budget for 2010/11 is £11.259 million and after allowing for estimated income of £11.390 million, a balance of £0.131 million is forecast for the year.

The revised capital budget for the year is £3.850 million. This will be financed by government grants and other government funding (£3.129 million), borrowing (£0.705 million) and capital receipts (£0.16 million).

The Council continues to undertake robust financial planning through its Financial Strategy process. Given the increasingly challenging financial position faced over the coming years in light of the recession, the associated and forecasted financial settlement expected from the Government in future years and continuing pressure from new expenditure requirements, the Council's financial position will need to be actively managed and actions taken to ensure a balanced and robust budget continues to be delivered.

FINANCIAL STATEMENTS

The main elements of the financial statements are explained below and comprise of information in respect of accounting concepts and estimation techniques, accounting policies, the responsibilities for the statement of accounts along with the report of the auditors and the detailed financial statements and notes. For 2009/10 the format and information continues in the same format as last year. The detailed financial statements that are required are explained below which are split into 'core statements'; 'supplementary statements' and 'group statements' as required by the Statement of Recommended Practice for Local Authority Accounting in the United Kingdom 2009 (SORP).

ACCOUNTING AND RESPONSIBILITY STATEMENTS

- ❖ **Accounting Concepts and Estimation Techniques (Page 10).** This briefly sets out the three main concepts that are applicable along with estimation methods used in preparing the accounts.
- ❖ **Accounting Policies (Page 10).** This explains the accounting policies that have been adopted in drawing the accounts together. They provide a framework for analysing the Council's expenditure and income. Also included are details of the Council's pension arrangements.
- ❖ **Statement of Responsibilities for the Statement of Accounts (Page 23).** This statement sets out the respective responsibilities required of the Council and the Head of Financial Services for the Authority's accounts and financial affairs.
- ❖ **Report of the Auditors (Page 24).** The Auditor certifies that an audit of the Statement of Accounts has been concluded and gives an opinion of their presentation and content.

CORE FINANCIAL STATEMENTS

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

- ❖ **Income and Expenditure Account (Page 27).** This statement presents the net cost for the year of all the functions for which the authority is responsible and demonstrates how the costs are financed. It is presented in three distinct sections as follows:
 - Net cost of the services the Council provides
 - Other items of expenditure and income relating to the Council as a whole
 - Income from local taxation and general government grants

- ❖ **Statement of Movement on the General Fund Balance (Page 27).** Figures in the Income and Expenditure account use the same basis as that of a large private sector company when preparing the annual financial statements. However there are other items that apply to Local Authorities such as those set out in statutory and non statutory proper practices that need to be taken into account to arrive at the overall position of the Council. Therefore this statement shows these additional adjustments that must be taken into account to arrive at the actual movement on the general fund balance for the year.
- ❖ **Statement of Total Recognised Gains and Losses (STRGL) (Page 28).** Not all gains and losses incurred by the Council are shown in the Income and Expenditure Account. It is therefore necessary to consider all gains and losses when arriving at an overall financial position for the year. This statement therefore presents the Council's gains and losses that are not included in the Income and Expenditure Account such as those associated with the revaluation of assets and changes in pension liabilities.
- ❖ **Balance Sheet (Page 29).** This statement provides a 'snapshot' of the Council's assets and liabilities/net worth of the Council as at the 31 March 2010.
- ❖ **Cash Flow Statement (Page 31).** This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital spending purposes.

SUPPLEMENTARY FINANCIAL STATEMENTS

- ❖ **Housing Revenue Account Income and Expenditure Account (Page 74).** The Housing Revenue Account (HRA) reflects a statutory obligation (Local Government and Housing Act 1989) to maintain a separate account for local authority housing provision such as those revenue transactions relating to the Council's housing stock and its other housing assets. This Account shows the expenditure and funding associated with this service. The Account is also consolidated into the 'Core' Income and Expenditure Account previously mentioned.
- ❖ **Statement of Movement on the Housing Revenue Account Balance (Page 75).** Similarly to the Statement of Movement on the General Fund Balance, amounts that need to be included in the HRA to arrive at an overall position for the year include those in accordance with statute and are either added or removed from the figures in the Income and Expenditure Account. Accordingly this second part of the statements relating to the Council's housing function reconciles the income and expenditure account with the other items in the HRA to arrive at the overall HRA balance for the year.

- ❖ **Collection Fund Income and Expenditure Account (Page 84).** The Council is required to account separately for Collection Fund transactions. The account shows the Council Tax and National Non-Domestic Rates collected and transferred to the Government, Essex County Council, Essex Fire Authority, Essex Police Authority and Tendring District Council. Transactions relating to Tendring District Council are included in the Income and Expenditure Account.

GROUP STATEMENTS

- ❖ Local Authorities are required to consolidate within their own accounts, the accounts of any other organisations over which they have a significant level of control, influence or interest.

On 4 April 2008 a separate company (Tendring Regeneration Ltd) was set up by the Council to manage the Council's regeneration and other associated activities. From 2008/09, the accounts of this separate company have been consolidated within the Council's overall accounts resulting in Group Accounts being prepared and published within the Council's Statement of Accounts.

OTHER INFORMATION

Additional information to aid the understanding and interpretation of the accounts along with significant changes included in the accounts for 2009/10 are as follows:

ADDITIONAL STATEMENTS

- ❖ **Members' Allowances and Expenses (Page 97).** This shows the allowances and expenses paid to Councillors in respect of their duties. Publication of these allowances and expenses is a statutory requirement.
- ❖ **Glossary (Page 101).** This explains in more detail the terms used in the Statement of Accounts.
- ❖ **Publicity Account, Building Control Account and Local Authorities (Goods and Services) Act 1970.** The SORP 2009 removes the requirement to publish these statements as part of the Statement of Accounts. Details relating to these accounts can now be found on the Council's website.

ADDITIONAL INFORMATION

- ❖ **New or Significant Changes in Liabilities/Assets**

- 1 **Asset Revaluations** – For General Fund assets there has been an overall reduction in value of £1.3 million compared to last year. Although this figure is made up of a mix of increases and decreases in values, the primary element contributing to the overall position is a reduction in the value of office accommodation as determined by the Council's external valuer. For Housing Revenue Account assets, following the slow recovery of the housing market, increases in values have been experienced with an additional £22.7 million included in the Council's balance sheet to reflect this.
- 2 **Housing Benefit Subsidy** – During the year benefit subsidy is receivable from the Department for Work and Pensions (DWP) to meet the cost of providing Rent Allowances, Rent Rebates and Council Tax Rebates along with an overall administration grant. The monthly payments received during the

year are based on estimates until final figures become known at the end of May 2010 when a claim for subsidy is finalised and sent to DWP. For 2009/10 the final subsidy figure being claimed from DWP is £3.953 million more than the payments received from them during the year so this additional income appears as a debtor in the accounts. This is reflected in the Income from Government Departments and Agencies line within the analysis of debtors that appear in the Balance Sheet (page 52 note 27). This payment has subsequently been received in June 2010.

❖ **Explanation of Pension Liability**

At the end of 2009/10 there is an overall pension deficit attributable to the Council of £47.658 million (£35.804 million for 2008/09) which has been included in the Balance Sheet as at 31 March 2010. This reflects the calculations carried out in accordance with FRS17 based on actuarial assumptions which were subject to a comprehensive triennial review as at 31 March 2007. The deficit reported for 2009/10 highlights that to date the current benefit obligations of the fund are greater than the current value of the assets of the fund. The figures calculated under FRS17 which is an accounting standard differ from those calculated as part of the triennial actuarial review. Statutory arrangements for funding the deficit calculated via the triennial actuarial review mean that the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The next triennial review is due in 2010 with the results scheduled to be included in the Financial Strategy and Budget setting process for 2011/12.

❖ **Significant Changes in Accounting Policies**

- **Accounting for NNDR** – the 2009 SORP recognises that the arrangement for the collection of NNDR is in substance an agency arrangement with the Government. Therefore the cash collected belongs to the Government and this, together with any amounts due to or from taxpayers, will no longer be recognised in the Authority's accounts. Instead these amounts will be consolidated into an overall balance due to or from the Government and shown in the balance sheet as a creditor or debtor. As this represents a change in accounting policy a prior year adjustment is required to reflect the changes in the 2008/09 corresponding amounts, these changes have been disclosed in the notes to the core financial statements.

➤ **Accounting for Council Tax** – in a similar way to NNDR, the 2009 SORP recognises that the arrangements for the proportion of Council Tax collected on behalf of the major precepting authorities (Essex County Council, Essex Police Authority and Essex Fire Authority) are in effect an agency arrangement. Therefore the amounts now shown in the balance sheet for arrears and prepayments will only be the proportion relating to Tendring District Council, the amounts related to the major preceptors will form part of an overall balance for each major preceptor for either cash paid to them in advance of receipt (debtor) or tax collected and not yet paid over (creditor). The 2009 SORP also changes the way Council Tax income is included in the Income and Expenditure Account, previously it was accounted for on the same basis as the amounts due under the statutory regulations but now it will be based on the Authority's share of the accrued income for the year. The difference between the amount credited to the Income and Expenditure Account and the amount to be credited to the General Fund under statutory regulation will be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance. Again, a prior year adjustment is required to reflect the changes in the 2008/09 corresponding amounts, these changes have been disclosed in the notes to the core financial statements.

➤ **Major Asset Acquisitions/Disposals During the Year**

There were no major asset acquisitions or disposals during the year.

❖ **Other Significant Changes**

➤ **Officer Remuneration**

New regulations have significantly extended the reporting requirements under this note for 2009/10 onwards and now must include individual remuneration details for relevant 'senior officers' by job title. For this Council 'senior officer' has been interpreted as those sitting on Management Board, which is in accordance with the new regulations. There is also the requirement to disclose by name any officer whose salary exceeds £150,000 – for 2009/10 no such disclosure has been necessary. Details can be found in note 12 to the Core Financial Statements.

ACCOUNTING CONCEPTS, ESTIMATION TECHNIQUES AND STATEMENT OF ACCOUNTING POLICIES

Accounting Concepts

The accounting policies outlined in the next section are consistent with the fundamental accounting concepts of:

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

Estimation Techniques

These are the methods adopted by the Council to arrive at estimated amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and charges to the Reserves. Where the basis of measurement for the amount to be recognised under accounting policies is uncertain, an estimation technique is applied. In the Council's accounts, estimation techniques continue to be applied for the calculation of depreciation, bad debt provision, pension assets/liabilities and the amount claimed from Government at the year end in respect of rent allowances, rent rebates and council tax benefit subsidy. Methods used are further explained in the following accounting policies.

Accounting Policies

Accounting policies are the principles, bases, conventions, rules and practices the Council has applied that specify how the effects of transactions and other events are reflected in the financial statements through the recognition, selection of measurement bases and the presentation of assets, liabilities, gains, losses and changes in reserves. The following are the accounting policies that have been applied to the Council's accounts for 2009/10.

General

1 **General Principles**

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year and its position at 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A Statement of Recommended Practice (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of assets.

2 Accruals of Income and Expenditure

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

- Fees, charges and general rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Grants, both capital and revenue, are recorded in the accounts for the period when the expenditure to which they relate is charged. Revenue subsidy claims are not settled until after the accounts have been closed and therefore, the best estimate of grant income due for the year is used in respect of rent allowances, rent rebates and council tax rebates. The estimation technique used to calculate the grant due for the year for these items is based on an estimate of the subsidy due using the most up to date information available from the benefits subsidy IT system and are the same figures as those already submitted to the Department for Works and Pensions (DWP) in the final subsidy grant claim for the year.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

The only exceptions to this are with regard to certain revenue transactions where the accruals concept has not been applied (e.g. housing rents, electricity and similar quarterly payments) as the change from year to year is recurring in nature and the sums involved are not material compared with total expenditure and income, and where appropriate when expenditure is being funded by external grant, depending on the requirements specified in the conditions of grant. As this policy is applied consistently each year, it has no material effect on the year's accounts.

Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3 Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision. Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

4 Reserves

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

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

5 Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (for example, Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

6 Retirement Benefits

Employees of the Council are members of The Local Government Pension Scheme, administered by Essex County Council under regulations governing the Local Government Pension Scheme (LGPS) in England.

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

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme that requires the Council and employees to pay contributions into the fund calculated at a level intended to balance the pensions liabilities with investment assets.

The Council is required to see beyond its commitment to pay contributions to the pension fund and to determine the full longer term effect that the award of retirement benefits in any year has had on its financial position and the following accounting policies and associated information, which in accordance with Financial Reporting Standards (FRS17), is disclosed in the statements to reflect this requirement.

Pension Fund Liabilities

- The liabilities of the Essex County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method. This is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings of current employees.
- Liabilities are discounted to their value at current prices for comparison purposes with the current value of fund assets to determine the overall surplus / deficit on the Pension Fund.

In assessing liabilities for retirement benefits at 31 March 2009 for the 2008/09 Statement of Accounts, the actuary assumed a discount rate of 3.8% real (7.1% actual), a rate based a weighted average of 'spot yields' on AA rated Corporate Bonds. For the 2009/10 Statement of Accounts, the actuary has advised that a rate of 2.3% real (5.6% actual) is appropriate. These rates are derived from the requirement to base discount rates on the current rate of return on high quality corporate bonds of equivalent currency and term to the scheme liabilities.

Application of this revised rate in 2009/10 is primarily the reason for the increase in liabilities measured at today's prices of £25.982 million, adjusted for by an increase in actuarial gains on assets recognised for the year in the Statement of Total Recognised Gains and Losses.

Pension Fund Assets

The assets of the Essex County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- ❖ **Quoted securities** – current bid price
- ❖ **Unquoted securities** – professional estimate
- ❖ **Unitised securities** – current bid price
- ❖ **Property** – market value

The change in the net pension's liability is analysed into seven components:

- **current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
- **past service cost/gain** – the increase/decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited or credited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- **interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account.
- **expected return on assets** – the expected annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account.
- **gains/losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses.
- **Contributions paid to the Essex County Council Pension Fund** reflect the cash paid as employer's contributions during the year to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund each year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

Discretionary Benefits

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

7 Value Added Tax (VAT)

VAT is included in income and expenditure only if it is irrecoverable from Her Majesty's Revenues and Customs (HMRC). The Council is allowed to recover VAT incurred on expenses where income from the activity is exempt provided it is 'insignificant'. The current test for insignificance is that the VAT incurred and recovered on exempt activities is less than 5% of the total VAT that is incurred on all of the Council's activities. If the amount exceeds the limit then none of the tax may be recovered. HM Revenues and Customs have raised no objection to the Council's method of calculation applied to exempt activities.

8 Foreign Currency Transactions

All transactions in foreign currency are converted to pounds sterling at the rate applicable on the date the transaction takes place.

9 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- **Corporate and Democratic Core** – costs relating to the Council's status as a multi-functional, democratic organisation.
- **Non Distributed Costs** – costs such as discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational assets.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of the Net Cost of Services.

10 Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council is capitalised when it will bring benefits to the Council for more than one financial year. For Tendring District Council this consists of software licences. The licences are capitalised at cost and they do not require to be revalued as they do not have readily ascertainable market values. They are amortised to the relevant revenue service on a straight-line basis over a period of four years, commencing with the year after purchase. The amortisation period is based on the life expectancy of Personal Computers with no residual value, to reflect the pattern of consumption of benefits.

11 Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of the asset (for example, repairs and maintenance) is charged to revenue as it is incurred.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the measurement bases detailed below:

Other Land and Buildings: These are assets that are held, occupied and used in the direct delivery of services for which the Council has either a statutory or a discretionary responsibility, or for the service of strategic objectives of the Council. These assets have been valued on the basis of Existing Use Value (EUV). EUV is an opinion of the best price at which the sale of an interest in the property would have been completed unconditionally for cash consideration on the date of valuation, assuming that the asset will be used for the foreseeable future only for its existing use and that vacant possession would be provided on completion of the sale of all parts of the property.

Specialised properties are those that are rarely, if ever, sold on the open market due to their specialised nature, location or use. They have been valued on the basis of Depreciated Replacement Cost (DRC). The DRC basis of valuation requires an estimate of the value of the land in its existing use together with the current gross replacement cost of the building and its external works, from which appropriate deductions have been made to reflect the age, condition, economic and functional obsolescence and other factors which might result in the existing property being worth less than a new replacement building.

Non-operational assets are valued on the basis of Market Value (MV). This basis reflects the highest of all potential uses and not simply the existing use.

Council dwellings and other housing assets – Operational housing properties subject to secure tenancies are valued at Existing Use Value – Social Housing (EUV-SH), specialised properties to DRC and non-operational assets to MV. The EUV-SH basis of valuation is defined in the same way as EUV but takes into account that vacant possession would not be provided on completion of a sale. Other housing assets are recorded in the accounts at the valuation appropriate for their category, e.g. based on historic cost or current cost in terms of replacement of realisable value including revaluation where appropriate.

Infrastructure and community assets are recorded at historical cost, net of depreciation.

Vehicles, plant and equipment are included in the Balance Sheet at historic cost (less depreciation) where their value was greater than £10,000 when acquired.

Plant and machinery which would normally be regarded as an integral part of the building on letting or sale has been included in the valuation of the building but all items of loose furnishings and fittings, for example, desks, computers, curtains, are excluded.

There is a 'de-minimus' limit for land and buildings of £10,000 in respect of whether it is included in the Balance Sheet.

Assets included in the Balance Sheet are revalued where there have been material changes in the value, but as a minimum every five years.

Council dwellings and other housing assets were valued as at 1 April 2005 in accordance with the former ODPM's *Guidance on Stock Valuation for Resource Accounting*, which requires a full revaluation at least every five years with a desktop valuation review in the other four years. This full revaluation as at 1 April 2005 was carried out by I Bromley-Derry MRICS IRRV of NPS Property Consultants Limited. For 2009/10, external inspections of beacon properties were carried out and 75% of properties were subject to a desktop review by G Hart MRICS of NPS Property Consultants Ltd.

Other land, buildings and non-operational assets are also revalued at least every five years in accordance with the Royal Institute of Chartered Surveyors' *Manual of Valuation Guidance Notes*. These assets were all fully revalued as at 1 April 2006 by G Knox MRICS of NPS Property Consultants Limited. Within a programme of rolling revaluations, 25% of the assets are subject to a full revaluation each year, with the remainder being subject to an annual desktop review. Valuations and desktop review information required in respect of the change in valuations up to 31 March 2010 was obtained from J. Lee MRICS of NPS Property Consultants Limited.

Increases in valuations are matched by credits to a Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as follows:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account.
- Otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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

Capital receipts of £10,000 or less are credited to the General Fund Revenue Account to be used for revenue or capital purposes except Private Sector Grant/Loan repayments which are credited directly back to the Capital Receipts Reserve to contribute to the ongoing Housing Investment Programme.

The interest earned from holding capital receipts is credited to revenue accounts.

Depreciation: depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the assets in the Balance Sheet at the start of the year (after allowing for residual values) on a straight line basis over the expected life of the 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 Capital Adjustment Account.

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

12 Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.

- Amortisation of intangible fixed assets attributable to the service.

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

13 Revenue Expenditure Funded from Capital under Statute

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

14 Leases

Finance Leases: The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased asset transfer to the Council. Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the asset (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and
- A finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council currently has no finance leases.

Operating Leases and Contract Hire Leases: Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

Hire Purchase Contracts: A hire purchase contract that bore the characteristics of either an operating lease or a finance lease would be accounted for in the same way as an operating or finance lease. Currently, the Council has not entered into any hire purchase contracts.

Lease of Assets by Council as Lessor: The Council also leases out some assets to external organisations under operating leases.

Information on the Council's leasing arrangements is given on page 38 note 10 to the Core Financial Statements.

15 Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal plus accrued interest repayable with interest charged to the Income and Expenditure Account.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. Where material, the Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. Where the sums are immaterial they are not spread over future years, but instead charged fully to the income and expenditure account in the year. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

Tendring District Council did not undertake any repurchase, early settlement or debt restructuring in 2009/10 and does not hold any outstanding premiums or discounts from previous years.

16 Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables: Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

Tendring District Council did not have any impaired Loans and Receivables assets in 2009/10.

Available-for-sale Assets: Available for sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (for example dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Tendring District Council currently holds only instruments with quoted market prices

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are charged to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains or losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Tendring District Council did not have any impaired Available-for-sale assets in 2009/10.

17 Stocks and Work in Progress

The stocks included in the Balance Sheet are valued at cost. There are no relevant works in progress at the end of 2009/10.

18 Interests in Companies and other Entities

Tendring Regeneration Ltd is wholly owned by the Council and for accounting purposes has the nature of a subsidiary, requiring the Council to prepare group accounts. In the Council's own single-entity accounts, payments to and income from Tendring Regeneration Ltd are included in the Net Cost of Services within the Income and Expenditure Account.

Group accounts have been prepared in accordance with the requirements set out in the 2009 SORP and consolidated on a line by line basis.

SUBJECT TO AUDIT

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

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

The Head of Financial Services' Responsibilities

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

In preparing this Statement of Accounts, the Head of Financial Services has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority SORP.

The Head of Financial Services has also:

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

The Head of Financial Services should sign and date the Statement of Accounts, stating that it gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2010.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TENDRING DISTRICT COUNCIL YEAR ENDED 31 MARCH 2010

Opinion on the financial statements

I have audited the Authority and Group accounting statements and related notes of Tendring District Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Tendring District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective Responsibilities of the Head of Financial Services and the Auditor

The Head of Financial Services' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword and the content of the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements. My responsibilities do not extend to any other information.

Basis of Audit Opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

Opinion

[to be issued following the conclusion of the external audit of the Statement of Accounts]

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

[to be issued following the conclusion of the external audit of the Statement of Accounts]

Certificate

[to be issued following the conclusion of the external audit of the Statement of Accounts]

**To be certified by the
District Auditor on
completion of the audit of
accounts.**

INCOME AND EXPENDITURE ACCOUNT

2008/09 Net Expenditure £000		Gross Expenditure £000	2009/10 Gross Income £000	Net Expenditure £000	Note Ref
EXPENDITURE ON SERVICES					
1,186	Central Services to the Public Cultural, Environmental, Regulatory and Planning Services	16,798	(15,479)	1,319	
16,941	Highways and Transport Services	24,687	(8,351)	16,336	
1,877	Local Authority Housing - Housing Revenue Account	3,531	(1,681)	1,850	
18,332	Other Housing Services	(2,981)	(11,002)	(13,983)	
1,411	Adult Social Care	54,275	(53,306)	969	
(159)	Corporate and Democratic Core Expenses	504	(523)	(19)	
3,304	Non Distributed Costs	3,269	(14)	3,255	
247		339	-	339	
43,139	Net Cost of Services	100,422	(90,356)	10,066	
6	(Gain)/loss on disposal of fixed assets			(52)	1
(118)	Other Income			(55)	2
1,400	Parish Council Precepts			1,384	
1,189	Interest payable and similar charges			1,128	
49	Contribution to the Housing Capital Receipts Pool			187	3
(1,489)	Interest and Investment Income			(190)	
1,913	Pensions interest cost and expected return on pensions assets			2,795	4
46,089	Net Operating Expenditure			15,263	
(8,814)	Income from Council Tax			(9,119)	
(2,299)	General Government Grants			(3,170)	5
(11,796)	Non-Domestic Rates Redistribution			(11,237)	
23,180	(Surplus)/Deficit for the Year			(8,263)	

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2008/09 Net Expenditure £000		2009/10 Net Expenditure £000	Note Ref
23,180	(Surplus)/Deficit for the year on the Income and Expenditure Account	(8,263)	6
(23,170)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	8,242	7
10	(Increase)/Decrease in General Fund Balance for the year	(21)	
(3,888)	General Fund Balance brought forward	(3,878)	
(3,878)	General Fund Balance carried forward	(3,899)	

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2010

2008/09		2009/10	Note
£000		£000	Ref
23,180	(Surplus)/Deficit for the year on the Income and Expenditure Account	(8,263)	
7,010	(Surplus)/Deficit arising on revaluation of fixed assets	(11,065)	20
-	(Surplus)/Deficit arising on revaluation of available-for-sale financial assets	(4)	
(1,952)	Actuarial (gains) and losses on pension fund assets and liabilities	10,873	4
<u>28,238</u>	Total Recognised (Gains) / Losses for the Year	<u>(8,459)</u>	

SUBJECT TO AUDIT

Core Financial Statements

BALANCE SHEET

AS AT 31 MARCH 2010

31 March 2009 £000		31 March 2010 £000	£000	Notes
	Fixed Assets			
	Tangible Fixed Assets			20
	Operational Assets			
122,304	- Council Dwellings	145,014		
42,874	- Other Land and Buildings	40,783		
4,293	- Infrastructure Assets	5,401		
1,550	- Vehicles, Plant, Machinery and Equipment	1,522		
364	- Community Assets	361		
	Non-Operational Assets			
2,119	- Surplus assets held for disposal	1,819	194,900	
574	Intangible Fixed Assets		395	21
174,078	Total Fixed Assets		195,295	
10	Long Term Investments		9	24
276	Long Term Debtors		258	25
174,364	Total Long Term Assets		195,562	
	Current Assets			
36	- Stocks		49	26
11,275	- Debtors		9,497	27
12,926	- Temporary Investments		13,007	28
3,537	- Bank		5,962	
10	- Petty Cash/Imprests/Floats		10	
202,148	Total Assets		224,087	
	Current Liabilities			
(6,760)	- Creditors		(6,151)	29
(178)	- Borrowing repayable within 12 months		(303)	28
(1,133)	- Bank Overdraft		(1,634)	
194,077	Total Assets less Current Liabilities		215,999	
(785)	Creditors due after more than 1 year		(1,201)	29
(22,441)	Long Term Borrowing		(22,138)	28
(4,350)	Government Grants Deferred		(5,839)	19
(35,804)	Asset/Liability related to defined benefit pension schemes		(47,658)	4
(82)	Provisions		(89)	31
130,615	Total Assets less Liabilities		139,074	32

Core Financial Statements

31 March 2009 £000		31 March 2010 £000	Notes
	Financed by:		
2,354	Revaluation Reserve	12,704	17
-	Available-for-Sale Financial Instruments Reserve	6	
141,290	Capital Adjustment Account	150,320	18
1,958	Capital Receipts Reserve	1,879	16
140	Deferred Capital Receipts	128	30
(35,804)	Pensions Reserve	(47,658)	4
1,958	Major Repairs Reserve	2,702	16
9,002	Earmarked Reserves	9,427	33
3,878	General Fund Balance	3,899	
5,724	Housing Revenue Account Balance	5,599	
115	Collection Fund Adjustment Account	68	
130,615	Total Net Worth	139,074	32

HEAD OF FINANCIAL SERVICES' CERTIFICATE

I certify that the accounts set out on pages 10 to 96 give a true and fair view of the financial position of the Council at the 31 March 2010 and the income and expenditure for the year then ended.

Karen Neath CPFA
Head of Financial Services
Date: 28 June 2010

CHAIRMAN OF THE AUDIT COMMITTEE'S CERTIFICATE

I confirm that the Audit Committee at the meeting held on 28 June 2010 approved these accounts.

Councillor M Skeels on behalf of Tendring District Council
Chair of meeting approving the accounts
Date: 28 June 2010

The Head of Financial Services and the Chair of the Audit Committee have certified the formal financial statements, which are held by the Head of Financial Services and can be reviewed upon request.

CASH FLOW STATEMENT

2008/09 £000		2009/10 £000	£000	Note Ref
625	Net Revenue Activities Cash Flow		(3,312)	40/43
	Return on Investments and Servicing of Finance			
	Cash Outflows:			
1,136	Interest paid	1,120		
	Cash Inflows:			
(1,651)	Interest received	(234)	886	
	Capital Activities			
	Cash Outflows:			
5,246	Purchase of fixed assets	4,890		
	Cash Inflows:			
(103)	Sales of fixed assets	(252)		
(3,524)	Capital grants received	(3,954)		44
(309)	Other capital cash receipts	(561)	123	
1,420	Net Cash Outflow/(Inflow) before financing		(2,303)	41/42
	Management of Liquid Resources			
(4,720)	Net increase/(decrease) in temporary investments	120		
2,308	Net increase/decrease in other liquid resources	81	201	
	Financing			
	Cash Outflows:			
165	Repayments of amounts borrowed		178	
(827)	Net Decrease/(Increase) in Cash		(1,924)	

NOTES TO CORE FINANCIAL STATEMENTS

1 (Gain)/Loss on Disposal of Fixed Assets

This represents the difference between the selling price of the Fixed Asset and its value as shown in the Council's Balance sheet prior to sale.

The main (gain)/loss for the year is:

2008/09 £000		2009/10 £000
	Disposal of Assets:	
-	Sale of Council Houses (after deduction of Right to buy admin costs)	(61)
-	Disposal of Public Conveniences, Dovercourt	9
68	Demolition of Beach Road Seafront Shelter	-
(62)	Sale of DIYSO Property	-
6		(52)
6		(52)

2 Other Income

There are other gains that have arisen which are not directly related to disposal of assets:

2008/09 £000		2009/10 £000
(50)	Discounts repaid on Sale of Council Houses	(18)
(68)	Renovation Grants Repaid	(37)
(118)		(55)
(118)		(55)

3 Contribution to Housing Capital Receipts Pool

The Council has to pay a proportion of specified housing related capital receipts into a Government pool for redistribution. Any amount paid to the pool is disclosed as expenditure after Net Cost of Services with the income from capital receipts credited to the Income and Expenditure Account as part of the gain/loss on disposal of the fixed asset. However the payment to the pool is not met from council tax as an appropriation is made from the capital receipts reserve to the Statement of Movement on the General Fund Balance.

4 Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to pay these benefits in future years which needs to be disclosed at the time that employees earn them.

Core Financial Statements

The Authority participates in the Local Government Pension Scheme administered by Essex County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level to balance the pensions liabilities with investment assets.

Transactions relating to retirement benefits

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against the council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and the Statement of Movement on the General Fund Balance during the year:

2008/09		2009/10
£000	Income and Expenditure Account	£000
	Net Cost of Services	
2,193	Current Service Cost	1,457
	Net Operating Expenditure	
6,316	Interest Cost	6,229
(4,403)	Expected return on scheme assets	(3,434)
4,106	NET CHARGE TO THE INCOME AND EXPENDITURE ACCOUNT	4,252
	Statement of Movement on the General Fund Balance	
(4,106)	Reversal of net charges made for retirement benefits in accordance with FRS17	(4,252)
3,206	Actual Amount Charged against the General Fund Balance for Pensions in the Year - Employer's contributions payable to the scheme	3,271

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £10.873 million (£1.952 million 2008/09) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses from when the Statement was introduced in 2006/07 is £15.283 million.

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

Core Financial Statements

	2008/09	2009/10
	£000	£000
1 April	103,755	88,868
Current service cost	2,193	1,457
Interest Cost	6,316	6,229
Contributions by scheme participants	786	792
Actuarial gains and losses	(20,787)	25,982
Benefits paid	(3,395)	(4,531)
Past Service Costs	-	-
31 March	<u>88,868</u>	<u>118,797</u>

Reconciliation of fair value of the scheme assets:

	2008/09	2009/10
	£000	£000
1 April	66,899	53,064
Expected rate of return	4,403	3,434
Actuarial gains and losses	(18,835)	15,109
Employer Contributions	3,206	3,271
Contributions by scheme participants	786	792
Benefits paid	(3,395)	(4,531)
31 March	<u>53,064</u>	<u>71,139</u>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields in fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £18.543 million (£14.366 million for 2008/09).

Scheme History

	2005/06	2006/07	2007/08	2008/09	2009/10
	£000	£000	£000	£000	£000
Present value of Liabilities	(93,874)	(93,957)	(103,755)	(88,868)	(118,797)
Fair Value of Assets	64,563	69,974	66,899	53,064	71,139
Surplus/(Deficit) in the scheme	<u>(29,311)</u>	<u>(23,983)</u>	<u>(36,856)</u>	<u>(35,804)</u>	<u>(47,658)</u>

Following a change in the SORP last year, quoted securities held as assets in the defined benefits pension scheme are valued at bid price rather than mid-market value as was previously the case. As the adjustments are not material (change equates to approx 0.1% of asset values) no restatements have been made for years prior to 2008/09 within the table above.

Core Financial Statements

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £118.797 million has a substantial impact on the net worth of the authority as recorded in the Balance Sheet resulting in an overall deficit of £47.658 million.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy as the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2011 is £3.339 million.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on the actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The pension fund liabilities have been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries, on behalf of Essex County Council the scheme administrators, with estimates based on the latest full valuation as at 31 March 2007.

The principal assumptions used by the actuary have been:

	2008/09	2009/10
Long term expected rate of return on assets in the scheme:		
Equities	7.5%	7.5%
Government Bonds	4.0%	4.5%
Other Bonds	6.0%	5.2%
Property	6.5%	6.5%
Cash/Liquidity	0.5%	0.5%
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men	22.0	22.1
Women	24.9	25.0
Longevity at 65 for future pensioners:		
Men	23.1	23.1
Women	25.9	25.9
Rate of inflation	3.3%	3.3%
Rate of Increase in salaries	4.8%	4.8%
Rate of Increase in pensions	3.3%	3.3%
Rate for discounting scheme liabilities	7.1%	5.6%
Take up of option to convert annual pension into retirement lump sum	50%	50%

The pension schemes assets consist of the following categories, by proportion of the total assets held:

Core Financial Statements

	31 March 2009	31 March 2010
	%	%
Equities	74.5	67.5
Government Bonds	8.7	7.9
Other Bonds	5.3	10.0
Property	9.8	9.3
Cash/Liquidity	1.7	5.3

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010 with comparative figures for prior years also set out:

	2005/06	2006/07	2007/08	2008/09	2009/10
	%	%	%	%	%
Difference between the expected and actual return on assets	15.6	1.1	(11.8)	(35.4)	21.2
Experience gains and losses on liabilities	2.0	0.0	1.6	0.0	0.0

5 General Government Grants

The following general grants have been received during the financial year, which are shown separately. Other specific grants are included within Net Cost of Services in the Income and Expenditure Account.

	2009/10
	£000
2008/09	
£000	£000
1,642 Revenue Support Grant for year	2,594
80 Local Authority Business Growth Incentive Scheme	61
512 Area Based Grant	379
65 Housing and Planning Delivery Grant - Revenue Element	136
2,299	3,170

In line with the 2009 SORP the revenue element of the Housing Planning and Delivery Grant has now been included within this section, rather than Net Cost of Services as has historically been the case.

6 The Significance of the Statement of Movement on the General Fund Balance

The Income and Expenditure Account brings together all of the functions of the Authority and summarises all of the resources that the Authority has generated, consumed or set aside in providing services during the year. However, this accounting basis is currently out of line with the statutory provisions that specify the net expenditure that authorities need to take into account when setting local taxes. In order to give a full presentation of the financial performance of an authority during the year and the actual spending power carried forward to future years, the outturn on the Income and Expenditure Account needs to be reconciled to the balance established by the relevant statutory provisions.

The Statement of Movement on the General Fund Balance provides the necessary reconciliation.

Core Financial Statements

7 Statement of Movement on the General Fund Balance – Movements in Year

The amounts in addition to the Income and Expenditure Account surplus or deficit for the year that are required by statute and non-statutory proper practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance for the year are:

2008/09 £000		2009/10 £000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
(264)	Amortisation of intangible assets	(277)
(23,367)	Depreciation and Impairment of fixed assets (excludes HRA depreciation)	8,619
(1,168)	Excess of HRA depreciation over the Major Repairs Allowance	(756)
382	Government Grants Deferred amortisation	429
(355)	Revenue expenditure funded from capital under statute	(340)
112	Net gain/loss on sale of fixed assets and other income	107
(4,106)	Net charges made for retirement benefits in accordance with FRS17	(4,252)
(56)	Reconciling Amount on the Collection Fund Balance	(47)
(28,822)		3,483
	Amounts not included in the Income and Expenditure Account but required by Statute to be included when determining the Movement on the General Fund Balance for the year	
356	Minimum revenue provision for capital financing	341
803	Capital expenditure charged to General Fund Balance	1,034
(49)	Transfer from usable capital receipts	(187)
3,206	Employers contributions payable to the pension scheme	3,271
4,316		4,459
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year	
871	Housing Revenue Account balance	(125)
465	Net transfer to/(from) earmarked reserves	425
1,336		300
(23,170)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	8,242

The Surplus on the Housing Revenue Account shown above is the aggregate of the surplus on the Housing Revenue Account for the year of £0.039 million and the net deficit in the Housing Repairs Account of £0.164 million.

8 Major Long Term Contracts

In 2009/10 the authority is committed to making the following estimated payments under long term contracts subject to the contractor meeting the terms of the contract. The major long-term contracts are:

Core Financial Statements

	£000	Contract Expires
Household Waste and Recycling Collection	2,892	2011/12
Street Cleaning	1,391	2011/12
ICT Support Services for Hardware, Infrastructure, and software support	570	2015/16
Kitchen & bathroom decent homes contract	500	2010/11
Housing Maintenance - estimated payment to be made based on a schedule of rates for responsive repairs	1,250	2012/13
	6,603	

9 Agency Services

The Council has an Agency Agreement with Essex County Council (ECC) to operate On Street Parking enforcement. The Council has met £23,955 of the deficit (after allowing for Penalty Charges and Permit Income). This sum is included in the Income and Expenditure Account. Under the terms of the agreement with ECC, the balance of the deficit £295,768 (£319,867 in 2008/09) will be met by Essex County Council and is not included in the Income and Expenditure Account of the Council.

On 26 March 2009 Essex County Council served two years notice to terminate this agreement on 31 March 2011.

The 2009 SORP included the requirement to account for Council Tax and NNDR Collection on an agency basis. Information on this is disclosed in the Collection Fund Income and Expenditure Account on page 84.

10 Operating, Contract Hire and Finance Leases

a) Payments made by the Council as Lessee

The Council uses vehicles, plant and equipment in delivering services that have been financed under the terms of operating and contract hire. The details of the various commitments are as follows:

Operating Leases and Contract Hire

2008/09		2009/10
£000		£000
241	Payments made in year in respect of leases in existence 1 April	172
56	Payments made in year in respect of leases taken out in year	40

➤ Commitments under operating leases for vehicles, plant and equipment

The Authority was committed at 31 March 2010 to making payments of £75,616 under operating leases in 2010/11 comprising the following elements:

Operating leases expiring in 2010/11	£000
Operating leases expiring between 2011/12 and 2014/15	-
Operating leases expiring after 2014/15	76
	-

Core Financial Statements

➤ Commitment under Contract Hire Leases for vehicles

The Authority was committed on 31 March 2010 to making payments of £96,685 under Contract Hire Agreements in 2010/11 comprising the following elements:

	£000
Contract Hire leases expiring in 2010/11	-
Contract Hire leases expiring between 2011/12 and 2014/15	97
Contract Hire leases expiring after 2014/15	-

➤ Properties Leased from a Registered Social Landlord

During 2006/07 17 properties leased from Colne Housing Society previously held under fixed assets were reclassified as operating leases. No payments are due on these properties which are operated by Tendring District Council until vacated by the current tenant. During 2009/10 one property (2008/09 2 properties) became vacant and was returned to Colne Housing Society.

2008/09 No of Properties		2009/10 No of Properties
7	Balance brought forward 1 April	5
(2)	Returned to Lessor	(1)
<hr/>		<hr/>
5	Balance carried forward 31 March	4
<hr/> <hr/>		<hr/> <hr/>

b) Income received by the Council as Lessor

The Council also leases out some assets to external organisations under Operating Leases. The total receivable for 2009/10 was £265,652 (£201,674 in 2008/09 for leases where the annual amount receivable was more than £3,000). The value of the assets subject to these Operating Leases (based on estimates where the relevant asset is part of a specific fixed asset that appears within the balance sheet) is £3,541,893 (£2,526,975 in 2008/09 for leases where the annual amount receivable was more than £3,000). Accumulated depreciation relating to these assets as at 31 March 2010 totalled £158,430 (£82,470 in 2008/09 for leases where the annual amount receivable was more than £3,000).

11 Members' Allowances and Expenses

The Local Authorities (Members' Allowances) (England) Regulations 2003 provide for the circumstances in which allowances are payable to Members and to the maximum amounts payable in respect of certain allowances. The total paid to Members under these regulations during the year was £504,912 (2008/09 - £533,116). Further details of individual payments to Members are provided on pages 97 to 99.

12 Employee Remuneration

The Accounts and Audit (Amendment No. 2) (England) regulations 2009 require the remuneration paid to all “senior employees” whose salary was £50,000 or more should be listed individually by way of job title. Where a “senior employee’s” salary is £150,000 or more that employee must be identified by name as well as post title. The disclosure must be made under the categories.

- Salary, fees and allowances (where allowances relate to amounts paid to individuals to meet the cost of a specific item or activity associated with undertaking Council business)
- Bonuses
- Expenses allowances (where an expense relates to amounts spent by an individual in undertaking Council business which is then reimbursed by the Council)
- Compensation for loss of employment
- Employer’s pensions contributions
- Any other emoluments

A category does not need to be shown if no applicable payments have been made.

No “senior employees” were paid £150,000 or more in 2009/10. Details of “senior employees” whose salary is £50,000 or more are given in section 12a.

It is also a requirement of the regulations that the numbers of all employees whose remuneration is more than £50,000 but who are not “senior employees” should be disclosed in bands of £5,000. Numbers of staff who are not “senior employees”, whose remuneration was £50,000 or more, are given in 12b. The figures shown in 12b do not include those employees listed in 12a.

Core Financial Statements

a) **Analysis of “senior employees” remuneration**

Post Title	2008/09			Total remuneration excluding Pension Contributions	Employer's Contributions to Pension	Total Remuneration including Pension Contributions
	note	Salary, Fees and Allowances	Expense Allowances			
Head of Leisure Services	1	13,720	267	13,987	1,880	15,866
Acting/Head of Leisure Services	1	53,386	1,134	54,520	7,298	61,818
Acting Head of Environmental Services		59,224	1,289	60,513	8,098	68,611
Overview and Scrutiny Manager		61,026	172	61,198	8,276	69,474
Head of Benefits and Revenues		64,932	81	65,013	8,889	73,902
Head of Housing Services		65,069	-	65,069	8,889	73,958
Head of Human Resources and Customer Services		65,046	1,200	66,246	8,889	75,135
Head of Technical and Procurement Services		65,029	1,257	66,286	8,889	75,175
Head of Regeneration and Community Services		66,566	1,131	67,697	9,104	76,801
Head of Legal Services and Monitoring Officer		71,475	-	71,475	9,707	81,182
Head of Financial Services		77,683	-	77,683	10,643	88,326
Head of Environmental Services		77,775	1,101	78,876	10,643	89,519
Head of Corporate Performance		77,934	1,122	79,056	10,643	89,699
Assistant Chief Executive		102,002	723	102,725	13,974	116,699
Deputy Chief Executive		108,616	704	109,320	14,880	124,200
Chief Executive		127,230	500	127,730	17,431	145,161

Post Title	2009/10			Total remuneration excluding Pension Contributions	Employer's Contributions to Pension	Total Remuneration including Pension Contributions
	note	Salary, Fees and Allowances	Expense Allowances			
Head of Housing Services	2	8,746	-	8,746	1,183	9,929
Head of Housing Services	2	27,124	78	27,202	3,716	30,918
Head of Leisure Services		58,748	1,249	59,997	8,049	68,046
Overview and Scrutiny Manager		61,675	208	61,883	8,359	70,242
Acting Head of Environmental Services		61,050	1,413	62,463	8,357	70,820
Head of Benefits and Revenues		65,564	16	65,580	8,978	74,558
Head of Technical and Procurement Services		65,714	1,343	67,057	8,978	76,035
Head of Human Resources and Customer Services		65,827	1,268	67,095	8,978	76,073
Head of Regeneration and Community Services		67,147	1,293	68,440	9,195	77,635
Head of Financial Services		78,641	-	78,641	10,774	89,415
Head of Corporate Performance		78,806	102	78,908	10,774	89,682
Head of Environmental Services		78,671	1,181	79,852	10,774	90,626
Head of Legal Services and Monitoring Officer		81,067	-	81,067	11,075	92,142
Assistant Chief Executive		102,002	723	102,725	13,974	116,699
Deputy Chief Executive		108,616	704	109,320	14,880	124,200
Chief Executive		127,230	500	127,730	17,431	145,161

Core Financial Statements

Notes

1. The Head of Leisure Services left employment on 22 June 2008 on an annualised salary of £60,409. The Acting Head of Leisure Services was appointed as Head of Leisure Services on 22 July 2008 at an annualised salary of £57,051.
2. The Head of Housing Services left employment on 18 May 2009 on an annualised salary of £65,534. The new Head of Housing Services was appointed on 2 November 2009 on an annualised salary of £65,534.

b) Analysis of “non-senior employees”

2008/09 Number of Total	Remuneration Band	2009/10 Number of Total
3	£50,000 - £54,999	6
2	£55,000 - £59,999	3
-	£60,000 - £64,999	-
1	£65,000 - £69,999	1

13 Related Party Transactions

The Council is required to disclose material transactions with related parties (bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council). Material related party transactions for 2009/10 which are not fully disclosed elsewhere in the Statement of Accounts were as follows:

2008/09			2009/10	
Receipts £000	Payments £000		Receipts £000	Payments £000
1,566	2,024	Essex County Council	1,774	2,564
89	94	Other Essex local authorities	71	145
Transactions with organisations related by a declared interest of Council Members or Senior Officers:				
-	6	Brightlingsea Harbour Commissioners	-	24
-	116	Citizens Advice Bureau	-	164
40	-	Clacton County High School	43	115
1	73	Colne Housing Society	18	14
253	5	East of England Co-operative Society Ltd	223	5
-	28	East of England Regional Assembly	13	30
14	26	Harwich Connexions	-	11
380	-	Interaction Neighbourhood Management Partnership Board	-	-
-	17	Local Government Association	-	-
50	23	NACRO	-	42
111	-	NHS North East Essex	64	-
-	95	Community Voluntary Services Tendring	-	-
-	99	West Cliff (Tendring) Trust	-	35
21	49	Other	33	41
<u>2,525</u>	<u>2,655</u>	Total Related Party Transactions	<u>2,239</u>	<u>3,190</u>

Core Financial Statements

14 Disclosure of Audit Costs

The following fees relating to external audit and inspection were incurred during the financial year:

2008/09		2009/10
£000		£000
123	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	124
7	Fees payable to the Audit Commission in respect of statutory inspection	9
53	Fees payable to the Audit Commission for the certification of grant claims and returns	73
-	Fees payable in respect of other services provided by the appointed auditor	-
<u>183</u>		<u>206</u>

15 Movements in revenue resources

	General Fund Balances	HRA Balances	Collection Fund Adjustment Account	Earmarked Reserves	Pensions Reserve
	£000	£000	£000	£000	£000
Surplus/(deficit) for 2009/10	21	-	(47)	-	-
Appropriations (to)/from revenue	-	(125)	-	425	-
Gains and losses relating to pensions	-	-	-	-	(11,854)
	<u>21</u>	<u>(125)</u>	<u>(47)</u>	<u>425</u>	<u>(11,854)</u>
Balance brought forward at 1 April 2009	3,878	5,724	115	9,002	(35,804)
Balance carried forward at 31 March 2010	<u>3,899</u>	<u>5,599</u>	<u>68</u>	<u>9,427</u>	<u>(47,658)</u>

Earmarked Reserves are set aside by the Council from Revenue Resources for specific policy purposes and further details on reserves can be found on page 62, Note 33 to the Core Financial Statements.

Where pension payments are made for the year in accordance with the Local Government Pension Scheme requirements and do not match the change in the Council's recognised asset or liability for the same period, the recognised cost of pensions will not match the amount to be raised in taxation. Therefore adjustments appear in the Statement of Movement on the General Fund Balance and Statement of Total Recognised Gains and Losses to reflect the changes in the pensions liability. (See also page 32, Note 4 to this Statement).

Core Financial Statements

16 Movements in realised capital resources

2008/09				2009/10		
General Fund Capital Receipts £000	HRA Capital Receipts £000	HRA Major Repairs Reserve £000		General Fund Capital Receipts £000	HRA Capital Receipts £000	HRA Major Repairs Reserve £000
73	164	2,229	Amounts receivable	63	250	2,308
-	(49)	-	Amounts paid to the Government as the 'pooling contribution'	-	(187)	-
<u>73</u>	<u>115</u>	<u>2,229</u>	Net usable capital receipts in year	<u>63</u>	<u>63</u>	<u>2,308</u>
(119)	(335)	(2,269)	Amounts applied to finance new capital investment	(1)	(202)	(1,564)
<u>(46)</u>	<u>(220)</u>	<u>(40)</u>	Total increase/(decrease) in realised capital resources	<u>62</u>	<u>(139)</u>	<u>744</u>
756	1,466	1,998	Balance brought forward at 1 April	710	1,246	1,958
<u><u>710</u></u>	<u><u>1,246</u></u>	<u><u>1,958</u></u>	Balance carried forward at 31 March	<u><u>772</u></u>	<u><u>1,107</u></u>	<u><u>2,702</u></u>

Housing Revenue Account capital receipts received in the year are allocated between the amount that is required to be paid to the Government after deductions of certain expenses, the 'pooling contribution', and usable proportions. The net usable proportion is shown above after the deduction of the pooling contribution and can only be used to finance capital expenditure.

The Major Repairs Reserve is financed through the Housing Subsidy system by the Government to provide funds for capital expenditure on Housing Revenue Account (HRA) assets. Page 77 note 3 to the Housing Revenue Account Statements sets out the Reserve in further detail.

17 Revaluation Reserve

The Revaluation Reserve records the accumulated gains on fixed assets held by the Council to the extent that they have not been offset by subsequent downward movements in value. The reserve is debited with the part of depreciation charges that has only been incurred because the asset has been revalued. The HRA year end impairment of assets in 2008/09 has been reversed in accordance with the SORP. On disposal, the Revaluation Reserve balance for the asset disposed of is written off to the Capital Adjustment Account.

Core Financial Statements

2008/09		2009/10		
		General Fund	HRA	Total
£000		£000	£000	£000
9,902	Balance 1 April	2,319	35	2,354
(7,010)	Add net gain/(loss) on fixed assets due to increase/(decrease) in values	1,091	26,601	27,692
-	Less reversal of year end impairment 2008/09 on HRA assets	-	(16,627)	(16,627)
<u>2,892</u>		<u>3,410</u>	<u>10,009</u>	<u>13,419</u>
(536)	Less charges equal to the depreciation on assets that has occurred only because assets have been revalued	(96)	(586)	(682)
(2)	Less value of assets written off to capital adjustment account on disposals	(16)	(17)	(33)
<u>2,354</u>	Balance 31 March	<u>3,298</u>	<u>9,406</u>	<u>12,704</u>

18 Capital Adjustment Account

The Capital Adjustment Account is credited with the resources that are set aside to finance capital expenditure and debited with the write down of historical cost of fixed assets as they are consumed by depreciation and impairment or written off on disposal. Therefore the balance on the account represents the timing differences between the amount of financing in accordance with statutory requirements and the historical cost of fixed assets that has been consumed.

2008/09		2009/10		
		General Fund	HRA	Total
£000		£000	£000	£000
163,981	Balance 1 April	40,739	100,551	141,290
4,265	Add Resources set aside in year to finance capital expenditure	1,956	1,614	3,570
(26,766)	Historical cost of acquiring, creating or enhancing fixed assets:			
-	- Depreciation and impairment losses	(5,118)	(5,954)	(11,072)
-	- Impairment losses reversed against revaluation gains	-	16,627	16,627
536	- Revaluation Reserve - Current value depreciation/impairment	96	586	682
2	- Revaluation Reserve - Gains outstanding on disposal	16	17	33
(109)	- Book value of assets on disposal	(25)	(168)	(193)
(264)	Amortisation of intangible Assets for the year	(276)	(1)	(277)
(355)	Revenue Expenditure Funded from Capital under Statute for the year	(282)	(58)	(340)
<u>141,290</u>	Balance 31 March	<u>37,106</u>	<u>113,214</u>	<u>150,320</u>

Core Financial Statements

19 Government Grants Deferred

The Government Grants deferred account is credited with grants (and other contributions) that have been used to support capital investment. Amounts are released to the Income and Expenditure Account over the life of the relevant asset to match any charges for depreciation. The Account holds the unamortised balance as deferred income.

2008/09		2009/10
£000		£000
3,575	Balance 1 April	4,350
1,157	Grants applied to Capital Expenditure	1,918
(382)	Amounts credited to the Income and Expenditure Account in Year	(429)
<hr/>		<hr/>
4,350	Balance 31 March	5,839
<hr/>		<hr/>

SUBJECT TO AUDIT

Core Financial Statements

20 Tangible Fixed Assets

a) **Movement of fixed assets**

The movement in fixed assets is summarised below:

Operational Assets

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant and Equip- ment £000	Infra- structure £000	Comm- unity Assets £000	Total £000
Cost or valuation						
At 1 April 2009	122,314	43,911	4,475	10,758	393	181,851
Additions	2,232	724	378	1,568	67	4,969
Donations	-	-	-	-	-	-
Disposals	(171)	(25)	-	-	-	(196)
Reclassifications	(20)	20	-	-	-	-
Revaluations	20,678	(2,774)	(10)	-	(67)	17,827
At 31 March 2010	145,033	41,856	4,843	12,326	393	204,451
Depreciation and impairments						
At 1 April 2009	(10)	(1,037)	(2,925)	(6,465)	(29)	(10,466)
Charge for 2009/10	(3,716)	(4,975)	(396)	(460)	(3)	(9,550)
Disposals	3	-	-	-	-	3
Reclassifications	-	-	-	-	-	-
Revaluations	3,704	4,939	-	-	-	8,643
At 31 March 2010	(19)	(1,073)	(3,321)	(6,925)	(32)	(11,370)
Balance Sheet amount at 31 March 2010	145,014	40,783	1,522	5,401	361	193,081
Balance Sheet amount at 1 April 2009	122,304	42,874	1,550	4,293	364	171,385
Nature of Asset holding						
Owned	145,014	40,783	1,522	5,401	361	193,081
	145,014	40,783	1,522	5,401	361	193,081

Core Financial Statements

Non Operational Assets

	Investment Properties	Assets Under Construction	Surplus Assets Held for Disposal	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2009	-	-	2,119	2,119
Additions	-	-	-	-
Donations	-	-	-	-
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	-	-	(279)	(279)
At 31 March 2010	-	-	1,840	1,840
Depreciation and impairments				
At 1 April 2009	-	-	-	-
Charge for 2009/10	-	-	(345)	(345)
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	-	-	324	324
At 31 March 2010	-	-	(21)	(21)
Balance Sheet amount at 31 March 2010	-	-	1,819	1,819
Balance Sheet amount at 1 April 2009	-	-	2,119	2,119
Nature of Asset holding				
Owned	-	-	1,819	1,819
	-	-	1,819	1,819

In accordance with the Housing Revenue Account (Accounting Practices) Directions 2000, the valuations for housing assets were subject to review in 2009/10 in line with the Guidance on Stock Valuation for Resource Accounting issued by the Office of the Deputy Prime Minister, July 2005. The guidance states that the adjustment factor for the Eastern Region is 46% which is the rate used to reflect the existing use of the assets as social housing rather than valuation based on vacant possession.

b) Depreciation

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

Core Financial Statements

In accordance with these requirements, depreciation has been provided in 2009/10 on a straight-line basis over the expected life of the Council's fixed assets after allowing for residual values, based on information provided by the Valuer. The expected life of the assets range from 4 years for information technology equipment to 60 years for the new pavilion sited at Kirby Playing Fields and new public conveniences in Brightlingsea and Dovercourt.

c) Major fixed asset information

Fixed assets owned by the Council include the following:

Number as at 31 March 2009		Number as at 31 March 2010
	Council Dwellings	
3,246	Council House stock	3,242
438	Garages	438
1	Community Centre	1
4	Shops etc	4
	Other Operational Buildings	
1	Town Hall	1
9	Offices	9
5	Depots and Workshops	5
30	Off Street Car Parks	30
1	Leisure Centres (with indoor swimming pool)	1
1	Sports Halls	1
	Swimming Pools:	
2	- Indoor	2
1	- Open Air	1
1	Theatres	1
4	Cemeteries	4
1	Crematorium	1
44	Public Conveniences	44
34	Garages	34
5	Community Centres	5
31	Shops, Kiosks, etc	31
	Community Assets	
292Hectares	Open Spaces and Recreation Grounds	305Hectares
1	Harwich Crane	1
2	Leading Lights	2
1	Old Lifeboat House	1
1	Clacton Steam Queen	1

Other fixed assets include infrastructure such as coastal defences, roads, street lighting and footpaths and non-operational assets which are assets determined as being surplus and held for disposal.

d) Fixed Asset Revaluation

The Council's housing stock was revalued as at 1 April 2005 by I Bromley-Derry MRICS, IRRV of NPS Property Consultants Limited. All other freehold and leasehold properties that comprise the Authority's property portfolio were revalued as at 1 April 2006 by G Knox MRICS of NPS Property Consultants Limited. The valuations were made in accordance with the 'Manual of Valuation Guidance Notes' issued by The Royal Institution of Chartered Surveyors. These property valuations were based upon available records, but structural or soil surveys were not carried out and service installations were not tested.

Core Financial Statements

Since 1 April 2006 a full revaluation has been undertaken each year of 25% of all the Council's fixed assets and the remaining 75% have been subject to a desktop review. Accordingly, 25% of the housing stock, including all beacon properties, and 25% of general fund assets were inspected and revalued as at 1 April 2009 by Gayle Hart MRICS and Jill Lee MRICS respectively of NPS Property Consultants Limited.

An estimate was also obtained from NPS Property Consultants Ltd as to the change in value from 1 April 2009 to 31 March 2010 of all the Council's fixed assets, the results of which are reflected in the value of the assets on the Balance Sheet. The Supplementary Financial Statement for the Housing Revenue Account sets out additional valuation details relating to the Council's housing stock.

21 Intangible Fixed Assets

These are defined by FRS10 as non-financial fixed assets that do not have a physical substance but are identifiable and controlled by the Council through custody and legal rights. The Council's intangible assets are software licences which are capitalised at cost and are amortised on a straight line basis to revenue over a four-year period, commencing the year after purchase.

	HRA IT Upgrade Replacement £000	General Software Licences £000	Total £000
Cost			
At 1 April 2009	121	1,314	1,435
Additions	13	85	98
At 31 March 2010	134	1,399	1,533
Amortisation			
At 1 April 2009	(120)	(741)	(861)
Written off to revenue in year	(1)	(276)	(277)
At 31 March 2010	(121)	(1,017)	(1,138)
Balance Sheet amount at 31 March 2010	13	382	395
Balance Sheet amount at 1 April 2009	1	573	574

Core Financial Statements

22 Capital Expenditure and Capital Financing Requirement

2008/09 £000		2009/10 £000
25,769	Opening Capital Financing Requirement	26,085
	Capital Investment:	
4,871	Operational assets	5,016
270	Intangible Assets	108
1,349	Revenue Expenditure funded from Capital under statute	1,817
	Sources of Finance:	
(454)	Capital Receipts	(204)
(1,753)	Government Grants	(4,065)
(3,581)	Sums set aside from revenue including MRP	(1,432)
(386)	Other Grants	(894)
<u>26,085</u>	Capital Financing Requirement	<u>26,431</u>
2008/09 £000		2009/10 £000
	Explanation of movements in year	
671	Increase in underlying need to borrow (supported by Government financial assistance)	688
(355)	Increase in underlying need to borrow (unsupported by Government financial assistance)	(342)
<u>316</u>	Movement in the Year	<u>346</u>

Revenue expenditure funded from capital under statute is in accordance with Accounting Policy 13 on page 19, which includes items such as Private Sector Improvement Grants/Loans.

23 Commitments under Capital Contracts

As at 31 March 2010, the Council was contractually committed to capital payments as follows:

2008/09 £000		2009/10 £000
116	Information Technology systems	25
90	Upgrade to Contact Centre Software	24
1,166	Coastal Defence Works	798
42	Replacement of Careline Piper network	-
-	Relocation of careline	82
-	Provision of public conveniences	23
53	Provision of MUGAs and childrens play areas	189
-	Play route	105
-	Brook Country park	131
133	Other Projects	27
<u>1,600</u>		<u>1,404</u>

Core Financial Statements

24 Long Term Investments

The long-term investments are marketable securities that are recorded in the Balance Sheet at market valuation and any surplus/deficit arising on the annual revaluation is taken to the Available-for-Sale Financial Instruments Reserve.

25 Long Term Debtors

These represent amounts falling due to the Council over a period longer than a year.

2008/09 £000		2009/10 £000
26	Sale of council houses (mortgages)	23
80	Harwich and District Indoor Bowls Centre	71
25	Car loans	15
111	Debts subject to charging orders	115
34	Rents to Mortgage Scheme	34
<u>276</u>	Total long term debtors	<u>258</u>

26 Stocks

The value of stocks unused and unconsumed held at the year end in expectation of future use were as follows:

2008/09 £000		2009/10 £000
12	Print Unit	12
12	Senior Citizens' Railcards	20
12	Leisure centres - General Stocks	17
<u>36</u>	Total stocks	<u>49</u>

27 Debtors

2008/09 £000		2009/10 £000
8,364	Government departments and agencies	6,856
970	Other local authorities	860
483	Council taxpayers	501
239	Housing rents	288
3,149	Sundry debtors	2,956
<u>13,205</u>	Total gross debtors	<u>11,461</u>
(1,930)	Less provision for doubtful debts	(1,964)
<u>11,275</u>	Total net debtors	<u>9,497</u>

Core Financial Statements

The sum due from debtors at the end of 2009/10 compared with 2008/09 has decreased by £1.778 million (15.77%). This is mainly due to:

- a) A decrease in the amount due from Government Departments of £1.508 million of which £1.123 million is in respect of Housing Benefit Subsidy Payments and £0.349 million in respect of NNDR.
- b) A decrease in the amount due from other Local Authorities of £0.110m

28 Financial Instruments

The Council has £5.962 million deposited with financial institutions which is repayable on demand. Although these investments are made as part of the Council's investment strategy they are shown within the overall Cash at Bank figure in the balance sheet in accordance with the SORP. The Investment figures quoted within this note for financial instruments include these deposits. The figures for Trade Creditors and Debtors within this note do not include those creditors or debtors in respect of statutory items, such as amounts due in respect of VAT, Subsidies, Income Tax and Collection Fund balances due to precepting authorities.

The amounts excluded are:

- Trade Creditors - £0.394 million (£0.095 million in 2008/09)
- Trade Debtors - £6.855 million (£8.340 million in 2008/09)

a) Financial Instrument Balances

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

2008/09 £000		2009/10 £000
	Financial Liabilities at Amorisred Cost:	
(178)	Borrowing repayable within 12 months	(303)
(22,441)	Long Term Borrowing	(22,138)
(22,619)		(22,441)
	Investments:	
6,912	Loans and Receivables	2,007
6,014	Available for sale	11,000
12,926	Total Temporary Investments	13,007
3,537	Investments repayable on demand	5,962
16,463		18,969

Core Financial Statements

In 2009/10 the Council invested in Certificates of Deposit (CDs) with major UK banks and Treasury Bills because these are able to be sold and the investment realised on demand to assist the Council's cash flow management.

b) Financial Instrument Gains and Losses

The gains and losses recognised in the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

2008/09		2009/10
£000		£000
1,189	Interest payable and similar charges	1,128
(1,489)	Interest and Investment Income	(190)

c) Fair value of financial liabilities and assets carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost, ie the aggregate of principal amount and accrued interest. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- All the Council's borrowing is with the Public Works Loans Board (PWLB). Premature repayment rates from the PWLB as at the balance sheet date have been applied to provide the fair value under PWLB debt redemption procedures.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the fair value is taken to be the principal outstanding plus accrued interest.
- The fair value of trade creditors and debtors is taken to be the invoiced or billed amount.

2008/09				2009/10		
Principal Amount	Carrying Amount	Fair Value		Principal Amount	Carrying Amount	Fair Value
£000	£000	£000		£000	£000	£000
22,510	22,619	24,402	PWLB debt Repayable	22,331	22,441	23,266
22,510	22,619	24,320	Total Debt	22,331	22,441	23,266
6,665	6,665	6,665	Trade Creditors	5,757	5,757	5,757
29,175	29,284	30,985	Total Financial Liabilities	28,088	28,198	29,023
16,255	16,463	16,463	Temporary Investments - Investments for less than one year	18,850	18,969	18,980
2,935	2,935	2,935	Trade Debtors	2,642	2,642	2,642
19,190	19,398	19,398	Total Financial Assets	21,492	21,611	21,622

Core Financial Statements

The trade creditors and debtors figures for 2008/09 have been restated to reflect the change in the accounting treatment of the Collection Fund.

The range of interest rates payable on PWLB debt at 31 March 2010 was from 4.100% to 11.375% (weighted average, 4.966%), which compares with an average of 4.992% (over the same range) at 31 March 2009.

The fair value of debt liabilities is greater than the carrying amount because the Council's portfolio includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date and the effect of these outweighs the effect of fixed rate loans taken out at a lower interest rate than was available for similar loans at that date.

d) The nature and extent of risk arising from Financial Instruments

➤ 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 commitments 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 such measures as interest rates movements.

➤ Overall Procedures for Managing Risk

The Council's approach to managing these risks is focused on the inherent unpredictable nature of the financial markets. Procedures are in place to minimise these risks. The procedures in respect of investments are in accordance with the Local Government Act 2003, and associated regulations, which requires the Council to comply with the CIPFA Prudential Code and the CIPFA Code of Practice for Treasury Management in Public Services as well as the Investment Guidance issued in accordance with Act.

The Council meets these obligations by:

- i) Formally adopting and complying with the revised CIPFA Code of Practice.
- ii) Approving in advance the Prudential Indicators for the next financial year and for the following two years. These indicators set, amongst others:
 - The Council's overall borrowing limit.
 - The maximum and minimum exposures to maturity structure of the Council's debt.
 - The maximum sum that will be invested for periods in excess of 364 days.

Core Financial Statements

- The minimum and maximum exposure to fixed and variable rates of interest.
- iii) Approving an Annual Treasury Strategy which incorporates an investment strategy and a borrowing strategy.

The Council approves the Annual Treasury Strategy before the commencement of the financial year to which it relates. The Annual Treasury Strategy also sets out the Prudential Indicators for that year and the succeeding two years.

The Head of Financial Services has delegated responsibility for Treasury Management and implementation of the agreed Treasury Management Strategy. Treasury Officers maintain written principles known as Treasury Management Practices (TMPs) covering the management of risks associated with investments. The TMPs are reviewed on a regular basis and any changes to the principles are approved by Cabinet.

The Council employs specialist Treasury Consultants to assist officers.

The Cabinet receives each year a report on the Treasury Management activities for the previous financial year.

➤ **Credit Risk**

Credit risk arises from deposits with banks and other financial institutions and from credit advanced to the Council's customers. The Balance Sheet figures for financial assets are not representative of the normal level of exposure at any particular time. Positive cash flows in the early part of each financial year can lead to a considerably higher level of total investments. The maximum exposure during 2009/10 was £41 million.

The TMPs set out the criteria for deciding which organisations, such as Banks, Building Societies etc the Council will invest money with. An organisation with whom an investment is made is known as a counterparty. All counterparties the Council uses, other than HM Government, UK Nationalised/Part Nationalised Banks, other UK Local Authorities, Parish Councils, Police and Fire Authorities and Health Authorities are determined by reference to their credit ratings.

The Council uses the credit ratings provided by the 3 main credit rating agencies. For a counterparty to be approved for investment purposes its credit ratings from all of the Agencies that provide a credit rating (with a minimum of two rating agencies ratings) for that counterparty must be at least equal to the Council's minimum level. If just one of the ratings from any of the agencies falls below the Council's minimum criteria the counterparty is not approved. In addition to the credit ratings a limit is placed on the amount that can be invested with any one counterparty. A number of counterparties although operating independently are members of a larger group. This is the current position with a number of Banks. In addition to an individual counterparty limit there is a group limit, and any investment must therefore be within both the individual and group limits if applicable. A limit is also applied to the amount of investment that can be placed in individual countries other than the UK.

Core Financial Statements

From 1 April 2009 only Building Societies with a credit rating provided by at least one of the 3 main credit rating agencies were used, and from March 2010 building societies are judged on the same basis as all other counterparties. (See previous paragraph).

The following analysis summarises the Council's potential maximum exposure to credit risk. The Council has had no experience of default by any counterparty over the last five financial years and does not expect any losses from non-performance.

The only default experienced by local authorities in the last five years was that relating to the Icelandic Banks' default in October 2008. As at 1 April 2008 the Council had 3 Icelandic banks on its list of approved counterparties, representing 3.09% of the total. This percentage has therefore been used as a proxy for the historical experience of default, although the Council has been unaffected by the Icelandic Banks' default. The current credit crisis in international markets has raised the overall possibility of default. However, as the Council maintains strict credit criteria for investment counterparties, this historical default rate has been used as a good indicator under current conditions.

	Principal Amount at 31 March 2010	Historical experience of default	Adjusted for conditions at 31 March 2010	Estimated maximum exposure to default
	£000	%	%	£000
Deposits with banks and other financial institutions:				
Banks	8,850	3.09	3.09	273
Building Societies	-			-
Local Authorities	-			-
UK Government	10,000			-
	<u>18,850</u>			<u>273</u>

The Council's current debtors included in the Balance Sheet are shown net of bad debt provisions, which are based on historical default experience for collections.

➤ Liquidity Risk

The Council manages its liquidity position through the risk management procedures mentioned above, namely the setting of Prudential Indicators and the annual Treasury Strategy, as well as cash flow management procedures required by the Code of Practice.

Core Financial Statements

The Council is required by the Local Government Finance Act 1992 to produce a balanced budget each year, which sets out to raise sufficient monies to cover annual expenditure. The Council has ready access to borrowings from the money markets to cover any day to day cash flow need and an overdraft facility is maintained with its bankers. Whilst the Public Works Loans Board (PWLB) provides access to longer term funds, it also acts as a lender of last resort to all local authorities (although it will not provide funding to a council whose actions are unlawful). The Council can also call back financial assets, such as monies on deposit with financial institutions, in preference to new borrowing.

There is therefore no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

➤ **Refinancing and Maturity Risk**

The Council maintains large debt and investment portfolios. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk relates to managing exposure to the replacement of financial instruments as they mature. This applies to the maturing of longer term financial liabilities.

The key parameters used to address this risk are the maturity structure of its debt and the limits placed on investments of more than one year in duration. Within the above parameters, the Council addresses the operating risks by:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt.
- Monitoring the maturity profile of investments to maintain sufficient liquidity for the Council's day to day cash flow needs.
- Spreading longer term investments to provide stability of maturities and returns in relation to longer term cash flow needs.

The maturity analysis of financial liabilities (the principal amount of PWLB debt, bonds, temporary borrowing) and financial assets (investments with banks and other financial institutions) at 31 March 2010 was as follows:

Core Financial Statements

2008/09			2009/10	
Financial Liabilities	Financial Assets		Financial Liabilities	Financial Assets
£000	£000		£000	£000
178	16,255	Less than one year	194	18,850
194	-	Between one and two years	210	-
1,638	-	Between two and five years	1,669	-
1,253	-	Between five and ten years	1,110	-
978	-	Between ten and fifteen years	2,087	-
18,269	-	More than fifteen years	17,061	-
<u>22,510</u>	<u>16,255</u>		<u>22,331</u>	<u>18,850</u>

➤ **Market Risk**

i) **Interest rate risk**

At 31 March 2010 the Council's borrowing was all at fixed rates. Investments were all short term at fixed rates of interest for the notice period of the investment. The Council is exposed to interest rate movements on its future borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instruments periods. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest charged to the Income and Expenditure Account would rise.
- Borrowings at fixed rates – the fair value of the borrowing liability would fall.
- Investments at variable rates – the interest credited to the Income and Expenditure Account would rise.
- Investments at fixed rates – the fair value of the assets would 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 Income and Expenditure Account or the Statement of Total Recognised Gains and Losses. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund or Housing Revenue Account balance. As the Council's borrowing activity is almost exclusively attributed to its Housing Revenue Account debt, any interest rate fluctuations are substantially compensated for by government subsidy. Movements in the fair value of fixed rate investments will be reflected in the Statement of Total Recognised Gains and Losses.

Core Financial Statements

The Council has a number of strategies for managing interest rate risk. There is a lot of flexibility over the timing of new long term borrowing at fixed rates, and short term investments of surplus funds are spread over a range of periods to limit exposure to adverse movements in rates and to take advantage of favourable market conditions. The Annual Treasury Management Strategy draws together the Council's Prudential Indicators and its expected treasury operations, including an expectation of interest rate movements. One of the Prudential Indicators sets maximum and minimum limits for fixed and variable interest rate exposure. The treasury team monitor the market and forecasts of interest rates within the year to adjust exposures appropriately.

If all interest rates had been 1% higher during 2009/10 with all other variables held constant, the financial effect would have been:

	£000
Increase in interest payable on variable rate borrowing	-
Increase in interest receivable on variable rate investments	287
Impact on Income and Expenditure Account	287
Decrease in fair value of fixed rate investment assets	-
Impact on Statement of Recognised Gains and Losses	-

The Council has no variable rate borrowing.

The PWLB have provided fair values for the Council's existing fixed rate borrowings. However, no information is available to show the impact on fair value of a change in interest rates. A change in fair value would impact on neither the Income and Expenditure Account nor the Statement of Total Gains and Losses.

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

ii) **Price risk**

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

iii) **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.

Core Financial Statements

29 Creditors

2008/09 £000		2009/10 £000
Creditors due within one year:		
1,028	Government departments and agencies	1,551
2,355	Other local authorities	1,759
192	Council taxpayers	172
2,612	Sundry creditors	2,573
573	Section 106 contributions	96
<u>6,760</u>	Total creditors	<u>6,151</u>
<u>6,760</u>		<u>6,151</u>

The sum due to creditors at the end of 2009/10 compared with 2008/09 has decreased by £0.609 million (9.01%).

This is primarily due to

- a) A reduction of Section 106 monies potentially due to developers of £0.477 million, mainly due to the timing of associated expenditure.
- b) A decrease in the amount due to other local authorities (£0.596) mainly in respect of precept payments which have been partially offset by an increase in the amount due to Central Government of £0.523 million.

Creditors due after more than one year:		
<u>785</u>	Section 106 contributions	<u>1,201</u>
<u>785</u>		<u>1,201</u>

The increase is due to additional deposits made by developers.

30 Deferred Capital Receipts

Deferred capital receipts represent the capital income still to be received from asset sales, loans or from the repayment of grants where the payments will be received in the future. For this Council, they consist of:

2008/09 £000		2009/10 £000
26	Sales of Council Houses	23
80	Loan to Harwich and District Indoor Bowls Centre	71
34	Rents to Mortgages	34
<u>140</u>		<u>128</u>
<u>140</u>		<u>128</u>

31 Provisions

A provision is required for any liabilities of uncertain timing or amount to be settled by the transfer of economic benefits. As at 31 March 2010 the following provisions have been made:

Core Financial Statements

2008/09		2009/10
£000		£000
22	Insurance excesses that may be payable if outstanding claims against the Council are successful	29
60	Potential Settlement Costs arising from an external claim against the Council	60
82	Total Provisions	89

32 Analysis of Net Assets Employed

The net assets employed represent the local taxpayers 'equity' in the Authority and are analysed as follows:

2008/09		2009/10
£000		£000
20,959	General Fund	6,954
109,541	Housing Revenue Account	132,052
115	Collection Fund	68
130,615	Total net assets employed	139,074

33 Movement on Reserves

The Council keeps a number of reserves in the balance sheet. Some are required to be held for Statutory Purposes, some are needed to comply with proper accounting practice, and others have been set up to earmark resources for future spending plans.

The following schedule lists these reserves with their purpose:

- a) **Revaluation Reserve**
Holds the accumulated gains on fixed assets arising from increases in values.

- b) **Available-for-Sale Financial Instruments Reserve**
Holds the unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets.

- c) **Capital Adjustment Account**
Holds the difference between the historical costs of assets that have been consumed and the amount that has been financed in accordance with statutory requirements.

- d) **Capital Receipts**
Proceeds of fixed asset sales available to meet future capital investment.

- e) **Deferred Capital Receipts**
Capital Receipts that will be received in the future.

- f) **Pensions Reserve**
Balancing account to allow inclusion of Pensions Liability in the Balance Sheet.

Core Financial Statements

g) **Housing Revenue Account Balance**

Resources available to meet future running costs for council houses.

h) **Major Repairs Reserve**

Resources available to meet capital investment in council housing.

i) **General Fund Balance**

Resources available to meet future running costs for non-housing services.

j) **Collection Fund Adjustment Account**

The Council's proportion of the balance on the Collection Fund Revenue Account.

k) **Earmarked Reserves**

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

i) **Revenue Commitments Reserve**

This is earmarked for revenue items of expenditure for which financial provision was made in the previous or current year but which the Cabinet has agreed in accordance with Financial Procedure Rules can be carried forward into the following year.

ii) **Capital Commitments Reserve**

This is earmarked for capital items of expenditure for which financial provision was made in the previous or current year but which the Cabinet has agreed in accordance with Financial Procedure Rules can be carried forward into the following year.

iii) **Austerity Reserve**

This earmarked reserve has been created to support the delivery of a balanced budget in 2011/12 and beyond.

iv) **Brook Country Park**

This reserve has been created from the lump sum paid by the developers to meet the maintenance costs of Brook Country Park for the next 10 years.

v) **Capital Projects Reserve**

This reserve was created to finance any future capital projects the Council may wish to pursue.

vi) **Car Parks (Decriminalisation) Reserve**

This has been established to finance any additional costs incurred by the Council resulting from the operation of decriminalised Car Parking on behalf of Essex County Council.

vii) **Careline System Replacement Reserve**

This has been established to finance future equipment.

Core Financial Statements

- viii) **Concessionary Bus Fares Reserve**
This reserve has been established to meet the potential costs payable to the bus operators if their appeal against the reimbursement made to them under the concessionary bus fares scheme is successful.
- ix) **Contact Management/Development Reserve**
This has been established to finance the development of the Contact Centre and other initiatives that will result in operational efficiencies.
- x) **Cremator Replacement Reserve**
This was established to finance future replacement and improvement works to the crematorium plant and equipment at Weeley.
- xi) **Fixed Penalty Notice Reserve**
An earmarked reserve set up in 2006/07 to enable income from fixed penalty notices, such as those issued for litter offences, to be transferred to it and used to support initiatives associated with this function.
- xii) **Haven Gateway Partnership Reserve**
This has been set up to support the costs associated with the Haven Gateway Partnership.
- xiii) **Jaywick Project Manager and Externally Funded Posts Reserve**
This was established to finance the costs of a project manager to work on the Jaywick Master Plan and other costs associated with externally funded posts.
- xiv) **Joint User Sports Centres Reserve**
This reserve was established to help meet the additional costs incurred by the Council when it assumed lead responsibility for the Joint User Sports Centres at Harwich and Manningtree. The Reserve was originally set up using monies transferred to the Council by Essex County Council.
- xv) **Leisure Capital Projects Reserve**
This reserve was established to fund investment in a variety of leisure capital projects
- xvi) **Manual Workers Job Evaluation Reserve**
This was established to equalise the additional costs of job evaluation whilst employees' remuneration is protected under the terms of the scheme.
- xvii) **Planning Inquiries Reserve**
This reserve has been established to meet the cost of any planning inquiries in the future.
- xviii) **Project Investment Reserve**
This was established to provide for investment in major new projects in particular CCTV.

Core Financial Statements

The movement during the year on the reserves was as follows:

	Balance 1 April 2009 £000	Net Movement in year £000	Balance 31 March 2010 £000	Further Detail of Movements (all notes refer to core financial statements unless stated otherwise)
Revaluation Reserve	2,354	10,350	12,704	Page 44, note 17
Available-for-Sale Financial Instruments Reserve	-	6	6	
Capital Adjustment Account	141,290	9,030	150,320	Page 45, note 18
Capital Receipts	1,958	(79)	1,879	Page 44, note 16
Deferred Capital Receipts	140	(12)	128	Page 65, note 30
Pensions Reserve	(35,804)	(11,854)	(47,658)	Page 32, note 4
Housing Revenue Account Balance	5,724	(125)	5,599	Page ??, note 1 to the HRA.
Major Repairs Reserve	1,958	744	2,702	Page 44, note 16
General Fund Balance	3,878	21	3,899	Statement of Movement on General Fund Balance, page 27
Collection Fund Adjustment Account	115	(47)	68	Page 87, note 4 to the Collection Fund.
Earmarked Reserves:				
Revenue Commitments Reserve	5,189	(1,102)	4,087	
Capital Commitments Reserve	1,599	(178)	1,421	
Austerity Reserve	-	813	813	
Brook Country Park Reserve	-	247	247	
Capital Projects Reserve	200	(200)	-	
Car Parks (Decriminalisation) Reserve	268	123	391	
Careline System Replacement Reserve	92	18	110	
Concessionary Bus Fares Reserve	-	815	815	
Contact Management/Development Reserve	923	(473)	450	
Cremator Replacement Reserve	355	68	423	
Fixed Penalty Notice Reserve	6	-	6	
Haven Gateway Partnership Reserve	75	-	75	
Jaywick Project Manager and Externally Funded Posts Reserve	120	7	127	
Joint User Sports Centres Reserve	11	(11)	-	
Leisure capital Projects Reserve	-	335	335	
Manual Workers Job Evaluation Reserve	105	(67)	38	
Planning Inquiries Reserve	-	50	50	
Project Investment Reserve	59	(20)	39	
Total Earmarked Reserves	9,002	425	9,427	
	130,615	8,459	139,074	

34 Contingent Assets and Liabilities

a) Contingent Assets

The Council has submitted a claim to Her Majesty's Revenues & Customs (HMRC) for the recovery of overpaid VAT relating to periods prior to December 1996 following the House of Lords decision in respect of Fleming v HMRC (January 2008). The submitted claim was for a sum in excess of £750,000 plus interest. As at 31 March 2010 HMRC have accepted the claim in respect of Cultural activities (the smallest element of the claim) and have paid £3,858 plus simple interest of £2,342. However no confirmation of acceptance of the remainder of the claim has yet been received from HMRC and there is no certainty that the full amount claimed will be recovered.

b) Contingent Liabilities

Municipal Mutual Insurance (MMI), the Council's Insurer until 1992, is now the subject of a scheme of arrangement and the Company's assets are now being utilised via a managed run-off to finance any insurance claims arising prior to 1992. It is the view of the directors of MMI that based on all the information currently known to them a solvent run-off can be anticipated. However, if this is not possible the Council's maximum potential liability, as notified by the Company is, as at 31 March 2010, approximately £298,000

On 1 April 2006 free travel under the concessionary bus fares scheme became a statutory requirement. Since that time a number of issues have emerged relating to appeals surrounding the funding and operation of the scheme. If these were to be resolved against the Council it is estimated that this could result in additional costs to the Council of up to £815,000 although as at 31 March 2010 there has been no formal determination as to whether or not any sums are due to the bus operators.

The Council also operates a Rent Deposit Guarantee scheme with private sector landlords to assist homeless households in securing private rented accommodation. Following the end of a tenancy set up under this arrangement, some costs may be claimable by landlords up to a specified amount. At the end of 2009/10 £488,245 remained as the total amount claimable under this scheme which may become payable in future years as tenancies end.

It has been asserted by some personal search companies that the Environmental Information Regulations require local authorities to provide certain information in respect of a land charges searches free of charge. This is a complex legal issue involving the UK Government's implementation of a European Directive and the Local Land Charge Fee Regulations and is being determined on a national basis and is at the time of preparing the accounts unresolved. It is not known whether any of the charges previously levied will have to be refunded and therefore not possible to quantify the total amount involved.

35 Euro Costs

As at 31 March 2010, the Council had not incurred any expenditure relating to preparations for the introduction of the Euro and there were no commitments. It is anticipated that planning for the introduction of the Euro will commence once the date for British participation in the Economic and Monetary Union becomes clear.

Core Financial Statements

36 Trust Funds

The Council acts as Custodian Trustee to the Rush Green Allotments for the Poor Charitable Trust which provides allotments, valued at £1,000, to the poorest and most deserving of the inhabitants of the area. There are no cash transactions involved as it is the land that is vested in the Council as Custodian Trustee.

37 Subsidiary Company

Tendring Regeneration Ltd (trading as INTend) is a local authority controlled company and non-profit distributing organisation, limited by guarantee with no share capital and wholly owned by the Council who holds 100% of the voting rights. The Council is liable to contribute to the debts and liabilities of the organisation if it is wound up to the value of £1.

The company's objectives are to assist, promote, encourage, develop and secure the regeneration in the social, physical and economic environment of Tendring District in North East Essex. The company is being paid by the Council over a three year period to undertake this role. Any surplus made by the company must be used to further its objects as set out in the Company's Memorandum of Association.

A Service Level Agreement (SLA) and a Service Delivery Agreement (SDA) have been entered into, which set out the basis of the relationship between the Council and the Company including commitments by each party to the other. These documents enable the Council to monitor the Company's progress in achieving its targets, aims and objectives along with achieving value for money for the Council's financial contribution.

Tendring Regeneration Ltd was incorporated on 4 April 2008 and has prepared its accounts for the period 1 April 2009 to 31 March 2010. The accounts were prepared in accordance with the Companies Act 1985 and were approved by the Board of Tendring Regeneration Ltd on 10 June 2010. The accounts were audited by Jamesons (Chartered Accountants and Registered Auditors) with an unqualified opinion given.

The following tables provide a summary of the approved accounts for the period 1 April 2009 to 31 March 2010.

2008/09 £000	<u>Income and Expenditure Account</u>	2009/10 £000
(537)	Turnover	(1,058)
359	Direct Costs and Administrative Expenses	1,049
<hr/>		<hr/>
(178)	Operating Surplus	(9)
(9)	Interest Receivable	(1)
<hr/>		<hr/>
(187)	(Surplus)/Deficit on Ordinary Activities before Taxation	(10)
-	Taxation	-
<hr/>		<hr/>
<u>(187)</u>	(Surplus)/Deficit for the Financial Period after Taxation	<u>(10)</u>

Core Financial Statements

2008/09	<u>Balance Sheet</u>	2009/10	£000	£000
	Fixed Assets			
8	Tangible Assets			15
	Current Assets			
86	Debtors		536	
685	Cash at Bank		525	1,061
779	Total Assets			1,076
	Current Liabilities			
(592)	Creditors			(877)
187	Total Assets less Current Liabilities			199
-	Provisions for Liabilities			(3)
187				196
	Reserves			
187	Income and Expenditure Account			196

The following balances between the Company and the Council are included in the table above:

31 March 2009	£000	31 March 2010	£000
82	Debtors	535	
(575)	Creditors	(635)	
(493)	Net Intercompany Position	(100)	

For 2009/10 the Council paid Tendring Regeneration Ltd £1.080 million and received income from the Company of £0.415 million.

The results of the Company as set out above have been consolidated into the Group Accounts (pages 88 to 96) where additional information is available.

A copy of Tendring Regeneration Ltd's Accounts may be obtained by contacting The Company Secretary, INTend, Thorpe Road, Weeley, Essex, CO16 9JH.

38 Authorisation of Accounts for Issue

The accounts were authorised for issue by the Head of Financial Services on 28 June 2010. This is the date after which events have not been recognised in these financial statements.

Core Financial Statements

39 Events after the Balance Sheet Date

Events after the Balance Sheet date have been considered up to the date which the Statement of Accounts were authorised for issue.

No events after the balance sheet date have been identified.

40 Reconciliation of Income and Expenditure Account to Revenue Activities Cash Flow

2008/09		2009/10
£000		£000 £000
23,180	Income and Expenditure Account (Surplus)/Deficit	(8,263)
Non Cash Transactions		
(23,367)	Depreciation and Impairment of fixed assets (excludes HRA depreciation)	8,619
(1,168)	Excess of HRA depreciation over the Major Repairs Allowance	(756)
382	Government grants deferred amortisation	429
(264)	Amortisation of intangible assets	(277)
112	Gain or loss on sale of fixed assets and other income	114
(900)	Gain/(Loss) after Actuarial Changes on Pension Net Liability	(981)
<hr/>		<hr/>
(2,025)		7,148
Items on accruals basis:		
(1,267)	(Increase)/Decrease in revenue creditors	(21)
17	Increase/(Decrease) in stocks	12
3,562	Increase/(Decrease) in revenue debtors	(1,251)
<hr/>		<hr/>
2,312		(1,260)
Other Items:		
(18)	Contribution to provisions	(7)
356	Net Interest Receivable/(Payable)	(930) (937)
<hr/>		<hr/>
625	Net cash outflow/(inflow) on revenue activities	(3,312)
<hr/> <hr/>		<hr/> <hr/>

41 Reconciliation of Movement in Cash to Movement in Net Debt

2008/09		2009/10
£000		£000
827	Increase/(Decrease) in cash in year	1,924
165	Repayment of loans	178
(4,720)	Increase/Decrease in temporary investments	120
2,308	Increase/Decrease in other liquid resources	81
<hr/>		<hr/>
(1,420)	Change in net debt	2,303
<hr/>		<hr/>
(4,132)	Net funds at 1 April	(5,552)
<hr/>		<hr/>
(5,552)	Net funds at 31 March	(3,249)
<hr/> <hr/>		<hr/> <hr/>

Core Financial Statements

42 Reconciliation of Financing and Liquid Resources to Movement on Balance Sheet

2008/09			2009/10			
Balance at 1 April	Cash Flow	Balance at 31 March		Balance at 1 April	Cash Flow	Balance at 31 March
£000	£000	£000		£000	£000	£000
1,587	827	2,414	Cash	2,414	1,924	4,338
(22,675)	165	(22,510)	Loans	(22,510)	178	(22,332)
17,600	(4,720)	12,880	Temporary Investments	12,880	120	13,000
(644)	2,308	1,664	Other Liquid Resources	1,664	81	1,745
(4,132)	(1,420)	(5,552)		(5,552)	2,303	(3,249)

Other Liquid Resources consists of cash movements which are due to/from Communities and Local Government (for NNDR) and Essex County Council, Essex Fire Authority and Essex Police Authority (for Council Tax).

43 Government Grants included in Revenue Activities

2008/09 £000		2009/10 £000
	Communities and Local Government	
75	Homelessness	124
539	Disabled Facilities Grant	540
427	Regional Housing Capital Pot	244
97	Planning Delivery Grant	136
303	Supporting People	366
48	New Growth Point Fund	-
284	Local Authority Business Growth Incentive Scheme	61
477	Concessionary Bus Fares	488
-	Business Rate Deferral Scheme	22
-	New Burdens - Habitat Directive Grant	34
-	Seaside Towns Grant	200
-	Town Centres Funding (Empty Shops)	53
512	Area Based Grant	379
1,642	Revenue Support Grant	2,594
11,796	National Non-Domestic Rates Distribution	11,237
52,967	Department for Work and Pensions - Benefits	67,861
-	Department for Culture, Media and Sport - Free Swimming Initiative	153
-	Department for Environment, Food and Rural Affairs - Coastal Pathfinder	35
135	Home Office - Crime Reduction	-
35	Other	14
69,337	Total Revenue Government Grants	84,541

Core Financial Statements

44 Government Grants included in Capital Grants

2008/09		2009/10
£000		£000
	Communities and Local Government	
2,230	Major Repairs Allowance	2,308
-	Department for Children, Schools and Families	100
	Department for Environment, Food and Rural Affairs	
1,246	Coast Protection	1,296
-	Coastal pathfinder	221
	Department for Culture, Media and Sport	
43	Free Swimming Initiative	-
5	Other	29
<u>3,524</u>	Total Capital Grants	<u>3,954</u>

45 Change in Accounting Policy Applied to the Collection of Council Tax and NNDR

Under the 2009 SORP the accounting policies applied to the collection of Council Tax and NNDR have changed to reflect that these are, in effect, an agency arrangement with the government (for the collection of NNDR) and with the major preceptors (for the collection of Council Tax). In addition, Council Tax income included in the Income and Expenditure Account for the year shall be the accrued income for the year with the difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund being taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance. A further description of the changes is provided under 'Significant Changes in Accounting Policies' on Page 8.

This change requires that the relevant 2008/09 comparative figures be updated to reflect the new accounting policy as set out below:

Core Financial Statements

	Statement of Accounts 2008/09 £000	Change £000	Updated 2008/09 Comparative £000	Notes Amended
Changes to Recognise the Collection Fund as an Agency Arrangement				
Balance Sheet				
Long Term Debtors				
Council Tax Charging Orders		(24)		
	300	(24)	276	25
Debtors				
Communities and Local Government - NNDR Balance		221		
NNDR Arrears		(1,367)		
Provision for Doubtful Debt - NNDR		360		
Council Tax Arrears		(1,851)		
Provision for Doubtful Debt - Council Tax		925		
	12,987	(1,712)	11,275	27
Creditors				
NNDR Prepayments		786		
Essex County Council - Council Tax Balance		(356)		
Essex Fire Authority - Council Tax Balance		(21)		
Essex Police Authority - Council Tax Balance		(43)		
Council Tax Prepayments		1,370		
	(8,496)	1,736	(6,760)	29
Cash Flow Statement				
Revenue Activities	2,933	(2,308)	625	40
Net Increase/Decrease in other liquid resources	-	2,308	2,308	41/42

Core Financial Statements

	Statement of Accounts 2008/09 £000	Change £000	Updated 2008/09 Comparative £000	Notes Amended
Changes to Recognise Accrued Council Tax Income				
Income and Expenditure Account				
Income from Council Tax	(8,870)	56	(8,814)	
Statement of Movement on the General Fund Balance				
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance	(23,114)	(56)	(23,170)	7
Statement of Total Recognised Gains and Losses				
(Surplus)/Deficit for the year on the Income and Expenditure Account	23,124	56	23,180	
(Surplus)/Deficit on the Collection Fund (This line is no longer required in the statement)	56	(56)	-	
Balance Sheet				
The line 'Collection Fund Balance' has been renamed and is now called 'Collection Fund Adjustment Account'				

Supplementary Financial Statements

HOUSING REVENUE ACCOUNT – INCOME AND EXPENDITURE ACCOUNT

2008/09 £000		2009/10 £000	Note Ref
	INCOME		
10,292	Dwelling rents	10,334	
179	Non dwelling rents	182	
357	Charges for Services and Facilities	382	
149	Contributions towards expenditure	104	13
10,977	Total Income	11,002	
	EXPENDITURE		
2,755	Repairs and Maintenance	3,210	4
2,414	Supervision and Management	2,357	
8	Rents, Rates, Taxes and Other Charges	12	
1,759	Negative Housing Revenue Account Subsidy	1,954	10
22,205	Depreciation and impairment of fixed assets	(10,672)	2/7
47	Debt management expenses	48	
35	Increase in the Provision for Bad Debts	51	12
86	Revenue Expenditure Funded from Capital Under Statute and Amortisation of Intangible Fixed Assets	59	8/9
29,309	Total Expenditure	(2,981)	
18,332	Net Cost of HRA Services as included in the whole authority Income and Expenditure Account	(13,983)	
259	HRA Share of Corporate and Democratic Core	265	
-	HRA Share of other amounts included in the Whole Authority Net Cost of Services but not allocated to specific Services	-	
18,591	NET COST OF HRA SERVICES	(13,718)	
(112)	Gain or Loss on sale of HRA Fixed Assets	(79)	14
853	Interest payable and Similar Charges	785	
(362)	Interest and Investment Income	(56)	
-	Pension Interest Cost and Expected Return on Pension Assets	-	
18,970	(SURPLUS) OR DEFICIT FOR THE YEAR ON HRA SERVICES	(13,068)	

Supplementary Financial Statements

HOUSING REVENUE ACCOUNT – STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

2008/09		2009/10	Note
£000		£000	Ref
18,970	Surplus or Deficit for the Year on the HRA Income and Expenditure Account	(13,068)	
(19,638)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	13,029	15
<u>(668)</u>	(INCREASE) OR DECREASE IN THE HOUSING REVENUE ACCOUNT BALANCE	<u>(39)</u>	
(4,309)	HRA surplus Brought Forward	(4,977)	
(4,977)	HRA surplus Carried Forward	(5,016)	

NOTES TO THE HRA INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF MOVEMENT ON THE HRA BALANCE

1 Housing Revenue Account Balances

HOUSING REVENUE ACCOUNT RESERVES				
2008/09		Housing Revenue Account	2009/10 Housing Repairs Account	Total
£000		£000	£000	£000
(4,853)	Balances as at 1 April	(4,977)	(747)	(5,724)
(871)	(Surplus)/deficit for year	(39)	164	125
<u>(5,724)</u>	Balances as at 31 March	<u>(5,016)</u>	<u>(583)</u>	<u>(5,599)</u>

2 Housing Assets

As at 31 March 2010, the Council was responsible for managing the following council housing assets:

Supplementary Financial Statements

31 March 2009			31 March 2010		
No	Balance Sheet Value £000		No	Balance Sheet Value £000	
		Dwellings			
1,506	46,294	Flats	1,503	50,112	
1,057	49,116	Houses	1,056	63,011	
339	15,373	Bungalows	339	18,907	
319	7,222	Sheltered accommodation	319	7,959	
25	1,235	Do-It-Yourself Shared Ownership (DIYSO)	25	1,404	
<hr/>	<hr/>		<hr/>	<hr/>	
3,246	119,240		3,242	141,393	
		Other Land and Buildings			
65	1,603	Shared equity plots of land	65	1,944	
438	806	Garages	438	1,048	
371	32	Ground rents re sold Council flats	374	42	
1	366	Community Centre	1	340	
4	193	Other non-domestic properties	4	208	
7	37	Land	5	5	
-	27	Other	-	13	
<hr/>	<hr/>		<hr/>	<hr/>	
4,132	122,304	Total Balance Sheet values	4,129	144,993	
<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>	

The Balance Sheet value for the dwellings reflects the valuation basis of 'Existing Use Value for Social Housing (EUV-SH)', which is based on the vacant possession value adjusted to reflect the continuing occupation by a secure tenant. The other housing assets have been valued on an 'Existing Use Value' basis, which assumes that vacant possession is provided on all parts of the property occupied by the business. The vacant possession value of all the housing assets as at 1 April 2009 following the 5 year revaluation review undertaken in accordance with CLG's Guidance and subsequent revaluations was £302 million compared with the existing use value of £140 million. The difference between the two values of £162 million represents the economic cost of providing council housing at less than open market rents. Desktop reviews and external inspection of beacon properties were undertaken by the external valuer during the year with resulting changes and other adjustments being reflected in the Balance Sheet value as at 31 March 2010.

During 2009/10, 4 council houses and flats were sold under 'Right to Buy' legislation.

As the result of a review during the year, two assets relating to land have been removed from the above analysis to reflect the actual position as at the end of 2009/10 including the treatment as a general fund asset for one of the items.

Supplementary Financial Statements

3 Major Repairs Reserve

A Major Repairs Allowance is paid to the Council as part of HRA subsidy to provide the resources needed to maintain the value of the housing stock over time. The Council is required to keep a Major Repairs Reserve into which this allowance is transferred to provide funds for capital expenditure on HRA assets. The transfer from the HRA is achieved by firstly crediting the Reserve with an amount equivalent to the full depreciation charges for the year and then transferring back to the HRA any amount that is higher or lower than the Major Repairs Allowance. This transfer appears in the Statement of Movement on the HRA Balance.

These movements on the Reserve during the year are summarised below:

2008/09		2009/10	
£000		£000	£000
1,998	Balance as at 1 April		1,960
	HRA depreciation provision		
3,317	Dwellings (excluding DIYSO)	2,990	
82	All other HRA assets	74	
		<hr/>	3,064
(1,168)	Transfer to the HRA		(756)
(2,269)	Applied to finance capital expenditure on the housing stock		(1,564)
<hr/>			<hr/>
1,960	Balance as at 31 March		<u>2,704</u>

4 Housing Repairs Account

A contribution is made into this account each year from the HRA in order to assist the planning of major and cyclical works to the Council's housing stock. The movements on this account for 2009/10 were as follows:

2008/09		2009/10	
£000		£000	
(2,958)	Income: Contribution from Housing Revenue Account	(3,046)	
2,755	Expenditure on repairs and maintenance	3,210	
<hr/>			<hr/>
(203)	(Surplus)/Deficit for year		<u>164</u>
(544)	Balances Brought Forward		(747)
(747)	Balances Carried Forward		(583)

5 Capital Expenditure and Financing

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

Supplementary Financial Statements

2008/09		2009/10
£000		£000
	Capital Investment:	
2,943	Operational Assets	2,217
56	Revenue Expenditure Funded from Capital Under Statute	58
41	Other	27
<u>3,040</u>		<u>2,302</u>
	Sources of Finance:	
671	Borrowing	688
2,269	Major Repairs Reserve	1,564
100	Capital Receipts Reserve	50
<u>3,040</u>		<u>2,302</u>

6 Housing Capital Receipts Reserve

With effect from 1 April 2004, there is a requirement to 'pool' part of the capital receipts received by the Council and pay it to the Secretary of State. The required amount is 75% from the sale of council housing and 50% from other housing capital receipts, subject to certain reductions such as the administrative costs of disposal, expenditure incurred on improving the asset in the three year period prior to disposal and in certain instances by applying a capital allowance which is equal to the part or planned expenditure on affordable housing and regeneration projects.

The remaining capital receipts can be applied to finance any capital expenditure. During 2009/10, the housing capital receipts amounted to £0.257 million of which £0.187 million was 'poolable' and therefore payable to the Government. Of the total of £0.202 million applied during the year to finance capital expenditure, £0.050 million was for improvements to the council's housing stock and other associated schemes, with the balance of £0.152 million spent on non-HRA housing capital schemes (primarily private sector renewals/initiatives and disabled facilities grants). The movements on the Reserve during the year are shown below:

Supplementary Financial Statements

2008/09		2009/10
£000		£000
1,466	Balance as at 1 April	1,246
	Capital Receipts in the year:	
-	Council house sales (net of administration costs)	229
103	DIYSO property sales	-
11	Mortgage principal repayments	3
50	Other receipts	18
1,630		1,496
	Less:	
(49)	Capital receipts 'pooling contribution'	(187)
(335)	Capital receipts used for financing capital expenditure	(202)
1,246	Balance as at 31 March	1,107

7 Depreciation and Impairment Charges

Depreciation has been provided on the HRA assets on a straight-line basis over their expected lives, after allowing for residual and freehold land values, based on information provided by the Valuer. The depreciation charge in respect of the dwellings is a real charge on the HRA. It is funded within the HRA by the Major Repairs Reserve. The depreciation charge in respect of other HRA property is shown in the 'net cost of service' in the Income and Expenditure Account but is reversed out in the Statement of Movement on the HRA Balance so that it does not impact on rents or other HRA services.

2008/09		2009/10
£000		£000
3,317	Dwellings	2,990
35	Do-It-Yourself Shared Ownership (DIYSO)	31
23	Garages	23
10	Community Centre	7
5	Other Non-Domestic Properties	4
9	Other	9
3,399		3,064

Depreciation of £3.064 million was charged to the HRA in 2009/10. Impairment may be applicable to assets if caused by either a consumption of economic benefits or a general fall in prices. There was impairment totalling £2.890 million charged to the HRA in 2009/10, primarily made up of amounts associated with works to the Council's dwelling stock. The HRA was also credited with £16.627 million in relation to a partial reversal of the previous years price impairment charged to the HRA.

Supplementary Financial Statements

8 Revenue Expenditure Funded from Capital under Statute

Charges were made to the HRA during the year in accordance with the Secretary of State's Item 8 Determination. Revenue Expenditure Funded from Capital under Statute totals £58,000 for 2009/10 (£56,000 for 2008/09) as expenditure was incurred on a cash incentive scheme which is in accordance with the classification of such cost as explained in Accounting Policy 13 on page 19.

As these charges are intended to act as a signal only rather than remaining as a cost to be met by the HRA, an accounting adjustment is made by reversing it out through the Statement of Movement on the HRA Balance.

9 Intangible Fixed Assets

This represents expenditure that has recently been incurred on software that has been financed from capital resources. The amount of £1,000 charged to the Housing Revenue Account for the year (£30,000 for 2008/09) represents the annual writing down of the asset over its useful life.

10 Housing Revenue Account Subsidy

Set out below is the notional HRA for 2009/10 assessed for subsidy purposes in accordance with general determinations issued for the year although subject to final certification during 2010/11. This results in a 'negative subsidy' position for the Authority.

2008/09		2009/10
£000		£000
5,158	Management and maintenance	5,240
1,165	Charges for capital	1,069
2,230	Major Repairs Allowance	2,308
8,553		8,617
(10,302)	Rent	(10,570)
(3)	Mortgage interest	(2)
(1,752)		(1,955)
(7)	Adjustment re previous year	1
(1,759)	Housing Subsidy due/(repayable) for year	(1,954)

Supplementary Financial Statements

11 Contributions to Pensions Reserve

In line with the accounting treatment in the General Fund, the pension benefits accrued for employees whose time is charged to the HRA are shown in the Income and Expenditure Account for 2009/10 by replacing pension costs charged for the year with the current cost of service within Supervision and Management Costs. However, to ensure there is no overall impact on HRA balances further adjustments have been made in the Statement of Movement on the HRA Balance. These reverse out the additional costs added via the current cost of service adjustment mentioned above but also add back the HRA's share of the Council's total pension payments to the pension fund in 2009/10 which totalled £335,000.

12 Rent Arrears and the Provision for Bad and Doubtful Debts

The rent arrears at 31 March 2010 were £287,399 (2008/09 - £238,537), which equates to 2.65% (2.21% for 2008/09) of the gross rent due for the year after excluding rents foregone on empty properties and housing benefit overpayments but inclusive of service charges.

The HRA Provision for Bad and Doubtful Debts at 31 March 2010 is £104,125 after the following movements on the account during 2009/10:

2008/09		2009/10
£000		£000
63	Balance as at 1 April	62
35	Provision for year	51
(36)	Arrears written off	(9)
<u>62</u>	Balance as at 31 March	<u>104</u>

13 Contributions Towards Expenditure

Where services that are accounted for within the HRA benefit both Council tenants and private sector owner/occupiers, there must be a fair apportionment of the associated costs and income between the HRA, the General Fund or from customers. Such services provided by this Council's HRA are Sewerage Treatment Works and Pumping Stations along with those supporting leasehold properties whose ownership is now in the private sector and not the HRA.

Supplementary Financial Statements

14 Gains or Losses on the Sale of Fixed Assets

When a housing asset is disposed of the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposal are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). However the written off value of disposals is not a charge that remains against the HRA as it is reversed out in the Statement of Movement on the HRA Balance. Administration costs incurred in the disposal of an asset are a cost directly associated with the disposal and therefore a loss is shown in the Income and Expenditure Account to reflect this. In addition to this the Council may receive income from repaid discounts which would have been given at the time of the original asset sale such as those under the Right to Buy Scheme and are deemed to be a gain on HRA asset disposals and so shown in the Income and Expenditure Account. For 2009/10 the net gain of £78,676 in the HRA Income and Expenditure account is made up of a net gain of £60,606 from the disposal of four properties sold under 'Right to Buy' legislation during the year along with a gain of £18,070 in respect of repaid discounts from previous years asset sales. For comparative purposes there was a net gain of £112,079 in the HRA Income and Expenditure Account in 2008/09, made up of a gain of £61,968 from the disposal administration of a DIYSO property and a gain of £50,111 in respect of repaid discounts from previous year's asset sales.

Further details are shown in the Core Financial Statements on page 32 notes 1 and 2.

15 Statement of Movement on the HRA Balance

The following table shows in more detail the items included in the Statement of Movement on HRA balances under the net additional amount required by statute to be debited or (credited) to the HRA balance.

2008/09 £000		2009/10 £000
	Items included in the HRA Income and Expenditure Account but Excluded from the Movement on HRA Balances for the year	
(18,894)	Difference between items of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	13,678
112	Gain or Loss on sale of HRA fixed assets	79
(226)	Net charges made for retirement benefits in accordance with FRS17	(143)
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balances for the year	
(1,168)	Transfer to/from Major Repairs Reserve	(756)
203	Transfers to/from Housing Repairs Account	(164)
335	Employer's Contribution's Payable to the Essex County Council Pension Fund	335
(19,638)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	13,029

Supplementary Financial Statements

16 Further Information

Further information about the Council's housing activities is available on the Council's website <http://www.tendringdc.gov.uk/TendringDC/Housing/>

You can also contact Housing Services by:

- a) Writing to the Tenants Relations Section, Housing Services, Town Hall, Station Road, Clacton on Sea, Essex, CO15 1SE; or
- b) e-mailing 'housing.services@tendringdc.gov.uk' or using the online contact form available on the Council's website.

SUBJECT TO AUDIT

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

2008/09 £000		2009/10 £000	£000	Note Ref
	INCOME			
59,554	Income from Council Tax		60,167	1
	Transfers from the General Fund:			
12,922	Council Tax Benefits		14,305	
(1)	Council Tax Transitional Reduction Scheme		(1)	
<u>72,475</u>			<u>74,471</u>	
21,781	Income Collectable from Business Ratepayers		23,257	2
<u>94,256</u>			<u>97,728</u>	
	EXPENDITURE			
	Precepts:			3
8,710	Tendring District Council		9,006	
53,090	Essex County Council		54,236	
3,159	Essex Fire Authority		3,286	
6,200	Essex Police Authority		6,522	
	Use of Council Tax balance:			4
160	Tendring District Council		160	
981	Essex County Council		975	
59	Essex Fire Authority		58	
114	Essex Police Authority		114	
<u>72,473</u>			<u>74,357</u>	
	Council Tax Bad and Doubtful Debts:			
360	Amounts written off	329		
103	Increase/(Reduction) in Provision for Doubtful Debt	175	504	
	Business Rate:			2
21,480	Contribution to the Central Government pool	22,953		
301	Cost of Collection allowance	304	23,257	
<u>94,717</u>			<u>98,118</u>	
(461)	Net Surplus/(Deficit) for the year		(390)	
1,401	Balance as at 1 April		940	
<u>940</u>	Balance as at 31 March		<u>550</u>	4

Supplementary Financial Statements

1 Council Tax

The average Council Tax levy for 2009/10 was £1,436.47 for a Band D dwelling. This rate of tax, which covers estimated net expenditure of the Council, Essex County Council, Essex Fire Authority, Essex Police Authority and the Parish and Town Councils, was assessed on the tax base set out below:

Calculation of the Tax Base for 2009/10

2008/09	Band	Valuation	Pro-portion	Full Charge	Discount 25%	Discount 50%	2nd Homes	Empty Properties	Exempt	Total	
8	*A	Up to £40,000	5/9	4	2	-	-	-	-	6	
12,168	A	Up to £40,000	6/9	3,925	6,569	15	694	419	670	12,292	
16,927	B	£40,001 to £52,000	7/9	9,157	6,789	20	319	249	488	17,022	
20,319	C	£52,001 to £68,000	8/9	12,628	6,496	42	374	292	500	20,332	
10,013	D	£68,001 to £88,000	9/9	7,029	2,467	38	208	123	219	10,084	
4,606	E	£88,001 to £120,000	11/9	3,492	847	33	94	70	91	4,627	
1,564	F	£120,001 to £160,000	13/9	1,233	256	28	31	29	22	1,599	
776	G	£160,001 to £320,000	15/9	568	114	45	30	13	14	784	
56	H	Over £320,000	18/9	38	4	7	3	1	2	55	
<hr/>				38,074	23,544	228	1,753	1,196	2,006	66,801	
<hr/>										66,437	<hr/>
52,026	Number of equivalent full charge Band D dwellings (unscaled tax base)									52,158	
(1,301)	Less Provision for changes in valuation list, discounts and doubtful debts									(1,304)	
<hr/>										50,726	<hr/>
<hr/>				Tax base for tax setting purposes						50,854	<hr/>

* Band A – entitled to Disabled Relief

Analysis of the Council Tax

Council Tax for a Band D Dwelling

2008/09 Average £		2009/10 Average £
131.88	Tendring District Council: General Expenses	135.62
12.24	Special Expenses	14.26
27.60	Town and Parish Councils	27.22
1,046.61	Essex County Council	1,066.50
62.28	Essex Fire Authority	64.62
122.22	Essex Police Authority	128.25
<hr/>		<hr/>
1,402.83		1,436.47
<hr/>		<hr/>

The tax charged on dwellings in each parish must include an amount that would yield sufficient to meet the Parish Council's precept. In addition, the Council decided on 19 February 2009 that some identified estimated expenses (special expenses) would apply only to certain parishes and the unparished area of Clacton. A small additional tax is levied in these areas to finance the special expenses.

Supplementary Financial Statements

2 National Non-Domestic Rate

The National Non-Domestic Rate (NNDR) is a national tax administered locally. The Council collects a prescribed uniform business rate on all non-domestic property. From the proceeds of NNDR, a prescribed contribution towards the cost of collection is transferred to the General Fund. The remainder is paid into the central government's NNDR pool. The total amount of the pool is distributed to all local authorities as part of their external finance. The Council's share is paid into the General Fund and is therefore included in the Income and Expenditure Account shown on page 27.

2008/09		2009/10
	Non-Domestic Rate per £ of Rateable Value	
45.8p	Small Businesses	48.1p
46.2p	Standard	48.5p
£000		£000
59,161	Rateable Value on 31 March	59,663
27,161	Gross rate income	28,481
(4,803)	Allowances and other adjustments	(4,682)
(230)	Amounts written off	(403)
(183)	Interest on refunds of overpayments	(13)
(164)	Changes in provision for doubtful debt	(126)
21,781		23,257
(301)	Cost of Collection allowance	(304)
21,480	Contribution due to the NNDR pool in respect of 2009/10*	22,953
21,480		22,953

Allowances and other adjustments shown above include transitional relief, charitable reliefs, and allowances for wholly or partly empty premises.

- * During 2009/10 there were payments totalling £0.137 million in respect of the payments deferral scheme and £0.223 million in respect of schedule of payments arrangements scheme which are deferred to future years. Therefore £0.360 million of the pool contribution shown above will not become payable until future years when the deferred payments fall due under the terms of the respective schemes.

Supplementary Financial Statements

3 Precepts

The Council (the collecting authority) and Essex County Council, Essex Fire Authority and Essex Police Authority (the major precepting authorities) precept upon the Collection Fund. Each precept is assessed from the Tax Base for tax setting purposes (described on page 85 note 1) to produce each authority's budget requirement. The amounts paid under each of these precepts do not vary during the year. However, the tax yield is affected by changes in the valuation list (which defines each dwelling's banding), discounts (which reflect occupation of dwellings) and collection performance. The resulting balances are taken into account during each following year in assessing the Council Tax that both collecting and major precepting authorities must levy for the subsequent year.

4 Council Tax Balance

Each January, the Council must assess the likely yield from the current year's Council Tax, together with the excess or shortfall from the previous year's assessment. All major precepting authorities benefit from an assessed surplus (or contribute to a deficit) in the year following that in which an assessment is made. This must be taken into account when setting the Council Tax level.

Therefore the surplus of £0.550 million at 31 March 2010 together with balances paid over to precepting authorities in 2010/11, will form part of the assessment made in January 2010.

The balance of £0.550 million is made up as follows:

	2008/09	Net Movement in Year	2009/10
	£000	£000	£000
Essex County Council	703	(295)	408
Essex Fire Authority	41	(16)	25
Essex Police Authority	81	(32)	49
	<hr/>	<hr/>	<hr/>
	825	(343)	482
Tendring District Council	115	(47)	68
	<hr/>	<hr/>	<hr/>
	940	(390)	550
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The balance relating to Tendring District Council is shown in the Balance Sheet under the heading 'Collection Fund Adjustment Account' the remaining balance of £0.482 million is included under 'Creditors' as part of the balances owing to the major precepting authorities.

Group Statements

GROUP INCOME AND EXPENDITURE ACCOUNT

2008/09 Net Expenditure £000		Gross Expenditure £000	2009/10 Gross Income £000	Net Expenditure £000	Note Ref
	EXPENDITURE ON SERVICES				
1,186	Central Services to the Public Cultural, Environmental, Regulatory and Planning Services	16,798	(15,479)	1,319	G2/G4
16,195	Highways and Transport Services	24,218	(7,934)	16,284	/G5
1,877	Local Authority Housing - Housing Revenue Account	3,531	(1,681)	1,850	
18,332	Other Housing Services	(2,981)	(11,002)	(13,983)	
1,411	Adult Social Care	54,275	(53,306)	969	
(159)	Corporate and Democratic Core Expenses	504	(523)	(19)	
3,304	Non Distributed Costs	3,269	(14)	3,255	
247		339	-	339	
42,393	Net Cost of Services	99,953	(89,939)	10,014	
6	(Gain)/loss on disposal of fixed assets			(52)	1
(118)	Other Income			(55)	2
1,400	Parish Council Precepts			1,384	
1,189	Interest payable and similar charges			1,128	
49	Contribution to the Housing Capital Receipts Pool			187	3
(1,498)	Interest and Investment Income			(191)	G2
1,913	Pensions interest cost and expected return on pensions assets			2,795	4
45,334	Net Operating Expenditure			15,210	
(8,814)	Income from Council Tax			(9,119)	
(2,299)	General Government Grants			(3,170)	5
(11,796)	Non-Domestic Rates Redistribution			(11,237)	
22,425	(Surplus)/Deficit for the Year			(8,316)	

Group Statements

RECONCILIATION OF THE SINGLE ENTITY SURPLUS/DEFICIT TO THE GROUP SURPLUS/DEFICIT

2008/09 £000		2009/10 £000	Note Ref
23,180	(Surplus) or deficit on the Authority's Income and Expenditure Account for the year	(8,263)	
(957)	Adjustments for transactions with other group entities	(664)	G4/G7
<hr/>		<hr/>	
22,223	(Surplus) or deficit in the Group Income and Expenditure Account for the year attributable to the authority	(8,927)	
	(Surplus) or deficit in the Group Income and Expenditure Account for the year attributable to group entities (adjusted for intra-group transactions)		
202	Subsidiaries	611	37/G4/ G7
<hr/>		<hr/>	
22,425	Surplus/deficit for the year on the Group Income and Expenditure Account	(8,316)	
<hr/> <hr/>		<hr/> <hr/>	

The entries on this account do not accord with the statutory provisions that specify the net expenditure that Councils need to take into account when setting local taxes. The deficit for the Council reported above is reconciled with the statutory provisions in the Statement of Movement on the General Fund Balance (Page 27).

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This Statement brings together all the gains and losses of the Group for the year and shows the total change in its net worth. In addition to the surplus/deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of the retirement benefits.

2008/09 £000		2009/10 £000	Note Ref
22,425	(Surplus)/Deficit for the year on the Income and Expenditure Account	(8,316)	
7,010	(Surplus)/Deficit arising on revaluation of fixed assets	(11,065)	17
-	(Surplus)/Deficit arising on revaluation of available for sale financial assets	(4)	
(1,952)	Actuarial (gains) and losses on pension fund assets and liabilities	10,873	4
<hr/>		<hr/>	
27,483	Total Recognised (Gains)/Losses for the Year	(8,512)	
<hr/> <hr/>		<hr/> <hr/>	

Group Statements

GROUP BALANCE SHEET

This statement shows the financial position of the Group as a whole and summarises its assets and liabilities.

31 March 2009 £000		31 March 2010 £000	£000	Notes
	Fixed Assets			
	Tangible Fixed Assets			20/37
	Operational Assets			
122,304	- Council Dwellings	145,014		
42,874	- Other Land and Buildings	40,783		
4,293	- Infrastructure Assets	5,401		
1,558	- Vehicles, Plant, Machinery and Equipment	1,537		
364	- Community Assets	361		
	Non-Operational Assets			
2,119	- Surplus assets held for disposal	1,819	194,915	
574	Intangible Fixed Assets		395	21
174,086	Total Fixed Assets		195,310	
10	Long Term Investments		9	24
276	Long Term Debtors		258	25
174,372	Total Long Term Assets		195,577	
	Current Assets			
36	- Stocks		49	26
11,242	- Debtors		9,460	27
12,926	- Temporary Investments		13,007	28
4,300	- Bank		6,468	
10	- Petty Cash/Imprests/Floats		10	
202,886	Total Assets		224,571	
	Current Liabilities			
(6,743)	- Creditors		(6,393)	29 / G6
(178)	- Borrowing repayable within 12 months		(303)	28
(1,133)	- Bank Overdraft		(1,634)	
194,832	Total Assets less Current Liabilities		216,241	
(785)	Creditors due after more than 1 year		(1,201)	29
(22,441)	Long Term Borrowing		(22,138)	28
(4,350)	Government Grants Deferred		(5,839)	19
(35,804)	Asset/Liability related to defined benefit pension schemes		(47,658)	4
(82)	Provisions		(92)	31
131,370	Total Assets less Liabilities		139,313	32/37

Group Statements

31 March 2009 £000		31 March 2010 £000	Notes
	Financed by:		
2,354	Revaluation Reserve	12,704	17
-	Available-for-Sale Financial Instruments Reserve	6	
141,290	Capital Adjustment Account	150,320	18
1,958	Capital Receipts Reserve	1,879	16
140	Deferred Capital Receipts	128	30
(35,804)	Pensions Reserve	(47,658)	4
1,958	Major Repairs Reserve	2,702	16
9,002	Earmarked Reserves	9,427	33
4,835	General Fund Balance	4,563	G7
5,724	Housing Revenue Account Balance	5,599	
115	Collection Fund Adjustment Account	68	
(202)	Subsidiaries Reserves	(425)	G7
<u>131,370</u>	Total Group Net Worth	<u>139,313</u>	<u>32/37</u>

SUBJECT TO AUDIT

GROUP CASH FLOW STATEMENT

This statement shows where the group received cash from and what it has spent this cash on.

2008/09 £000		2008/09 £000	£000	Note Ref 40/43/ G9
(141)	Net Revenue Activities Cash Flow		(3,581)	
	Return on Investments and Servicing of Finance			
	Cash Outflows:			
1,136	Interest paid	1,120		
-	Interest element of finance leases	-		
	Cash Inflows:			
(1,660)	Interest received	(235)	885	
	Capital Activities			
	Cash Outflows:			
5,259	Purchase of fixed assets	4,907		
		<hr/>		
		4,907		
	Cash Inflows:			
(103)	Sales of fixed assets	(252)		
(3,524)	Capital grants received	(3,954)	44	
(309)	Other capital cash receipts	(561)	140	
<hr/>		<hr/>		
658	Net Cash Outflow/(Inflow) before financing		(2,556)	41/42
	Management of Liquid Resources			
(4,720)	Net increase/(decrease) in temporary investments		120	
2,307	Net increase/(decrease) in other liquid resources		81	
	Financing			
	Cash Outflows:			
165	Repayments of amounts borrowed		178	
-	Capital element of finance lease rental payments			
	Cash Inflows:			
-	New loans raised		-	
<hr/>		<hr/>		
(1,590)	Net Decrease/(Increase) in Cash		(2,177)	
<hr/>		<hr/>		

NOTES TO THE GROUP FINANCIAL STATEMENTS

The 2009 Statement of Recommended Practice (SORP) sets out comprehensive requirements for group accounts. These require Local Authorities to consider all their interests and to prepare a full set of group financial statements when they have material interests in subsidiaries, associates or joint ventures. An annual review has been undertaken of the Council's relationship with other bodies and as a result there remains a need to continue to account for interests in Tendring Regeneration Limited (trading as INTend) as a wholly owned subsidiary and prepare Group Accounts accordingly.

Tendring Regeneration Limited was incorporated on 4 April 2008 and was created to manage the Council's Regeneration and other associated activities. The Council is liable to contribute to the debts and liabilities of the organisation if it is wound up to the value of £1. For 2009/10 the bringing together of income and expenditure has had only a limited effect on the service revenue account.

The statements are intended to present financial information about the parent (the Council) and the subsidiary (Tendring Regeneration Limited) by bringing together their results into a single set of accounts. The accounts have been brought together on a line by line basis incorporating income and expenditure fully in the relevant service revenue account and combining assets and liabilities in the balance sheet. In consolidating, the acquisition accounting method has been used as applicable.

Significant impacts on the balance sheet as a result of consolidation have been:

- ❖ An increase in Current Assets (Bank) - Income received by the Company from the Council has been treated as income in advance and therefore remains unspent as at 31 March 2010.
- ❖ Increase in Creditors of £0.242 million – separate details on the revised group position is set out in note G6 below.
- ❖ Changes in reserves

Specific notes for the Group Statements are provided below only where there is a material difference from the Council's own accounts.

G1 Voting Rights

Tendring Regeneration Limited is a local authority controlled company and non-profit distributing organisation, limited by guarantee with no share capital. It is wholly owned by the Council who holds 100% of the voting rights. The Board submits delivery plans/updates on its activities to Cabinet and also makes a statement of performance to full Council each year.

Group Statements

G2 Consolidation of Income and Expenditure

The operating income and expenditure of Tendring Regeneration Limited has been consolidated under the Cultural, Environmental, Regulatory and Planning Services heading within the Net Cost of Services. A small adjustment has also been made to the Interest and Investment Income line to reflect the amount received by Tendring Regeneration Ltd in 2009/10.

G3 Accounting Policies

The accounting policies for the Council are set out on pages 10 to 22 and these have been followed in preparing the group statements.

The Council's policy on vehicle, plant, machinery and equipment is that items are included in the Balance Sheet at historic cost (less depreciation) where their value was greater than £10,000 when acquired. This differs to Tendring Regenerations Ltd's policy as items less than this value have been included on the Balance Sheet. In association with this, Tendring Regeneration Ltd has also adopted a different accounting policy in respect of the term that such items are depreciated over. Tendring Regeneration Ltd have applied a 3 year depreciation period compared to the Council's 4 years. However as the amounts are not material, consolidation has been undertaken without any adjustments being made to Tendring Regeneration Ltd's accounts.

G4 Inter-company Balances

Preparation of Group Accounts requires the elimination of inter-company balances at 31 March 2010. A material balance eliminated on this basis was in respect of £597,000 that was treated as income in advance by Tendring Regeneration Ltd as it relates to payments made by the Council to support the delivery of future regeneration projects and initiatives along with £535,000 included in debtors that relates to money due to the Company from the Council but not received by 31 March 2010.

G5 Pension Costs

The Council participates in the Local Government Pension Scheme administered by Essex County Council with associated notes provided within the core statements.

Tendring Regeneration Limited however has made alternative arrangements, with a defined contributions scheme offered as part of the terms and conditions of employment. A pension or other retirement benefit scheme into which an employer pays regular contributions as a fixed amount or as a percentage of pay has no obligation to pay further contributions if the scheme does not have sufficient assets to pay employee benefits. An individual member's benefits are determined by reference to contributions paid into the scheme in respect of that member, usually increased by an amount based on the investment return on those contributions.

The cost of a defined contribution scheme is equal to the contributions payable to the scheme for the accounting period. The cost is recognised in the Net Cost of Services in the Income and Expenditure Account.

Group Statements

The pension contribution incurred by Tendring Regeneration Limited was £13,139 in 2009/10 (£5,404 in 2008/09) and there are no outstanding or prepaid contributions at the balance sheet date.

G6 Creditors

	TDC	2009/10 INTend	Group
	£000	£000	£000
Government departments and agencies	1,551	178	1,729
Other local authorities	1,759	-	1,759
Council taxpayers	172	-	172
Sundry creditors	2,573	64	2,637
Section 106 contributions from developers	96	-	96
Total creditors	6,151	242	6,393

G7 Reserves

Following the consolidation of accounts and the associated removal of inter-company transactions and balances a reconciliation of the reserves as reported in the Group Balance Sheet are set out below:

2008/09 £000	2009/10 £000
3,878 The Council's General Fund Balance as reported in the single entity statements	3,899
957 Adjustment following removal of inter-company transactions	664
4,835 The Council's General Fund Balances as reported in the Group Balance Sheet	4,563
187 Tendring Regeneration Ltd Reserves as set out in note 37 to the Council' s core statements	196
(389) Adjustment following removal of inter-company transactions	(621)
(202) Tendring Regeneration Ltd Reserves as reported in Group Balance Sheet	(425)

The difference in the inter-company transactions reported by the Council and the Company is primarily due transactions that were made close to the end of the financial year and so were treated differently as either cash or accruals in the separate entity accounts accordingly.

G8 Events after the Balance Sheet Date

The accounts were authorised for issue on 28 June 2010 by the Head of Financial Services.

There are no items which have arisen after the closure of the 2009/10 accounts that would materially affect these accounts.

Group Statements

G9 Reconciliation of Group Income and Expenditure Account to Revenue Activities Cash Flow

2008/09 £000		2009/10 £000	£000
22,425	Income and Expenditure Account (Surplus)/Deficit		(8,316)
Non Cash Transactions			
(23,371)	Depreciation and Impairment of fixed assets (excludes HRA depreciation)	8,610	
(1,168)	Excess of HRA depreciation over the Major Repairs Allowance	(756)	
382	Government grants deferred amortisation	429	
(264)	Amortisation of intangible assets	(277)	
112	Gain or loss on sale of fixed assets and other income	114	
(900)	Gain/(Loss) after Actuarial Changes on Pension Net Liability	(981)	
			7,139
Items on accruals basis:			
(1,249)	(Increase)/Decrease in revenue creditors	(246)	
17	Increase/(Decrease) in stocks	12	
3,528	Increase/(Decrease) in debtors	(1,230)	
			(1,464)
Other Items:			
(18)	Contribution to provisions	(10)	
365	Net Interest Receivable / (Payable)	(930)	(940)
(141)	Net cash outflow/(inflow) on revenue activities		(3,581)

The net increase in cash shown on consolidation in the Group Cash Flow Statement is associated with the inter-company transaction as set out in note G4.

The accounts of Tendring Regeneration Limited were audited by Jamesons (Chartered Accountants and Registered Auditors) with an unqualified opinion given. A copy of the Accounts may be obtained by contacting The Company Secretary, INTend, Thorpe Road, Weeley, Essex, CO16 9JH.

Other relevant information has been included elsewhere in the Statement of Accounts, primarily note 37 on page 67.

TENDRING DISTRICT COUNCIL

MEMBERS' ALLOWANCES AND EXPENSES

The Council has adopted a Scheme of Members' Allowances and in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003, the details required are published below, to show expenditure during 2009/10.

		Basic Allowance	Special Responsibility Allowance	Broadband Allowance	Dependant Carers' Allowance	Travelling and Subsistence	Total
		£	£	£	£	£	£
D	Aldis	5,067.50	726.06	-	-	205.00	5,998.56
I	Beckett	5,067.50	272.55	215.88	-	122.80	5,678.73
M	Bragg	5,067.50	272.55	-	-	149.60	5,489.65
J	Broderick	5,067.50	-	209.86	-	282.40	5,559.76
J	Brown	5,067.50	272.55	-	-	444.00	5,784.05
R J	Bucke	5,067.50	2,132.68	194.82	-	278.00	7,673.00
R	Callender	5,067.50	-	-	-	-	5,067.50
G	Calver	5,067.50	-	-	-	72.80	5,140.30
S	Candy	5,067.50	10,237.55	-	50.49	185.60	15,541.14
V	Chapman	5,067.50	2,137.55	215.88	-	642.80	8,063.73
M	Cossens	5,067.50	2,132.68	408.00	-	-	7,608.18
J	Cripps	5,067.50	726.06	183.60	-	79.60	6,056.76
P G	De-Vaux Balbirnie	3,828.56	11.74	239.70	-	41.60	4,121.60
M	Dew	5,067.50	2,132.68	153.00	-	403.20	7,756.38
L J	Double	5,067.50	2,132.68	251.86	-	430.40	7,882.44
G	Downing	5,067.50	6,040.05	-	-	24.60	11,132.15
T	Fawcett	5,067.50	2,137.55	-	-	-	7,205.05
T	Ferguson	5,067.50	-	-	-	-	5,067.50
A	Goggin	5,067.50	3,392.50	-	-	-	8,460.00
C	Griffiths	5,067.50	3,392.50	-	-	-	8,460.00
C	Guglielmi	5,067.50	10,237.55	-	-	1,023.60	16,328.65
V	Guglielmi	5,067.50	1,865.00	-	-	282.80	7,215.30
P	Halliday	5,067.50	10,237.55	-	-	-	15,305.05
R	Heaney	5,067.50	6,040.05	-	-	-	11,107.55
S	Henderson	5,067.50	10,691.06	-	-	181.60	15,940.16
A	Hockridge	5,067.50	-	-	-	-	5,067.50
P	Honeywood	5,067.50	3,392.50	-	-	-	8,460.00
S	Honeywood	5,067.50	-	-	-	-	5,067.50
J	Hughes	5,067.50	10,237.55	-	-	-	15,305.05
I R	Johnson	5,067.50	2,132.68	-	-	406.00	7,606.18
J	King	5,067.50	399.23	215.88	-	168.00	5,850.61
K T	King	5,067.50	-	203.88	-	-	5,271.38
D	Lines	5,067.50	9,823.82	215.88	-	830.00	15,937.20
D	Mayzes	5,067.50	3,665.05	-	-	-	8,732.55
S	Mayzes	5,067.50	10,237.55	-	-	-	15,305.05
D	McLeod	5,067.50	726.06	180.00	-	366.00	6,339.56
L	McWilliams	5,067.50	9,965.00	-	-	26.40	15,058.90
M	Mitchell	5,067.50	2,137.55	-	-	347.70	7,552.75
D	Oxley	5,067.50	272.55	-	-	-	5,340.05
P J	Oxley	5,067.50	2,132.68	-	-	291.60	7,491.78

Other Financial Information

	Basic Allowance	Special Responsibility Allowance	Broadband Allowance	Dependant Carers' Allowance	Travelling and Subsistence	Total
	£	£	£	£	£	£
M Patten	5,067.50	-	-	-	-	5,067.50
L Payne	5,067.50	2,132.68	-	-	394.40	7,594.58
J A Powell	5,067.50	1,234.42	-	-	76.40	6,378.32
D Rutson	5,067.50	-	-	-	308.80	5,376.30
C Sambridge (died 23 July 2009)	1,990.08	3,004.89	-	-	208.00	5,202.97
P Sambridge (elected 24 September 2009)	2,204.80	-	-	-	38.00	2,242.80
G Scott	5,067.50	4,626.92	-	-	-	9,694.42
P Scott	5,067.50	1,865.00	-	-	-	6,932.50
H Shearing	5,067.50	2,132.68	310.08	-	513.20	8,023.46
S Shearing	5,067.50	399.23	-	-	55.20	5,521.93
M Skeels	5,067.50	4,512.55	-	-	72.80	9,652.85
R G Smith (died 30 January 2010)	4,643.50	-	-	-	424.40	5,067.90
G Steady	5,067.50	726.06	-	-	-	5,793.56
N Stock	5,067.50	18,188.94	-	185.13	1,770.00	25,211.57
M J Talbot	5,067.50	2,132.68	215.88	-	564.80	7,980.86
C A Turner	5,067.50	907.58	215.88	-	52.80	6,243.76
N W Turner	5,067.50	272.55	-	-	1,581.00	6,921.05
R Walker	5,067.50	-	-	-	-	5,067.50
G Watling	5,067.50	10,237.55	-	-	-	15,305.05
K Watson	5,067.50	316.93	88.08	-	739.20	6,211.71
B Whitson	5,067.50	272.55	-	-	52.00	5,392.05
Grand Total of payments for year	301,514.44	185,306.57	3,718.16	235.62	14,137.10	504,911.89

The following, which reflect part year allowances for Chairman and Vice Chairman of the Council were payable for the year:

Chairman – R Smith (2008)	£1,066.06
Vice Chairman – M Bragg (2008)	£ 372.90
Chairman – N Turner (2009)	£5,000.00
Vice Chairman – J Brown (2009)	£1,043.64
Vice Chairman – M Bragg (2009)	£ 527.49

The Scheme of Allowances payable to Members of the Council does not include an attendance allowance.

Other Financial Information

Payment to non-elected persons and substitutes on the Council's Standards Committee.

	Co-optees' Allowance	Mileage	Total
	£	£	£
J Addison	463.00	-	463.00
J Carr	920.50	-	920.50
D Dixon	230.00	-	230.00
D Edmunds	230.00	-	230.00
D Foss-Smith	230.00	-	230.00
F Nicholls	463.00	-	463.00
R Taylor	230.00	-	230.00
C Tracey	230.00	-	230.00
C Ward	463.00	-	463.00
J White	463.00	-	463.00
Grand Total of payments for year	3,922.50	0.00	3,922.50

OTHER INFORMATION

All the Council's financial resources are expended on services that will enable the Council to discharge its responsibilities outlined in: Tendring District Council's Corporate and Community Strategies. The Statement of Accounts is one of a series of documents that the Council publishes in order to provide financial information about its activities.

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

These publications can be found on the Council's Web Site at www.tendringdc.gov.uk.

In addition, the Chartered Institute of Public Finance and Accountancy publishes information about all local authorities' expenditure and service provision, including comparative statistics.

These documents are available for inspection in the Financial Services Section at the Town Hall, Station Road, Clacton on Sea, Essex.

Members of the public may attend meetings of the Council, its Cabinet and Committees. Copies of the Council's minutes are available in local libraries. Dates and times of all Council/Cabinet/Committee meetings can be obtained from all Council Offices and 'Tendring Matters' the Council newspaper.

If any further information or alternative formats are required, please contact Karen Neath (kneath@tendringdc.gov.uk), Head of Financial Services, Town Hall, Station Road, Clacton on Sea, Essex, CO15 1SE – Telephone Clacton (01255) 686520.

GLOSSARY OF TERMS USED IN THE STATEMENT OF ACCOUNTS

Accounting Period

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

Accruals

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

Asset

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

Balance Sheet

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

Beacon Properties

These are properties grouped together by applying criteria such as size/type/location and used as a basis for the valuation of the Council's housing stock.

Capital Expenditure

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

Capital Financing

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

Capital Programme

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

Capital Receipt

Cash received from the sale of assets.

Capital Receipt Pooling

A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government (pooled) which then redistributes the pooled money as appropriate.

Cash Flow Statement

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

Other Financial Information

Charging Authority

The Authority responsible for administering the Collection Fund, including raising bills and collecting council tax and national non-domestic rates (NNDR).

Collection Fund

A fund administered by Charging Authorities which receives payments of Council Tax and NNDR. Amounts are then paid from this fund (precepts) to precepting authorities (Police, Fire and County Councils). The total collected from NNDR is also paid from this fund to central government.

Community Assets

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

Council Tax

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

Creditors

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

Current Assets

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

Current Liabilities

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

Debtors

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

Deferred Capital Receipts

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

Depreciation

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

Fixed Assets

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

Other Financial Information

General Fund

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

Government Grants

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

Housing Revenue Account

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

Leasing

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

- ❖ Operating leases where an annual payment is made to an external supplier for the use of an asset which is then returned at the end of the lease.
- ❖ Finance Lease where an annual payment is made as above although the payment comprises of a principal element and an interest element and a substantial part of the risks and rewards of ownership pass to the lessee. Also for this class of lease the value of the asset appears on the Council's balance sheet.

National Non-Domestic Rates (NNDR)

A charge on commercial or non-domestic properties within the Council's area. The amount collected by the Council is paid over to central government who then redistribute it.

Precept

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

Precepting Authority

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

Provisions

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

Public Works Loan Board (PWLB)

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

Reserves

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

Other Financial Information

Revenue Account

An account which records the Council's day to day expenditure and income on items such as salaries, repairs and maintenance, and other running costs. The different revenue accounts are brought together in the Income and Expenditure Account, which also demonstrates how the annual costs of the Council have been financed.

Revenue Expenditure Funded from Capital under Statute

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

Stocks

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

Support Services Costs

The cost of services within the Authority who principally provide professional and administrative assistance to other services within the Council.

TENDRING DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2009-10

1. SCOPE OF RESPONSIBILITY

Tendring District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE *Framework Delivering Good Governance in Local Government*. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control. A copy of the code can be obtained from Legal Services, and is also available to be viewed or downloaded from the Council's website.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority 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 system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively and economically.

The governance framework has been in place in the Council for the year ended 31 March 2010 and up to the date of approval of the annual report and statement of accounts and includes improvements and developments implemented during the year.

3. THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's government arrangements as set out in the Code of Corporate Governance are:

- Corporate Plan which sets out the Council's vision and priorities.
- The Financial Strategy and Capital Strategy and Asset Management Plan that links financial planning to enable the Council balance the delivery of quality services along with its priorities and aspirations and maximise the effectiveness of its assets.
- A Formal Performance Management Framework which incorporates regular reporting against financial and non-financial targets and outcomes.
- A Risk Strategy and Strategic Risk Register which sets out the risk management framework and identifies and assesses risk faced by the Council.
- The Council's Constitution which covers roles and responsibilities, delegated powers, along with key areas such as financial and contract procedure rules. This is reviewed on an annual basis.
- An Audit Committee is in place.
- Whistleblowing and complaints procedures.
- Business Continuity Plans to ensure the Council can maintain an appropriate level of service.
- Members' Codes of Conduct.
- Overview and Scrutiny Committees which carry out an annual programme of work.
- Statutory Officers such as the Chief Executive, S151 Officer and Monitoring Officer.
- A Human Resources Framework that covers a range of practices and policies.
- Partnership working to deliver its services and priorities, including INTend, the Council's wholly owned regeneration company.
- Communication Strategy and consultation programme which is reviewed on an annual basis.

The Council's key governance processes are subject to internal audit on a cyclical / risk based approach. This work forms part of the Head of Internal Audit's annual opinion on the Council's systems of internal control covered in more detail later on in this statement.

4. REVIEW OF EFFECTIVENESS

The 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 managers within the Authority 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 and inspectorates.

In practice, the review of effectiveness is an on-going process throughout the year and includes the activities and mechanisms set out below:

- Overall performance, incorporating financial and non-financial information is reported to Management Board on a monthly basis and Cabinet and Corporate Management Committee on a quarterly basis. In respect of 2009/10, it is worth noting that due to the timing of the Corporate Plan and associated targets, the first performance report members received for the year was the third quarter's position as at the end of December 2009. However this is anticipated to be a one-off occurrence with each quarter's position scheduled to be reported to Members in 2010/11.
- The Council's Constitution is reviewed on an annual basis with changes made where appropriate to reflect operational experience and changes in legislation, with all Heads of Service and Management Board contributing to this review. The scheme of delegated powers and Member and officer protocols form part of this review. The outcomes from the most recent annual review were approved by Full Council on 1 December 2009.
- The three Overview and Scrutiny committees, Corporate Management, Service Development and Delivery, and Community Leadership and Partnerships met in total on 27 occasions during 2009/10.
- The Audit Committee met on five occasions during 2009/10 to enable them to fulfil their statutory, regulatory and governance responsibilities including the monitoring of Internal and External Audit recommendations, annual review of the Risk Strategy and Register and the Statement of Accounts.
- Service plans are reviewed and updated on an annual basis and incorporate plans to support key priorities, workforce planning and operational risks.
- Quarterly reality checks of service delivery are undertaken and include checks by a Customer Focus Group and the Tendring Youth Assembly.
- A review of the Council's consultation programme is undertaken each year.

A number of activities and actions were also undertaken during the year in reviewing and strengthening the Council's Governance Framework. These are set out below against the six core governance principles included in the Council's Code of Corporate Governance.

Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area

- The Corporate Plan 2010-2016 was adopted during the course of the year. The vision, values and priorities were informed by Member and Officer workshops to ensure that there is a clear purpose and outcomes. Each year a delivery plan is being produced to make clear what the Council will deliver towards its priorities in that financial year.
- The Annual Plan - the outturn of the 2009/10 financial year is to be reported in the Summer edition of Tendring Matters to ensure that the public are informed what the Council has delivered in the past year.
- Project performance management arrangements were strengthened during the course of the year with the establishment of a Projects Monitoring Group and monthly reporting of projects to Management Board.
- A review of the complaints framework is planned for 2010 to identify ways in which complaints can be used to bring about service improvement.

Members and officers working together to achieve a common purpose with clearly defined functions and roles

- A member led budget review exercise was completed during the year with the involvement of Heads of Services as part of the Council's Financial Strategy process, to support the achievement of a robust financial position and the delivery of priorities within a challenging financial environment.

Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- A number of Human Resources policies were reviewed and updated and new policies introduced.
- The Sub-Committees of the Standards Committee considered eight complaints against Councillors of alleged breaches of the Members' Code of Conduct. Five of these complaints related to alleged breaches by District Councillors and the other three complaints related to Parish Members. 'No action' was taken in respect of two allegations. Three complaints were referred to the Monitoring Officer for 'other action' by way of training and three matters were 'referred for investigation', with one finding of 'no breach' by the Hearing Sub-Committee, one finding of 'breach' by Standards for England but with no action to be taken and a further completed investigation to be considered by the Hearing Sub-Committee.
- During 2009 a Climate Change Steering Group was established with the aim of developing the Council's Climate Change Strategy. A working draft of the Climate Change Strategy 2010-2016 was produced and covered three main objectives, namely (1) To take actions to reduce CO2 emissions (2) To prepare for Climate Change, and (3) To reduce the Council and District's reliance on fossil fuels. The group meets approximately every two months and acts as the main driver for change through the Council's organisation; introducing a Switch It Off campaign, attendance at the Tendring Show and presentations to the Local Strategic Partnership Environment Theme Group.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

- The Risk Strategy and Strategic Risk Register was updated and reviewed and by the Audit Committee during the year with a renewed focus highlighted in terms of identifying specific key risks if the Council was unable to adequately resource a key priority within the difficult economic climate. Work is planned for 2010/11 to progress this approach.

Developing the capacity and capability of Members and officers to be effective

- Our approach to officer development has been successfully reassessed by Investors in People and our accreditation by them has been approved for a further 3 years.
- We have been working in partnership with NE Essex NHS to establish coaching for managers.
- We have been working in partnership with Local Authorities across Essex on management and women's development programmes.
- We are continuing to deliver our Councillor development programme and sharing our approach across the region and have a cross party group working on Councillor Induction in preparation for the District elections in 2011.

Engaging with local people and other stakeholders to ensure robust public accountability

- A programme of meetings was undertaken by the Executive Leader to engage with the Chairman of Town and Parish Councils.
- Audio recording of meetings of the Development Control Committee is to commence when equipment is available.
- A new Communication and Engagement Plan was introduced during the year which sets out the Council's approach to engaging with our communities and communicating, both externally and internally, in a practical, pragmatic and inclusive manner.

The Council also draws assurance on its governance arrangements from independent sources, in particular:

Internal Audit

The Internal Audit Service undertakes a risk based programme of audits each year to provide the Council with assurance on the adequacy of its system of internal control.

Although a number of key audits remained on-going and were progressed early in 2010/11, the issues identified along with reviews by other providers enabled a reasonable assurance to be given that the systems of internal control were generally operating adequately and effectively.

A summary of the outcomes from each audit completed during 2009/10 was included in periodic reports presented to the Audit Commission and their attention was drawn to any issues considered significant and where the audit opinion was scored other than satisfactory. However, none of the issues reported were of a major nature and accordingly were not considered to be of sufficient significance to impact upon the overall opinion given above.

The opinion above also takes into account assurances made available by other providers, with no material issues identified.

External Audit

The Council is subject to an annual programme of external audit work and statutory inspections with reports made on the Council's governance, performance, value for money and accounting arrangements along with its internal control environment.

The key outcomes from this activity are captured in the Comprehensive Area Assessment and associated Organisational Assessment which includes a Use of Resources judgement. Each year the auditor's overall findings are brought together in an Annual Audit and Inspection Letter.

Key outcomes from the most recent audit activity recognises that the Council:

- Has achieved a score of 3 out of 4 (performs well) in its organisational assessment which brings together the Council's performance and use of its resources;
- Is updating its priorities based on what local people have said and what is known about local needs;
- Manages its finances, governs its business and manages its resources well;
- Is in a good position to continue to improve.

Key opportunities for improvement identified from the most recent audit activity recognises that:

- There is room for further improvement in the way the Council consults with local people
- External perceptions of the governance arrangements of the planning service and Member decision making is negative and threatens the effectiveness of the regeneration agenda
- The public image of the Council is not good and customer satisfaction is improving but there are some negative perceptions about access to the service, probity issues, committee governance and decision making

5. SIGNIFICANT GOVERNANCE ISSUES

To support the Council in addressing some of the key issues and improvements highlighted above, such as those around Member decision making and Member and officer governance, the Council's external auditors have carried out a comprehensive ethical governance review during 2009/10. The outcomes and actions to focus improvement activity are due to be considered in 2010/11.

Actions in respect of the Planning Service remain on-going following a comprehensive review and identification of a number of recommendations during the year.

The above activity along with further opportunities for improvement identified elsewhere within the Council will be considered and incorporated into the Council's overall performance, policy and business planning framework and monitored by the Cabinet and /or the Audit Committee during 2010/11.

We are satisfied that these steps will address the need for improvements that have been identified and will monitor their implementation and operation during the year and as part of our next annual review.

John Hawkins
Chief Executive

Date 30 June 2010

Neil Stock
Executive Leader

Date 30 June 2010