

# TENDRING DISTRICT COUNCIL



## STATEMENT OF ACCOUNTS

**2006/07**

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K L Neath  
Head of Financial Services  
Town Hall  
Clacton on Sea  
Essex CO15 1SE  
27 September 2007

# **SUMMARY FINANCIAL INFORMATION AND EXPLANATORY FOREWORD**

## **INTRODUCTION**

The Statement of Accounts has been prepared to 'present fairly' the Council's financial position whilst providing clear information about the Council's finances and in particular to explain:

- What the cost of the Council's services were for 2006/07
- Where the Council's funding came from
- What the Council's assets and liabilities were at the end of 2006/07

For 2006/07 the format and information that must be provided is significantly different to that provided in previous years and follows The Statement of Recommended Practice for Local Authority Accounting in the United Kingdom 2006 (SORP). This brings together accounting recommendations and best practice and brings local authority reporting closer to private sector reporting requirements.

## **SUMMARY OF THE 2006/07 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 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.

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	19,910	17,218
Interest Payable for the year	1,097	1,123
Pension interest cost and expected return on pension assets	773	684
Other Operating Costs	1,181	1,575
<b>Net Operating Expenditure</b>	<b>22,961</b>	<b>20,600</b>
Contribution from/(to) Reserves	216	3,895
Other Movement on General Fund Balances	(2,192)	(3,594)
<b>Movement on General Fund Balance</b>	<b>(1,976)</b>	<b>301</b>
<b>Increase in General Fund Balance for the year</b>	<b>12</b>	<b>12</b>
	<b>20,997</b>	<b>20,913</b>
<b>Financed by:</b>		
Income from Council Tax Payers	7,925	7,925
Government Grants	2,799	2,715
National Non-Domestic Rates	10,273	10,273
	<b>20,997</b>	<b>20,913</b>

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 General Fund Balance' to arrive at the net general fund expenditure for the year.

### General Fund 2006/07

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<sup>st</sup> March in any one year. In such circumstances it is possible to carry forward the budget to enable projects to be completed. For 2006/07 these items total £2.386 million and the increase in the General Fund balance for year of £0.012 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 2007 now stand at £11.480 million, of which £7.589 million has been set aside for specific policy purposes within earmarked reserves (an analysis of the earmarked reserves can be found in note 39 to the Core Financial Statements). The balance of £3.891 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 2006/07**

The Council's revised estimates for 2006/07 planned for an overall increase for the year of £0.350 million but the final figure was a £0.648 million increase. This increase has been contributed to HRA Balances which now total £3.669 million at the end of March 2007. When added to the balance of £0.409 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 £4.078 million at the 31 March 2007.

## **Capital Investment 2006/07**

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 by the Council during the year were improvements to the Council's housing stock, Disabled Facilities Grants to the private sector, Town Centre Environmental Enhancements and various CCTV and information technology projects.

The Council's capital expenditure in 2006/07 totalled £6.413 million, compared with a budget for the year of £8.133 million. This variance was primarily due to spending on schemes being rescheduled into the 2007/08 Capital Programme as projects can span financial years as previously mentioned. The sum of £0.276 million was also included within the Capital Programme for the replacement of vehicles through leasing arrangements/contract hire, of which vehicles to the value of £0.267 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. During 2006/07 the Council borrowed, in accordance with the approved Treasury Strategy, from the Public Works Loan Board to finance approved capital schemes. This increased the total external debt of the Council to £22.8 million compared to its capital financing requirement (which represents the overall borrowing requirement) as at 31 March 2007 of £25.1 million. The difference between external debt and the capital financing requirement is the amount met by internal resources.

In addition to the borrowing mentioned above the Council undertook a debt restructuring exercise during the year. This has resulted in ongoing revenue savings over the next 10 years of more than £0.190 million. The amount of debt restructured was £10 million.

## **Current Year**

The Council's overall net General Fund budget for 2007/08 is £20.08 million to be met by Government support of £12.97 million and £7.11 million from local taxpayers. The Housing Revenue Account expenditure budget for 2007/08 is £10.16 million and after allowing for estimated income of £10.31 million, a balance of £0.15 million is forecast for the year.

The revised capital budget for the year is £14.18 million. This will be financed by government grants and other government funding (£4.34 million), borrowing (£2.99 million), capital receipts (£1.56 million), revenue (£4.84 million) and other sources including external contributions (£0.45 million).

The Council has General Fund balances of £11.480 million to bring forward into 2007/08. Of this sum, £7.589 million is earmarked in specific reserves.

Within the overall budget figures mentioned above, significant investments in the District which are planned for 2007/08 include the following items:

- Lifestyles Health and Fitness Club at Clacton Leisure Centre
- Replacement/Refurbishment of Public Conveniences at Frinton and Dovercourt
- Completion of the Clacton Town Centre Environmental Enhancement Project

The Council continues to undertake robust financial planning through its Financial Strategy process. The continuing pressure from new expenditure requirements along with pressures from the overall national funding and financial outlook such as the Government's comprehensive spending review 2007 will need to be managed and actions taken to ensure a balanced and robust budget is delivered in future years.

# THE STATEMENT OF ACCOUNTS

The main elements of the financial statements are explained below and comprise of information in respect of accounting policies and concepts, the responsibilities for the statement of accounts along with the report of the auditors followed by the detailed financial statements and notes. For 2006/07 the format and information that must be provided is significantly different to that provided in previous years and follows The Statement of Recommended Practice for Local Authority Accounting in the United Kingdom 2006 (SORP). This brings together accounting recommendations and best practice and brings local authority reporting closer to private sector reporting requirements. The detailed financial statements that are now required are explained below which are split into 'core statements' and 'supplementary statements'.

## **ACCOUNTING AND RESPONSIBILITY STATEMENTS**

- ❖ **Statement of Accounting Concepts, Estimation Techniques and Accounting Policies (Page 9).** 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 18).** 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 19).** The Auditor certifies that an audit of the Statement of Accounts has been concluded and gives an opinion on their presentation and content.

## **CORE FINANCIAL STATEMENTS**

The first three statements that follow, replace the previously reported financial statements of the Consolidated Revenue Account and Statement of Total Movement on Reserves. Figures for previous years have been restated in the new format and included in the new statements to ensure comparisons are easy to make.

- ❖ **Income and Expenditure Account (Page 23).** 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 the Movement on the General Fund Balance (Page 23).** 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 in general fund balances for the year.

- ❖ **Statement of Total Recognised Gains and Losses (STRGL) (Page 24).** 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 25).** This statement provides a 'snapshot' of the Council's assets and liabilities/net worth of the Council as at the 31 March 2007.
- ❖ **Cash Flow Statement (Page 27).** 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 54).** 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 and is in the new Income and Expenditure format for 2006/07. The Account is also consolidated into the 'Core' Income and Expenditure Account previously mentioned.
- ❖ **Statement of Movement on the Housing Revenue Account Balance (Page 55)** – Similarly to the Statement of Movement on 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. Therefore 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 63).** The Council is required to account separately for Collection Fund transactions. The account shows the Council Tax and National Non-Domestic Rates collected and its transfer 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.

### **OTHER INFORMATION**

Additional information to aid the understanding and interpretation of the accounts along with significant changes included in the accounts for 2006/07 are as follows:

### **ADDITIONAL STATEMENTS**

- ❖ **Member's Allowances (Page 67).** This shows the allowances paid to Councillors in respect of their duties. Publication of these allowances is a statutory requirement.

- ❖ **Glossary (Page 70).** This explains in more detail the terms used in the Statement of Accounts.

## **ADDITIONAL INFORMATION**

- ❖ **Accounting for Asset Disposals**

A significant change for 2006/07 as set out in the SORP 2006 is the recognition of gains or losses on assets disposed of or decommissioned in the year. Firstly the asset's value reflected in the Council's balance sheet is written off to the Income and Expenditure Account. The income received for the asset is then credited to the Income and Expenditure Account, the difference then representing a net gain or loss on the disposal or decommissioning of the asset. However as this is only an indicative figure for accounting purposes and therefore not a cost charged against the Council Tax a further adjustment is done in the Statement of Movement on the General Fund Balance to offset the overall losses or gains calculated.

- ❖ **Significant Assets Acquired/Disposed During the Year**

The only significant property asset disposal completed during 2006/07 was the Clacton Golf Club.

- ❖ **Explanation of Pension Liability**

Overall a pension liability attributable to the Council of £23.983 million (£29.311 million for 2005/06) has been included in the Balance Sheet as at 31st March 2007. This reflects the calculations carried out within financial reporting standards (FRS17) based on actuarial assumptions in 2004 which are due for a comprehensive tri-annual review during 2007. This liability indicates that to date there is a deficit between the assets of the fund which are attributable to the Council and the future pension benefits earned to date by its employees. However this deficit is being recognised in real terms through a contribution made by the Council to the Pension Fund each year which aims to close this funding gap in the longer term.

- ❖ **New or Increased Liabilities/Assets**

- 1 **Asset Revaluations** – Housing properties, land, buildings and non-operational assets are required to be revalued at least every five years. For 2006/07 significant revaluations took place for the Council's non-housing assets. The values provided by an external valuer were at the 1 April 2006 with an uplift to arrive at values as at 31 March 2007. This resulted in a significant overall increase in the value of assets which is reflected in the Balance Sheet. Further information regarding valuations can be found in note 4 to the Statement of Accounting Concepts, Estimation Techniques and Accounting Policies.
- 2 **Housing Benefit Subsidy** – During the year benefit subsidy is receivable from the Department of Works and Pensions (DWP) to meet the cost of providing Rent Allowances, Rent Rebates and Council Tax Benefit 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 2007 when a claim for subsidy is finalised and sent to DWP. For 2006/07 the final subsidy figure due from DWP was £3.3 million more than the payments received from them during the year so this additional income appears as a debtor in the accounts as the payment will not be received until June/July 2007. This is reflected in the Income from Government Departments and Agencies line within the analysis of debtors that appear in the Balance Sheet (note 33 page 46)

3) **Temporary Investments and Long Term Borrowing** – A review of borrowing requirements was undertaken during the year with the result being an increase in external borrowing to balance against the use of internal balances/cash flows which was also supported by advice received from the Council's independent external treasury advisors. This had the effect of increasing the availability, in the short term, of cash balances to invest. The changes to reflect both the increased borrowing and temporary investments are shown in the Balance Sheet on page 25.

❖ **Major Changes in Statutory Functions**

A significant new responsibility placed on the Council by Central Government from 2006/07 is the requirement to provide a free full fare concessionary bus travel scheme in both the District and within the whole of Essex. The significant increase in costs is reflected in the Highways, Roads and Transport Services line within the Net Cost of Services section of the Income and Expenditure Account. The cost of this activity is however supported by Central Government Grants which is one factor contributing to the increase in the Government Grants and Distribution from the Non-Domestic Rate Pool lines of the Income and Expenditure Account.

❖ **Significant Changes in Accounting Policy**

A significant change for 2006/07, as set out in the SORP 2006, is the removal of capital financing charges from the net cost of services. Previously this charge along with the charge for depreciation was included to reflect the notional cost to services of the use of assets during the year. The capital financing charge for 2005/06 was calculated by multiplying the asset value by 3.5% for assets valued at current value and 4.9% for assets valued at historic cost. Where applicable the financial statements for the previous years have been amended to remove this element of the capital charge to ensure comparisons can be made with 2006/07.

❖ **Other Significant Changes**

From 2006/07 Central Government have changed the methodology used to distribute revenue support to Local Authorities. Although not affecting the overall level of grant received, this has resulted in a significantly greater proportion being funded from the National Non-Domestic Rate Pool. This can be seen in the bottom section of the Income and Expenditure Account (page 23) and the Cash Flow Statement (page 27).

# STATEMENT OF ACCOUNTING CONCEPTS, ESTIMATION TECHNIQUES AND ACCOUNTING POLICIES

## General

The Statement of Accounts summaries the Council's transactions for the 2006/07 financial year and its position at the end of 31 March 2007 and has been prepared in accordance with CIPFA's *Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice 2006 (the SORP)*.

## Accounting Concepts

The accounting policies outlined below 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;
- **Legislative requirements** - where specific legislative requirements and accounting principle conflict, legislative requirements are applied.

The only exceptions to this are with regard to certain revenue transactions where the accruals concept has not been applied 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.

## 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 due from/to Government Departments at the year end in respect of rent allowances, rent rebates and council tax subsidy. The methods used for these items are further explained in the following accounting policies for fixed assets, provisions and debtors and creditors.

## 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 2006/07.

## **1 Provisions**

The Council sets aside provisions for specific future expenditure of uncertain timing which is likely or certain and for which a reliable estimate can be made, resulting from a past event.

The carrying amount for debtors on the Balance Sheet is adjusted by a provision for doubtful debts. The calculation of this provision is by an estimation technique, which takes into account the age of individual debts and their values.

## **2 Reserves**

The Council has two types of reserves – those that can only be used for specific statutory purposes and those that comprise amounts the Council has set aside to meet capital or revenue expenditure.

**Statutory reserves** held by the Council that can only be used to meet capital expenditure, to repay the principal of any amount borrowed or to meet liabilities in respect of credit arrangements are: -

- The Usable Capital Receipts Reserve (Page 39, Note 23 to the Core Financial Statements)
- The Major Repairs Reserve (Page 39, Note 23 to the Core Financial Statements and Page 56 Note 3 to the Housing Revenue Account)

There is also a requirement to maintain a Pensions Reserve. The cost of providing pensions for employees is funded in accordance with the provisions of the Local Government Pension Scheme Regulations 1997. However, accounting for employees pensions is in accordance with generally accepted accounting practice subject to the interpretation set out in the Code of Practice on Local Authority Accounting 2006. Where the payments made for the year in accordance with the scheme requirements 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 required to be raised in taxation. This is represented by making appropriate adjustments to the pensions reserve and pensions liability via the Income and Expenditure Account and Statement of the Movement of the General Fund Balance. This ensures that the pensions liability stated in the balance sheet is matched by the pension reserve shown in the 'financed by' section of the balance sheet.

**Non-statutory reserves** held by the Council are:-

- earmarked reserves which have been set aside for specific policy purposes as explained in Note 39, page 47 to the Core Financial Statements; and
- revenue balances which represent resources set aside for purposes such as general contingencies and cash flow management.

Any movement on reserves are shown in the Statement of Movement on the General Fund Balance.

## **3 Costs of Support Services**

Costs of management and administration are charged to the specific services to which they relate based on percentage allocation of staff time. Items such as office accommodation, telephones and computing costs are allocated according to actual usage.

The cost of corporate and democratic core, covering corporate management and democratic representation and management, and non-distributed costs, comprising past service costs/gains relating to retirement benefits and costs associated with unused shares of IT facilities and other assets, are not apportioned to services. This is in accordance with the CIPFA Best Value Accounting Code of Practice.

#### **4 Tangible Fixed Assets**

**Operational assets** are those 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 or strategic objectives of the Council. With the exception of the Council's housing stock, they 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.

**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.

**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.

**Council dwellings and other housing properties** – 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.

**Tangible fixed operational assets** consist principally of Council dwellings and other land and buildings. They 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 or realisable value including revaluation where appropriate. Council dwellings and other Housing Revenue Account (HRA) 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 by Mr I Bromley-Derry MRICS IRRV of NPS Property Consultants Limited.

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.

G Knox MRICS of NPS Property Consultants Limited also supplied the increases required in respect of the change in valuations up to 31 March 2007 for both Housing and other land, buildings and non-operational assets.

The difference between the value at 31 March 2007 and the amount at which the assets were included in the Balance Sheet prior to the latest revaluation has been credited or debited to a fixed asset restatement account.

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.

**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.

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

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

**Depreciation** - An annual charge for depreciation is made on all fixed assets with the exception of non-depreciable land and investment properties. The sum provided for depreciation is calculated using an estimation technique by allocating the cost or revalued amount as at the start of the year (after allowing for residual values) on a straight-line basis over the expected life of the assets which is based on the Valuer's' professional opinion. Depreciation is not provided on housing assets in the year of disposal. There is also a requirement to undertake an annual test for impairment (losses due to a consumption of economic benefits or a general fall in prices).

**Capitalisation of all expenditure on fixed assets** is accounted for on an accruals basis if it relates to:

- Acquisition of land, buildings, plant, machinery or vehicles
- Enhancement of land and buildings or the construction of buildings or other structures
- Installation or replacement of plant, machinery or vehicles

To enable it to be capitalised, the expenditure must also provide a benefit to the Council and the services it provides are for more than one year.

In terms of enhancement, this only applies if the expenditure has enabled the useful life of the asset to be substantially extended, increased its market value, or increased the extent to which it provides a service to the Council.

**Disposals** – When an asset is disposed or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account. Sale proceeds from the disposal are then also credited to the Income and Expenditure Account to arrive at a net gain or loss for each asset disposal. The net gain or loss is not set against the council tax, as the net amount is fully provided for/reversed out of the account under separate arrangements for capital financing included in the Statement of Movement on the General Fund Balance.

## **5 Intangible Fixed Assets**

Expenditure on assets that do not have a physical substance are intangible assets. For Tendring District Council these consist of software licences which are recognised as intangible assets rather than deferred charges as the Council controls the economic benefits arising from this expenditure. 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 revenue 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 PC's with no residual value.

## **6 Charges to Revenue for Fixed Assets**

Service Revenue Accounts, Support Services and Trading Accounts are all charged with amounts to show the real cost of holding fixed assets during the year. These amounts include:

- Depreciation for the asset used by the service
- Impairment losses on assets used by the service
- Amortisation of intangible fixed assets used by the service

However as the Council is not required to raise council tax to cover these items the charges are reversed out in the Statement of Movement on the General Fund Balance via the Capital Financing Account.

## **7 Deferred Charges**

Deferred charges are payments of a capital nature such as grants to external organisations where the money is to be used by them to finance capital investment. Because the Council seldom controls the economic benefits arising from this expenditure, deferred charges are amortised to revenue in the year the deferred charge is recognised. However, the sum of all the deferred charges debited to revenue in the year is reversed out via the Capital Financing Account with items included in the Statement of Movement on the General Fund Balance to ensure there is a no net impact on the amount required to be raised from local taxation.

## **8 Capital Receipts**

Under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, a specified amount of capital receipts from the disposal of housing assets is required to be paid to the Secretary of State. The specified 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 land in the three years prior to the disposal and by an amount up to the value of a capital allowance. The balance of these and all other capital receipts can then be used to finance capital expenditure.

Minor 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 repayments which are credited directly back to the Useable Capital Receipt Reserve to contribute to the ongoing Housing Investment Programme.

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

## **9 Debtors and Creditors**

The accounts of the Council are maintained on an accruals basis (requiring debtors and creditors to be raised at year end) in accordance with the recognised accounting concept. This means that sums due to or from the Council during the year are included in the accounts whether or not the cash has actually been received or paid. This policy is applied to customer and client receipts, interest payable/receivable, employee costs and supplies and services expenditure. Grants, both capital and revenue, are accrued 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 for 2006/07 are the same figures as submitted to the Department for Works and Pensions (DWP) in the final subsidy grant claim for the year.

An exception to the general accruals principle relates to electricity and similar quarterly payments that are charged at the date of meter reading rather than being apportioned between financial years and to reflect external grant arrangements if appropriate. As this policy is applied consistently each year, it has no material effect on the year's accounts.

## **10 Stocks and Work in Progress**

The stocks of senior citizens' rail cards, and print unit stocks in hand at the balance sheet date are recorded at cost. There are no relevant works in progress under this heading.

## **11 Government Grants and Contributions towards Capital Schemes**

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, for example, coast protection works, the amount of the grant or contribution is credited initially to the Government Grants Deferred Account. Amounts are then released from this account over the useful life of the asset to match the depreciation charged on the asset to which it relates. The grants are accrued and credited to income in the same period in which the related expenditure was charged.

## **12 Redemption of Debt, Repurchase of Borrowing and Debt Restructuring**

In line with best practice, the Council's treasury position is reviewed on an ongoing basis. Following independent advice from the Council's Treasury Advisors during 2006/07, the opportunity was taken to review the position in light of forecasted interest rates and the current financial environment. Based on this and the Council's capital programme, borrowing requirements, projected interest rates and the premium or discount associated with the redemption of current loans, part of the Council's debt portfolio was restructured during the year. This restructuring resulted in £10 million of debt being redeemed and replaced, both transactions being with the Public Works Loan Board (PWLB), with savings to the Council achieved over the next 10 years. Interest charges are debited to the revenue accounts in the year and therefore appear in the Income and Expenditure Account.

### **13 Leases**

**Finance Leases:** The Council currently has three leases which, although entered into prior 1 April 2004 as operational leases, are now under accounting rules (SSAP21) classified as finance leases. One of the leases is for assets below the de minimis limit for capital expenditure and is not shown on the balance sheet. Payments in respect of this lease are charged direct to services within the Income and Expenditure Account. The remaining two leases are for assets in excess of the de minimis limit and are therefore shown on the Balance Sheet with a matching liability for rentals.

**Operating Leases and Contract Hire Leases:** Rentals payable under these leases are charged to revenue on a straight-line basis over the life of the lease.

**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.

Full information on all of the Council's leasing arrangements is given in the notes to the Core Financial Statements.

### **14 Investments**

Investments are shown in the Balance Sheet at market valuation as at 31 March. Any increase/decrease in the valuation is credited or debited to the Investments Revaluation Account. Short-term investments are realisable within one year and are only made with approved organisations as set out in the Council's Treasury Management Practices.

Any dividends receivable are recognised when the Local Authority has the right to receive the dividend. For dividends from quoted securities this is when the security is quoted ex-dividend. For unquoted securities it is when the dividend is declared, which may be different to the year to which it relates.

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

VAT is included in income and expenditure only if it is irrecoverable from HM Revenues and Customs. 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.

### **16 Foreign Currency Transactions**

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

## 17 **The Council's Pension Arrangements**

The Council's employees are members of the Essex County Council Pension Fund, administered by the County under the Regulations governing the Local Government Pension Scheme (LGPS) in England. It is a funded defined benefit scheme, which means that the Council and employees are required to pay contributions into the fund calculated at a level estimated to balance investment assets to pension liabilities. Payments that are outside of the terms of the pension fund, such as benefits awarded for ill health and early retirements, are the responsibilities of the Council on a pay-as-you-go basis. The fund is subject to a full actuarial review every three years with the most recent one being in 2004 with the associated assumptions forming the basis of the calculations included in the 2006/07 accounts.

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 is in accordance with Financial Reporting Standards (FRS17) is disclosed in the statements to reflect this requirement:

### **Pension Fund Liabilities**

- Liabilities of the Essex County Council Pension Fund that are 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 such assumptions as mortality rates, turnover rates and projected future earnings of scheme members.
- Future scheme liabilities are discounted back to present values for comparison purposes with the current value of fund assets to determine the overall surplus/liability of the Pension Fund. For the 2005/06 Statement of Accounts a discount rate of 2.0% real (4.9% actual) was used, based on the requirement to apply the current rate of return on high quality corporate bonds of equivalent currency and term to the scheme liabilities, known as the 'AA' Corporate Bond Rate. Continuing this requirement, a rate of 2.3% real (5.4% actual) has been applied in 2006/07 as advised by the fund actuary. Application of this revised rate has resulted in a reduction in estimated liabilities at current prices of £4.441 million, adjusted by an actuarial gain of £0.774 million resulting in an overall gain of £5.215 million.

### **Pension Fund Assets**

- The attributable assets of the pension scheme are measured at fair value (scheme assets include current assets such as cash and debtors as well as the investment portfolio).

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

- **The current service cost** is based on the most recent actuarial valuation at the beginning of the period, with the financial assumptions updated to reflect conditions at that date. (The current service cost is an estimate of the true economic cost of employing people in a financial year, earning years of service that will eventually entitle them to the receipt of a lump sum and pension when they retire). Current Service Costs are stated net of employee contributions and are included in the service analysis of the Income and Expenditure Account.

- **Past service costs** are disclosed on a straight-line basis over the period in which increases in benefits are associated (past service costs arise from decisions taken in the current year but whose financial effect is derived from years of service earned in earlier years). This cost is included in the Net Cost of Services part of the Income and Expenditure Account under Non-Distributed Costs.
- **Past service gains** arise where there is a reduction in the level of benefits due to scheme members whose financial effect is derived from years of service earned in earlier years. For information, in 2005/06 this reflected the changes included in the Local Government Pension Scheme (Amendment) Regulations 2006 which allows members to receive a higher lump sum upon retirement by commuting part of their annual pension.
- **The interest cost** is the expected increase in the present value of liabilities during the year as they move one year closer to being paid and are based on the discount rate and the present value of the scheme liabilities at the beginning of the period. (The interest cost is the amount needed to unwind the discount applied in calculating the current service cost and is included under Net Operating Expenditure in the Income and Expenditure Account).
- **The expected return on assets** is the expected return on the fund's assets attributable to the Council and are based on long term expectations at the beginning of the period and is included in the Net Operating Expenditure in the Income and Expenditure Account.
- **Losses arising on a settlement or curtailment** are a result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is included in the Net Operating Expenditure in the Income and Expenditure Account.
- **Contributions paid to the Essex County Council Pension Fund** reflects the cash paid as employer's contributions during the year.
- **Actuarial Gains and Losses** arise where there is a change brought about by events which have not been in line with original assumptions made at the last actuarial valuation or due to an update in actuarial assumptions.

Overall a pension liability is included in the Balance Sheet which shows that to date there is a deficit between the assets of the fund which are attributable to the Council including the employees contributions made during the year and the future benefits earned to date by its employees.

Many of the above requirements result in notional figures being included in the accounts to better reflect the Council's pension position. However statutory provisions limit the Council to raising council tax to cover only the actual amounts payable to the pension fund in the year. Therefore in the Statement of Movement on the General Fund Balance there are appropriations to and from a Pensions Reserve to remove any notional figures included in the Income and Expenditure Account that have been used to reflect the above transactions.

This overall approach continues to better reflect the Council's commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

# 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's Code of Practice on Local Authority Accounting in Great Britain (A Statement of Recommended Practice 2006).

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 Code of Practice.

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 Finance should sign and date the Statement of Accounts, stating that it presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2007.

# **INDEPENDENT AUDITOR'S REPORT TO**

## **TENDRING DISTRICT COUNCIL**

### **YEAR ENDED 31 MARCH 2007**

#### **Opinion on the financial statements**

I have audited the financial statements of Tendring District Council for the year ended 31 March 2007 under the Audit Commission Act 1988, which comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Tendring District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

#### **Respective Responsibilities of Chief Finance Officer and Auditor**

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

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 financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA 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 statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

## **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 financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council'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 financial statements 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 the information in the financial statements.

## **Opinion**

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of Tendring District Council as at 31 March 2007 and its income and expenditure for the year then ended.

27 September 2007

Paul King  
District Auditor  
Audit Commission  
Sheffield House  
Lytton Way  
Stevenage  
SG1 3HG

The auditor has certified the formal financial statements and this document is held by the Head of Financial Services and can be reviewed upon request.

# **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 to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

## **Auditor's Responsibilities**

I am required by the Audit Commission Act 1988 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.

I am required by Section 7 of the Local Government Act 1999 to carry out an audit of the authority's Best Value Performance Plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under Section 7 of the Local Government Act 1999.

## **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Tendring District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

## **Best Value Performance Plan**

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 in October 2006. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

## **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

27 September 2007

Paul King  
District Auditor  
Audit Commission  
Sheffield House  
Lytton Way  
Stevenage  
SG1 3HG

The auditor has certified the formal financial statements and this document is held by the Head of Financial Services and can be reviewed upon request.

## INCOME AND EXPENDITURE ACCOUNT

2005/06			2006/07		Note
Net		Gross	Gross	Net	Ref
Expenditure		Expenditure	Income	Expenditure	
£000		£000	£000	£000	
	<b>EXPENDITURE ON SERVICES</b>				1
825	Central Services to the Public	13,443	(12,779)	664	
11,203	Cultural, Environmental and Planning Services	21,075	(9,343)	11,732	
311	Highways, Roads and Transport Services	2,594	(1,413)	1,181	
(810)	Council Housing - Housing Revenue Account	9,585	(10,113)	(528)	2
2,118	Other Housing Services	36,867	(35,571)	1,296	
(72)	Social Services	339	(436)	(97)	
2,681	Corporate and Democratic Core Expenses	3,032	(83)	2,949	
(1,388)	Non Distributed Costs	21	-	21	
<b>14,868</b>	<b>Net Cost of Services</b>	<b>86,956</b>	<b>(69,738)</b>	<b>17,218</b>	
12	(Gain)/loss on disposal of fixed assets			637	3
(46)	Other (Gains)/losses			(104)	4
1,039	Parish Council precepts			1,199	
17	(Surplus)/deficit on Trading Operations			7	5
1,054	Interest payable for the year			1,123	
899	Contribution to the Housing Capital Receipts Pool			1,101	6
(853)	Interest and Investment Income			(1,265)	
1,126	Pensions interest cost and expected return on pensions assets			684	7
<b>18,116</b>	<b>Net Operating Expenditure</b>			<b>20,600</b>	
(7,407)	Income from the Collection Fund			(7,925)	
(6,896)	Government Grants			(2,715)	8
(4,069)	Distribution from the Non-Domestic Rate Pool			(10,273)	
<b>(256)</b>	<b>(Surplus)/Deficit for the Year</b>			<b>(313)</b>	

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2005/06		2006/07	Note
Net		Net	Ref
Expenditure		Expenditure	
£000		£000	
(256)	Income and Expenditure Account (Surplus)/Deficit for the year	(313)	9
256	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	301	10
<b>-</b>	<b>Increase in General Fund Balance for the year</b>	<b>(12)</b>	
(3,879)	General Fund Balance brought forward	(3,879)	
<b>(3,879)</b>	<b>General Fund Balance carried forward</b>	<b>(3,891)</b>	

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

### FOR THE YEAR ENDED 31 MARCH 2007

2005/06		2006/07	Note
£000		£000	Ref
(256)	(Surplus)/Deficit on Income and Expenditure Account for the year	(313)	
33,930	(Surplus)/Deficit on revaluation of fixed assets	(32,302)	24
(1,235)	Actuarial gains and losses on pension fund assets and liabilities	(5,215)	7
(22)	(Surplus)/Deficit on Collection Fund attributable to Tendring District Council	(27)	
<u>32,417</u>		<u>(37,857)</u>	

**Core Financial Statements**

**BALANCE SHEET**  
**AS AT 31 MARCH 2007**

31 March 2006 £000		31 March 2007 £000	£000	Notes
	<b>Fixed Assets</b>			
	Tangible Fixed Assets			26
	Operational Assets			
144,548	- Council Dwellings	157,935		
29,018	- Other Land and Buildings	44,252		
2,664	- Infrastructure Assets	3,005		
1,111	- Vehicles, Plant, Machinery and Equipment	953		
275	- Community Assets	271		
	Non-Operational Assets			
4,538	- Surplus assets held for disposal	3,037	209,453	
741	Intangible Fixed Assets		681	27
<b>182,895</b>	<b>Total Fixed Assets</b>		<b>210,134</b>	
11	Long Term Investments		10	30
1,048	Long Term Debtors		1,156	31
<b>183,954</b>	<b>Total Long Term Assets</b>		<b>211,300</b>	
	Current Assets			
22	- Stocks		27	32
5,004	- Debtors		8,234	33
14,415	- Temporary Investments		19,815	
<b>203,395</b>	<b>Total Assets</b>		<b>239,376</b>	
	Current Liabilities			
(7,721)	- Creditors		(6,390)	34
(727)	- Borrowing repayable within 12 months		(153)	
(1,616)	- Bank Overdraft		(1,871)	
<b>193,331</b>	<b>Total Assets less Current Liabilities</b>		<b>230,962</b>	
(17,674)	Long Term Borrowing		(22,675)	35
(2,985)	Government Grants Deferred		(3,121)	25
(40)	Deferred Liabilities		(9)	
(29,311)	Asset/Liability related to defined benefit pension schemes		(23,983)	
(23)	Provisions		(18)	37
<b>143,298</b>	<b>Total Assets less Liabilities</b>		<b>181,156</b>	<b>38</b>

## Core Financial Statements

31 March 2006		31 March 2007	Notes
£000		£000	39
	<b>Financed by:</b>		
145,844	Fixed Asset Restatement Account	174,069	24
9,267	Capital Financing Account	7,808	25
3,089	Usable Capital Receipts Reserve	4,495	23
1,001	Deferred Capital Receipts	1,252	36
(29,311)	Pensions Reserve	(23,983)	7
1,617	Major Repairs Reserve	1,790	23
4,472	Earmarked Reserves	7,589	
3,879	General Fund Balance	3,891	
3,300	Housing Revenue Account Balance	4,078	
140	Collection Fund Balance	167	
<u>143,298</u>	<b>Total Net Worth</b>	<u>181,156</u>	

### HEAD OF FINANCIAL SERVICES' CERTIFICATE

I certify that the accounts set out on pages 5 to 66 present fairly the financial position of the Council at the 31 March 2007 and the income and expenditure for the year then ended.

Karen Neath CPFA,  
Head of Financial Services  
Date: 27 September 2007

### CHAIRMAN OF THE AUDIT COMMITTEE'S CERTIFICATE

I confirm that the Audit Committee at the meeting held on 27 September 2007 approved these accounts.

Councillor C A Turner on behalf of Tendring District Council  
Chair of meeting approving the accounts:  
Date: 27 September 2007

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.

**Core Financial Statements**

**CASH FLOW STATEMENT**

2005/06 £000		2006/07 £000	2006/07 £000	Note Ref
	<b>Revenue Activities</b>			
	Cash Outflows:			
16,118	Cash paid to and on behalf of employees		16,617	
21,318	Other operating cash payments		22,736	
24,737	Housing benefits paid out		27,653	
18,512	National Non-Domestic Rate payments to National Pool		24,110	
54,979	Precepts paid		58,555	
1,045	Payments to the Capital Receipts Pool		1,081	
136,709			150,752	
	Cash Inflows:			
(2,954)	Rents (after rebates)	(3,017)		
(51,648)	Council Tax receipts	(54,282)		
(4,069)	Non-Domestic Rate receipts from National Pool	(10,273)		
(20,831)	Non-Domestic Rate receipts	(22,157)		
(6,227)	Revenue Support Grant	(1,983)		
(25,382)	DWP grant for benefits	(25,566)		
(21,715)	Other government grants	(21,904)		46
(8,741)	Cash received for goods and services	(8,318)		
(2,321)	Other operating cash receipts	(2,286)	(149,786)	
(7,179)	Net cash outflow/(inflow) on revenue activities		966	43
	<b>Servicing of Finance</b>			
	Cash Outflows:			
1,048	Interest paid	1,120		
6	Interest element of Finance Leases	3		
	Cash Inflows:			
(853)	Interest received	(1,265)	(142)	
	<b>Capital Activities</b>			
	Cash Outflows:			
4,989	Purchase of fixed assets	4,065		
1,864	Other capital cash payments	1,901		
			5,966	
	Cash Inflows:			
(1,967)	Sales of fixed assets	(3,341)		
(3,038)	Capital grants received	(4,055)		47
(4)	Other capital cash receipts	(143)	(1,573)	
(5,134)	Net Cash Outflow/(Inflow) before financing		(749)	44/45
	<b>Management of Liquid Resources</b>			
6,365	Net increase/(decrease) in temporary investments		5,400	
	<b>Financing</b>			
	Cash Outflows:			
1,202	Repayments of amounts borrowed	10,573		
28	Capital element of finance leases	31		
	Cash Inflows:			
(4,000)	New loans raised	(15,000)	(4,396)	
(1,539)	<b>Net Decrease/(Increase) in Cash</b>		255	

## NOTES TO CORE FINANCIAL STATEMENTS

### 1 Expenditure on Services

The expenditure on services includes where applicable a charge in respect of the impairment in the value of an asset. Impairment is where the value of the asset has decreased as a result of the consumption of economic benefit of that asset, and this would include damage from external factors rather than a reduction in the current valuation of that asset.

The following services include significant sums for impairment:

- Cultural, Environmental and Planning Services in respect of closure and eventual demolition due to subsidence of a public convenience at Marine Parade, Clacton £135,000.

### 2 Housing Services

A full analysis of costs and income relating to the provision of council housing are set out in the Supplementary Financial Statement and associated notes for the Housing Revenue Account (HRA) on pages 54 to 62.

### 3 (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 accounts prior to sale.

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

2005/06 £000		2006/07 £000
	Disposal of Assets:	
(6)	Sale of Council Houses (after deduction of Right to buy admin costs)	31
18	Disposal of Pier Avenue Portacabins	-
-	Disposal of HRA Garages	34
-	Transfer of properties to a Registered Social Landlord	572
12		637
12		637

### 4 Other (Gains)/Losses

There are other Gains/Losses that have arisen which are not directly related to disposal of assets:

2005/06 £000		2006/07 £000
(30)	Discounts repaid on Sale of Council Houses	(56)
(16)	Discounts repaid on DIYSO properties	(3)
-	Release of Covenants	(20)
-	Renovation Grant Repaid	(25)
(46)		(104)
(46)		(104)

## Core Financial Statements

### 5 Trading Operations

The Council has established a number of trading activities where the service manager is required to operate on a commercial basis with the objective of either breaking even or generating additional income for the Council. As the activities cannot be related to a specific service, the income and expenditure are shown under 'Net Operating Expenditure' and are detailed below:

2005/06 £000		2006/07 £000
	<b>Engineering:</b>	
	Provision of a reactive coast protection service, minor highways work and engineering service to the Council.	
(567)	Turnover	(570)
584	Expenditure	577
<u>17</u>	Net deficit/(surplus) on trading operations	<u>7</u>
	<b>Horticultural Services:</b>	
	Maintenance of the Council's open spaces, recreation grounds, grass verges, maintenance of certain Highways verges as a contractor of Essex County Council and provision of floral displays to the Council's civic buildings.	
(1,130)	Turnover	(1,283)
1,250	Expenditure	1,402
<u>120</u>	Net deficit/(surplus) on trading operations	<u>119</u>

Due to the significance of the deficit on the Horticultural Services trading operation the year end balance in 2006/07 (and 2005/06) has been allocated to Services in accordance with the SORP (2005 and 2006). A review of this Service is scheduled in 2007/08.

### 6 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, although the capital receipts themselves are not recognised as an income item in the Income and Expenditure Account. However it is then reversed out by an appropriation from Usable Capital Receipts to the Statement of Movement in the General Fund Balance.

### 7 Pension Interest Cost and Expected Return on Pension Assets

The cost of retirement benefits are included in the Income and Expenditure account under Net Cost of Services when employees earn them rather than when the benefits are paid as pensions. For 2005/06 an additional amount was also included in this part of the statement to reflect past service gains brought about by a change in future benefits payable to Pension Scheme members.

Within the Net Operating Expenditure of the Income and expenditure Account two additional items are also included. These are the expected return on assets in the Pension Scheme and the Pensions Interest cost.

## Core Financial Statements

However the charge required to be made against council tax for the year is based on the actual cash payable in the year. Therefore the notional pension figures are reversed out and replaced with the cash payments to the pension fund in the Statement of Movement on the General Fund Balance.

The following transactions have been made in the Income and Expenditure Account and Statement of Movement on the General Fund Balance:

2005/06 £000		2006/07 £000
	<b>Net Cost of Services</b>	
1,860	Current Service Cost	2,164
(1,396)	Past Service Cost / (Gain)	-
	<b>Net Operating Expenditure</b>	
4,444	Interest Cost	4,598
(3,318)	Expected return on Assets in the Pension Scheme	(3,914)
<u>1,590</u>	<b>NET CHARGE TO THE INCOME AND EXPENDITURE ACCOUNT</b>	<u>2,848</u>
	<b>Statement of Movement on the General Fund Balance</b>	
(1,590)	Reversal of net charges made for retirement benefits in accordance with FRS17	(2,848)
<u>2,856</u>	Actual Amount Charged against the General Fund Balance for Pensions in the Year - Employer's contributions payable to the scheme	<u>2,961</u>

### Assets and Liabilities of the Scheme

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March are as follows:

	1 April 2005 £000	1 April 2006 £000	31 March 2007 £000
Estimated liabilities in scheme	(82,574)	(93,874)	(93,957)
Estimated assets in scheme	50,762	64,563	69,974
Net Asset/(Liability)	<u>(31,812)</u>	<u>(29,311)</u>	<u>(23,983)</u>

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The total net liability of £23.983 million has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy - 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.

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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. All of the figures have been derived by approximate methods from the full valuation carried out by Mercer Human Resource Consulting Limited, an independent firm of actuaries, on behalf of Essex County Council based on the latest full valuation as at 31 March 2004. The main assumptions used in their calculations have been:

	1 April 2005 % pa	1 April 2006 % pa	31 March 2007 % pa
Rate of inflation	2.90	2.90	3.10
Rate of increase in salaries	4.40	4.40	4.60
Rate of increase in pensions	2.90	2.90	3.10
Rate for discounting scheme liabilities	5.40	4.90	5.40
Take-up of option to convert annual pension into retirement grant	-	50.0	50.0

Assets in the Essex County Council Pension Fund are valued at a fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

	1 April 2005 £000	Expected Rate of Return %	1 April 2006 £000	Expected Rate of Return %	*28 Feb 2007 £000	Expected Rate of Return %
Equities	1,476,527	7.50	1,875,300	7.00	2,045,740	7.50
Properties	244,302	6.50	308,560	6.00	369,000	6.50
Government Bonds	235,730	4.70	276,640	4.30	292,250	4.70
Other Bonds	126,437	5.40	148,960	4.90	185,970	5.40
Other	60,004	4.75	50,540	4.50	59,040	5.25
<b>Total</b>	<b>2,143,000</b>		<b>2,660,000</b>		<b>2,952,000</b>	

\* last available asset value calculations date for the year

The actuarial gains identified as movements on the Pensions Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007:

	2006/07		2005/06		2004/05		2003/04	
	£000	%	£000	%	£000	%	£000	%
Differences between the expected and actual return on assets (percentage of assets)	774	1.1	10,054	15.6	2,441	4.8	6,330	9.3
Differences between actuarial assumptions about liabilities and actual experience	-		(1,889)	2	(255)	0.3	-	-
Changes in the demographic and financial assumptions used to estimate liabilities	4,441	4.7	(6,930)	7.4	(12,756)	15.4	-	-
<b>Net actuarial gain / (loss) (percentage of liabilities)</b>	<b>5,215</b>	<b>5.6</b>	<b>1,235</b>	<b>1.3</b>	<b>(10,570)</b>	<b>12.8</b>	<b>6,330</b>	<b>9.3</b>

## Core Financial Statements

### 8 Government Grants

The following grants have been received during the financial year:

2005/06		2006/07
£000		£000
6,231	Revenue Support Grant for year	1,983
(3)	Grant Adjustment re Previous Years	11
545	Local Authority Business Growth Incentive Scheme	597
123	Local Public Service Agreement Reward Grant	124
<u>6,896</u>		<u>2,715</u>

### 9 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.

### 10 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:

## Core Financial Statements

2005/06 £000		2006/07 £000
<b>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</b>		
(1,558)	Depreciation and Impairment of General Fund fixed assets	(1,757)
(579)	Excess of HRA depreciation over the Major Repairs Allowance	(1,087)
700	Government grants deferred amortisation	418
(54)	Amortisation of intangible assets	(199)
(1,108)	Deferred charges	(525)
(12)	Gain or Loss on sale of fixed assets	(637)
46	Other Gains and Losses	104
(1,590)	Reversal of net changes made for retirement benefits in accordance with FRS17	(2,848)
(4,155)		(6,531)
<b>Amounts not included in the Income and Expenditure Account but required to be included by Statute when determining the Movement on the General Fund Balance for the year</b>		
369	Statutory provision for repayment of debt	398
1,095	Capital expenditure charged to General Fund Balance	679
2,856	Employers contributions payable to the pension scheme	2,961
(899)	Transfer from Usable Capital Receipts	(1,101)
3,421		2,937
<b>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</b>		
401	Surplus/(Deficit) on the Housing Revenue Account	778
589	Net transfer to/(from) earmarked reserves	3,117
990		3,895
256		301

The Surplus on the Housing Revenue Account shown above is the aggregate of the surplus on the Housing Revenue Account for the year of £648,000 and the net surplus in the Housing Repairs Account which totals £130,000.

### 11 Major Long Term Contracts

In 2007/08 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:

	£000	Contract Expires
Household Waste and Recycling Collection	2,116	2011/12
Street Cleaning	1,378	2008/09
ICT Support Services for Hardware, Infrastructure, and software support	519	2010/11
Housing Maintenance - estimated payment to be made based on a schedule of rates for responsive repairs	1,254	2011/12
	5,267	

## Core Financial Statements

### 12 Publicity

Set out below, under the requirements of the Local Government Act 1986, section 5(1), is the Council's expenditure on publicity in 2006/07:

2005/06		2006/07
£000		£000
75	Recruitment and relocation	73
52	Official Guide	50
54	Tourism publicity	53
19	Economic promotion	18
17	Civic Ceremonial	16
<hr/>		<hr/>
217		210
<hr/>		<hr/>

### 13 Agency Services

The Council has an Agency Agreement with Essex County Council to operate On Street Parking enforcement. The Council has agreed to meet the first £20,000 of any deficit (after allowing for Penalty Charges and Permit Income) in respect of this activity and this sum is included in the Income and Expenditure Account. The balance of the deficit (£234,070) (£191,543 in 2005/06) is met by Essex County Council and is not included in the Income and Expenditure Account of the Council.

### 14 Expenditure and Income of External Bodies not Controlled by the Council

In 2006/07 the Interaction Neighbourhood Management Partnership Board was set up, which is an informal and unincorporated association of residents, statutory agencies, voluntary sector organisations and private sector bodies working within two wards of the Tendring District. The partners work together as a Board, to implement the Safer Stronger Communities Neighbourhood Management Programme and undertake any such other related activities that the Board deems relevant with a view to empowering local people in playing an active role in their community. The Council supports the Board by assisting in administrative arrangements which includes recording the financial transactions within its own accounting system. Although the income and expenditure of the board is included within the Council's financial system, it has been excluded from these Financial Statements as it is not expenditure and income directly related to or controlled by the Council and therefore only where the Council has directly received a grant from the Board have figures been included in these Statements.

### 15 Building Control Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. Tendring District Council sets charges for work carried out in relation to building regulations with the aim of covering all costs incurred. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

## Core Financial Statements

2005/06 Total Building Control £000		2006/07		Total Building Control £000
		Chargeable £000	Non Chargeable £000	
227	Employee expenses	137	74	211
18	Transport	10	5	15
22	Supplies and services	14	7	21
204	Central and support service charges	107	57	164
2	Capital financing costs	3	2	5
<b>473</b>	<b>Total Expenditure</b>	<b>271</b>	<b>145</b>	<b>416</b>
(309)	Income: Building Regulation charges	(255)	-	(255)
<b>164</b>	<b>Deficit/(Surplus) for year</b>	<b>16</b>	<b>145</b>	<b>161</b>

### 16 Local Authorities (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. In 2006/07 the authority provided a grounds maintenance service to Essex County Council. The costs of this service are fully reimbursed by the County Council (£88,172 in 2006/07 and £64,140 in 2005/06). No other significant areas of work were undertaken during the year.

### 17 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, contract hire and financing leases. The details of the various commitments are as follows:

#### i) Operating Leases and Contract Hire

2005/06 £000		2006/07 £000
84	Payments made in year in respect of leases in existence 1 April	117
55	Payments made in year in respect of leases taken out in year	55

#### ➤ Commitments under operating leases for vehicles, plant and equipment

The authority was committed at 31 March 2007 to making payments of £82,227 under operating leases in 2007/08 comprising the following elements:

	£000
Operating leases expiring in 2007/08	-
Operating leases expiring between 2008/09 and 2010/11	61
Operating leases expiring after 2010/11	21

#### ➤ Commitments under Contract Hire Leases for vehicles

The authority was committed on 31 March 2007 to making payments of £83,696 under Contract Hire Agreements in 2007/08 comprising the following elements:

## Core Financial Statements

	£000
Contract Hire leases expiring in 2007/08	-
Contract Hire leases expiring between 2008/09 and 2010/11	54
Contract Hire leases expiring after 2010/11	30

➤ **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 2006/07 6 properties became vacant and were returned to Colne Housing Society.

	No of Properties
Balance brought forward 1 April 2006	17
Returned to Lessor	6
	11
Balance carried forward 31 March 2007	11

ii) **Finance Leases**

- Finance Leases entered into prior to 1 April 2004 in respect of cremator plant and mowers totalling £237,313 are shown on the Balance Sheet under Vehicles, Plant and Equipment. Depreciation in respect of these to 31 March 2007 totals £231,565.

The following table shows the movement during the year of the assets held under Finance Leases by the authority in respect of the above and accounted for as part of Tangible Fixed Assets:

	2006/07 £000
Value of original leases at 1 April 2006	40
Less Principal element of lease rentals paid in year	(31)
	9
	9

The authority was committed at 31 March 2007 to making payments of £9,102 under these finance leases comprising the following elements:

	£000
Finance leases expiring in 2007/08	9
Finance leases expiring between 2008/09 and 2010/11	-
Finance leases expiring after 2010/11	-

- Finance Leases entered into prior to 1 April 2004 in respect of the purchase of office equipment and horticultural plant total £13,529, although individually they cost less than £10,000, and therefore are not shown on the Balance Sheet. The details are as follows:

## Core Financial Statements

2005/06	2006/07
£000	£000
3 Amount charged to Income and Expenditure Account	1

The authority was committed at 31 March 2007 to making payment of £879 under these Finance Leases in 2007/08 comprising the following element:

	£000
Finance leases expiring in 2007/08	-
Finance leases expiring between 2008/09 and 2010/11	1
Finance leases expiring after 2010/11	-

### b) Income received by the Council as Lessor

The Council also leases out some assets to external organisations under Operating Leases. For the significant leases where the annual income is in excess of £10,000 the total received for 2006/07 was £107,700. The value of the assets subject to these Operating Leases is £1,719,890. There is no accumulated depreciation relating to these assets due to either the nature of the asset or revaluation of the asset, as appropriate.

## 18 Members Allowances

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 allowances paid to Members under these regulations during the year were £469,406. (2005/06 - £435,363). Further details of individual payments to Members are provided on pages 67 to 68.

## 19 Employee Remuneration

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 was:

2005/06		Remuneration Band	2006/07	
Total	Left during year		Total	Left during year
12	-	£50,000 - £59,999	9	-
2	-	£60,000 - £69,999	6	-
-	-	£70,000 - £79,999	1	-
-	-	£80,000 - £89,999	-	-
2	-	£90,000 - £99,999	2	-
1	-	£100,000 - £109,999	-	-
-	-	£110,000 - £119,999	1	-

## 20 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 by the Council). During the year, transactions with related parties arising from funding arrangements with central government and precepting authorities (including parish councils) are detailed in the Cash Flow Statement. Other material related party transactions for 2006/07 which are not fully disclosed elsewhere in the Statement of Accounts were as follows:

## Core Financial Statements

2005/06			2006/07	
Receipts £000	Payments £000		Receipts £000	Payments £000
1,912	3,875	Essex County Council	1,724	5,203
24	208	Other Essex local authorities	34	264
Transactions with organisations related by a declared interest of Council Members or Chief Officers:				
5	39	Citizens Advice Bureau	-	74
-	-	Clacton Golf Club	13	2
15	1	Colchester Institute	(2)	133
-	78	Colne Housing Society	-	73
-	-	East of England Regional Assembly	-	22
-	26	East of England Tourist Board	-	17
-	-	Interaction Neighbourhood Management Partnership Board	694	-
-	-	Lloyds TSB Group	-	35
-	21	Local Government Association	-	20
2	4	Tendring Council for Voluntary Services	3	42
11	-	North East Essex Primary Care Trust	31	-
-	77	West Cliff (Tendring) Trust	-	80
23	83	Other	30	65
<b>1,992</b>	<b>4,412</b>	<b>Total Related Party Transactions</b>	<b>2,527</b>	<b>6,030</b>

### 21 Disclosure of Audit Costs

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

2005/06 £000		2006/07 £000
112	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	112
3	Fees payable to the Audit Commission in respect of statutory inspection	5
49	Fees payable to the Audit Commission for the certification of grant claims and returns	50
<b>164</b>		<b>167</b>

### 22 Movements in revenue resources

	General Fund Balances £000	HRA Balances £000	Collection Fund £000	Earmarked Reserves £000	Pensions Reserve £000
Surplus/(deficit) for 2006/07	12	-	27	-	-
Appropriations to/from revenue	-	778	-	3,117	-
Gains and losses relating to pensions	-	-	-	-	5,328
	<b>12</b>	<b>778</b>	<b>27</b>	<b>3,117</b>	<b>5,328</b>
Balance brought forward at 1 April 2006	3,879	3,300	140	4,472	(29,311)
Balance carried forward at 31 March 2007	<b>3,891</b>	<b>4,078</b>	<b>167</b>	<b>7,589</b>	<b>(23,983)</b>

## Core Financial Statements

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 47, Note 39 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 in the General Fund Balance and Statement of Total Recognised Gains and Losses to reflect the changes in the pensions liability. (See also page 29, Note 7 to this Statement).

	Usable Capital Receipts £000	Major Repairs Reserve £000
<b>23 Movements in realised capital resources</b>		
Amounts receivable for 2006/07	3,431	2,190
Amounts paid to the Government as the 'pooling contribution'	(1,101)	-
	2,330	2,190
Net usable capital receipts in year		
Amounts applied to finance new capital investment	(924)	(2,017)
	1,406	173
Total increase/(decrease) in realised capital resources		
Balance brought forward at 1 April 2006	3,089	1,617
	4,495	1,790
Balance carried forward at 31 March 2007		

From 2004/05, housing 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. Note 3 to the Housing Revenue Account Statements sets out the Reserve in further detail.

	2005/06 Fixed Asset Restatement Account £000		2006/07 Fixed Asset Restatement Account £000
<b>24</b>		<b>Movements in unrealised value of fixed assets</b>	
	(33,930)	Gains/(losses) on revaluation of fixed assets in year	38,644
	-	Impairment losses on fixed assets due to general changes in prices in year	(6,342)
	(33,930)	Total increase/(decrease) in unrealised capital resources in year	32,302

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<b>Value of assets sold, disposed of or decommissioned</b>		
(1,962)	Amounts written off fixed asset balances for disposals in year	(4,077)
(35,892)	Total movement on reserve in year	28,225
181,736	Balance brought forward at 1 April	145,844
145,844	Balance carried forward at 31 March	174,069

The Fixed Asset Restatement Account represents the difference between the book value of capital assets under historical accounting and the current values of those assets. It is annually credited or debited with the surpluses or deficits arising from revaluation and is written down each year by the net book value of assets disposed of during the year. As the Fixed Asset Restatement Account represents the unrealised gain arising from the revaluation of assets (less the disposal of fixed assets), it cannot be called upon to support capital or revenue spending.

	Capital Financing Account  £000	Govern- ment Grants Deferred  £000	Total  £000
<b>25 Movements in amounts set aside to finance capital investment</b>			
Usable capital receipts applied to finance new capital investment	924	-	924
<b>Total capital receipts set aside in year</b>	924	-	924
Revenue resources set aside in year:			
- capital expenditure financed from revenue and reserves	4,107	-	4,107
- reconciling amount for provisions for loan repayment	(6,317)	-	(6,317)
<b>Total revenue resources set aside in year</b>	(2,210)	-	(2,210)
Grants applied to capital investment in year		554	554
Amounts credited to the Income and Expenditure account in year		(418)	(418)
<b>Movement on Government Grants Deferred</b>		136	136
<b>Movement on the Major Repairs Reserve</b>	(173)	-	(173)
<b>Total increase/(decrease) in amounts set aside to finance capital investment</b>			(1,323)
Total movement in year	(1,459)	136	
Balance brought forward at 1 April 2006	9,267	2,985	
<b>Balance carried forward at 31 March 2007</b>	7,808	3,121	

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The Capital Financing Account contains the amounts that were, prior to 1 April 2004, required by statute to be set aside from capital receipts for the repayment of borrowing, and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue for the repayment of external loans, and is reduced by the writing down of the deferred charges.

Government Grants Deferred are contributions received from the Government and other sources towards capital expenditure incurred on coast protection and other schemes. The Account is credited with grants received each year, which are then released to revenue over the life of the asset in line with depreciation.

The Capital Financing Account and the Government Grants Deferred accounts cannot be called upon to support capital or revenue spending, as they are reserves matched by fixed assets within the Balance Sheet.

### 26 Tangible Fixed Assets

#### a) Movement of fixed assets this year

The movement in fixed assets is summarised below:

	Council Dwellings	Other Land and Buildings	Infra- structure	Vehicles Plant and Equip- ment	Comm- unity Assets	Non- Operational Assets	Total
	£000	£000	£000	£000	£000	£000	£000
Gross Book Value at 31 March 2006	147,335	29,877	7,910	2,685	294	4,550	192,651
Accumulated depreciation and impairment	(2,787)	(859)	(5,246)	(1,574)	(19)	(12)	(10,497)
<b>Net Book Value at 31 March 2006</b>	<b>144,548</b>	<b>29,018</b>	<b>2,664</b>	<b>1,111</b>	<b>275</b>	<b>4,538</b>	<b>182,154</b>
Change of category 1 April 2006	-	-	-	-	-	-	-
Net Additions	2,817	137	760	388	5	-	4,107
Disposals	(2,197)	-	-	-	-	(1,880)	(4,077)
Revaluation							
- change in value	18,861	16,226	-	-	-	385	35,472
- additions not increasing value	(2,817)	(137)	(23)	(188)	(5)	-	(3,170)
Depreciation for year	(3,277)	(818)	(396)	(358)	(4)	(6)	(4,859)
Impairment loss	-	(174)	-	-	-	-	(174)
<b>Net Book Value at 31 March 2007</b>	<b>157,935</b>	<b>44,252</b>	<b>3,005</b>	<b>953</b>	<b>271</b>	<b>3,037</b>	<b>209,453</b>

The 'Revaluation – Change in Value' figures of £16.226 million and £0.385 million include an increase in the value of beach hut sites totalling £5.055 million.

In accordance with the Housing Revenue Account (Accounting Practices) Directions 2000, a desktop review of the Council Housing Stock was carried out 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.

## Core Financial Statements

### 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.

In accordance with these requirements, depreciation has been provided in 2006/07 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 Pier Avenue Offices in Clacton.

### c) Major fixed asset information

Fixed assets owned by the Council include the following:

Number as at 31 March 2006		Number as at 31 March 2007
	<b>Council Dwellings</b>	
3,293	Council House stock	3,256
453	Garages	438
1	Community Centre	1
4	Shops etc	4
	<b>Other Operational Buildings</b>	
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
46	Public Conveniences	45
34	Garages	34
5	Community Centres	5
31	Shops, Kiosks, etc	31
	<b>Community Assets</b>	
291Hectares	Open Spaces and Recreation Grounds	291Hectares
1	Harwich Crane	1
2	Leading Lights	2
1	Martello Tower Golf Links (Clacton Golf Club)	-
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. The Martello Tower Golf Links (Clacton Golf Club) was sold during 2006/07 and the reduction in the figure relating to Public Conveniences is due to the impairment of the Middle Promenade, Marine Parade East Public Convenience which is due to be demolished in the near future.

## Core Financial Statements

### d) Fixed Asset Revaluation

The freehold and leasehold properties that comprise the Authority's property portfolio, with the exception of housing properties, were all 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.

A revaluation of all Council dwellings as at 1 April 2005 was obtained from Mr I Bromley-Derry MRICS IRRV of NPS Property Consultants Limited. A desktop review of the value as at 1 April 2006 of the Council's stocks 'Beacon Properties' was obtained from G Knox MRICS of NPS Property Consultants Limited.

An estimate was also obtained from G Knox MRICS as to the increase in value from 1 April 2006 to 31 March 2007 of all the Council's fixed assets and this increase is also reflected in the value of the assets on the Balance Sheet as at the 31 March 2007. The Supplementary Financial Statement for the Housing Revenue Account sets out additional valuation details relating to the Council's housing stock.

## 27 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 to revenue over a four-year period, commencing with the year after purchase.

	HRA IT Upgrade Replacement £000	General Software Licences £000	Total £000
Original Cost (from 1 April 2004)	119	787	906
Amortisations to 31 March 2006	(30)	(135)	(165)
Balance as at 1 April 2006	89	652	741
Expenditure in Year	2	137	139
Written off to revenue in year	(30)	(169)	(199)
Balance at 31 March 2007	61	620	681

The total amortisation to the 31 March 2007 is £364,000.

## Core Financial Statements

### 28 Capital Expenditure and Capital Financing Requirement

2005/06 £000		2006/07 £000
23,418	Opening Capital Financing Requirement	24,800
	Capital Investment:	
4,477	Operational assets	4,107
604	Intangible Assets	138
1,492	Deferred charges	1,764
372	Loans	137
	Sources of Finance:	
(1,076)	Capital Receipts	(924)
(621)	Government Grants	(1,740)
(3,459)	Sums set aside from revenue including MRP	(3,094)
(407)	Other Grants	(53)
<u>24,800</u>		<u>25,135</u>

2005/06 £000		2006/07 £000
	Explanation of movements in year	
1,083	Increase in underlying need to borrow (supported by Government financial assistance)	272
299	Increase in underlying need to borrow (unsupported by Government financial assistance)	63
<u>1,382</u>		<u>335</u>

Deferred charges includes expenditure in accordance with note 7 on page 13, which include items such as Private Sector Improvement Grants.

### 29 Commitments under Capital Contracts

As at 31 March 2007, the Council was contractually committed to capital payments as follows:

2005/06 £000		2006/07 £000
106	Information Technology systems	28
245	Council Contact Centre	245
-	Lifestyles Health and Fitness Club, Clacton Leisure Centre	130
-	Clacton Town Centre Environmental Enhancements Project	93
-	Princes Theatre Boiler Replacement	88
-	Air Conditioning, Pier Avenue Offices	65
87	Other Projects	118
<u>438</u>		<u>767</u>

## Core Financial Statements

### 30 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 Investments Revaluation Account.

### 31 Long Term Debtors

These represent amounts falling due to the Council over a period longer than a year, including interest free loans to improve properties in the private sector, the principal to be repaid on the disposal of the property.

2005/06		2006/07
£000		£000
44	Sale of council houses (mortgages)	26
1	Housing Act Advances (mortgages)	1
96	Harwich and District Indoor Bowls Centre	92
857	Private Sector Renewal Loans	933
27	Car loans	32
23	Debts subject to charging orders	38
-	Rent to Mortgage	34
<u>1,048</u>	Total long term debtors	<u>1,156</u>

### 32 Stocks

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

2005/06		2006/07
£000		£000
10	Print Unit	11
12	Senior Citizens' Railcards	16
<u>22</u>	Total stocks	<u>27</u>

## Core Financial Statements

### 33 Debtors

2005/06		2006/07
£000		£000
1,481	Government departments and agencies	4,284
344	Other local authorities	464
2,063	Council taxpayers	2,238
256	Non-domestic ratepayers	250
307	Housing rents	289
10	Mortgagors	20
2,387	Sundry debtors	2,776
<hr/>		<hr/>
6,848	Total gross debtors	10,321
(1,844)	Less provision for doubtful debts	(2,087)
<hr/>		<hr/>
5,004	Total net debtors	8,234
<hr/> <hr/>		<hr/> <hr/>

The sum due from debtors at the end of 2006/07 compared with 2005/06 has increased by £3.230 million (64.5%). This is mainly due to an increase of £2.330 million in the amount owed by the Department of Works and Pensions for Housing and Council Tax benefit subsidy in respect of benefits paid out by the Council.

### 34 Creditors

2005/06		2006/07
£000		£000
2,332	Government departments and agencies	379
1,256	Other local authorities	1,553
1,269	Council taxpayers	1,355
394	Non-domestic ratepayers	438
4	Mortgagors	2
2,236	Sundry creditors	2,400
230	Section 106 Contributions from Developers	263
<hr/>		<hr/>
7,721	Total creditors	6,390
<hr/> <hr/>		<hr/> <hr/>

The sum due from creditors at the end of 2006/07 compared with 2005/06 has decreased by £1.331 million (17.2%). This is mainly as a result of all the payments due to the department of Communities and Local Government in respect of the National Non-Domestic Rates Pool being made in 2006/07.

### 35 Analysis of Long Term Borrowing

The table below sets out an analysis of the repayment periods of long-term loans from the Public Works Loans Board:

## Core Financial Statements

2005/06		2006/07
£000		£000
539	Between 1 and 2 years	165
1,420	Between 2 and 5 years	582
5,819	Between 5 and 10 years	2,216
2,904	Between 10 and 15 years	627
6,992	More than 15 years	19,085
<u>17,674</u>		<u>22,675</u>

### 36 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:

2005/06		2006/07
£000		£000
48	Sales of Council Houses	43
857	Loans to improve private sector housing	933
96	Loan to Harwich and District Indoor Bowls Centre	92
-	Sales of Land	150
-	Rents to Mortgages	34
<u>1,001</u>		<u>1,252</u>

### 37 Provisions

A provision is required for any liabilities of uncertain timing or amount to be settled by the transfer of economic benefits. The provision is in respect of insurance excesses that may be payable if outstanding claims against the Council are successful.

### 38 Analysis of Net Assets Employed

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

2005/06		2006/07
£000		£000
13,310	General Fund	35,466
129,848	Housing Revenue Account	145,523
140	Collection Fund	167
<u>143,298</u>	Total net assets employed	<u>181,156</u>

### 39 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.

## **Core Financial Statements**

- a) **Fixed Asset Restatement Account**  
Store of gains on revaluation of fixed assets.
- b) **Capital Financing Account**  
Store of capital resources set aside to meet past expenditure.
- c) **Usable Capital Receipts**  
Proceeds of fixed asset sales available to meet future capital investment.
- d) **Deferred Capital Receipts**  
Capital Receipts that will be received in the future see Note 36.
- e) **Pensions Reserve**  
Balancing account to allow inclusion of Pensions Liability in the Balance Sheet.
- f) **Housing Revenue Account**  
Resources available to meet future running costs for council houses.
- g) **Major Repairs Reserve**  
Resources available to meet capital investment in council housing.
- h) **General Fund**  
Resources available to meet future running costs for non-housing services.
- i) **Collection Fund Balance**  
The Council's proportion of the balance on the Collection Fund Revenue Account.
- j) **Earmarked Reserves**  
The Council's Earmarked Reserves provide funds for the following specific policy purposes:
  - i) **Graves in Perpetuity Fund – Maintenance of Graves**  
This has been discontinued in 2006/07 as the expenditure this reserve previously met is now funded directly in Net Cost of Services within the Income and Expenditure Account.
  - ii) **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.
  - iii) **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.
  - iv) **Capital Investment Reserve**  
This was established to provide funding for the approved capital programme pending realisation of the required capital receipts.

## **Core Financial Statements**

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 the future replacement of the Piper Network Controller System.

viii) **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.

ix) **Cremator Replacement Reserve**

This was established to finance future replacement and improvement works to the crematorium plant and equipment at Weeley.

x) **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.

xi) **Haven Gateway Partnership Reserve**

This has been set up to support the costs associated with the Haven Gateway Partnership.

xii) **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.

xiii) **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 set up using monies transferred to the Council by Essex County Council.

xiv) **Local Development Framework Reserve**

This has been set up to support the future costs associated with the revised and significant planning activity for the Council of producing a comprehensive Local Development Framework.

xv) **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.

xvi) **Project Investment Reserve**

This was established to provide for investment in major new projects in particular CCTV.

## Core Financial Statements

The movement during year on the reserves was as follows:

	Balance 1 April 2006 £000	Net Movement in Year £000	Balance 31 March 2007 £000	Further Detail of Movements
Fixed Asset Restatement Account	145,844	28,225	174,069	Page 39, note 24 to the Core Financial Statements.
Capital Financing Account	9,267	(1,459)	7,808	Page 40, note 25 to the Core Financial Statements.
Usable Capital Receipts	3,089	1,406	4,495	Page 39, note 23 to the Core Financial Statements.
Deferred Capital Receipts	1,001	251	1,252	Page 47, note 36 to the Core Financial Statements.
Pensions Reserve	(29,311)	5,328	(23,983)	Page 29, note 7 to the Core Financial Statements.
Housing Revenue Account	3,300	778	4,078	Page 55, note 1 to the HRA.
Major Repairs Reserve	1,617	173	1,790	Page 39, note 23 to the Core Financial Statements.
General Fund (Uncommitted Reserve)	3,879	12	3,891	Statement of Movement on General Fund Balance, page 23
Collection Fund Balance	140	27	167	Page 65, note 4 to the Collection Fund.
<b>Earmarked Reserves:</b>				
Graves in Perpetuity Fund	11	(11)	-	
Revenue Commitments Reserve	2,037	(402)	1,635	
Capital Commitments Reserve	577	1,017	1,594	
Capital Investment Reserve	765	-	765	
Capital Projects Reserve	-	1,939	1,939	
Car Parks Reserve (Decriminalisation)	15	40	55	
Careline System Replacement Reserve	20	20	40	
Contact Management/Development Reserve	400	400	800	
Cremator Replacement Reserve	173	40	213	
Fixed Penalty Notice Reserve	-	6	6	
Haven Gateway Partnership Reserve	-	75	75	
Jaywick Project Manager and Externally Funded Posts Reserve	69	3	72	
Joint User Sports Centres Reserve	-	62	62	
Local Development Framework Reserve	-	-	-	
Manual Workers Job Evaluation Reserve	306	(67)	239	
Project Investment Reserve	99	(5)	94	
	143,298	37,858	181,156	

## 40 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 2007, approximately £248,000.

## Core Financial Statements

### 41 Euro Costs

As at 31 March 2007, 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.

### 42 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.

### 43 Reconciliation of Income and Expenditure Account to Revenue Activities Cash Flow

2005/06		2006/07	
£000		£000	£000
(256)	Income and Expenditure Account (Surplus)/Deficit		(313)
(22)	Collection Fund (Surplus)/Deficit		(27)
<b>Non Cash Transactions</b>			
(1,558)	Depreciation and Impairment of General Fund fixed assets	(1,757)	
(579)	Excess of HRA depreciation over the Major Repairs Allowance	(1,087)	
700	Government grants deferred amortisation	418	
(54)	Amortisation of intangible assets	(199)	
(1,108)	Deferred charges	(525)	
(12)	Gain or loss on sale of fixed assets	(637)	
46	Other Gains and Losses	104	
1,266	Gain/(Loss) after Actuarial Changes on Pension Net Liability	113	
<hr/>		<hr/>	<hr/>
(1,577)			(3,570)
<b>Items on accruals basis:</b>			
(1,229)	(Increase)/Decrease in revenue creditors	1,564	
(4)	Increase/(Decrease) in stocks	5	
(4,120)	Increase/(Decrease) in debtors	3,160	
<hr/>		<hr/>	<hr/>
(5,353)			4,729
<b>Other Items:</b>			
(13)	Contribution to provisions	5	
(201)	Interest	142	
(35)	Prior Year Capital Receipts Adjustment	-	147
<hr/>		<hr/>	<hr/>
<u>(7,179)</u>	Net cash outflow/(inflow) on revenue activities		<u>966</u>

## Core Financial Statements

### 44 Reconciliation of Net Cash Flow to Movement in Net Debt

	£000
Increase/(Decrease) in cash in year	(255)
Receipt of loans	(15,000)
Repayment of loans	10,573
Repayment of Capital element on finance leases	31
Increase/(Decrease) in temporary investments	5,400
	749
Change in net debt	749
Net funds at 31 March 2006	(5,642)
Net funds at 31 March 2007	(4,893)

### 45 Analysis of Change in Net Debt

	Balance at March 2006 £000	Cash Flow £000	Balance at March 2007 £000
Cash	(1,616)	(255)	(1,871)
Loans	(18,401)	(4,427)	(22,828)
Finance Leases	(40)	31	(9)
Temporary Investments	14,415	5,400	19,815
	(5,642)	749	(4,893)

### 46 Revenue Government Grants

2005/06 £000		2006/07 £000
	Communities and Local Government	
70	Homelessness	60
165	Planning Delivery Grant	452
157	Supporting People	295
546	Local Authority Business Growth Incentive Scheme	597
19,708	Department for Work and Pensions - Benefits etc	18,588
788	East of England Development Agency	802
-	Safer Stronger Communities	530
44	DEFRA - Waste Performance and Efficiency Grant	117
191	Home Office - Crime Reduction	50
-	Local Public Service Agreement Reward Grant	247
46	Other	166
21,715	Total Revenue Government Grants	21,904

## Core Financial Statements

### 47 Capital Grants

2005/06 £000		2006/07 £000
	Communities and Local Government	
385	Disabled Facilities Grants	251
-	Regional Housing Pot Capital Grant	328
250	e-Government & ISB	-
2,207	Major Repairs Allowance	2,190
38	Planning Delivery Grant	-
-	East of England Development Agency	50
-	Department for Work and Pensions - Contact Centre	81
82	DEFRA - Coast Protection	8
53	DEFRA - Countryside Agency	143
-	Safer Stronger Communities	1,004
23	Other	-
<u>3,038</u>	<b>Total Capital Grants</b>	<u>4,055</u>

## HOUSING REVENUE ACCOUNT – INCOME AND EXPENDITURE ACCOUNT

2005/06 £000		2006/07 £000	Note Ref
	<b>INCOME</b>		
8,708	Dwelling rents	9,058	
163	Non dwelling rents	166	
321	Charges for Services and Facilities	329	
103	Contributions towards expenditure	156	13
9,295	<b>Total</b>	9,709	
	<b>EXPENDITURE</b>		
2,836	Repairs and Maintenance	2,591	4
2,228	Supervision and Management	2,203	
13	Rents, Rates Taxes and Other Charges	10	
482	Negative Housing Revenue Account Subsidy	932	10
2,787	Depreciation and impairment of fixed assets	3,277	2 & 7
43	Debt management expenses	45	
48	Increase in the Provision for Bad Debts	57	12
48	Deferred Charges and Amortisation of Intangible Fixed Assets	66	8 & 9
8,485	<b>Total</b>	9,181	
(810)	<b>Net Cost of HRA Services as Included in the Whole Authority Income and Expenditure Account</b>	(528)	
215	HRA Share of Corporate and Democratic Core	240	
-	HRA Share of other amounts included in the Whole Authority Net Cost of Services but not allocated to specific Services	-	
(595)	<b>NET COST OF HRA SERVICES</b>	(288)	
	<b>HRA Share of operating Income and Expenditure included in the Whole Authority Income and Expenditure Account</b>		
(52)	Gain or Loss on sale of HRA fixed Assets	578	14
881	Interest payable and Similar Charges	853	
-	Amortisation of Premiums and Discounts	-	
(242)	Interest and Investment Income	(281)	
-	Pension Interest Cost and Expected Return on Pension Assets	-	
(8)	<b>(SURPLUS) OR DEFICIT FOR THE YEAR ON HRA SERVICES</b>	862	

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

2005/06 £000		2006/07 £000	Note Ref
(8)	Surplus or Deficit for the Year on HRA Services	862	
(548)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(1,510)	15
<u>(556)</u>	<b>(INCREASE) OR DECREASE IN THE HOUSING REVENUE ACCOUNT BALANCE</b>	<u>(648)</u>	
(2,465)	HRA Balance Brought Forward	(3,021)	
(3,021)	HRA Balance Carried Forward	(3,669)	

## 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				
2005/06		Housing Revenue Account	2006/07 Housing Repairs Account	Total
£000		£000	£000	£000
(2,900)	Balances as at 1 April	(3,021)	(279)	(3,300)
(400)	(Surplus)/deficit for year	(648)	(130)	(778)
<u>(3,300)</u>	<b>Balances as at 31 March</b>	<u>(3,669)</u>	<u>(409)</u>	<u>(4,078)</u>

### 2 Housing Assets

As at 31 March 2007, the Council was responsible for managing the following council housing assets:

## Supplementary Financial Statements

31 March 2006			31 March 2007		
No	Balance Sheet Value £000		No	Balance Sheet Value £000	
		Dwellings			
1,517	54,399	Flats	1,510	59,425	
1,072	58,758	Houses	1,060	63,866	
339	18,403	Bungalows	339	19,823	
336	7,970	Sheltered accommodation	319	9,358	
29	1,604	Do-It-Yourself Shared Ownership (DIYSO)	28	1,737	
<hr/>	<hr/>		<hr/>	<hr/>	
3,293	141,134		3,256	154,209	
		Other Land and Buildings			
65	1,817	Shared equity plots of land	65	2,044	
453	888	Garages	438	957	
360	37	Ground rents re sold Council flats	367	39	
1	467	Community Centre	1	430	
4	195	Other non-domestic properties	4	221	
7	10	Land	7	35	
<hr/>	<hr/>		<hr/>	<hr/>	
4,183	144,548	Total Balance Sheet values	4,138	157,935	
<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 2006 following the 5 year revaluation review undertaken in accordance with CLG's Guidance and subsequent desk top review in 2006/07 was £330 million compared with the existing use value of £153 million. The difference between the two values of £177 million represents the economic cost of providing council housing at less than open market rents. An estimate was obtained from the valuer of the percentage increase in these property values from 1 April 2006 to 31 March 2007 and this change along with other adjustments has been reflected in the Balance Sheet value as at 31 March 2007.

During 2006/07, 18 council houses and flats were sold under 'Right to Buy' legislation, 1 under 'Rent to Mortgages' and DIYSO shares equivalent to 1 whole property were sold.

### 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 now appears in the Statement of Movement on the HRA Balance.

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

## Supplementary Financial Statements

2005/06		2006/07	
£000		£000	£000
1,404	Balance as at 1 April		1,617
	HRA depreciation provision		
2,715	Dwellings (excluding DIYSO)	3,207	
72	All other HRA assets	70	
			3,277
(580)	Transfer to the HRA		(1,087)
(1,994)	Applied to finance capital expenditure on the housing stock		(2,017)
1,617	Balance as at 31 March		1,790

### 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 2006/07 were as follows:

£000		£000
(2,680)	<b>Income:</b> Contribution from Housing Revenue Account	(2,721)
2,836	<b>Expenditure</b> on repairs and maintenance	2,591
156	<b>(Surplus)/Deficit for year</b>	(130)
(435)	Balances Brought Forward	(279)
(279)	Balances Carried Forward	(409)

### 5 Capital Expenditure and Financing

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

2005/06		2006/07
£000		£000
	Capital Investment:	
2,841	Operational Assets	2,817
18	Deferred Charges	36
24	Other	5
2,883		2,858
	Sources of Finance:	
750	Borrowing	639
1,994	Major Repairs Reserve	2,017
139	Capital Receipts	202
2,883		2,858

## Supplementary Financial Statements

### 6 Usable 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 land in the three years prior to disposal and in certain instances by applying a capital allowance which is equal to the past or planned expenditure on affordable housing and regeneration projects.

The remaining capital receipts can be applied to finance any capital expenditure. During 2006/07, the housing capital receipts amounted to £1.622 million of which £1.101 million was 'poolable' and therefore payable to the Government. Of the total of £828,000 applied during the year to finance capital expenditure, £202,000 was for improvements to the council's housing stock and other associated schemes, with the balance of £626,000 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.

2005/06		2006/07
£000		£000
2,954	Balance as at 1 April	2,343
	Capital Receipts in the year:	
1,149	Council house sales (net of administration costs)	1,423
145	DIYSO property sales	104
6	Mortgage principal repayments	5
64	Other receipts	59
4,318		3,934
	Less:	
(899)	Capital receipts 'pooling contribution'	(1,101)
(1,076)	Capital receipts used for financing capital expenditure	(828)
2,343	Balance as at 31 March	2,005

### 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.

## Supplementary Financial Statements

2005/06		2006/07
£000		£000
2,715	Dwellings	3,207
31	Do-It-Yourself Shared Ownership (DIYSO)	36
28	Garages	20
9	Community Centre	9
4	Other Non-Domestic Properties	5
<hr/>		<hr/>
2,787		3,277
<hr/>		<hr/>

Impairment may be applicable to assets if caused by either a consumption of economic benefits or a general fall in prices. There was no impairment in respect of HRA assets in 2006/07.

### 8 Deferred Charges

Deferred charges were made to the HRA during the year in accordance with the Secretary of State's Item 8 Determination. Deferred charges total £36,000 for 2006/07 (£18,000 for 2005/06) as expenditure was incurred on a cash incentive scheme which is in accordance with the classification of such cost as explained in note 7 on page 13.

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 reversing it out via the Capital Financing Account and included in 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 charged to the Housing Revenue Account for the year represents the annual writing down of the asset over an appropriate period of time.

### 10 Housing Revenue Account Subsidy

Set out below is the notional HRA for 2006/07 assessed for subsidy purposes in accordance with general determinations issued for the year although subject to final certification during 2007/08. This results in a 'negative subsidy' position for the Authority.

## Supplementary Financial Statements

2005/06		2006/07
£000		£000
4,628	Management and maintenance	4,864
1,230	Charges for capital	1,186
-	Rent Constraint Allowance	88
2,208	Major Repairs Allowance	2,190
6	Admissible allowance	3
<hr/>		<hr/>
8,072		8,331
(8,550)	Rent	(9,225)
(4)	Mortgage interest	(3)
<hr/>		<hr/>
(482)		(897)
-	Adjustment re previous year	(35)
<hr/>		<hr/>
<u>(482)</u>	Housing Subsidy due/(repayable) for year	<u>(932)</u>

### 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 2006/07 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 shown above but also add back the HRA's share of the Council's total pension payments to the pension fund in 2006/07 which totalled £302,000.

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

The rent arrears at 31 March 2007 were £288,035 (2005/06 - £305,684), which equates to 2.96% (2005/06 – 3.26%) 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 2007 is £93,792 after the following movements on the account during 2006/07:

2005/06		2006/07
£000		£000
96	Balance as at 1 April	98
48	Provision for year	57
(46)	Arrears written off	(61)
<hr/>		<hr/>
<u>98</u>	Balance as at 31 March	<u>94</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.

**14 Gains or Losses on the Sale of Fixed Assets**

In some circumstances a gain or loss may arise when an HRA asset is disposed of such as the sale of an asset for an amount that is lower than its current value. However most HRA asset sales will not result in this situation as each asset will be revalued to its market value when disposal takes place which gives the best indication of current value. However 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 2006/07 the net loss in the HRA Income and expenditure account is made up of £30,609 (£6,400 gain in 2005/06) for administration costs, £34,261 (nil in 2005/06) from the transfer of garages and £571,778 (nil in 2005/06) from the reclassification to operating leases of 17 properties leased from a Registered Social Landlord which were partly offset by income of £59,217 (£45,683 for 2005/06) from repaid discounts from previous years asset sales. Further details are shown in note 3 and 4 to the Core Financial Statements on page 28.

**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.

## Supplementary Financial Statements

2005/06 £000		2006/07 £000
	<b>Items included in the HRA Income and Expenditure Account but Excluded from the Movement on HRA Balances for the year</b>	
(48)	Difference between items of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	(66)
52	Gain or Loss on sale of fixed assets	(578)
(218)	Net charges made for retirement benefits in accordance with FRS17	(211)
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balances for the year</b>	
89	Other items required by statute and non-statutory proper practices to be taken into account in determining the movement on the Housing Revenue Account Balance	-
(580)	Transfer to/from Major Repairs Reserve	(1,087)
(156)	Transfers to/from Housing Repairs Account	130
313	Employers Contributions Payable to the pension fund	302
<b>(548)</b>	<b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>	<b>(1,510)</b>

### 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 Tenant 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.

## COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

2005/06		2006/07		Note
£000		£000	£000	Ref
<b>INCOME</b>				
51,958	Income from Council Tax		54,656	1
10,494	Transfers from the General Fund: Council Tax Benefits		11,186	
<u>62,452</u>			<u>65,842</u>	
20,664	Income Collectable from Business Ratepayers:		22,159	2
<u>83,116</u>			<u>88,001</u>	
<b>EXPENDITURE</b>				
Precepts:				
7,287	Tendring District Council		7,795	3
45,537	Essex County Council		47,953	
2,836	Essex Fire Authority		2,907	
5,198	Essex Police Authority		5,541	
Use of Council Tax balance:				
120	Tendring District Council		130	4
756	Essex County Council		812	
48	Essex Fire Authority		51	
84	Essex Police Authority		93	
<u>61,866</u>			<u>65,282</u>	
Council Tax Bad and Doubtful Debts:				
441	Amounts written off	308		
(27)	Increase/(Reduction) in Provision for Doubtful Debt	46	354	
		<u>354</u>		
Business Rate:				
20,368	Contribution to the Central Government pool	21,860		2
296	Cost of Collection allowance	299	22,159	
<u>82,944</u>			<u>87,795</u>	
172	Net Surplus/(Deficit) for the year		206	
993	Balance as at 1 April		1,165	
<u>1,165</u>	<b>Balance as at 31 March</b>		<u>1,371</u>	4

## Supplementary Financial Statements

### 1 Council Tax

The average Council Tax levy for 2006/07 was £1,285.71 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 2006/07

2005/06	Band	Valuation	Pro-portion	Full Charge	Discount 25%	Discount 50%	2nd Homes	Empty Properties	Exempt	Total
8	*A	Up to £40,000	5/9	6	2	-	-	-	-	8
12,011	A	Up to £40,000	6/9	3,942	6,185	8	823	348	615	11,921
16,673	B	£40,001 to £52,000	7/9	9,286	6,473	22	345	234	398	16,758
19,968	C	£52,001 to £68,000	8/9	12,565	6,406	38	383	226	419	20,037
9,677	D	£68,001 to £88,000	9/9	6,916	2,338	34	205	92	218	9,803
4,442	E	£88,001 to £120,000	11/9	3,468	765	33	80	57	78	4,481
1,538	F	£120,001 to £160,000	13/9	1,183	268	25	32	18	22	1,548
771	G	£160,001 to £320,000	15/9	565	109	42	32	13	9	770
58	H	Over £320,000	18/9	40	3	8	2	1	1	55
<u>65,146</u>				<u>37,971</u>	<u>22,549</u>	<u>210</u>	<u>1,902</u>	<u>989</u>	<u>1,760</u>	<u>65,381</u>
51,117		Number of equivalent full charge Band D dwellings (unscaled tax base)								51,211
(1,498)		Less Provision for changes in valuation list, discounts and doubtful debts								(1,280)
<u>49,619</u>		Tax base for tax setting purposes								<u>49,931</u>

\* Band A – entitled to Disabled Relief

#### Analysis of the Council Tax

##### Council Tax for a Band D Dwelling

2005/06 Average £		2006/07 Average £
	Tendring District Council:	
116.75	General Expenses	122.15
9.18	Special Expenses	9.96
20.93	Town and Parish Councils	24.01
917.73	Essex County Council	960.39
57.15	Essex Fire Authority	58.23
104.76	Essex Police Authority	110.97
<u>1,226.50</u>		<u>1,285.71</u>

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 17 February 2006 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 23.

2005/06		2006/07
41.5p	Non-Domestic Rate per £ of Rateable Value	42.6p
£000		£000
63,200	Rateable Value on 31 March	63,702
<hr/>		
26,074	Gross rate income	27,034
(5,284)	Allowances and other adjustments	(4,770)
(101)	Amounts written off	(121)
(9)	Interest on refunds of overpayments	(35)
(16)	Changes in provision for doubtful debt	51
<hr/>		
20,664		22,159
(296)	Cost of Collection allowance	(299)
<hr/>		
20,368	Contribution to the NNDR pool	21,860
<hr/> <hr/>		

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

### 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 in 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.

### **Supplementary Financial Statements**

Therefore the surplus of £1.371 million at 31 March 2007 together with balances paid over to precepting authorities in 2007/08, will form part of the assessment made in January 2008.

The balance of £1.371 million is made up as follows:

	2005/06	Net Movement in Year	2006/07
	£000	£000	£000
Essex County Council	871	153	1,024
Essex Fire Authority	54	8	62
Essex Police Authority	100	18	118
	<hr/>	<hr/>	<hr/>
	1,025	179	1,204
Tendring District Council	140	27	167
	<hr/>	<hr/>	<hr/>
	1,165	206	1,371
	<hr/>	<hr/>	<hr/>

The balance relating to Tendring District Council is shown in the Balance Sheet under the heading 'Collection Fund Balance' the remaining balance of £1.204 million is included under 'Creditors'.

## TENDRING DISTRICT COUNCIL

### MEMBERS' ALLOWANCES

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 2006/07.

		Basic Allowance	Special Responsibility Allowance	Childcare Allowance	Total
		£	£	£	£
D	Aldis	4,643.50	2,836.00	16.50	7,496.00
K	Aldis	4,643.50	2,836.00		7,479.50
E T	Allen	4,643.50	18,575.00		23,218.50
C J	Baker	4,643.50			4,643.50
P	Beadles	4,643.50			4,643.50
A	Bevan	4,643.50	10,912.00		15,555.50
B M	Bevan	4,643.50			4,643.50
W	Bleakley (Died 20.03.07)	4,643.50	10,912.00		15,555.50
M	Bragg	4,643.50			4,643.50
P E	Brand	4,643.50			4,643.50
R J	Bucke	4,643.50	3,622.50		8,266.00
R H	Caddick	4,643.50	10,912.00		15,555.50
S	Candy	4,643.50			4,643.50
M	Cossens	4,643.50	6,315.50		10,959.00
J	Cripps	4,643.50			4,643.50
M A	De Roy	4,643.50			4,643.50
P G	De-Vaux Balbirnie	4,643.50	3,714.50		8,358.00
M	Dew	4,643.50	1,581.00		6,224.50
I R	Dimmock	4,643.50	1,811.00		6,454.50
D J	Dixon	4,643.50	2,042.00		6,685.50
L J	Double	4,643.50	4,994.00		9,637.50
G	Downing	4,643.50	2,836.00		7,479.50
W G	Elmer	4,643.50			4,643.50
C	Griffiths	4,643.50			4,643.50
R	Heaney	4,643.50			4,643.50
S	Henderson	4,643.50	1,816.00		6,459.50
M	Holden	4,643.50			4,643.50
P	Honeywood	4,643.50			4,643.50
C	Jessop	4,643.50	1,530.00		6,173.50
I R	Johnson	4,643.50	10,912.00		15,555.50
J	Kelly	4,643.50	2,836.00		7,479.50
J	King	4,643.50	2,836.00		7,479.50
B	Leatherdale	4,643.50	2,836.00		7,479.50
D	Lines	4,643.50	2,695.75		7,339.25
H	Markham-Lee	4,643.50	2,836.00		7,479.50
M	Morley-Souter	4,643.50			4,643.50
A	Oxley	4,643.50	2,836.00		7,479.50
P J	Oxley	4,643.50	10,912.00		15,555.50
M	Page	4,643.50	10,912.00		15,555.50
P	Patrick	4,643.50	10,912.00		15,555.50
L	Payne	4,643.50			4,643.50
A-J	Peters	4,643.50	1,092.77		5,736.27

### **Other Financial Information**

	Basic Allowance	Special Responsibility Allowance	Childcare Allowance	Total
	£	£	£	£
G Potter	4,643.50	4,580.08		9,223.58
J A Powell	4,643.50	6,056.00		10,699.50
J Ruffell	4,643.50			4,643.50
D Rutson	4,643.50			4,643.50
C Sambridge	4,643.50	1,743.23		6,386.73
K Sargeant	4,643.50			4,643.50
A R Sargent	4,643.50			4,643.50
G Scott	4,643.50			4,643.50
H Shearing	4,643.50	10,912.00		15,555.50
S Shearing	4,643.50			4,643.50
R G Smith	4,643.50			4,643.50
N Stock	4,643.50			4,643.50
M J Talbot	4,643.50	10,912.00		15,555.50
R J Taylor	4,643.50	3,201.54		7,845.04
B W Thomasson	4,643.50			4,643.50
C A Turner	4,643.50	891.25		5,534.75
N W Turner	4,643.50			4,643.50
J F White	4,643.50	3,621.00		8,264.50
<b>Total Payments for year</b>	<b>278,610.00</b>	<b>190,779.12</b>	<b>16.50</b>	<b>469,405.62</b>

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

Chairman – M Bragg (2005)	£450.00
Vice Chairman – R Taylor (2005)	£160.00
Chairman – R Taylor (2006)	£5,087.50
Vice Chairman – P De-Vaux Balbirnie (2006)	£1,787.50

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

## **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:

Revenue Estimates and Capital Programme 2007/08 – this provides information on the Council's planned expenditure and income for the year.

Best Value Performance Plan – this sets out the Council's Corporate Plan along with the Council's Vision, Mission, Core Values and priorities. It also reports on the Best Value Performance Indicators. These are a variety of standard indicators that measure both financial and non-financial performance. These are audited and published by the Audit Commission. The Council also includes its own indicators.

The above 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 languages or 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 but for which an invoice will not be received and paid until after 31st March.

### **Asset**

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

### **Balance Sheet**

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

### **Capital Charge**

A charge made to service revenue accounts to reflect a notional cost of utilising fixed assets in the provision of services.

### **Capital Expenditure**

This relates to expenditure on the Council's own assets in terms of extending asset life/enhancing an asset and 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**

Some of the cash received from the sale of housing assets is payable to central 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 and outstanding community charge income. 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 eg stocks and debtors.

### **Current Liabilities**

Amounts which will become due for payment immediately or in the short term eg usually in the next 12 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 Charges**

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

### **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 or obsolescence.

## ***Other Financial Information***

### **Fixed Assets**

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

### **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 eg 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 eg 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 council tax directly on the public but have the power to precept Collection 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.

## ***Other Financial Information***

### **Reserves**

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

### **Revenue Account**

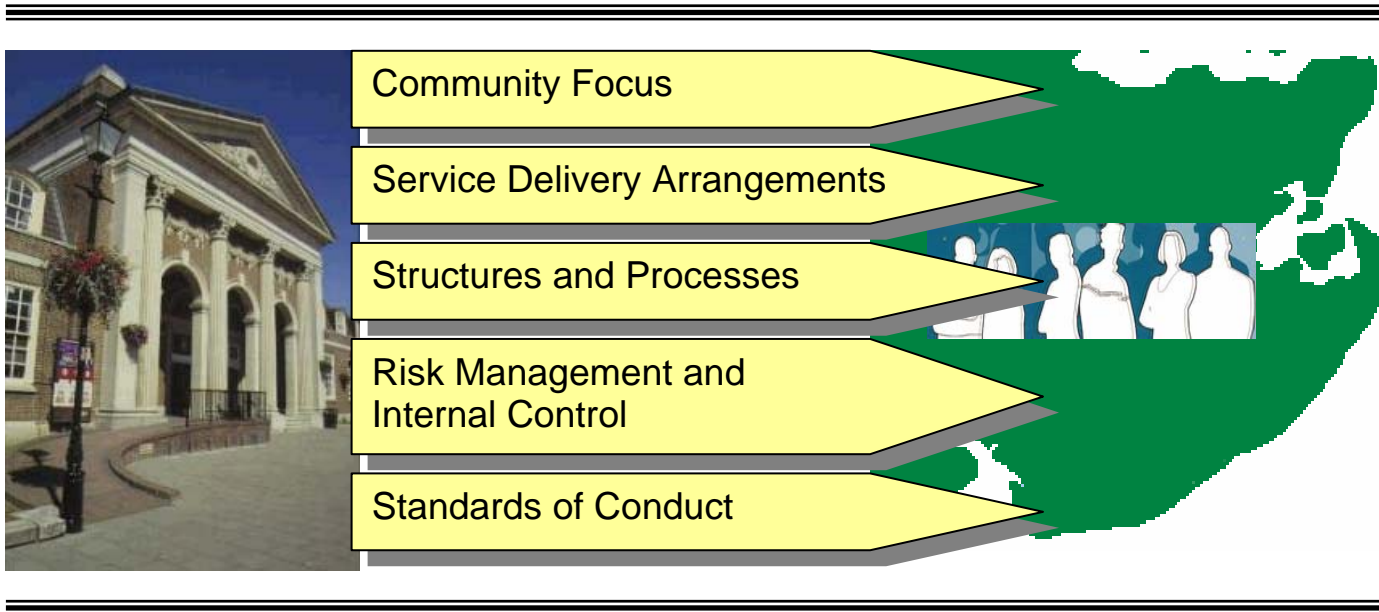
An account which records the Council's day to day expenditure and income on items such as salaries, repairs and maintenance, and other running costs. The different revenue accounts are brought together in the Income and Expenditure Account, which also demonstrates how the annual costs of the Council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

### **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 reported, 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.



~ **A Code of Corporate Governance for Tending** ~  
(Also comprises a Statement on Internal Control for Tending)

**Reviewed  
& Updated  
June 2007**

**Contact for further information and  
LARGE PRINT VERSION  
OF THIS CODE**

If you require a large print version of this Code or if you would like further information or have any comments on anything contained in the Code, please contact Legal Services on

**01255 686562**

or write to us at:-

**Tendring District Council, Westleigh House,  
Carnarvon Road,  
Clacton-on-Sea, Essex CO15 6QF.**

or send us an e-mail at:-

**[legal.admin@tendringdc.gov.uk](mailto:legal.admin@tendringdc.gov.uk)**

**Minicom textphone 01255 475566**

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## *YOUR COUNCIL for OUR COMMUNITY - A Code of Corporate Governance for Tendring*

### What is 'Corporate Governance'?

'Corporate governance' is the term used to describe the systems and processes that Councils have in place for managing both their own internal affairs and relationships with their community.

### What is the purpose of this Code?

Corporate governance is at the heart of the Government's modernising agenda of:

- ◆ Democratic renewal;
- ◆ Community leadership;
- ◆ Engagement of the local community, consultation and partnership working;
- ◆ Outward-looking, accountable and responsive services;
- ◆ Continuous improvement;
- ◆ Performance management; and
- ◆ High standards of conduct and probity.

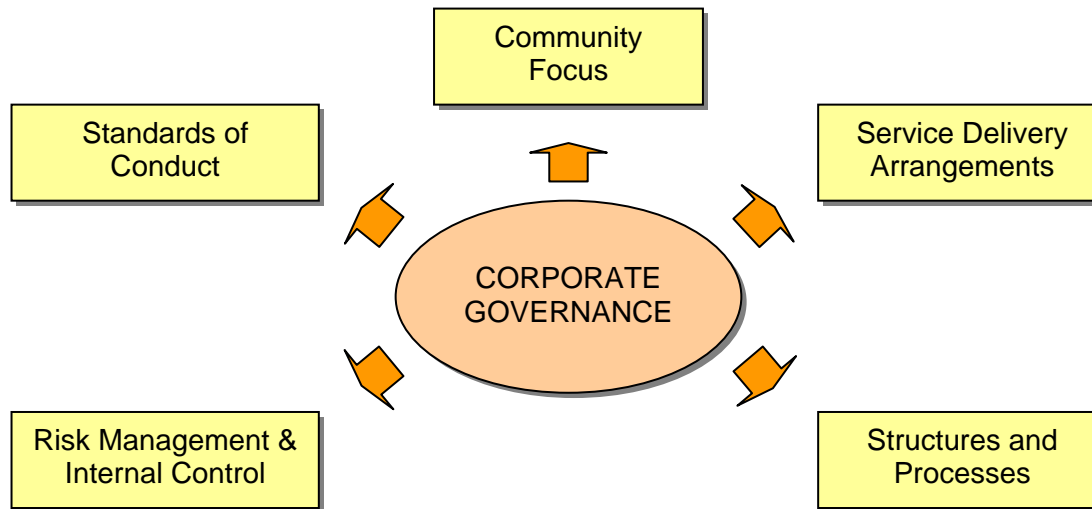
To deliver this agenda, it is therefore essential that local Councils have sound corporate governance arrangements that reflect three fundamental principles of:

- ◆ **Openness** to ensure that stakeholders can have confidence in the decision making and management processes and in the approach of the individuals within them;
- ◆ **Integrity** based upon honesty, selflessness and objectivity and high standards of propriety and probity in the stewardship of public funds and management of the Council's affairs; and
- ◆ **Accountability** where the Council and the Members and officers within them are responsible for their decisions and actions, including their stewardship of public funds and all aspects of performance and submit themselves to appropriate external scrutiny.

This Code of Corporate Governance has been produced to demonstrate Tendring District Council's commitment to managing our affairs and relations with our community in an open, honest and accountable way in all the different dimensions of our business.

## **What's in the Code?**

The contents of the Code follow closely guidance produced jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Society of Local Authority Chief Executives (SOLACE), the Local Government Association (LGA) and the Audit Commission. The guidance identifies five dimensions of a local Council's business that should be covered in a Code:



Tendring's Code sets out for each of these dimensions, the Council's local approach to managing our affairs and relations with our community in a manner that fully reflects the principles of good corporate governance.

## **Who does the Code apply to?**

The Code contains commitments that cover both elected Members of the Council and employees. The Council also undertakes to ensure that for large service contracts (subject to the EU Procurement Directive) the contract documentation for work done by contractors / agents covers relevant items from the Code of Corporate Governance to ensure that they operate to the same standards as in-house bodies.

## **How is the Council's compliance with the Code monitored and how is the Code kept up to date?**

Every year the Council reviews this Code to assess how we are complying with the commitments contained in it and to ensure that the Code remains adequate and effective for delivering good corporate governance. Following each yearly review, the Code is updated to include:-

- Any amendments necessary to ensure the commitments contained in it remain up to date; and
- A '**Corporate Improvement Action Plan**' to address any areas where the reviews have identified scope for future improvement.

In previous years the Improvement Plan has been monitored via the Best Value Performance Plan (BVPP) however the publication of the Local Government White Paper indicates that Councils will not be required to produce these plans in future years. The Council is currently in the process of implementing a new Performance Management system and plans to monitor the CIAP and its other four key improvement plans through these new arrangements. Progress will be reported to the Cabinet and Corporate Management Committee on a quarterly basis.

Where the Code refers to improvements in our governance arrangements that have been implemented in fulfilment of a commitment in last year's Corporate Improvement Action Plan, they are highlighted with the **red tick symbol**.

After the updated Code has been approved by the Council each year, the Executive Leader and the Chief Executive sign a '**Statement of Assurance**' that the Council's corporate governance arrangements set out in the Code including the commitments contained in the Corporate Improvement Action Plan are adequate and, where those arrangements are already in place, that they are operating effectively in practice.

The current Corporate Improvement Action Plan and Statement of Assurance are included at the end of this Code.

### **What is the relationship between this Code and the 'Statement on Internal Control' that Council's produce?**

Councils have to review at least once a year the effectiveness of their systems of internal control and publish a 'Statement on Internal Control' (SIC) setting out their arrangements and any improvements that they think are required to their arrangements. Each Statement should be signed by the Executive Leader and the Chief Executive, having been approved by elected Members. At Tendring, we already do this as a matter of good practice as part of our annual review of all our governance arrangements set out in this Code. To avoid duplication, our approach at Tendring is to integrate the two reviews as set out in more detail in this Code under "Risk Management and Internal Control" so that **this Code of Corporate Governance also forms our Statement on Internal Control for the purposes of Regulation 4 of the Accounts and Audit Regulations 2003.**

## 1. A clear vision for the community

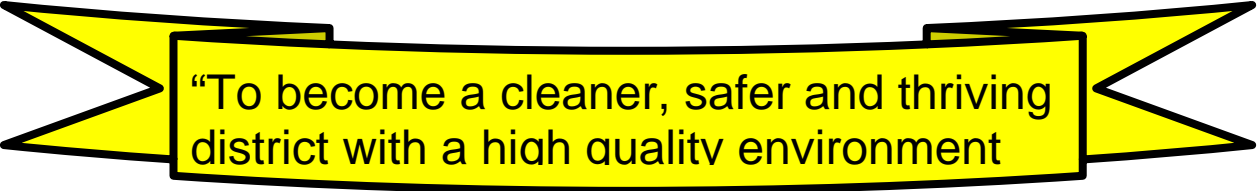
Tendring District Council is committed to developing partnerships with its local community to drive quality of life improvement for local people. To this end the Council has, through the Local Strategic Partnership (LSP) comprising key public and other agencies in the district, produced a community strategy for Tendring. The “Local Connections – Tendring Community Strategy” sets out a clear vision for how the social, economic and physical well-being of local residents will be improved by 2011. Specifically, the Council will work together with its partners to:-

- Provide secure employment by being able to compete in a global economy;
- Make the district a safe, healthy and exciting place to live;
- Reduce the inequalities between different population groups and geographical areas;
- Secure decent, affordable housing for all;
- Preserve and enhance the best features of the district which make it attractive;
- Enable our residents to cope with change and reach their true potential;
- Create stronger, confident communities able to help themselves; and
- Provide first class, easily accessible public services.

*The Tendring Community Strategy has been a key driver in shaping the Council's Corporate Strategy for 2004-11, which sets out our vision for the district and the Council's priorities:-*

The Council's Corporate Strategy will be reviewed in the Autumn of 2007 to reflect the priorities of the new Sustainable Community Strategy, the priorities of newly elected Council and the findings of the 2006 Tendring Residents' Survey.

### Our Vision



“To become a cleaner, safer and thriving district with a high quality environment

# Our Priorities

<p><b>Main Priority</b></p> <p><b>A strong local economy</b></p>	<ul style="list-style-type: none"> <li>• Ensuring that sufficient land is available in the right places through the District Local Plan</li> <li>• Creating jobs</li> <li>• Exploiting development opportunities through planning decisions</li> <li>• Increasing inward investment</li> <li>• Regenerating the rural economy through appropriate diversification and improved access</li> </ul>
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Focussing on the creation of a strong local economy will make it easier for the Council to achieve our other priorities which are:-

<p><b>A cleaner district</b></p>	<ul style="list-style-type: none"> <li>• Improving customer satisfaction</li> <li>• Improving cleanliness as measured by the Audit Commission's cleanliness indicator</li> <li>• Increasing recycling</li> <li>• Reducing the impact of fly-tipping and abandoned vehicles</li> </ul>	<p><b>Better public space</b></p>	<ul style="list-style-type: none"> <li>• Enhancing our town centres &amp; conservation areas</li> <li>• Providing attractive seafronts and good quality leisure facilities</li> <li>• Maintaining the green environment</li> <li>• Improving local transport links</li> </ul>
<p><b>A safer community</b></p>	<ul style="list-style-type: none"> <li>• Reducing fear of crime and crime levels in the district through the use of CCTV and other crime reduction initiatives</li> <li>• Being well prepared for civil emergencies</li> </ul>	<p><b>A willing partner and community leader</b></p>	<ul style="list-style-type: none"> <li>• Being an effective leader of the LSP</li> <li>• Leading by example</li> <li>• Listening to the community</li> <li>• Addressing the needs of young and old</li> <li>• Encouraging responsible citizenship</li> </ul>
<p><b>Affordable and decent housing</b></p>	<ul style="list-style-type: none"> <li>• Working for a supply of decent affordable homes in towns and villages</li> <li>• Improving the quality of housing in the district</li> <li>• Providing support and advice to those who are homeless</li> <li>• Providing an efficient benefits system</li> </ul>	<p><b>Earning a positive public image</b></p>	<ul style="list-style-type: none"> <li>• Providing greater choice of contact (e.g. phones, face-to-face and internet)</li> <li>• Making our buildings more accessible</li> <li>• Putting the customer first</li> </ul>

In March of this year following a review of its organisation and operations the LSP was re-launched with a new streamlined Executive Board. As one of its first tasks the Board is publishing for consultation purposes a revised draft Sustainable Community Strategy looking ahead to 2016.

The Council's Corporate Plan will need to be reviewed once the Strategy has been finalised.

**2. Clear channels of communication with all sections of the community and proper arrangements for the community to engage with, contribute to and participate in the work of the Council**

Tendring District Council recognises that effective two-way communication with its community is essential for conveying its vision and encouraging active participation in its delivery.

In 2006/7 the Council established a Strategic Communications Group, chaired by the Head of Corporate Performance and including the Corporate Governance and Resources Portfolio Holder and the officers responsible for the Council Website, the Intranet, Public Relations and the Communications Group. The aim of this group is to provide a strategic lead on Communications issues so that a consistent approach is adopted through each of the areas of communications activity.

The Council is committed to a wide range of methods of exchanging information with its stakeholders and local community set out in the Council's External Communication Strategy

In particular, the Council will:-

- Produce and make available a Council newspaper, "Tendring Matters", at least twice a year containing information on events, Council services, policy decisions, features and reader questionnaires;
- Regularly consult with our residents to gain their views of the Council's policies and services;
- Organise an Annual Stakeholders and Community Conference on behalf of the LSP;
- Keep an annual dialogue with a wide cross section of the community on the Council's budget proposals;
- Carry out regular Customer Satisfaction Surveys on Council services;
- Consult on how our services can be enhanced through the best value review process;
- Obtain the views of the Tendring Youth Assembly comprising over 30 pupils drawn from senior schools in the district to consider the Council's involvement in issues of concern to young people locally;
- Obtain the views of the Tendring Older Persons' Forum on the needs of older people in the district;
- Hold a Landlords' Forum to consider and address various housing issues;
- Hold regular meetings with the Council's Disability Equality Panel to assist the Authority in meeting the needs of those with a disability when providing services;
- Have regard to the views of our tenants and leaseholders on the housing matters that concern them.;
- Obtain the views of visitors to our district on their experience of quality of life in Tendring;
- 'Work between the tiers' through formal consultation arrangements with Essex County Council and with the Town and Parish Councils;

- Maintain and develop the Tendring District Council Website to provide information on and access to all Council services;
- Provide information to the local media on the Council's activities of interest to the local community; and
- Produce a range of published documents on Council policy and performance identified in this Code including the Corporate Strategy and the 2007/08 Best Value Performance Plan.

Following on from the adoption of the Internal Communications Strategy for the Council in February 2004, the officer Communications Panel is chaired by the Senior Performance Improvement Manager. The Panel has produced an External Communication Strategy with particular emphasis on e-government arrangements, "hard to reach" groups and consultation and reviews the improvement action plan on an annual basis.

The Council re-launched its website in October 2005 and has an ongoing programme of development for the site. The website has been formally awarded content plus status and is progressing towards transactional status.

To maximise the effectiveness of all our dealings with our customers, the Council has adopted a set of Corporate Customer Service Standards, (set out below). The Council will ensure that we review and monitor these customer service standards through the use of 'customer reality checks' as shown later in this document. We also welcome feedback about the service standards and whether we are meeting them.

As a customer of Tendring District Council, you can expect us to:

- ✓ Give you comprehensive, accurate and timely information that is clear and easy to understand.
- ✓ Be punctual, polite and helpful and respond effectively and sensitively to your needs.
- ✓ Keep you informed on the progress of your enquiry.
- ✓ Help you to find the Council service that can help you.
- ✓ Have published policies and standards and be accountable and open about how well we perform against these policies and standards.
- ✓ Listen to your comments, respond to your complaints and learn from them.
- ✓ Answer your telephone call in a polite manner within 6 rings (20 seconds).
- ✓ Return your call (or answer phone message) by the following day.
- ✓ Respond to your letter using plain language within 10 working days.
- ✓ Respond to your email using plain language within 5 working days.
- ✓ Provide opportunities for you to become more involved in the planning, delivery and monitoring of our services.
- ✓ Be responsive to the special needs of any of our customers.

#### What we expect from our customers:

- √ Please treat our staff and premises with respect and consideration.
- √ Please inform us in advance if you wish to have a private discussion.
- √ Please accept it is not always possible to be seen without appointment.

### **Tendring District Council's Corporate Customer Service Standards**

Tendring District Council is committed to partnership working and a robust strategic partnership framework. Through the Local Strategic Partnership and other partnerships, the Council will share information at all levels to stimulate innovation and improve the quality of decision making by provoking new ways of thinking and supporting best practice. A 'directory' of all these key partnerships is contained in the Council's Best Value Performance Plan outlining the purpose/coverage of each and the lead officers.

#### **3. A commitment to openness**

To deliver more effective Community Leadership, from October 2001 Tendring District Council has moved to operating executive political management arrangements. A founding principle in drawing up and in keeping up to date those arrangements has been to ensure that the Council has an open and positive attitude to our community in everything we do.

To ensure that the Council operates in an open way we will:-

- make publicly available a written Constitution setting out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people;
- publish in a "Forward Plan" all key decisions likely to be taken by the Leader, the Cabinet or a portfolio holder in the following four months;
- make publicly available all reports (unless they contain exempt or confidential information) relating to decisions by the Cabinet or key decisions by the Leader or a portfolio holder, together with a list of their background papers, as soon as they are made available to the decision maker and except in cases of urgency at least five working days before the decision is taken;
- hold all meetings of the full Council, Cabinet and committees in public unless confidential or exempt information is being considered;
- publish in a "Decisions' List" a record of all executive decisions taken in the previous week by Members and key decisions by officers including when the decision was taken, who was responsible for it, what the reasons for taking it were and any alternative options considered.

- Make publicly available all reports (unless they contain exempt or confidential information) relating to any decisions made by Members, together with a list of their background papers, after the decisions have been made.
- Publish the Council's priorities and the actions, performance indicators and targets aligned with each of these priorities for the coming year;
- Publish a review of our performance against the previous years actions, performance indicators and targets, (see also '4' below); and
- Publish statements of the Council's financial position, (see also '4' below).

**4. Published objective, balanced and understandable accounts of the Councils activities, achievements and financial position and assessments of the Council's performance in service delivery and plans to maintain and improve service quality**

The Council is committed to ensuring that we are explicitly accountable to our stakeholders for our performance and our effectiveness in the delivery of our services and the sustainable use of our resources. As part of this commitment, the Council will:-

- Publish a Statement of Accounts for the preceding financial year that has been audited by the District Auditor;
- Publish as part of this Code, a Statement on Internal Control reviewing our arrangements for internal control;
- Publish the Council's Budget Proposals for the current financial year and the Financial Strategy used to draw up those proposals;
- Provide through our Constitution that the Leader will, at the last ordinary meeting of the full Council before the Annual Council each year, make a statement on the State of the Tendring District and copies of that statement shall be made publicly available;
- Publish and make available a Council newspaper, "Tendring Matters", at least twice a year containing information on the Council's activities and achievements;
- Publish a Best Value Performance Plan for 2007/08 which:-
  - Includes the Council's Corporate Strategy that sets out our vision for the district and the Council's priorities, together with our plans for developing the organisation;
  - Provides details of past performance and future targets for each service in relation to their performance Indicators
  - Provides a directory of our key partnerships
- Publish performance information quarterly in the local press reviewing our performance against our performance indicator targets and objectives including a 'year-end' review of our performance;
- Provide and make publicly available quarterly reports to the Cabinet and the Council's Overview and Scrutiny Committees on current performance against our published performance indicators and targets for the current year.

**1 Standards and targets for performance in the delivery of services on a sustainable basis and with reference to equality policies**

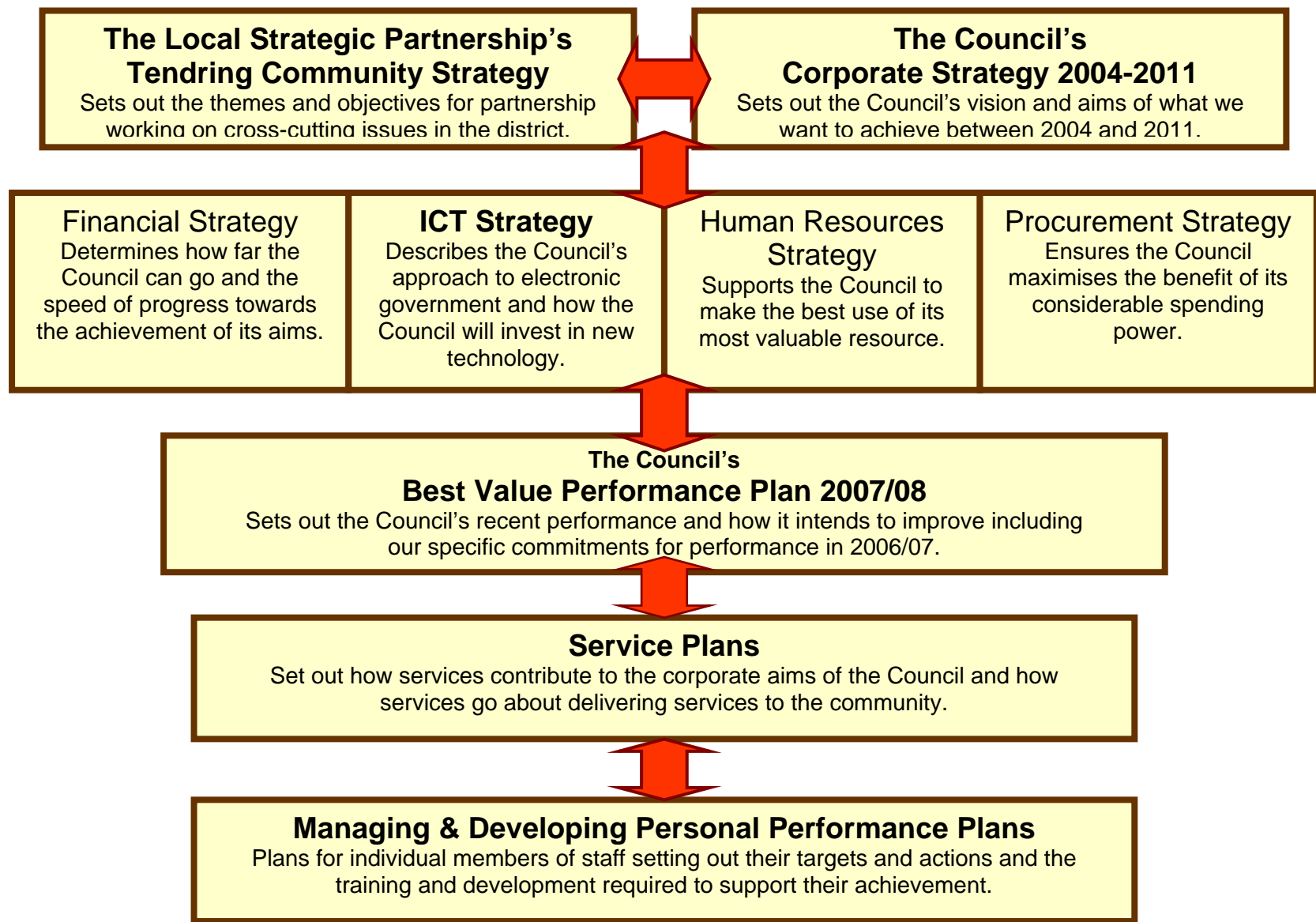
The Council is a multi-function organisation which seeks to achieve a wide range of things at the same time. It serves a variety of customer groups – sometimes with conflicting demands or needs. It has to strike a balance between local needs and national requirements and seeks to make and implement its decisions both efficiently and democratically. The Council's Financial Strategy determines how far the Council can go and the speed of progress towards the achievement of its priorities.

From 2005 onwards the Council has been required to identify significant efficiency savings on an annual basis. These objectives are frequently in conflict with each other, and the resources available will never be sufficient to do everything the Council wants to do. It is therefore vital for the Council to prioritise its use of resources.

We are also committed to making an effective response to the equality and diversity agenda. The Council aspires to deliver high quality services to everyone within the District area by ensuring that we achieve equality for employment and service delivery and have arrangements in place for monitoring, consulting, publishing, training and providing access for the public to information and services.

The Council has a legal duty to carry out certain functions and these remain its primary responsibilities. The Council's aims will determine the extent to which these "statutory" services will be provided, as well as the provision of "discretionary" services over which the Council has a choice.

Complementing this approach, the Council's Best Value Performance Plan (see previous section) and Corporate Planning and Performance Management Framework have both been significantly sharpened to reflect political choices and focus on key objectives, targets and priorities. The robust new framework provides a sustainable relationship between our aspirations for the district set out in the Community Strategy and our Corporate Strategy through the Best Value Performance Plan and service plans down to individual staff activity. The framework also enables us to be responsive to initiatives from Central Government and to work well with our partners.



Tendring District Council's 'Planning and Performance Management Framework'

A pivotal element of this framework is the setting of standards and targets for the performance of services. The Council has therefore been reviewing and enhancing its approach to Service Plans. Service Plans translate the Council's overall policies and objectives into targets for service delivery over the year. They set out what the service intends to achieve, how, when and by whom and also details of how progress will be monitored.

The Council is also committed to adhering to the principles of equality and diversity set out in our Community Strategy and our Equality and Diversity Strategies in setting standards and targets for service delivery. The Council has achieved practical compliance with Level Two of the 'Equality Standards for Local Government' and work is progressing aimed at achieving Level Three by March 2009.



The Council also recognises that to ensure that equality policies are fully embedded in all areas of our service delivery, it is essential that our staff are properly trained in equality and diversity issues. A significant programme of training has been delivered involving both internal and external trainers. This programme will be continued in 2007/08.

## **2 Sound systems for providing management information for performance management purposes**

The Council recognises the importance of accurate, comprehensive and timely performance information to enable any need for action to improve performance to be identified and to inform future planning. With this in mind, the Council has recently implemented new Performance Management arrangements including a new and improved database which allows us to monitor progress against service and corporate action plans as well as both National and Local Performance Indicators and provide a wealth of performance information to service managers, the Council's Management Board and Members.



The Council has also continued to develop the use of 'Customer Reality Checks' as another important innovation in our management and improvement of performance. These bi-monthly checks are carried out independently, unannounced and where appropriate anonymously and provide valuable information to services from a customers perspective of our key public facing services, including customer access issues and the appearance of Council facilities. These checks have been extended to include reality checks undertaken by the Tendring Youth Assembly as a means of promoting engagement of young people. They have also recently been further extended to include checks undertaken by members of the Customer Focus Group (which includes members of the Tendring Access Group) to ensure that the views of our customers are taken into account.

**3 Monitoring and reporting of performance against agreed standards and targets and comprehensive and understandable performance plans**

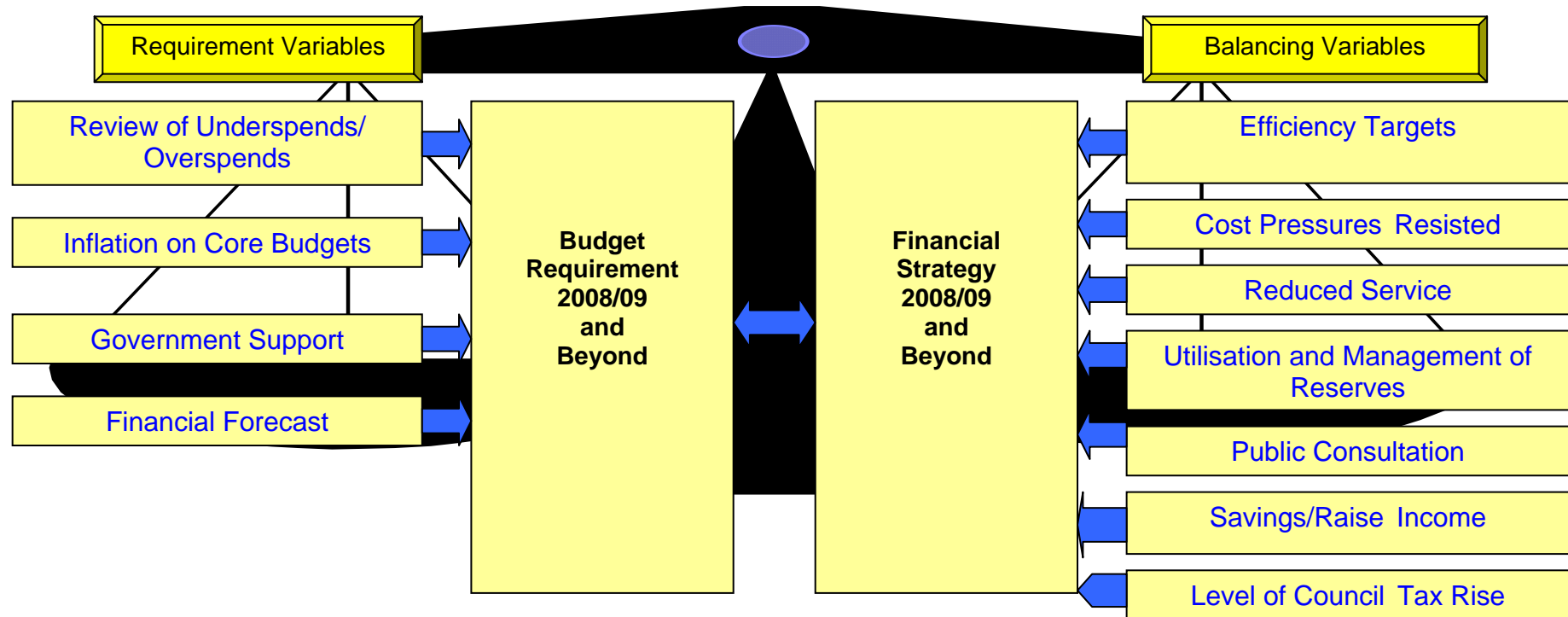
The Council’s Planning and Performance Management Framework will ensure that clear and comprehensive performance plans with robust monitoring mechanisms exist at a number of different but linked levels:-

<b>Level</b>	<b>Planning</b>	<b>Monitoring mechanism</b>
Corporate	The Council's Best Value Performance Plan:- Chapter Two: "The Corporate Strategy"; Chapter Three: "Details of Performance and Future Targets". Chapter Four: "Key partnerships and Strategies".	The Performance Management System
Functional & Cross-Cutting	Various strategies such as the District Local Plan, the Housing Strategy and the Corporate Community Safety Strategy.	The Performance Management System monitor actions / targets for both National and Local PIs.
Service	Service Plans	The Performance Management System
Individual	The Managing Development and Personal Performance scheme.	Review meetings and day-to-day management.

The Performance Management Database enables a wide variety of reports to be generated to give both officers and Members timely information from a number of different perspectives on how the Council is performing. We will ensure that these regular reporting arrangements continue to provide service managers, Management Board, members of the Cabinet and the overview and scrutiny committees with accurate, current and comprehensive information on performance. A range of reporting options are utilised including exceptions by service, by indicator type and by cross-cutting theme.

**4 Allocation of resources according to priorities**

The Council has significantly strengthened the links between our financial planning process and our Planning and Performance Management Framework and the time horizons over which both operate. The Council now has a four-year Financial Strategy based on a comprehensive five-year forecast. In developing the Financial Strategy for 2008/09 and beyond, the Council has refined the forecasting process to look in greater detail at the different variables that impact on our budgetary requirements. The key variables that come together to form Tendring’s budgetary environment are set out below. The forecasting includes an improved risk-assessed analysis of a variety of cost pressures including those with a statutory and operational origin along with substantial bids for service improvements. These are prioritised and funded having regard to the Council’s priorities in our new seven-year Corporate Strategy. The Financial and Corporate Strategies replace the previous one-year Budget Strategy and Corporate Plan and now enable the Council to plan our allocation of resources to our priorities over the medium to long term.



### Key Variables in Tendring's Budgetary Environment

The Council also reviews the allocation of staffing resources through the work of the Workforce Planning Team which reviews vacant posts with a view to reducing staff costs where possible through not filling posts and releasing resources to be deployed against other priority areas.

5 **Effective relationships and partnerships with other public sector agencies and the private and voluntary sectors and the consideration of outsourcing where it is efficient and effective to do so, to deliver services to meet the needs of our community**

As set out above in our arrangements for ensuring we retain a “Community Focus”, the Council is involved in a large number of partnerships including of particular note the Tendring Local Strategic Partnership which is the recognised “partnership of partnerships” in the district, and the sub-regional Haven Gateway Partnership. Both these partnerships contribute significantly to helping achieve our objectives. These partnerships are instrumental in delivering externally funded programmes and co-ordinating partner agency contributions.

Safer and Stronger community funding from the government over four years is being used to improve parts of Jaywick and central Clacton, the project being managed by a multi-agency Interaction Board which includes local residents' representative.

In relation to outsourcing, one of the key elements to our approach to achieving improvement despite financial constraint is the use of the marketplace. The Council's Procurement Strategy also sets out as one of its strategic aims, to identify and promote the benefits of strategic procurement. Tendring District Council is also a full Member of the Procurement Agency for Essex, (PAE). The PAE is a collaboration of 13 of the local authorities in Essex including the County Council together with the police intended to improve the performance of procurement by its members, facilitating high value contracting to deliver savings and improve services. Supporting the larger procurement picture, the Council has introduced the electronic purchasing of commonly used consumables via the Improvement and Development Agency for Local Government's 'Marketplace' system.

We have a number of good examples of marketplace utilisation that are working well, including entering into a seven-year contract with Liberata Plc, one of the UK's leading providers of outsourced business processes, to deliver our ICT services.

The Council is committed to continue to seek potential benefits from market testing across all services and a range of potential partnership arrangements where there is evidence that it can lead to improved and / or efficient use of resources.

Some examples of this include:

- Essex On-line partnership to deliver E-government targets
- Essex Public Consultation Framework
- Essex Procurement Agency
- Essex Interpretation and Translation Framework

One such initiative is the Council is currently investigating how we might develop joint working with the County Council and other councils in Essex to help deliver our recycling targets and reduce the amount of household waste that is currently disposed of to landfill. The Council will continue to ensure that where services have been outsourced, they continue to meet the needs of our community through the effective two-way communication described in this code as well as physical inspection through our targeted programme of contract monitoring and Customer Reality Checks.

6. **Positively responding to the findings and recommendations of external auditors and statutory inspectors and putting in place arrangements for the effective implementation of agreed actions**

The Council and its services are regularly inspected by external auditors and statutory inspectors. In 2004, the inspecting CPA team from the Audit Commission published their report and judgement on Tendring District Council and concluded that:-

***“Tendring District Council is a ‘good’ council with improving services. It is ambitious, and has more recently invested and made robust plans to deliver better services and improve the quality of life for the people of Tendring.”***

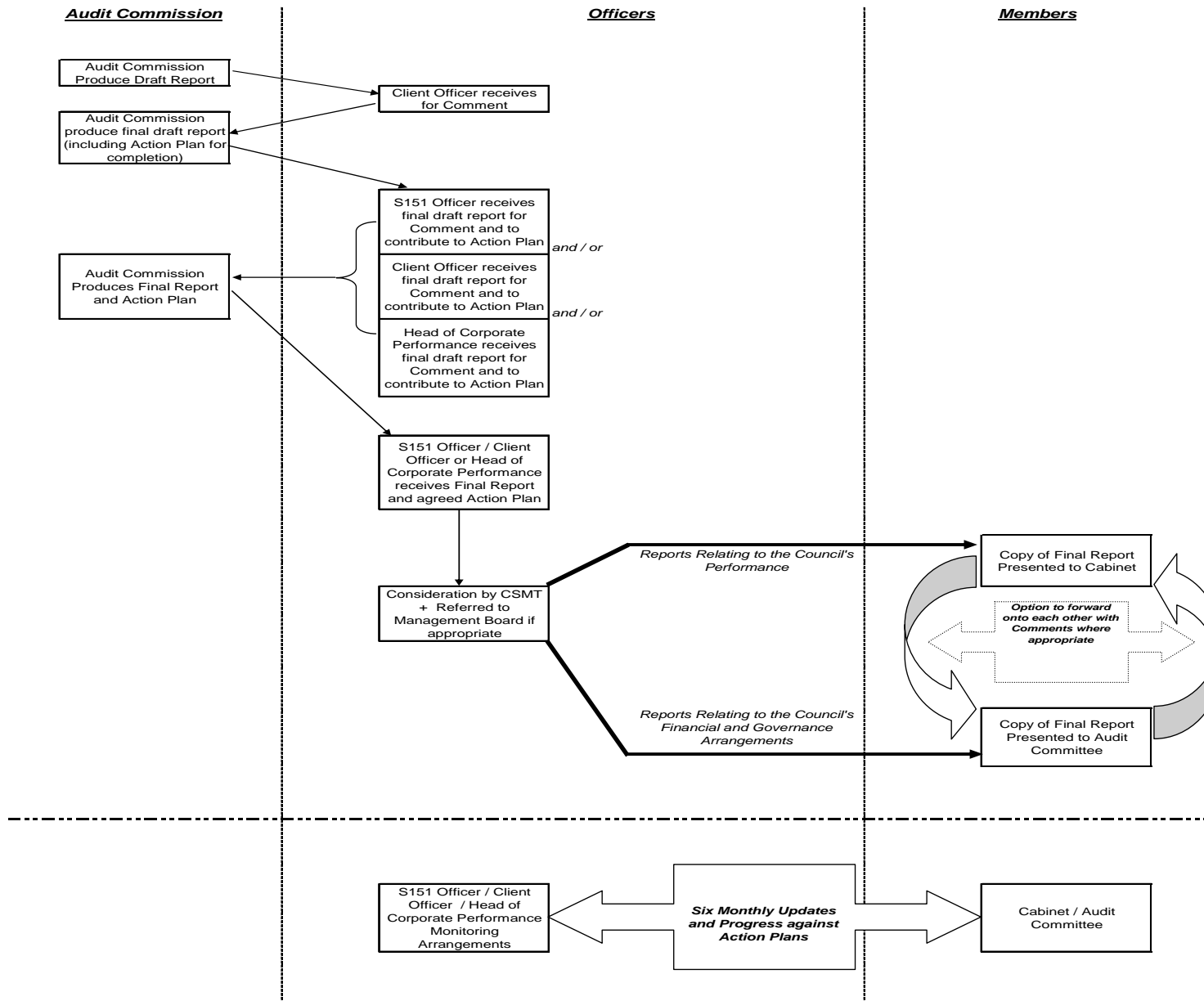
The CPA is an inspection process and only the means to an end to delivering improvements to our community. The Council has worked with the Audit Commission on the development of a ‘CPA Improvement Plan’ focussed on improving local services for local people.

More recently the Council has been re-assessed against the Audit Commission Use of Resources and Value for Money Assessments and has received an overall score of 3 which translates as “consistently above minimum requirements – performing well.”

In 2006 the CPA Improvement Plan was widened to incorporate actions from these assessments. The Council has also worked closely with the Audit Commission to formalise and strengthen the good practice and custom we have built up in receiving and considering the external audit reports and monitoring the implementation of agreed actions. This includes a six-monthly review of all reports that have been received by the Council that have ‘live’ issues. As part of this review process, each responsible head of service will provide a current position statement in respect of the report(s) and associated recommendations / actions that relate to the respective service. A summary of the Council-wide position is then reported to the Audit Committee.

The Planning and Performance Management Framework further ensure the effective implementation of agreed actions.

**Tending District Council's Process for Receiving and Formal Agreement of External Audit reports and Associated Monitoring Arrangements**



**1. Clearly defined roles and responsibilities of the Executive, other Members, Members generally and senior officers**

The full **Council** sets the budget and main policies within which the Cabinet and Committees work and is the main forum for political debate.

The **Executive**, consisting of a Leader and nine Cabinet members or 'portfolio holders', is responsible for the strategic leadership of the Council including proposing the budget and major policies to Council.

The **overview and scrutiny committees** advise on policy formulation and holds the Executive to account in relation to specific matters. They also review areas of the Council's activities that are not the responsibility of the Executive or matters of wider concern.

The other '**regulatory committees**' deal with matters that cannot, by law, be dealt with by the Executive including most licensing matters and development control decisions.

The **Chief Executive** is designated as the head of the Council's paid service for the purposes of Section 4(1) of the Local Government and Housing Act 1989 and has overall corporate management and operational responsibility (including overall management responsibility for officers).

The **Head of Financial Services** is designated as the Council's Chief Financial Officer for the purposes of Section 151 of the Local Government Act 1972 and has responsibility for the financial affairs of the Council including keeping proper financial records and accounts and keeping up to date the Council's day to day financial procedures.

The **Head of Legal Services and Monitoring Officer** is designated as the Council's Monitoring Officer for the purposes of Section 5(1) of the Local Government Act 1989 and has responsibility for reporting to Council, or to the Cabinet in relation to an executive function, if he/she considers that any proposal, decision or omission would give rise to unlawfulness.

The Council's constitution details the responsibilities of the Leader, the Cabinet, individual Portfolio Holders, the committees and senior officers and those matters reserved to full Council

Job descriptions and Contracts of Employment are maintained and kept up to date where possible for all officers setting out, in detail, their roles and responsibilities.

**2. Clear documented protocols governing relationships between Members and Officers**

Members and officers conduct their dealings with one another in accordance with defined standards. This “Protocol on Member / Officer Relations” is agreed by full Council and is open to public inspection as part of the Council’s Constitution.

**3. Clear documented mechanisms for remuneration of Members and Officers linked to roles and responsibilities**

The terms of remuneration for Members are in accordance with a “Members’ Allowance Scheme” setting out the terms dependent on Members’ roles and responsibilities. The scheme is reviewed annually involving the following:-

- (a) Scrutiny by an Independent Remuneration Panel (IRP) of the ongoing and future role and workload of Members and review of the allowances and amount paid to Members;
- (b) Recommendation to the Council of the payments considered by the IRP to be appropriate for the forthcoming year; and
- (c) Approval of the terms of remuneration for Members for the forthcoming year having regard to the recommendation of the IRP.

The recommendations of the IRP and the Members’ Allowance Scheme approved by full Council are advertised in the local press and the Scheme is available for public inspection as part of the Council’s Constitution.

The terms of remuneration of the Management Board and senior posts including Heads of Service are determined both by reference to national agreements on pay and conditions of service and by comparison with public sector pay benchmarking data having due regard to duties and responsibilities of the post.

The terms of remuneration for officers below Head of Service level are in accordance with the Local Government Single Status Job Evaluation Scheme to establish systematically based on roles and responsibilities the relative values of different jobs throughout the Council. The scheme is kept under review by a clear documented “Job Evaluation Maintenance Policy” adopted by the Council.

**4. Formal regular meetings of Members to set the strategic direction of the authority and monitor service delivery**

The Leader has undertaken to normally hold a meeting of his Cabinet every other Wednesday at the Town Hall. All Cabinet meetings are normally held in public unless private or confidential information is being considered.

The Council approves a programme of meetings of the Council and committees for the year. This programme includes at least: six meetings of Council; eight meetings of each of the overview and scrutiny committees; a meeting of the Development Control Committee every three weeks; and five meetings of the Audit Committee and the Appeals Sub-Committee. The Standards Committee, the Regulatory Committee, the Licensing Committee and its Sub-Committees, the Human Resources Committee and the Scrutiny Committee all hold their meetings as their business requires. All meetings are held in public unless a private or confidential information matter is being considered.

**5. Clear documented and readily understandable processes for policy development, implementation and review and the development of the budget**

The Council has approved a clear documented process for developing the budget and major policies including setting out minimum periods for consultation on proposals with the community. These “Budget and Policy Framework Procedure Rules” are open for public inspection as part of the Council’s Constitution. The Council Business Plan that sets out timetables for the development of major policies, including periods of consultation, in accordance with the Budget and Policy Framework Procedure Rules, is updated annually within the Best Value Performance Plan.

The relevant overview and scrutiny committee is consulted on proposals for the budget and major policies, may hold inquiries and investigate the available options for future direction in policy development and may review the effectiveness of existing policies.

**6. Clear documented and readily understandable management processes for making and reviewing decision-making**

The Council ensures that its community is made aware of all major executive decisions likely to be taken in the following four months by publishing a “Forward Plan” on a monthly basis 14 days before the first month to which the Plan applies. The Forward Plan includes for each decision: the decision-maker; when the decision is likely to be taken; the expenditure or saving involved; the wards affected; the supporting documents available; the arrangements for consultation and to whom representations may be sent.

All decisions by the Cabinet are normally taken in public unless confidential or exempt information is being considered.

All executive decisions by Members and officers (except operational officer decisions) are recorded and published every Monday in a “Decisions List”. Each Decisions List includes for each decision taken in the previous week: when it was taken; who was responsible for it; what the reasons for taking it were and any alternative options that were considered.

The overview and scrutiny committees holds the Executive to account by having powers to:-

- Scrutinise decisions which the Executive is planning to take and have their views taken into consideration by the decision-maker;
- Scrutinise executive decisions before they are implemented and be able to refer them back to the decision-maker for reconsideration;
- Scrutinise executive decisions after they have been implemented to measure their effect.

**7. Clear documented and readily understandable management processes for governing the Council's financial affairs**

The Council adheres to formal documented procedures in all its financial dealings. These "Financial Procedure Rules" and "Contract Procedure Rules" have been approved by full Council and are open to public inspection as part of the Council's Constitution. These procedures include detailed documented operational good practice notes.

**8. Arrangements for Members and officers to be properly trained for their roles**

The Council's Corporate Strategy sets out as a priority the need to invest in training and development for staff and Members if we are to develop as an organisation and achieve our aim of becoming a modern, healthy and well-managed organisation.

In recognition that Members must be properly trained so that they are able to fulfil their public service role and to keep Members abreast of developments that may impact on their role and the interests of the community at large, the Cabinet agreed a Councillor Development Strategy in February 2004. Working in partnership with Colchester, Ipswich and St Edmundsbury Borough Councils additional funding has been obtained from Building Capacity East to further support member development.

To ensure that officers are properly trained to support Members in delivering the Council's vision for Tendring, the Council's has agreed a Human Resource Strategy for the Council for 2004 to 2008. This Strategy focuses on improving and maintaining good people management policies and practices across the Council and on developing staff and managers to enable them to deliver the Council's priorities.

The high-level objectives and actions of the Human Resource Strategy are supported by a Workforce Development Plan completed and approved in March 2005. This addresses the Council's business objectives in terms of people resources, encompassing succession-planning, training and development, and vacancy planning. This Workforce Development Plan has been cascaded down through service plans and the Council's 'Managing and Developing Personal Performance' (MDPP) system. Revised guidance for service planning was produced during 2006/07.

The Council's commitment to officers being properly trained for their roles has received independent external recognition as the Corporate Investors in People award has been achieved by the whole Council. The Council was awarded iIP for three years in November 2006.

During 2007/2008 we will also be starting an exciting 2 year Management Development Programme which will focus on providing a consistent approach to people management across the Council, give managers the skills to manage change and people more effectively.

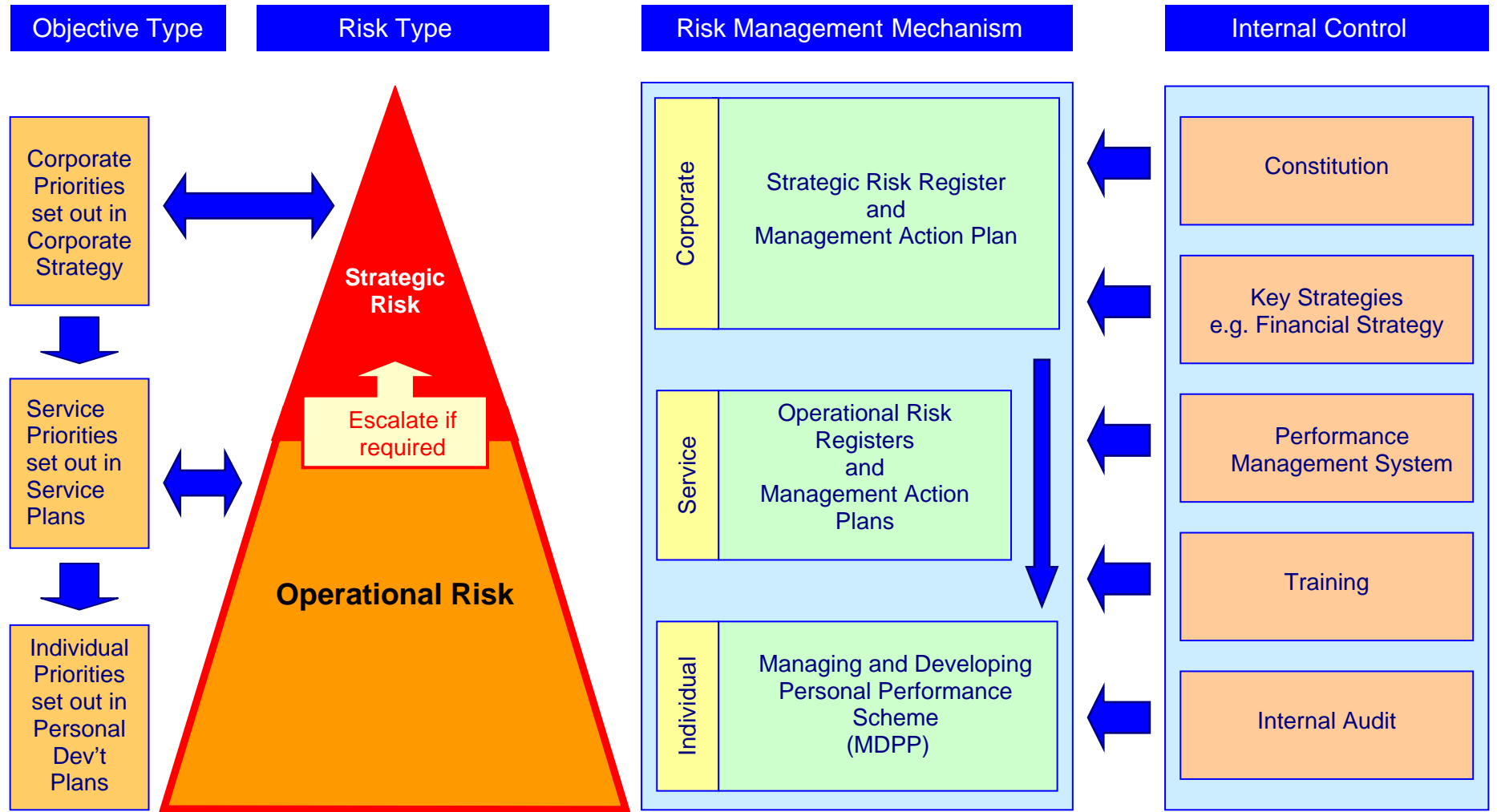
**1 Robust systems for identifying, evaluating and managing risk**

The Council has long recognised the role of risk management in making the right decisions to achieve our priorities for improvement. As financial constraints threaten to stifle improvement, the Council is being required as never before to use creative and innovative solutions to deliver our community's aspirations. With this innovation comes risk, the Council therefore developed a comprehensive 'Risk Management and Internal Control Framework' for the Council (see figure below) and clearly identified the roles and responsibilities of Members and officers within that Framework (see table below).

At the strategic level within this Framework, the Council has developed a risk register that identifies and assesses the strategic risks to the authority. "Strategic risks" are those threats that could lead to a failure of an organisation to achieve its corporate objectives, or those opportunities (with risks attached) which if exploited could offer an improved way of achieving corporate objectives. Our strategic risk register places the Council's strategic risks in priority order according to their assessed likelihood of occurring and impact should they occur. We have determined, having regard to controls already in place, which of these risks the Council is prepared to tolerate and which require further managing. For these latter risks, risk management action plans have been drawn up and approved by the Cabinet to manage them down to an acceptable level. The latest annual review of strategic risk management was completed in June 2006.

At the operational level within the Framework, the Council has developed through the annual service planning process, risk registers at service level that identify and assess operational risks to the authority. "Operational risks" are risks that may prevent individual services achieving their objectives and their contributions to the Council's strategic objectives. These operational risk registers identify assess and prioritise operational risks in the same way as the strategic risk register does for strategic risks, allowing management action plans to be drawn up for the top operational risks requiring further management. Operational risks are reviewed annually.

At the individual level within the Framework, the mechanism for managing non-delivery of individual contributions to the achievement of corporate priorities and/or service objectives is provided by the Managing and Developing Personal Performance Scheme, (MDPP). MDPP is the Council's continuous personal performance and development system, ensuring that officers are properly trained and their personal performance is properly monitored to achieve their individual objectives.



**Tendring's Risk Management and Internal Control Framework**

	Risk Management Strategy	Strategic Risk	Operational Risk	Reporting to External Stakeholders
Members	Agreeing Strategy and any subsequent amendments	Agreeing Register and amendments to Register		Agreeing annual review of Code of Corporate Governance
Audit Committee	Responsible for championing risk management at Member level.			
Management Board (MBrd)	Agreeing draft strategy and amendments to strategy for recommending to Members.	Agreeing draft Register and amendments to Register for recommending to Members.		
Risk Management Group	Annual review of strategy and recommending any changes to MBrd via the Corporate Service Management Team (CSMT).	Annual review of Register and recommending any changes via CSMT to MBrd. 6-monthly review and report via CSMT to MBrd on progress of MAP's.		
All Heads of Service	Implementing strategy	Implementing Management Action Plans where designated as lead officer and delegating responsibility for individual risks where necessary via MDPP. Monitoring progress in MAPs via MIRs.	Development and annual review of registers during service planning process. Assigning responsibilities for controlling risks in service Management Action Plans via MDPP. Monitoring progress via annual service plans.	
Head of Financial Services	Lead on management of financial risk and overall responsibility for internal audit function. Lead on Statement on Internal Control.			
Head of Legal Services and Monitoring Officer	Responsible for lawfulness and fairness of risk management arrangements and the discharge of those arrangements. Responsible for championing risk management at officer level and chairing the Risk Management Group			
Head of Technical & Procurement Services	Responsible for leading on the incorporation of good risk management practice in procurement across the Council and ensuring through the Council's Emergency Planning function, that adequate plans are developed to ensure, so far as is reasonably practicable, the continuity of the Council's functions in the event of an emergency			
Head of Personnel & Mgt Services	Leading on management of reputational risk, including development and review of media strategy.			
All Employees	Responsible for taking all reasonable steps to manage risk effectively in their jobs and making themselves aware of risk management issues.			

## Roles and Responsibilities within Tendring's Risk Management Framework

The Council has a series of governance arrangements that form our **System of Internal Control** to ensure that we comply with all applicable statutes, regulations and relevant statements of good practice and to ensure that public funds are properly safeguarded and are used economically, efficiently and effectively and in accordance with the statutory and non-statutory authorities that govern their use. These fall under the five broad headings identified in Tendring's Risk Management and Internal Control Framework set out previously. This section of the Code explains the role(s) of each of these areas of internal control in managing risks to the Council including:-

**The Constitution:** which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. In particular it includes:-

- A scheme of delegation setting out which individual or decision making body is responsible for each of the functions of the Council; and
- Detailed procedure rules for the operation of the Constitution including Financial Procedure Rules and Contract Procedure Rules.

**Key Strategies and Policies** including:-

- The **Financial Strategy** that controls how far the Council can go and the speed of progress towards the achievement of its aims. Through our financial planning process, the Council identifies at an early stage resource pressures likely to impact on us to ensure that our annual budget makes sufficient provision for our key priorities to minimise the risk of non-delivery through lack of resources. The financial implications of all our decisions will also be clearly set out in the reports informing those decisions to ensure that any associated financial risks can be properly assessed.
- The **Human Resources Strategy** that addresses the key people risks facing the Council including meeting changing skill requirements in local government, recruiting and retaining quality staff and managing pay and reward structures.
- The **ICT Strategy** which sets out the ways in which the Council can improve its efficiency and effectiveness by using ICT systems to support improved working practices and identifies priority areas for action subject to resource availability and strong business cases being established.
- The **Procurement Strategy** that recognises the need for different approaches for high risk, high value procurement against low risk, low value procurement and commits the Council to providing updated and comprehensive guidance to all services on best practice in selecting the right procurement solution based on sound risk management principles.

- The **Communications Strategies:**
  - The External Communications Strategy sets out the Council's approach to informing the media in a managed way including the role of the Communications Manager in managing reputational risk.
  - The Council's internal Communications Strategy provides an improved framework for raising awareness of risk management processes and issues throughout the organisation.
- The **Health and Safety Policy** that sets out our arrangements for managing health and safety risks, including the respective roles and responsibilities of Members and officers, together with detailed arrangements for incident reporting.
- The **Peacetime Emergency Plan** that sets out our arrangements for minimising the impact of an emergency on the Council and our community, including arrangements for the continuity of our own services.

**The Performance Management System:** that we use to inform our target setting process to minimise the risk of setting unrealistic or non-challenging targets and to minimise the risk of not delivering on our targets by providing accurate and timely information on our performance.

**Training:** to ensure that every employee receives the right training and experience necessary for the job and achieving their personal contributions to the Council's objectives through the Managing and Developing Personal Performance System.

**The Council's Internal Audit Function:** that maintains an Audit Plan, the content of which is based on a process of risk assessment covering all the Council's activities. The auditing carried out in respect of this plan incorporates the evaluation of controls to mitigate risk and includes provision within the Corporate Governance audit to examine the risk management function itself.

It is the opinion of the Head of Internal Audit that the work carried out within the framework of the 2006/07 Internal Audit Plan provides reasonable assurance that the systems of internal control were generally operating adequately and effectively in those areas examined.

The opinion is based upon the level of Internal Audit activity possible within the level of resources available during the year. Due to resource constraints it was not possible to fully achieve the planned level of work, however all key systems were subject to review.

Any failure to undertake an appropriate level of internal audit increases the risk of significant control failures.

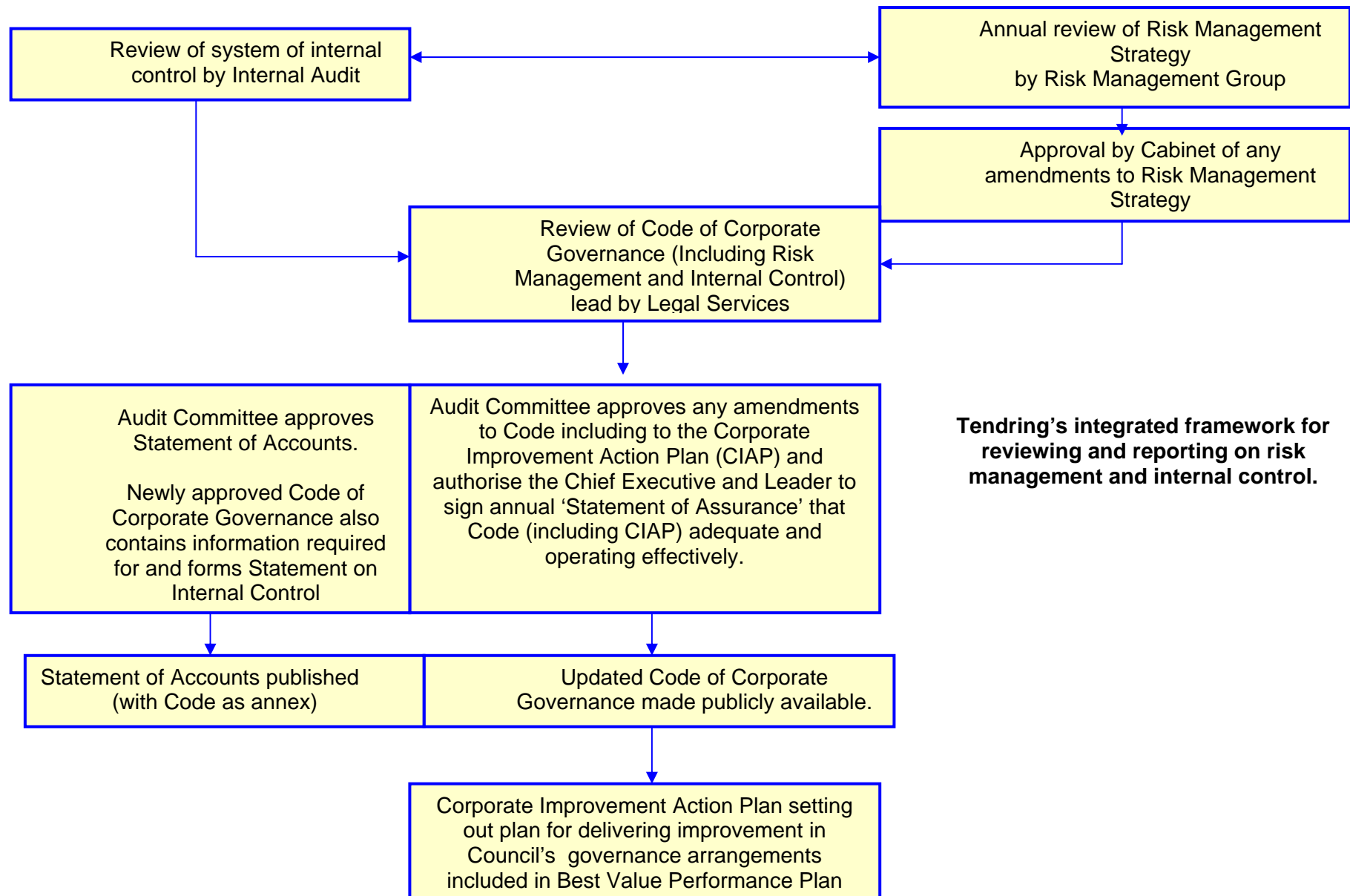
**2. Delivery of services by trained and experienced people**

The Council recognises the need to ensure our services are delivered by people who are suitably qualified and experienced for their jobs to minimise risk to the organisation and the community we serve. This is endorsed by the Council's Corporate Strategy for 2004-11 that sets out as a priority the need to invest in training and development for staff and Members if we are to develop as an organisation and achieve our aim of becoming a modern, healthy and well-managed organisation. The Council's Human Resources Strategy sets out the high level objectives for achieving this aim including:-

- Ensuring that we recruit the right people working in the right jobs, by having clear, understandable job descriptions and person specifications for every position in the organisation.
- Ensuring that once recruited, every employee receives the right training and experience necessary for the job through the Managing and Developing Personal Performance system.

**3. Effective arrangements for an objective review of risk management and internal control mechanisms and the production of an objective, balanced and understandable statement of our assessment of those mechanisms and their effectiveness in practice.**

The Council will ensure through the annual review of this Code that our arrangements for risk management and internal control are effectively reviewed and the Corporate Improvement Action Plan is updated as necessary to address any areas where improvement is required. The Council has integrated the review of our arrangements for internal control and the production of a 'Statement on Internal Control' with the good practice that we already have in place for reviewing all our corporate governance arrangements through the annual review and updating of this Code.



**Tending's integrated framework for reviewing and reporting on risk management and internal control.**

#### **4 An objective and professional relationship with our external auditors and statutory inspectors**

The Council will, through our Joint Working Protocol with District Audit, ensure that the relationship between our internal and external auditors is one of mutual recognition and respect that leads to a joint improvement in performance and avoids duplication of work. In particular we will:-

- Discuss together the planning and carrying out of audits; and
- Hold quarterly liaison meetings to discuss audits in progress and identify and resolve any problem areas arising on either side.

**1 Formal codes of conduct defining the standards of personal behaviour to which individual Members and officers are required to subscribe and appropriate systems and processes to ensure that they are complied with.**

The Council has established a Standards Committee to promote and maintain high standards of conduct by its Members. To promote the independence of this committee, the Council will ensure that:-

- two of the eight members of the Standards Committee are not Councillors or officers of the Council or any other body having a standards committee, ('Independent Members'); and
- the Chairman of the Committee is one of the Independent Members.

The Council has an adopted Members' Code of Conduct which sets out standards of behaviour that Members are required to observe in carrying out their duties as an elected Member of the Council. The Council's Standards Committee will:-

- assist Members to observe the Code of Conduct including advising, training or arranging to train Members on matters relating to it;
- monitor the operation of the Code of Conduct; and
- advise the Council on any revisions needed to the Code to keep it up to date and effective.

The Council has adopted the Local Government Management Board's Code of Conduct that sets out standards of personal behaviour that local government employees are required to observe.

The Council has adopted a Protocol on Member / Officer Relations that sets out how Members and officers should behave towards one another that Members and officers are required to observe.

A Code for Members and Officers in relation to planning matters is being finalised.

The Council ensures that the behaviour of officers is monitored as part of their overall performance through the Managing and Developing Personal Performance (MDPP) scheme. The Council has adopted a Disciplinary Policy to enforce in a fair and systematic way the standards of conduct that are expected of its employees.

The Council facilitates an employee to raise any serious concerns he may have over the standards of behaviour of another employee through its Whistleblowing Policy, (see '4' below).

The Council provides through its Customer Complaint Procedure, a published procedure for our customers that sets out how to make a complaint about the Council and how we will deal with that complaint.

Allegations of misconduct against any Member will in all cases be referred to the Standards Board for England. The Standards Board may investigate an allegation itself or refer the matter for local investigation. The Council's Standards Committee will consider and determine the outcome of any investigation or allegation referred to the Council by the Board including, as appropriate, recommendations to the full Council as to the action to be taken.

The Council's Monitoring Officer will monitor decision making and report to the full Council, or to the Cabinet in relation to an executive function, if any decision or omission has given rise to maladministration and that proposal or decision will not be implemented until the report has been considered.

**2 Arrangements to ensure that Members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and appropriate processes to ensure that they continue to operate in practice.**

Tendring District Council is committed to a policy of equal opportunity and to encourage diversity among its workforce. The Council will ensure through its Equality and Diversity Policy that all current and prospective employees, contractors, service users and the community are not discriminated against, either directly or indirectly on the grounds of gender, age, disability, marital status, sexual orientation, creed / religion, ethnic or national origin. In opposing all forms of discrimination on the basis racial or ethnic origin, the Council has adopted a Race Equality Strategy to implement equality of opportunity in service delivery and employment practice with the aim of promoting good race relations.

The Council has also made a commitment to adopt the 'Equality Standard for Local Government in England' and through our Equality and Diversity Policy we have achieved compliance with Level Two of the Standard and are now working towards compliance with Level Three.

To ensure fair recruitment practice and retention of staff with criminal records, the Council has adopted a Disclosure Policy and has become a registered user of the Criminal Records Bureau.

The Council is committed to:-

- a) Take all necessary action to encourage prevention of fraud and corruption;
- b) Make facilities available to aid detection of fraud and corruption; and
- c) Ensure prompt investigation and action.

The Council will demonstrate these commitments through the effective operation of its Anti-fraud and Corruption Strategy. This strategy sets out a comprehensive network of systems and procedures in place for the prevention and detection of fraud and corruption including ensuring that Members are not improperly influenced when acting in their official capacity and that, Members comply with the requirements of the Council's Members' Code of Conduct.

Members will also register with the Council's Monitoring Officer certain financial interests and certain memberships / positions of general control or management in certain bodies specified in the Code.

Members and officers of the Council will also observe the Protocol on Member / Officer Relations set out in the Council's Constitution to ensure that Members receive objective and impartial advice and that officers are protected from any undue influence from Members.

Members and officers of the Council will follow the formal procedures laid out in the Council's Financial Procedure Rules and Contract Procedure Rules to ensure probity in all the Council's financial dealings in general and procurement of goods and services in particular.

To assist Members in carrying out their official duties without prejudice, bias or conflict of interest, all new Members receive training in probity issues as part of their induction training.

The Head of Financial Services will ensure that independent internal audit staff examine and audit the expenditure, income and property and other assets of the Council and its officers.

**3 Arrangements to ensure that the Council's procedures and operations are designed to conform to appropriate ethical standards and the monitoring of their compliance in practice.**

The Council is committed to ensuring that all our procedures and operations are inherently ethical in their design. In particular the Council's decision-making process includes the recording of any interests declared by Members in the minutes of the Council, Cabinet, committee and / or records of Executive Decisions as appropriate.

The Standards Committee is responsible for monitoring the operation of the Members' Code of Conduct including the disclosure of Members' interests.

**4 Arrangements for whistle blowing to which staff and all those contracting with the Council have access.**

Tendring District Council recognises that despite rules, regulations, quality standards and procedures all to ensure that high standards of conduct and commitment to service are observed, malpractice can sometimes still occur and that its employees may be the first to realise that something is wrong.

The Council has ensured through review of its Whistleblowing Policy that employees are able to raise any serious concerns within the Council without fear of victimisation, subsequent discrimination or disadvantage.

The Council will also make its employees aware of the additional option of contacting the District Auditor directly, if they so wish, in respect of possible financial irregularities or unlawful expenditure or loss to the Council.

## CORPORATE IMPROVEMENT ACTION PLAN

(How we will improve our governance arrangements)

<b>Community Focus</b>		
<b>Proposed Actions</b>	<b>Responsible Officer</b>	<b>Target Date</b>
CIAP 1.3 The Council will review its Sustainable Community Strategy	Assistant Chief Executive	October 2007
CIAP 1.4 The Council will carry out a review of its Corporate Strategy having regard to the Local Government White Paper, the priorities of the Sustainable Community Strategy and the findings of the 2006 Tendring Residents' Survey	Head of Corporate Performance	December 2007

<b>Service Delivery Arrangements</b>		
<b>Proposed Actions</b>	<b>Responsible Officer(s)</b>	<b>Target Date</b>
CIAP 2.1 The Council will devise an Action Plan to ensure practical compliance with Level Three of the 'Equality Standards for Local Government'.	Overview and Scrutiny Manager	March 2009
CIAP 2.2 The Council will complete the training of all our staff in Equality and Diversity issues.	Head of Human Resources and Customer Services	March 2008

CIAP 2.3 The Council will develop and adopt a performance framework for Section 106 Legal Agreements	Executive Manager – Planning	October 2007
CIAP 2.4 The Council will carry out effective induction and training of Members following the May 2007 elections	Head of Human Resources and Customer Services	August 2007
CIAP 2.5 To work with External Audit on a review of Regeneration Activity	Assistant Chief Executive	March 2008
CIAP 2.6 To run the Changing Organisational Cultures Tool within the authority with respect to attitudes to fraudulent activity	Head of Financial Services	March 2008

## **Structures and Processes**

<b>Proposed Actions</b>	<b>Responsible Officer</b>	<b>Target Date</b>
CIAP 3.3 Risk Assessment of the LSP	Assistant Chief Executive	September 2007
CIAP 3.4 Peer Review Work of the LSP	Assistant Chief Executive	December 2007



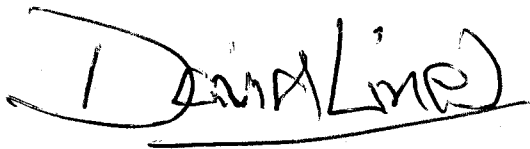
# STATEMENT OF ASSURANCE

**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. In discharging this accountability, Members and officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. To this end, the Council has approved and adopted a Code of Corporate Governance for Tendring: "Your Council for Our Community", which is consistent with the principles and reflects the requirements of the CIPFA / SOLACE Framework "*Corporate Governance in Local Government: A Keystone for Community Governance*". A copy of this code is on our website at [www.tendringdc.gov.uk](http://www.tendringdc.gov.uk) or further copies can be obtained from Legal Services, on 01255 686500.

The Code was last reviewed and agreed by the Council's Audit Committee at its meeting held on 28 June 2007 and we are authorised to sign this Statement of Assurance that the Council is satisfied that our corporate governance arrangements set out in the Code including the commitments contained in the 'Corporate Improvement Action Plan' are adequate and where those arrangements are already in place, they are operating effectively in practice.

**Signed:**

Councillor David Lines  
Executive Leader



John Hawkins  
Chief Executive

