

TENDRING DISTRICT COUNCIL



STATEMENT OF ACCOUNTS

2005/06

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2005/06

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K L Neath
Head of Financial Services
Town Hall
Clacton on Sea
Essex CO15 1SE
26 September 2006

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 2005). She is required to ensure that the Statement of Accounts fairly presents the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March.

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.

INDEPENDENT AUDITOR'S REPORT TO

TENDRING DISTRICT COUNCIL

YEAR ENDED 31 MARCH 2006

Opinion on the financial statements

I have audited the financial statements of Tendring District Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement 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 the Chief Finance Officer and Auditors

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 2005 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 2005.

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' published on 2 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 Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent mis-statements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of Audit Opinion

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statement are free from material mis-statement, 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 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

28 September 2006

Paul King
District Auditor
Audit Commission
Springvale Court
Hadleigh Road
Sproughton
Ipswich
IP8 3AS

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

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 I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, 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 2006.

Best Value Performance Plan

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2005/06 on 3 November 2005. 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.

28 September 2006

Paul King
District Auditor
Audit Commission
Springvale Court
Hadleigh Road
Sproughton
Ipswich
IP8 3AS

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.

SUMMARY OF FINANCIAL STATEMENTS

Statement of Responsibilities for the Statement of Accounts (Page 1). 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 2). The Auditor certifies that an audit of the Statement of Accounts has been concluded and gives an opinion on their presentation and content.

Statement of Accounting Concepts, Estimation Techniques and Accounting Policies (Page 4). 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.

Consolidated Revenue Account (Page 13). This shows the cost of all the Council's activities and matches it with the relevant income from central grant and the Collection Fund. The balance on this account is transferred to the Council's reserves.

Housing Revenue Account (Page 21). The Council is required to account separately for the provision of council housing. The Account shows the costs of the service matched with subsidy and rental income. The Account is also consolidated into the Consolidated Revenue Account.

Collection Fund Revenue Account (Page 29). 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. This account is included in summary in the Consolidated Revenue Account.

Consolidated Balance Sheet (Page 33). This statement provides a 'snapshot' of the Council's financial position on 31 March 2006. It shows the total net worth of the Council matched by total assets less liabilities.

Statement of Total Movement in Reserves (Page 47). This statement brings together all recognised losses and gains of the Council during the year and identifies those that have not been recognised in the Consolidated Revenue Account. It separates the movements between capital and revenue reserves.

Cash Flow Statement (Page 52). This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital spending purposes.

Member's Allowances (Page 56). This shows the allowances paid to Councillors in respect of their duties. Publication of these allowances is a statutory requirement.

SUMMARY OF THE 2005/06 FINANCIAL YEAR

Introduction

Tending 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 or from the Council's reserves.

General Fund Revenue Expenditure

The net General Fund expenditure for the year was £16.1 million (exclusive of Parish precepts and before contributions from or to reserves), which was financed by central government grants and council taxpayers. The table below sets out the net revenue spending and financing compared with the original and revised estimates for the year.

	Original Estimate £m	Revised Estimate £m	Actual £m
Total net spending for the year	17.3	18.7	16.1
Financed by:			
Council Taxpayers	6.2	6.2	6.2
Revenue Support grant	6.2	6.2	6.2
National Non-Domestic Rate Redistribution	4.1	4.1	4.1
Collection Fund	0.1	0.1	0.1
Contribution from/(to) balances	0.7	2.1	(0.5)
Total financing	<u>17.3</u>	<u>18.7</u>	<u>16.1</u>

There was a net underspending of £2.6 million compared with the revised budget for the year. However, £0.6 million of this underspending will be required for the revenue financing of approved capital schemes that have been re-scheduled for completion in later years and a further £2.0 million will be required to fund planned revenue expenditure and budget pressures that will take place in 2006/07.

General Fund balances at 31 March 2006 now stand at £8.4 million, of which £4.5 million has been set aside for specific policy purposes within earmarked reserves (an analysis of the earmarked reserves can be found in note 17 to the Consolidated Balance Sheet). The balance of £3.9 million is in the uncommitted reserve and of this sum, £1.6 million is the Council's Minimum Working Balance.

Housing Revenue Account 2005/06

The Council keeps a separate Housing Revenue Account and Housing Repairs Account for all expenditure and income in relation to the provision of council housing. The Council's revised estimates for 2005/06 planned for an overall surplus for the year of £0.3 million but the final figure was a £0.5 million surplus. This difference of £0.2 million has been retained within working balances to support expenditure in future years. The Housing Revenue Account Reserves stood at £3.3 million at the 31 March 2006.

Capital Investment 2005/06

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, Clacton Leisure Centre Refurbishment, and various CCTV and information technology projects.

The Council's capital expenditure in 2005/06 totalled was £7.2 million, compared with a budget for the year of £8.6 million. This shortfall was due to spending on schemes being rescheduled into the 2006/07 Capital Programme. The sum of £0.4 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 £0.3 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

In previous years, the government controlled the amount a local authority borrowed to finance capital expenditure by a system of credit approvals. The Local Government Act 2003 abolished these controls from 1 April 2004 and gave 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 new prudential framework developed by CIPFA. The prudential framework, the 'Prudential Code for Capital Finance in Local Authorities' is a professional code of practice to support local authorities in planning strategically and taking decisions for capital investment at a local level. It 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. To demonstrate that local authorities have fulfilled these objectives, the Prudential Code sets out the indicators that must be used and the factors that must be taken into account. These prudential indicators are set for the current year and the following two years before the commencement of the current year and are approved by full Council. They must be reviewed during the year and can be revised. Set out below are three of the prudential indicators for 2005/06 relating to external debt:-

	Actuals £m
Authorised Limit for external debt	24.5
Operational Limit for external debt	20.4
Net borrowing and the Capital Financing Requirement:	
Net borrowing	18.4
Capital Financing Requirement	24.8

In measuring external debt, the Prudential Code encompasses all borrowing whether for capital or revenue purposes. In contrast, the Capital Financing Requirement reflects the Council's underlying need to borrow for a capital purpose and will increase whenever capital expenditure is incurred that is not financed immediately from capital receipts, capital grants/contributions or revenue resources. This will be the case whether or not external borrowing actually occurs. The movement in the Capital Financing Requirement for 2005/06 is set out below:

	Actual £m
Opening Capital Financing Requirement	23.4
Capital Expenditure (excluding leasing)	6.9
Sources of finance:	
Capital receipts	(1.1)
Government grants & other contributions	(1.0)
Sums set aside from revenue including Minimum Revenue Provision	(3.4)
Capital Financing Requirement 31 March 2006	<u>24.8</u>
Increase in Capital Financing Requirement in year	1.4

Current Year

The Council has General Fund balances of £8.4 million to bring forward into 2006/07. Of this sum, £4.5 million is earmarked in specific reserves. The Council's overall net General Fund budget for 2006/07 is £19 million to be met by Government support of £12.3 million and £6.7 million from local taxpayers. The Capital budget for the year is £10.7 million. This will be financed by government grants and other government funding (£3.3 million), borrowing (£2.9 million), capital receipts (£1.7 million), revenue (£2.5 million) and other sources including external contributions (£0.3million).

The Council continues to undertake robust financial planning through its Financial Strategy process. The continuing pressure from new and unfunded costs along with pressures in the national funding arena will need to be managed and actions to mitigate their effect identified. This will enable the Council to move forward with a robust and a balanced budget position, which is sustainable in the medium to long term.

STATEMENT OF ACCOUNTING CONCEPTS, ESTIMATION TECHNIQUES AND ACCOUNTING POLICIES

General

The general principles adopted in compiling the accounts are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with the following publications:

- * *The Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice 2005 (the SORP)*, issued by CIPFA.
- * *CIPFA Best Value Accounting Code of Practice 2005 (BVACOP)*;
- * *Housing Revenue Account (Accounting Practices) Directions 2000*;
- * *CIPFA Capital Accounting by Local Authorities: Consolidated Guidance Notes for Practitioners 2003*.

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; and
- * the primacy of legislative requirements - where specific legislative requirements and accounting principle conflict, legislative requirements would be applied.

The only exception to this is 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.

Estimation Techniques

These are the methods adopted by the Council to arrive at estimated monetary 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 are applied to 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 following 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 2005/06.

1 **Tangible Fixed Assets**

Tangible fixed 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 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.

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 2002 by E J Stebbings, FRICS of the District Valuers Office, with a desktop review carried out for 2005/06.

The full revaluation of the Housing Revenue Account assets at 1 April 2005 along with the desktop review of these for 2005/06 was carried out by Mr I Bromley-Derry MRICS, IRRV of NPS Property Consultants Limited. The same valuer also supplied the increases required as part of the desktop review of the other land, buildings and non-operational assets for 2005/06.

The difference between the value at 31 March 2006 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.

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.

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 locational factors which might result in the existing property being worth less than a new replacement building.

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

Council dwellings and other housing properties – Operational housing properties subject to secure tenancies were valued at Existing Use Value – Social Housing (EUV-SH), specialised properties to DRC and non-operational assets to OMV. 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.

Vehicles, plant and equipment have been brought into the Balance Sheet at historic cost (less depreciation) where their value is in excess of £10,000 when new. 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.

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 1 April) after allowing for residual values, on a straight-line basis over the Valuer's professional opinion of the expected life of the assets. 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).

All expenditure on fixed assets is accounted for on an accruals basis and is capitalised 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.

2 Intangible Fixed Assets

These consist of software licences, which from 2004/05 are recognised as intangible assets rather than deferred charges as the Council controls the economic benefits arising from this expenditure. The Council has continued this policy and the licences are capitalised at cost but 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 and there will be no residual value.

3 Deferred Charges

Deferred charges are payments of a capital nature such as grants to external organisations where the money is to be used to finance capital investment. Because the Council seldom controls the economic benefits arising from this expenditure, deferred charges are amortised (charged) 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 also credited to the Asset Management Revenue Account, thus ensuring a neutral impact on the amount required to be raised from local taxation.

4 Basis of Charges to Revenue for use of Fixed Assets

In accordance with the requirements of the SORP, service revenue accounts are annually charged with a capital charge for all the fixed assets that are used in the provision of the service. Such charges cover the annual provision for depreciation plus a capital financing charge calculated by using a specified notional rate of interest - 3.5% in 2005/06 for assets carried at current value (the same rate as 2004/05) and 4.9% for assets carried at historical cost (4.8% in 2004/05)

These notional rates of interest are applied to the amount at which the asset is included in the Balance Sheet, excluding the estimate of the increase in value from 1 April 2005 to 31 March 2006. The capital charges to the Housing Revenue Account are the amounts as determined by statutory provisions.

The Asset Management Revenue Account (AMRA) is credited with the capital financing charges as calculated above and debited with external interest payments and depreciation. A further accounting adjustment is made between the AMRA and the HRA to ensure that the HRA only bears its own share of the Council's debt financing costs in respect of interest (as calculated in accordance with statutory provisions). This ensures that capital charges have no impact on the amounts the Council needs to raise from local taxation. The AMRA therefore simply reconciles the need to reflect the cost of fixed assets differently in service revenue accounts and the overall net operating expenditure of the Council.

5 Leases

Finance Leases: Rental payments under finance leases are apportioned between the finance charge and the principal element, i.e. the reduction of the liability to pay future rentals, with the finance charge being allocated and charged to the Asset Management Revenue Account over the term of the lease. The value of an asset financed by a lease qualifying as a finance lease under SSAP21 is recognised as an asset on the Balance Sheet, with a matching liability for the 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.

The Council also leases out some assets to external organisation under operating leases. For the significant leases (where the annual income is in excess of £10,000) information has been provided in the notes to both the consolidated revenue account and balance sheet.

6 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 released from this account to the Asset Management Revenue 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.

7 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 with effect from 1 April 2004. 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 within three years of the disposal and by an amount up to the value of the 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 and can be used for revenue or capital purposes.

Interest on capital receipts is credited to the General Fund.

Upon disposal, the net book value of the asset disposed of is written off against the Fixed Asset Restatement Account.

8 Investments

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

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.

9 Debtors and Creditors

The accounts of the Council are maintained on an accruals basis in accordance with the recognised accounting concept. This means that sums due to or from the Council during the year are included 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, 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 information provided by the benefits subsidy software system.

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. As this policy is applied consistently each year, it has no material effect on the year's accounts.

In the 2004/05 accounts, contributions from developers under Section 106 Agreements were shown under earmarked reserves. However, for 2005/06 these sums together with any receipts in 2005/06 have been transferred to receipts in advance in accordance with SORP 2005.

10 Stocks and Work in Progress

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

11 Provisions

The Council sets aside provisions for specific future expenditure 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 Consolidated 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.

12 Pensions

The Council's employees are admitted to 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 pay contributions into the fund calculated at a level estimated to balance the pension liabilities with investment assets. 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.

However, effective from 2003/04, 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 (the current service cost) has had on its financial position. In order to implement this requirement, the SORP necessitates the following accounting policies to be applied to the various elements of the net asset/liability:

- * 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 attributable liabilities of the scheme are measured on an actuarial basis using the projected unit method, which examines all the benefits for pensioners and their dependants and the accrued benefits for current members of the scheme, making allowance for projected scheme member earnings, as calculated by an actuary.
- * In assessing scheme liabilities for retirement benefits, these are discounted back to present values for comparison purposes with the current value of the assets of the fund to determine the overall surplus/liability of the fund. For the 2003/04 Statement of Accounts a discount rate of 3.5% real (6.3% actual) was applied. For the 2004/05 Statement of Accounts, a rate of 2.5% real (5.4% actual) was used based on the new 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 2.0% real (4.9% actual) has been applied in 2005/06 as advised by the fund actuary. Application of this lower rate has resulted in an increase in estimated liabilities at current prices of £6.93 million, adjusted by an actuarial gain recognised for the year in the Statement of Total Movement in Reserves (page 48)
- * The surplus/deficit in the scheme being the excess/shortfall of the value of the assets in the scheme over/below the present value of the scheme liabilities.
- * 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.
- * The interest cost should be 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).
- * The expected return on assets is based on long term expectations at the beginning of the period and is expected to be reasonably stable, as advised by an actuary.
- * Past service costs are disclosed on a straight-line basis over the period in which increases in benefits vest (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).

- * 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 2005/06 this reflects 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.
- * Losses arising on a settlement or curtailment not allowed for in actuarial assumptions are measured at the date on which the Council becomes demonstrably committed to the transaction.
- * Gains arising from settlement/curtailments not allowed for in actuarial assumptions are measured at the date on which all parties whose consent are required are irrevocably committed to the transaction.
- * A liability is now shown in the consolidated balance sheet to indicate that the Council has effectively underpaid contributions relative to the future benefits earned to date by its employees.

These policies 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.

13 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 48, Note 2 to the Statement of Total Movements in Reserves)
- * The Major Repairs Reserve (Page 48, Note 2 to the Statement of Total Movements in Reserves)

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 2005. 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 an appropriation to or from the Pensions Reserve, which equals the net change in the pensions liability recognised in the Consolidated Revenue Account (Note 14 to the Consolidated 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 17, page 44 to the Consolidated Balance Sheet; and

- * revenue balances which represent resources set aside for purposes such as general contingencies and cash flow management.

Any movement on reserves must be accounted for in the appropriation section of the Consolidated Revenue Account.

14 *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.

15 *Value Added Tax (VAT)*

VAT is included in income and expenditure accounts 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 the Councils 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 *Repurchase of Borrowing*

The Council did not undertake any such transactions during 2005/06. If the Council had undertaken a repurchase or early settlement of borrowing, any gains or losses would have been recognised in the Consolidated Revenue Account in the period during which the repurchase or early settlement was made. However, if the repurchase of borrowing was coupled with a refining or restructuring of borrowing with substantially the same overall effect when viewed as a whole the gains or losses would be recognised over the life of the replacement borrowing.

CONSOLIDATED REVENUE ACCOUNT

2004/05 Net Expenditure £000		Gross Expenditure £000	2005/06 Gross Income £000	Net Expenditure £000	Note Ref
	EXPENDITURE ON SERVICES				1
907	Central Services to the Public	13,027	11,973	1,054	
11,794	Cultural, Environmental and Planning Services	19,539	7,066	12,473	
435	Highways, Roads and Transport Services	1,558	1,024	534	
8,240	Housing Services	47,774	41,015	6,759	2
(50)	Social Services	375	439	(64)	
2,899	Corporate and democratic core expenses	2,808	56	2,752	
45	Non distributed costs	9	1,396	(1,387)	
24,270	Net Cost of Services	85,090	62,969	22,121	
1,020	Parish Council precepts	1,039	-	1,039	
12	(Surplus)/deficit on Trading Operations	1,856	1,834	22	3
(6,701)	Asset Management Revenue Account	5,453	11,266	(5,813)	4
1,390	Contribution to Housing Pooled Capital Receipts	899	-	899	5
(757)	Interest and investment income	-	853	(853)	
(21)	Minor capital receipts	-	19	(19)	
937	Pensions interest cost and expected return on pensions assets	4,444	3,318	1,126	6
20,150	Net Operating Expenditure	98,781	80,259	18,522	
396	Transfer to/(from) Housing Revenue Account			400	2
1,114	Transfers to/(from) Reserves			589	7
518	Capital expenditure financed from revenue			1,095	
(2,936)	Reconciling amount for provisions for loan repayment			(2,601)	8
(1,390)	Transfer from Usable Capital Receipts Reserve			(899)	5
(533)	Movement on Pensions Reserve			1,266	6
17,319	Amounts to be met from government grants and local taxation			18,372	
(6,042)	General Government Grants			(6,896)	9
(3,813)	National Non-Domestic Rates Redistribution			(4,069)	
(6,891)	Demand on the Collection Fund			(7,287)	
(155)	Transfers (from)/to the Collection Fund in respect of (surpluses)/deficits			(120)	
418	Net General Fund (Surplus)/Deficit			-	
(4,297)	General Fund balance as at 1 April			(3,879)	
(3,879)	General Fund balance as at 31 March			(3,879)	

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1 The Best Value Accounting Code of Practice

The SORP requires that authorities in England present the net cost of services in the Consolidated Revenue Account (CRA) using the service expenditure analysis set out in the Best Value Accounting Code of Practice. The accounts have been prepared on this basis.

2 Housing Revenue Account

The costs and income relating to the provision of council housing are set out in the Housing Revenue Account (HRA) together with full explanatory notes on pages 21 to 28. These transactions are fully consolidated into the CRA but as the costs of this service are borne by tenants and not local taxpayers, the balance relating to council housing is transferred to the HRA so that the CRA reflects only the net cost to local taxpayers

3 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:

2004/05 £000		2005/06 £000
	Engineering:	
	Provision of a reactive coast protection service, minor highways work and engineering service to the Council.	
(652)	Turnover	(567)
638	Expenditure	589
(14)	Net deficit/(surplus) on trading operations not allocated to Services	22
	Horticultural Services:	
	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.	
(1,056)	Turnover	(1,130)
1,082	Expenditure	1,267
26	Net deficit/(surplus) on trading operations allocated to Services	137

Due to the significance of the deficit on the Horticultural Services trading operation the year end balance has been allocated to services in accordance with the SORP 2005. Following this the rates charged by this service in future years will be reviewed.

4 Asset Management Revenue Account

This account allows the Council to offset the impact of asset rental charges made to services, in arriving at the total level of expenditure to be financed from government grant and local taxpayers.

2004/05		2005/06	
£000		£000	£000
(11,865)	Cost of Capital Charge		(10,566)
(812)	Transfer from Government Grants Deferred Account		(700)
<u>(12,677)</u>			<u>(11,266)</u>
4,792	Provision for depreciation	4,345	
111	Intangible Assets	54	
1,065	External interest charges	1,048	
8	Finance Lease Interest	6	5,453
<u>(6,701)</u>	Balance to Consolidated Revenue Account		<u>(5,813)</u>

5 Contribution to Housing Pooled Capital Receipts

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 Consolidated Revenue Account. The deficit is then made good by an appropriation from Usable Capital Receipts to the Consolidated Revenue Account after Net Operating Expenditure.

6 Pension Scheme Contributions

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make payments that need to be disclosed at the time that employees earn their future entitlement.

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

The cost of retirement benefits are included in the Net Cost of Services when employees earn them rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the actual cash payable in the year rather than benefits earned in the year. Therefore an adjustment is made in the Consolidated Revenue Account (CRA) after Net Operating Expenditure to reflect this. The following transactions have been made in the CRA during the year:

2004/05		2005/06	
£000		£000	£000
	Net Cost of Services:		
1,783	Current service cost	1,860	
-	Non distributed costs - past service gain	(1,396)	
10	Curtailment cost	-	
<u>1,793</u>			464
	Net Operating Expenditure:		
4,226	Interest cost	4,444	
(3,289)	Expected return on assets in the scheme	(3,318)	
<u>937</u>			1,126
	Amounts to be met from Government Grants and Local Taxation:		
(533)	Net Movement on Pensions Reserve		1,266
<u>2,197</u>	Net amounts charged against council tax for pensions in year:		<u>2,856</u>
	Employers contributions payable to scheme		

Page 42, Note 14 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. Page 51, Note 6 to the Statement of Total Movements on Reserves details the differences in costs that have arisen through the year as estimates made in preparing figures for previous years have had to be revised (eg the expected return on investments).

A significant change to the figures compared to last year is the inclusion of £1.396 million under non distributed costs – past service gain. This relates to an assumed reduction in the future benefits payable to pension scheme members following changes included in the Pension Scheme (Amendment) Regulations 2006. The specific change that this figure relates to is the option for scheme members to receive a higher lump sum upon retirement by commuting part of their annual pension.

Information on the County's Pension Fund Accounts can be obtained by contacting Essex County Council, Financial Strategy, PO Box 11, County Hall, Chelmsford, Essex, CM1 1LX.

7 Contributions to/(from) Earmarked Reserves

2004/05		2005/06
£000		£000
(29)	Buildings (Structural & Refurbishment) Reserve	(371)
816	Revenue Commitments Reserve	643
73	Capital Commitments Reserve	(553)
(97)	Project Investment Reserve	(30)
-	Cremator Replacement Reserve	100
102	Capital Investment Reserve	545
199	Section 106 Agreements Reserve	(199)
-	Careline Replacement System Reserve	20
-	Contact Management/Development Reserve	400
-	Car Parks Reserve (Decriminalisation)	15
50	Jaywick Project Manager	19
<u>1,114</u>		<u>589</u>

8 Reconciling Amount for Provisions for Loan Repayment

This item includes transactions required to reconcile the net amount to be charged for loan repayments, the Minimum Revenue Provision (MRP), after taking into account the charges to revenue for deferred charges, depreciation and government grants deferred. The MRP is a statutory prescribed minimum charge made to the Revenue Account to provide for the repayment of external loans in respect of General Fund transactions.

2004/05		2005/06
£000		£000
331	Minimum Revenue Provision	341
26	Finance Lease Principal Repayment	28
(2,617)	Amount charged as depreciation	(2,137)
(1,377)	Deferred Charges	(1,479)
(111)	Intangible Assets	(54)
812	Government Grants Deferred	700
<u>(2,936)</u>	Balance to Consolidated Revenue Account	<u>(2,601)</u>

9 Central Government Grants

The following grants have been received during the financial year:

2004/05		2005/06
£000		£000
6,042	Revenue Support Grant for year	6,231
-	Revenue Support Grant Amendment 2003/04	(3)
-	Local Authority Business Growth Incentive Scheme	545
-	Local Public Service Agreement Reward Grant	123
<u>6,042</u>		<u>6,896</u>

10 Publicity

Set out below, under the requirements of the Local Government Act 1986, section 5(1), is the Council's expenditure on publicity in 2005/06:

2004/05		2005/06
£000		£000
61	Recruitment and relocation	75
68	Official Guide	52
39	Tourism publicity	54
20	Economic promotion	19
16	Civic Ceremonial	17
<u>204</u>		<u>217</u>

11 Agency Services

From 1 April 2005, Essex County Council resumed full responsibility for all work in respect of the Highways functions and Tendring District Council ceased to carry out any highways work on an agency basis. However, the Council still retains work on a contract basis in respect of Highways Tree and Verge Maintenance within its former agency area as a contractor for Essex County Council. The costs are fully reimbursed by the County Council (£64,140 in 2005/06) and are included in the Horticultural Trading Account figures in Note 3 which also includes the Council's own expenditure on activities such as maintenance of grass verges and open spaces (£1.2 million in 2005/06). An agency agreement with ECC exists for Decriminalisation of Parking Enforcement and in 2005/06 expenditure and income in respect of this agreement totalled £530,000.

12 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.

2004/05 Total Building Control £000		2005/06		Total Building Control £000
		Chargeable £000	Non Chargeable £000	
207	Employee expenses	148	79	227
14	Transport	12	6	18
34	Supplies and services	17	5	22
227	Central and support service charges	134	70	204
6	Capital financing costs	1	1	2
<u>488</u>	Total Expenditure	<u>312</u>	<u>161</u>	<u>473</u>
(329)	Income: Building Regulation charges	(309)	-	(309)
<u>159</u>	Deficit/(Surplus) for year	<u>3</u>	<u>161</u>	<u>164</u>

13 Local Authorities (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. In 2005/06 the authority provided a grounds maintenance service to Essex County Council. Further details are provided in note 11. No other significant areas of work were undertaken during the year.

14 Operating, Contract Hire and Finance Leases

The Council uses vehicles, plant and equipment in delivering services that have been financed under the terms of operating, contract hire and financing leases.

Payments under operational leasing arrangements during the year totalled £94,624 (2004/05 - £118,476). The Council commenced financing vehicles under contract hire in 2004/05. New contract hire arrangements were entered into in 2005/06 in respect of 7 vehicles for a five year period. The payments made under these arrangements in 2005/06 totalled £44,344 (2004/05 - £17,944).

The rentals payable under finance leases in 2005/06 totalled £34,270, charged to the Consolidated Revenue Account as £5,805 finance costs (debited to the Asset Management Revenue Account) and £28,465 relating to the write-down of obligations to the lessor (debited as part of the appropriation to the Capital Financing Account). As these leases were entered into prior to the 1 April 2004, they were in previous years classified as operating leases under the pre-Prudential Framework regime.

Some other items of equipment obtained through finance leases pre-April 2004 (previously classified as operating leases) have continued to be charged to revenue as their individual values at 1 April 2004 were less than £10,000 and their value was not brought into the Balance Sheet as tangible fixed assets. Payments for these leases totalled £2,813 during 2005/06.

The Council also leases out some assets to external organisation under operating leases. For the significant leases (where the annual income is in excess of £10,000) the total received for 2005/06 was £129,700.

15 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 £435,363 (2004/05 - £416,912). Further details of individual payments to Members are provided on pages 56 to 57.

16 Employee Remuneration

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

2004/05		Remuneration Band	2005/06	
Total	Left during year		Total	Left during year
7	-	£50,000 - £59,999	11	-
2	1	£60,000 - £69,999	2	-
-	-	£70,000 - £79,999	-	-
-	-	£80,000 - £89,999	-	-
2	-	£90,000 - £99,999	2	-
1	-	£100,000 - £109,999	1	-

17 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 2005/06 which are not fully disclosed elsewhere in the Statement of Accounts were as follows:

2004/05			2005/06	
Receipts	Payments		Receipts	Payments
£000	£000		£000	£000
2,842	2,800	Essex County Council	1,912	3,875
-	100	Other Essex local authorities	24	208
Transactions with organisations related by a declared interest of Council Members or Chief Officers:				
-	39	Citizens Advice Bureau	5	39
-	2	Colchester Institute	15	1
-	-	Colchester United Community Sports Trust	-	20
-	25	Colne Housing Society	-	78
-	-	Coppins Hall Community	-	16
-	130	East of England Tourist Board	-	26
-	1	Harwich Connexions Community Transport	-	10
-	-	Local Government Association	-	21
-	-	Tendring Primary Care Trust	11	-
-	76	West Cliff (Tendring) Trust	-	77
-	76	Other	25	41
<u>2,842</u>	<u>3,249</u>	Total Related Party Transactions	<u>1,992</u>	<u>4,412</u>

18 Disclosure of Audit Costs

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

2004/05		2005/06
£000		£000
103	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	112
10	Fees payable to the Audit Commission in respect of statutory inspection	3
50	Fees payable to the Audit Commission for the certification of grant claims and returns	49
<u>163</u>		<u>164</u>

HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) provides a summary of all of the revenue transactions relating to the Council's housing stock and its other housing assets. The requirement to keep a separate account for these transactions is prescribed within the Local Government and Housing Act 1989, as amended by the Leasehold Reform, Housing and Urban Development Act 1993, and in determinations and directions made under the provisions of those Acts.

2004/05 £000		2005/06 £000	Note Ref
	INCOME		
8,421	Dwelling rents	8,708	
162	Non dwelling rents	163	
50	Heating charges	53	
52	Leaseholders charges	87	
236	Other charges for services and facilities	268	
-	Housing Revenue Account Subsidy (inc Major Repairs Allowance)	-	4
14	General Fund contribution re shared amenities	16	5
8,935	Total	9,295	
	EXPENDITURE		
	Management and maintenance:		
2,437	- Contribution to Housing Repairs Account	2,680	7
1,908	- Supervision and management	1,934	
455	- Special Services	551	
38	- Supporting People	47	
12	Rents and other charges	13	
770	Housing Revenue Account Subsidy	482	4
-	Rent rebates	-	
64	Increased provision for bad & doubtful debts	48	8
5,755	Cost of Capital Charge	4,940	9
-	Amortisation of Intangible Fixed Assets	30	10
3,364	Depreciation and impairment of fixed assets	2,787	11/12
42	Debt management expenses	43	9
14,845	Total	13,555	
5,910	Net Cost of Services	4,260	
(4,895)	Adjusting transfer from Asset Management Revenue Account (AMRA)	(4,089)	9
(229)	Investment income	(242)	
786	Net Operating Expenditure	(71)	
	APPROPRIATIONS		
-	HRA contribution to Minimum Revenue Provision	-	9
25	HRA share of contributions to Pension Reserve	95	6
(1,189)	Transfer from Major Repairs Reserve	(580)	12
(378)	(Surplus)/Deficit for year	(556)	

HOUSING REPAIRS ACCOUNT

£000		£000
(2,437)	Income: Contribution from Housing Revenue Account	(2,680)
2,419	Expenditure on repairs and maintenance	2,836
<u>(18)</u>	(Surplus)/Deficit for year	<u>156</u>

HOUSING REVENUE ACCOUNT RESERVES

2004/05		Housing Revenue Account	2005/06 Housing Repairs Account	Total
£000		£000	£000	£000
(2,504)	Balances as at 1 April	(2,465)	(435)	(2,900)
(396)	(Surplus)/deficit for year	(556)	156	(400)
<u>(2,900)</u>	Balances as at 31 March	<u>(3,021)</u>	<u>(279)</u>	<u>(3,300)</u>

1 The HRA (Accounting Practices) Directions 2000

A new financial framework was introduced for local authority housing from 1 April 2001 to provide as full and self-contained a picture as possible of the housing stock and other HRA assets. The 2000 Directions specify certain accounting practices that Councils are required to adopt as part of this framework. The HRA has been prepared based on these Directions and the following notes provide the additional information that the Directions require to be disclosed.

2 Capital Expenditure and Financing

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

2004/05		2005/06
£000		£000
	Capital Investment:	
2,764	Operational Assets	2,841
-	Deferred Charges	18
119	Other	24
<u>2,883</u>		<u>2,883</u>
	Sources of Finance:	
850	Borrowing	750
1,883	Major Repairs Reserve	1,994
150	Capital Receipts	139
<u>2,883</u>		<u>2,883</u>

3 Housing Assets

As at 31 March 2006, the Council was responsible for managing the following council housing assets:

31 March 2005			31 March 2006		
No	Balance Sheet Value £000		No	Balance Sheet Value £000	
		Dwellings			
1,524	64,987	Flats	1,517	54,399	
1,083	77,937	Houses	1,072	58,758	
339	21,233	Bungalows	339	18,403	
336	11,537	Sheltered accommodation	336	7,970	
30	2,206	Do-It-Yourself Shared Ownership (DIYSO)	29	1,604	
3,312	177,900		3,293	141,134	
		Other Land and Buildings			
65	1,629	Shared equity plots of land	65	1,817	
453	858	Garages	453	888	
353	35	Ground rents re sold Council flats	360	37	
1	464	Community Centre	1	467	
4	206	Other non-domestic properties	4	195	
2	12	Land	7	22	
4,190	181,104	Total Balance Sheet values	4,183	144,560	

The dwellings shown above are those that are used in the direct delivery of the housing service and the table shows the opening balance sheet value of these assets and the value at the end of the financial year. There has been a small increase in the number of pieces of land due to some areas of land with minimal individual values now being included for completeness. 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 2005 following the 5 year revaluation undertaken in accordance with ODPM's Guidance was £317 million compared with the existing use value of £147 million. The difference between the two values of £170 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 2005 to 31 March 2006 and this change along with other adjustments has been reflected in the Balance Sheet value as at 31 March 2006.

During 2005/06, 18 council houses and flats were sold under 'Right to Buy' legislation and DIYSO shares equivalent to 1.25 whole properties were sold.

4 Housing Revenue Account Subsidy

In previous years, HRA Subsidy represented reimbursement by the Office of the Deputy Prime Minister of the contribution required to match the deficit on a notional HRA, calculated in accordance with determinations issued by the Secretary of State which included the cost of rent rebates granted. With effect from 1 April 2004, rent rebate expenditure is no longer borne by the HRA and is charged to the General Fund. With the removal of the rent rebate element from the calculation, the subsidy becomes a negative figure that is required to be paid to the Government.

Set out below is the notional HRA for 2005/06 assessed for subsidy purposes but subject to certification:

2004/05		2005/06
£000		£000
4,247	Management and maintenance	4,628
1,220	Charges for capital	1,230
-	Rent rebates	-
2,175	Major repairs allowance	2,208
9	Admissible allowance	6
1	Anti-social behaviour allowance	-
<hr/>		<hr/>
7,652		8,072
(8,353)	Rent	(8,550)
(6)	Mortgage interest	(4)
<hr/>		<hr/>
(707)		(482)
(63)	Adjustment re previous year	-
<hr/>		<hr/>
<u>(770)</u>	Housing Subsidy due/(repayable) for year	<u>(482)</u>

5 Contribution from General Fund for Shared Amenities

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 and the General Fund. Such services provided by this Council's HRA are Sewerage Treatment Works and Pumping Stations. The Contribution from the General Fund represents the net expenditure of these services attributable to the private sector dwellings.

6 Current Pension Costs

To ensure that the operating costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned by the employees (current costs), the actual pension costs paid in the HRA have been replaced by current costs in the 'Net Cost of Service'. An adjustment has then been made under 'Appropriations' (Contribution to the Pensions Reserve) to ensure that the HRA bears its proper share of the actual costs paid by the Council during the year. See Note 12 under Accounting Policies on page 9 for a more detailed explanation of these costs.

7 Housing Repairs Account

A Housing Repairs Account was established on 1 April 1996, financed by an annual contribution from the HRA, in order to assist the planning of major and cyclical works to the Council's housing stock, with the annual surplus forming a Reserve.

8 Rent Arrears and the Provision for Bad and Doubtful Debts

The rent arrears at 31 March 2006 were £305,684 (2004/05 - £286,375), which equates to 3.26% (2004/05 – 3.16%) 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 2006 is £97,567 after the following movements on the account during 2005/06:

2004/05 £000		2005/06 £000
95	Balance as at 1 April	96
64	Provision for year	48
(63)	Arrears written off	(46)
<u>96</u>	<u>Balance as at 31 March</u>	<u>98</u>

9 Cost of Capital Charges and Deferred Charges

The financial framework for the HRA requires a capital charge to be made to the HRA for the use of HRA assets. The capital charge is determined by applying a specified notional rate of interest (3.5% in 2005/06) to the net amount at which the assets are held in the Balance Sheet. This notional interest is then charged to the expenditure section of the HRA before arriving at the 'net cost of service'. It is included in the accounts to show the cost of public sector capital tied up in HRA assets and whether the income raised from rents is sufficient to meet operational expenditure and generate a 3.5% return on capital (3.5% in 2004/05).

In addition to the cost of capital charge, deferred charges are also made to the HRA as part of the overall charge to reflect the HRA's use of assets during the year. A deferred charge has been included for 2005/06 within the overall cost of capital charge as expenditure was incurred in accordance with the classification of such cost as explained in note 3 on page 7.

As these charges are intended to act as a signal only, an accounting adjustment is made before arriving at 'net operating expenditure' to reconcile it with the HRA's share of debt interest costs. This is achieved by reversing out the charges via the Asset Management Revenue Account (AMRA) less the actual interest to be paid by the HRA, as calculated in accordance with a formula specified by the Secretary of State (the 'Item 8 Determination').

From 1 April 2004, there is no longer a statutory requirement to set aside a Minimum Revenue Provision for the repayment of borrowing for HRA capital purposes but a voluntary contribution can be made towards these costs from the Major Repairs Reserve – no such contribution was made in 2005/06.

2004/05		2005/06
£000		£000
	Cost of Capital Charges:	
5,755	Interest @ 3.5%	4,922
-	Impairment	-
-	Deferred Charges	18
<u>5,755</u>		<u>4,940</u>
(4,895)	Adjusting transfer from AMRA	(4,059)
<u>860</u>	HRA contribution to external interest charges	<u>881</u>
-	Minimum Revenue Provision (contribution to loan repayments)	-
42	Debt management expenses	43
<u>902</u>	HRA contribution to debt financing costs (as calculated according to the Item 8 Determination)	<u>924</u>

10 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 first year of the annual writing down of the asset over an appropriate period of time.

11 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 as it is not reversed out. 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' but is reversed out in 'net operating expenditure' so that it does not impact on rents or other HRA services.

2004/05		2005/06
£000		£000
3,280	Dwellings	2,715
41	Do-It-Yourself Shared Ownership (DIYSO)	31
30	Garages	28
9	Community Centre	9
4	Other Non-Domestic Properties	4
<u>3,364</u>		<u>2,787</u>

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 2005/06.

12 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, below 'net operating expenditure', any amount that is higher or lower than the Major Repairs Allowance.

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

2004/05		2005/06	
£000		£000	£000
1,112	Balance as at 1 April		1,404
	HRA depreciation provision		
3,280	Dwellings (excluding DIYSO)	2,715	
84	All other HRA assets	72	
		<hr/>	2,787
(1,189)	Transfer to the HRA	(580)	
(1,883)	Applied to finance capital expenditure on the housing stock	(1,994)	(2,574)
<hr/>		<hr/>	<hr/>
1,404	Balance as at 31 March		1,617
<hr/> <hr/>			<hr/> <hr/>

13 Usable Housing Capital Receipts Reserve

With effect from 1 April 2004, the requirement to set aside a proportion of the capital receipts arising from the disposal of land, houses and other property in the HRA to provide for the repayment of capital borrowing has been replaced by a requirement to 'pool' part of the receipt 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 and expenditure incurred on improving the land within three years of the disposal.

For other housing receipts, a further reduction can be made by applying a capital allowance. The capital allowance is equal to the past or planned expenditure on affordable housing and regeneration projects. At the end of 2005/06 the capital allowance totals £253,000 (£247,000 at the end of 2004/05).

The remaining capital receipts can be applied to finance any capital expenditure. During 2005/06, the housing capital receipts amounted to £1,364,000 of which £899,000 was due to be paid to the Government as the pooling amount and £145,000 was reduced by applying the capital allowance. Of the total of £1,076,000 applied during the year to finance capital expenditure, £139,000 was for improvements to the council's housing stock and the balance of £937,000 was 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. In respect of 'Other receipts' received in the year, £35,000 relates to the repayment of a deduction made in 2004/05 in respect of administration costs.

2004/05		2005/06
£000		£000
3,015	Balance as at 1 April	2,954
	Capital Receipts in the year:	
1,811	Council house sales (net of administration costs)	1,149
321	DIYSO property sales	145
15	Mortgage principal repayments	6
142	Other receipts	64
<u>5,304</u>		<u>4,318</u>
	Less:	
-	Reserved capital receipts	-
(1,390)	Capital receipts 'pooling contribution'	(899)
(960)	Capital receipts used for financing capital expenditure	(1,076)
<u>2,954</u>	Balance as at 31 March	<u>2,343</u>

14 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 REVENUE ACCOUNT

2004/05 £000		2005/06 £000	£000	Note Ref
	INCOME			
49,494	Income from Council Tax		51,958	1
	Transfers from the General Fund:			
9,817	Council Tax Benefits		10,494	
(1)	Transitional Relief		-	
59,310			62,452	
19,866	Income Collectable from Business Ratepayers:		20,664	2
79,176			83,116	
	EXPENDITURE			
	Precepts:			3
6,891	Tendring District Council		7,287	
43,485	Essex County Council		45,537	
2,753	Essex Fire Authority		2,836	
4,842	Essex Police Authority		5,198	
	Use of Council Tax balance:			4
155	Tendring District Council		120	
1,080	Essex County Council		756	
-	Essex Fire Authority		48	
112	Essex Police Authority		84	
59,318			61,866	
	Council Tax Bad and Doubtful Debts:			
285	Amounts written off	441		
(9)	Increase/(Reduction) in Provision for Doubtful Debt	(27)	414	
	Business Rate:			2
19,570	Contribution to the Central Government pool	20,368		
296	Cost of Collection allowance	296	20,664	
79,460			82,944	
(284)	Net Surplus/(Deficit) for the year		172	
1,277	Balance as at 1 April		993	
993	Balance as at 31 March		1,165	4

1 Council Tax

The average Council Tax levy for 2005/06 was £1,226.50 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 2005/06

2004/05	Band	Valuation	Pro- portion	Full Charge	Discount		2nd Homes	Empty Properties	Exempt	Total
					25%	50%				
6	*A	Up to £40,000	5/9	7	1	-	-	-	-	8
11,923	A	Up to £40,000	6/9	3,883	6,185	4	894	329	716	12,011
16,649	B	£40,001 to £52,000	7/9	9,267	6,452	8	413	187	346	16,673
19,940	C	£52,001 to £68,000	8/9	12,600	6,360	22	428	178	380	19,968
9,584	D	£68,001 to £88,000	9/9	6,903	2,307	28	228	66	145	9,677
4,415	E	£88,001 to £120,000	11/9	3,459	758	30	101	41	53	4,442
1,521	F	£120,001 to £160,000	13/9	1,179	267	25	30	21	16	1,538
771	G	£160,001 to £320,000	15/9	572	101	43	34	10	11	771
60	H	Over £320,000	18/9	40	3	9	2	2	2	58
<u>64,869</u>				<u>37,910</u>	<u>22,434</u>	<u>169</u>	<u>2,130</u>	<u>834</u>	<u>1,669</u>	<u>65,146</u>
50,026		Number of equivalent full charge Band D dwellings (unscaled tax base)								51,117
(1,250)		Less Provision for changes in valuation list, discounts and doubtful debts								(1,498)
<u>48,776</u>		Tax base for tax setting purposes								<u>49,619</u>

* Band A – entitled to Disabled Relief

Analysis of the Council Tax

Council Tax for a Band D Dwelling

2004/05 Average £		2005/06 Average £
	Tendring District Council:	
112.38	General Expenses	116.75
7.98	Special Expenses	9.18
20.91	Town and Parish Councils	20.93
891.54	Essex County Council	917.73
56.43	Essex Fire Authority	57.15
99.27	Essex Police Authority	104.76
<u>1,188.51</u>		<u>1,226.50</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 2005 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.

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.

2004/05		2005/06
45.6p	Non-Domestic Rate per £ of Rateable Value	41.5p
£000		£000
50,243	Rateable Value on 31 March	63,200
<hr/>		
22,713	Gross rate income	26,074
(2,855)	Allowances and other adjustments	(5,284)
(51)	Amounts written off	(101)
(20)	Interest on refunds of overpayments	(9)
79	Changes in provision for doubtful debt	(16)
<hr/>		
19,866		20,664
(296)	Cost of Collection allowance	(296)
<hr/>		
19,570	Contribution to the NNDR pool	20,368
<hr/> <hr/>		

Allowances and other adjustments shown above include transitional relief, charitable reliefs, and allowances for wholly or partly empty premises. The figure for Gross rate income for 2005/06 includes amounts resulting from the supplement introduced nationally on the 1 April 2005 to fund the small business rate relief scheme.

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.

Therefore the surplus of £1.165 million at 31 March 2006 together with balances paid over to precepting authorities in 2006/07, will form part of the assessment made in January 2007.

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2006

31 March 2005 £000		31 March 2006 £000	£000	Notes
	Fixed Assets			
	Tangible Fixed Assets			1
	Operational Assets			
181,104	- Council Dwellings	144,548		
30,478	- Other Land and Buildings	29,018		
2,842	- Infrastructure Assets	2,664		
1,062	- Vehicles, Plant, Machinery and Equipment	1,111		
278	- Community Assets	275		
	Non-Operational Assets			
2,126	- Surplus assets held for disposal	4,538	182,154	
216	Intangible Fixed Assets		741	2
<u>218,106</u>	Total Fixed Assets		<u>182,895</u>	
9	Long Term Investments		11	7
695	Long Term Debtors		1,048	8
<u>218,810</u>	Total Long Term Assets		<u>183,954</u>	
	Current Assets			
25	- Stocks	22		9
9,076	- Debtors	5,004		10
8,050	- Temporary Investments	14,415	19,441	
<u>235,961</u>	Total Assets		<u>203,395</u>	
	Current Liabilities			
(5,681)	- Creditors	(6,696)		11
(1,201)	- Borrowing repayable within 12 months	(727)		
(3,155)	- Bank Overdraft	(1,616)	(9,039)	
<u>225,924</u>	Total Assets less Current Liabilities		<u>194,356</u>	
(14,401)	Long Term Borrowing	(17,674)		12
(68)	Deferred Liabilities	(40)		
(639)	Deferred Capital Receipts	(1,001)		13
(31,812)	Asset/Liability related to defined benefit pension schemes	(29,311)		14
(10)	Provisions	(23)	(48,049)	15
<u>178,994</u>	Total Assets less Liabilities		<u>146,307</u>	16

31 March 2005 £000		31 March 2006 £000	Notes
	Financed by:		
181,736	Fixed Asset Restatement Account	145,844	
9,910	Capital Financing Account	9,267	
3,041	Government Grants Deferred	2,985	
3,060	Usable Capital Receipts Reserve	3,089	
(31,812)	Pensions Reserve	(29,311)	14
1,404	Major Repairs Reserve	1,617	
3,883	Earmarked Reserves	4,472	17
3,879	General Fund Balance	3,879	
2,900	Housing Revenue Account Balance	3,300	
993	Collection Fund Balance	1,165	
178,994	Total Net Worth	146,307	

HEAD OF FINANCIAL SERVICES' CERTIFICATE

I certify that the accounts set out on pages 1 to 55 present fairly the financial position of the Council at the 31 March 2006 and the income and expenditure for the year then ended.

Karen Neath CPFA,
Head of Financial Services
Date: 26 September 2006

CHAIRMAN OF THE COUNCIL'S CERTIFICATE

I confirm that the Council at the meeting held on 26 September 2006 approved these accounts.

Councillor R J Taylor on behalf of Tendring District Council
Chair of meeting approving the accounts:
Date: 26 September 2006

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

1 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 2005	184,468	30,497	7,685	2,309	294	2,167	227,420
Accumulated depreciation and impairment	(3,364)	(19)	(4,843)	(1,247)	(16)	(41)	(9,530)
Net Book Value at 31 March 2005	181,104	30,478	2,842	1,062	278	2,126	217,890
Change of category 1 April 2005	-	(1,164)	-	-	-	1,164	-
Net Additions	2,841	518	230	870	18	-	4,477
Disposals	(925)	(18)	-	-	-	(325)	(1,268)
Revaluation							
- change in value	(32,844)	543	-	-	-	1,577	(30,724)
- additions not increasing value	(2,841)	(518)	(5)	(494)	(18)	-	(3,876)
Depreciation for year	(2,787)	(821)	(403)	(327)	(3)	(4)	(4,345)
Impairment loss	-	-	-	-	-	-	-
Net Book Value at 31 March 2006	144,548	29,018	2,664	1,111	275	4,538	182,154

In accordance with the Housing Revenue Account (Accounting Practices) Directions 2000, the Council Housing stock was revalued in accordance with the Guidance on Stock Valuation for Resource Accounting issued by the Office of the Deputy Prime Minister, July 2005. The guidance revised the adjustment factor for the Eastern region to 46% from the previous value of 57% which is the rate used to reflect the existing use of the assets as social housing rather than valuation based on vacant possession. Applying this new rate has resulted in the reduction in the value of council dwellings as shown in the table above.

The Non-operational assets 'Revaluation – Change in value' figure of £1.577 million above is a net amount which includes various adjustments such as reductions in values but also it includes assets now determined to be surplus to requirements (£2.070 million) which are shown in the Balance Sheet for the first time.

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 2005/06 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 Old Lifeboat House at Harwich.

c) **Major fixed asset information**

Fixed assets owned by the Council include the following:

Number as at 31 March 2005		Number as at 31 March 2006
	Council Dwellings	
3,312	Council House stock	3,293
453	Garages	453
1	Community Centre	1
4	Shops etc	4
	Other Operational Buildings	
1	Town Hall	1
9	Offices	9
2	Depots and Workshops	5
35	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	46
34	Garages	34
5	Community Centres	5
31	Shops, Kiosks, etc	31
	Community Assets	
291Hectares	Open Spaces and Recreation Grounds	291Hectares
1	Harwich Crane	1
2	Leading Lights	2
1	Martello Tower Golf Links	1
1	Old Lifeboat House	1
1	Clacton Steam Queen	1

Other fixed assets include infrastructure such as coastal defences, roads, street lighting and footpaths. It also includes non-operational assets, which include assets determined as being surplus and held for disposal. This is reflected in the reduction in car park numbers shown above in addition to some depots / workshops being recognised as operational assets not non operational assets.

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 2002 by E J Stebbing, FRICS, of the District Valuer's East of England office. The valuations were made in accordance with the Statements of Asset Valuation Practice and 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. Detailed inspections were not carried out on all of the properties, as this was neither practical nor considered by the Valuer to be necessary for the purpose of the valuation.

The annual desktop review of General Fund properties was obtained from Mr I Bromley-Derry MRICS, IRRV of NPS Property Consultants Limited.

An estimate was also obtained from Mr I Bromley-Derry MRICS IRRV as to the increase in value from 1 April 2005 to 31 March 2006 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 2006.

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 and note 3 to the Housing Revenue Account sets out additional valuation details relating to the Council's housing stock.

2 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.

3 Movement in Intangible Assets

Software Licences	2005/06 Total £000
Original Cost (from 1 April 2004)	327
Amortisations to 31 March 2005	(111)
Balance as at 1 April 2005	<hr/> 216
Expenditure in Year	579
Written off to revenue in year	(54)
Balance at 31 March 2006	<hr/> <hr/> 741

The total amortisation to the 31 March 2006 is £165,000

4 Capital Expenditure and Capital Financing Requirement

2004/05		2005/06
£000		£000
22,001	Opening Capital Financing Requirement	23,418
	Capital Investment:	
3,949	Operational assets	4,477
216	Intangible Assets	604
1,677	Deferred charges	1,864
	Sources of Finance:	
(975)	Capital Receipts	(1,076)
(713)	Government Grants	(621)
(2,402)	Sums set aside from revenue including MRP	(3,459)
(335)	Other Grants	(407)
<u>23,418</u>		<u>24,800</u>

2004/05		2005/06
£000	Explanation of movements in year	£000
1,417	Increase in underlying need to borrow (supported by Government financial assistance)	1,083
-	Increase in underlying need to borrow (unsupported by Government financial assistance)	299
<u>1,417</u>		<u>1,382</u>

Deferred charges includes expenditure in accordance with note 3 on page 7, which include items such as Private Sector Improvement Grants.

5 Capital Commitments

As at 31 March 2006, the Council was contractually committed to capital payments amounting to approximately £438,000 (2004/05 - £2,142,000) of which £245,000 (2004/05 - £754,000) was in respect of the setting up of a Council Contact Centre, £106,000 (2004/05 - £789,000) for information technology schemes, £50,000 for the provision of a children's play area and £37,000 for the completion of various other schemes. All of these projects are planned for completion in 2006/07. For information and a full comparison with 2004/05 further amounts to those shown in brackets above were £437,000 for the refurbishment of the Leisure Centre at Clacton, £50,000 for CCTV projects and £112,000 for the completion of various other schemes.

6 Operating and Finance Leases

As at 1 April 2005 the Council had four finance leases for which payments were due. Two of these were for leases of less than £10,000 so the assets and liabilities of these have not been recognised on the Balance Sheet .

The assets and liabilities arising from the other two finance leases have been recognised on the Balance Sheet. The assets comprise cremator plant, and mowers and they are now accounted for under Tangible Fixed Assets. The total value of the original leases was £237,313. A Deferred Liability Account has been set up, to which the principal repayments of the lease is annually credited to reduce the outstanding liability in line with the leasing arrangements.

The following table shows the movement during the year on Tangible Fixed Assets that relates to the assets held under these two finance leases:

2004/05 Plant and Equipment		2005/06 Plant and Equipment £000
94	Opening balance remaining of original lease value	68
(26)	Principal element of lease rental paid in the year	(28)
<u>68</u>	Balance remaining of original lease value	<u>40</u>

Outstanding obligations to make payments on these finance leases (excluding finance costs) at 31 March 2006, accounted for as part of long term liabilities are as follows:

2004/05 Plant and Equipment £000		2005/06 Plant and Equipment £000
28	Obligations payable 2006/07	31
40	Obligations payable between 2007/08 and 2008/09	9
<u>68</u>	Total outstanding obligations at 31 March	<u>40</u>

The two leases not recognised on the Balance Sheet are in respect of a photocopier and horticultural equipment. The value of the original leases was £13,529. As at 31 March 2006 the Council was committed to make payments only in respect of the photocopier totalling £1,758. Payments of £879 are due in both 2006/07 and 2007/08.

In respect of the operating leases, the Council was committed at 31 March 2006 to making payments of £210,803 of which payments to the value of £72,706 are due in 2006/07 and £138,097 between 2007/08 and 2009/10.

The Council has a number of contract hire leases and is committed to making payments of £191,620 in total, being £54,104 in 2006/07 and £137,516 from 2007/08 to 2009/10.

The Council also leases out some assets to external organisation under operating leases. For the significant leases (where the annual income is in excess of £10,000) the gross value of assets for this purpose is £2,191,000 at the balance sheet date with associated accumulated depreciation of £40,729.

7 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 Fixed Asset Restatement Account.

8 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.

2004/05		2005/06
£000		£000
49	Sale of council houses (mortgages)	44
3	Loans to private persons	1
100	Harwich and District Indoor Bowls Centre	96
485	Private Sector Renewal Loans	857
42	Car loans	27
16	Debts subject to charging orders	23
<u>695</u>	Total long term debtors	<u>1,048</u>

9 Stocks

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

2004/05		2005/06
£000		£000
-	Northbourne Road	-
-	Vehicle Parts	-
10	Leisure	-
10	Print Unit	10
5	Senior Citizens' Railcards	12
<u>25</u>	Total stocks	<u>22</u>

10 Debtors

2004/05		2005/06
£000		£000
4,843	Government departments and agencies	1,481
1,257	Other local authorities	344
2,123	Council taxpayers	2,063
265	Non-domestic ratepayers	256
310	Housing rents	307
10	Mortgagors	10
2,098	Sundry debtors	2,387
<u>10,906</u>	Total gross debtors	<u>6,848</u>
(1,830)	Less provision for doubtful debts	(1,844)
<u>9,076</u>	Total net debtors	<u>5,004</u>

The sum due from debtors at the end of 2005/06 compared with 2004/05 has decreased by £4,072,000 (45%). This is mainly due to:

- a) A reduction of £2.998 million in the amount owed by the Department of the Works and Pensions for Housing and Council Tax benefit subsidy as most of the money owed to the Council was received by 31 March 2006. As previously mentioned this is on an estimated basis with figures becoming finalised later on in 2006/07.
- b) A reduction in the amount due from Essex County Council of £0.370 million following the termination of the Highways Agency from 1 April 2005.
- c) Parish Precepts for 2006/07 were paid in April 2006 and not in advance as was the case in 2004/05 resulting in a reduction of £0.520 million.

11 Creditors

2004/05		2005/06
£000		£000
862	Government departments and agencies	2,332
188	Other local authorities	231
1,179	Council taxpayers	1,269
251	Non-domestic ratepayers	394
4	Mortgagors	4
3,197	Sundry creditors	2,236
-	Section 106 Contributions from Developers	230
<u>5,681</u>	Total creditors	<u>6,696</u>

The 2004/05 Accounts showed Section 106 Contributions from Developers in Earmarked Reserves. For 2005/06 these are shown as Receipts in Advance in accordance with the SORP 2005. The increase in sums due to Government Departments and Agencies mainly relates to an increase in the amount due to the Department for Communities and Local Government.

12 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:

2004/05 £000		2005/06 £000
727	Between 1 and 2 years	539
1,460	Between 2 and 5 years	1,420
2,554	Between 5 and 10 years	5,819
2,612	Between 10 and 15 years	2,904
7,048	More than 15 years	6,992
<u>14,401</u>		<u>17,674</u>

13 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 the principal outstanding from the sales of council houses, loans to improve private sector housing and also a loan to an indoor bowling club.

14 Disclosure of Movements in Net Pensions Asset/Liability

Page 15, Note 6 to the Consolidated Revenue Account contains details of the Council's participation in the Local Government Pensions Scheme, administered by Essex County Council.

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

	1 April 2004 £000	1 April 2005 £000	31 March 2006 £000
Estimated liabilities in scheme	(68,189)	(82,574)	(93,874)
Estimated assets in scheme	47,480	50,762	64,563
Net Asset/(Liability)	<u>(20,709)</u>	<u>(31,812)</u>	<u>(29,311)</u>

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total net liability of £29.311 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.

As mentioned within the notes to the Consolidated Revenue Account, Pension Scheme (Amendment) Regulations 2006 have resulted in a past service gain of £1.396 million, which has reduced the estimated liabilities in the scheme following the option for scheme members to receive a higher lump sum upon retirement by commuting part of their annual pension. The actuarial assumption used when calculating the value of the past service gain to be included for 2005/06 is that 50% of scheme members will take up this option and increase their lump sum to the maximum available. For information, a 1% variation to this assumption either way would result in an increase or decrease of £28,000 in the past service gain and a corresponding decrease or increase in the year end liabilities respectively.

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 2004	1 April 2005	31 March 2006
	% pa	% pa	% pa
Rate of inflation	2.80	2.90	2.90
Rate of increase in salaries	4.60	4.40	4.40
Rate of increase in pensions	2.80	2.90	2.90
Rate for discounting scheme liabilities	6.30	5.40	4.90

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 2004	Expected Rate of Return	1 April 2005	Expected Rate of Return	31 March 2006	Expected Rate of Return
	£000	%	£000	%	£000	%
Equities	1,309,206	7.50	1,476,527	7.50	1,875,300	7.00
Properties	204,919	6.50	244,302	6.50	308,560	6.00
Government Bonds	165,074	4.70	235,730	4.70	276,640	4.30
Other Bonds	180,253	5.50	126,437	5.40	148,960	4.90
Other	37,948	4.00	60,004	4.75	50,540	4.50
Total	<u>1,897,400</u>		<u>2,143,000</u>		<u>2,660,000</u>	

15 Provisions

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.

16 Analysis of Net Assets Employed

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

2004/05		2005/06
£000		£000
11,478	General Fund	15,342
166,522	Housing Revenue Account	129,800
994	Collection Fund	1,165
<u>178,994</u>	Total net assets employed	<u>146,307</u>

17 Earmarked Reserves

	Balance 1 April 2005	Net contribution to/(from) Reserves	Balance 31 March 2006
	£000	£000	£000
Graves in Perpetuity Fund	11	-	11
Buildings (Structural & Refurbishment) Reserve	371	(371)	-
Revenue Commitments Reserve	1,394	643	2,037
Capital Commitments Reserve	1,130	(553)	577
Project Investment Reserve	129	(30)	99
Cremator Replacement Reserve	73	100	173
Manual Workers Job Evaluation Reserve	306	-	306
Capital Investment Reserve	220	545	765
Section 106 Agreements Reserve	199	(199)	-
Careline System Replacement Reserve	-	20	20
Contact Management/Development Reserve	-	400	400
Car Parks Reserve (Decriminalisation)	-	15	15
Jaywick Project Manager	50	19	69
	<u>3,883</u>	<u>589</u>	<u>4,472</u>

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

a) Graves in Perpetuity Fund

This is more in the nature of a Trust Fund and represents amounts that have been deposited for the maintenance of graves.

b) Buildings (Structural and Refurbishment) Reserve

This was established to meet the cost of essential one-off maintenance refurbishment works to the Council's assets that cannot be met from existing budgets. It has been fully utilised in 2005/06 to meet capital expenditure associated with the refurbishment of Clacton Leisure Centre.

- c) **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. This has been applied for both 2004/05 and 2005/06.
- d) **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. This has been applied for both 2004/05 and 2005/06.
- e) **Project Investment Reserve**

This was established to provide for investment in major new projects in particular CCTV.
- f) **Cremator Replacement Reserve**

This was established to finance future replacement and improvement works to the crematorium plant and equipment at Weeley.
- g) **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.
- h) **Capital Investment Reserve**

This was established to provide funding for the approved capital programme pending realisation of the required capital receipts.
- i) **Section 106 Agreements Reserve**

In 2004/05 monies received from developers under Section 106 agreement were held in the Section 106 Agreements Reserve. However these sums are now held as a Receipt in Advance in accordance with SORP 2005 and shown under Creditors.
- j) **Careline System Replacement Reserve**

This has been established to finance the future replacement of the Piper Network Controller System.
- k) **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.
- l) **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.
- m) **Jaywick Project Manager Reserve**

This was established to finance the costs of a project manager to work on the Jaywick Master Plan.

18 Contingent Liabilities

Municipal Mutual Insurance (MMI), the Council's Insurers 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 2006, approximately £248,000.

19 Euro Costs

As at 31 March 2006, 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.

20 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.

STATEMENT OF TOTAL MOVEMENT IN RESERVES

FOR THE YEAR ENDED 31 MARCH 2006

2004/05 £000		2005/06 £000	£000	Note Ref
	Surplus/(deficit) for the year:			
(418)	- General Fund	-		
396	- Housing Revenue Account	400		
(284)	- Collection Fund	172		
1,114	<i>add back</i> Movements on earmarked reserves	589		
(533)	<i>add/(deduct)</i> Appropriation from Pensions Reserve	1,266		
(10,570)	Actuarial gains & losses relating to pensions	1,235		
<hr/>		<hr/>		
(10,295)	Total increase/(decrease) in revenue resources		3,662	1

(73)	Increase/(decrease) in usable capital receipts	29		
292	Movement on Major Repairs Reserve	213		
-	Increase/(decrease) in unapplied capital grants and contributions	-		
<hr/>		<hr/>		
219	Total increase/(decrease) in realised capital resources		242	2

27,065	Gains/(losses) on revaluation of fixed assets	(34,624)		
-	Impairment losses on fixed assets due to general changes in prices	-		
<hr/>		<hr/>		
27,065	Total increase/(decrease) in unrealised value of fixed assets		(34,624)	3

(2,363)	Value of assets sold, disposed of or decommissioned		(1,268)	4

975	Capital receipts set aside	1,076		
(2,709)	Revenue resources set aside	(1,719)		
(64)	Movement on Government Grants Deferred	(56)		
<hr/>		<hr/>		
(1,798)	Total increase/(decrease) in amounts set aside to finance capital investment		(699)	5

<hr/>		<hr/>		
12,828	Total recognised gains and losses		(32,687)	
<hr/>		<hr/>		

NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

	General Fund Balances £000	HRA Balances £000	Collection Fund £000	Earmarked Reserves £000	Pensions Reserve £000
1 Movements in revenue resources					
Surplus/(deficit) for 2005/06	-	400	172	-	-
Appropriations to/from revenue	-	-	-	589	1,266
Actuarial gains and losses relating to pensions	-	-	-	-	1,235
	-	400	172	589	2,501
Balance brought forward at 1 April 2005	3,879	2,900	993	3,883	(31,812)
Balance carried forward at 31 March 2006	3,879	3,300	1,165	4,472	(29,311)

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 44, Note 17 to the Consolidated Balance Sheet.

Where pension payments made for the year in accordance with the Local Government Pension 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 to be raised in taxation. This is represented by an appropriation to or from the Pensions Reserve that equals the net change in the pensions liability recognised in the Consolidated Revenue Account. (See also page 51, Note 6 to this Statement).

	Usable Capital Receipts £000	Major Repairs Reserve £000
2 Movements in realised capital resources		
Amounts receivable for 2005/06	2,004	2,208
Amounts paid to the Government as the 'pooling contribution'	(899)	-
Net usable capital receipts in year	1,105	2,208
Amounts applied to finance new capital investment	(1,076)	(1,995)
Total increase/(decrease) in realised capital resources	29	213
Balance brought forward at 1 April 2005	3,060	1,404
Balance carried forward at 31 March 2006	3,089	1,617

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 12 to the Housing Revenue Account sets out the Reserve in further detail.

	Fixed Asset Restatement Account £000
3 Movements in unrealised value of fixed assets	
Gains/(losses) on revaluation of fixed assets in year	(34,624)
Impairment losses on fixed assets due to general changes in prices in year	-
	<hr/>
Total increase/(decrease) in unrealised capital resources in year	(34,624)
4 Value of assets sold, disposed of or decommissioned	
Amounts written off fixed asset balances for disposals in year	(1,268)
	<hr/>
Total movement on reserve in year	(35,892)
Balance brought forward at 1 April 2005	181,736
	<hr/>
Balance carried forward at 31 March 2006	<u>145,844</u>

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	Govern- ment Grants Deferred	Total
	£000	£000	£000
5 Movements in amounts set aside to finance capital investment			
Usable capital receipts applied to finance new capital investment	1,076		1,076
Total capital receipts set aside in year	<u>1,076</u>	-	<u>1,076</u>
Revenue resources set aside in year:			
- capital expenditure financed from revenue	3,089		3,089
- reconciling amount for provisions for loan repayment	(4,808)		(4,808)
Total revenue resources set aside in year	<u>(1,719)</u>	-	<u>(1,719)</u>
Grants applied to capital investment in year		644	
Amounts credited to the asset management revenue account in year		(700)	
Movement on Government Grants Deferred		<u>(56)</u>	<u>(56)</u>
Total increase/(decrease) in amounts set aside to finance capital investment			<u>(699)</u>
Total movement on reserve in year	(643)	(56)	
Balance brought forward at 1 April 2005	9,910	3,041	
Balance carried forward at 31 March 2006	<u>9,267</u>	<u>2,985</u>	

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 Consolidated Balance Sheet.

6 Movement in Pensions Reserve

The actuarial gains identified as movements on the Pensions Reserve in 2005/06 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006:

	2005/06		2004/05		2003/04	
	£000	%	£000	%	£000	%
Differences between the expected and actual return on assets (percentage of assets)	10,054	15.6	2,441	4.8	6,330	13.3
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	(6,930)	7.4	(12,756)	15.4	-	-
Net gain / (loss) (percentage of liabilities)	<u>1,235</u>	1.3	<u>(10,570)</u>	12.8	<u>6,330</u>	13.3

CASH FLOW STATEMENT

2004/05 £000		2005/06 £000	2005/06 £000	Note Ref
	Revenue Activities			
	Cash Outflows:			
15,369	Cash paid to and on behalf of employees		16,118	7
21,065	Other operating cash payments		21,318	7
23,181	Housing benefits paid out		24,737	
19,633	National Non-Domestic Rate payments to National Pool		18,512	
53,291	Precepts paid		54,979	
1,093	Payments to the Capital Receipts Pool		1,045	
			136,709	
	Cash Inflows:			
(2,858)	Rents (after rebates)	(2,954)		
(49,271)	Council Tax receipts	(51,648)		
(3,813)	Non-Domestic Rate receipts from National Pool	(4,069)		
(19,556)	Non-Domestic Rate receipts	(20,831)		
(6,042)	Revenue Support Grant	(6,227)		
(21,802)	DWP grant for benefits	(25,382)		
(16,730)	Other government grants	(21,715)		4
(10,895)	Cash received for goods and services	(8,741)		7
(1,248)	Other operating cash receipts	(2,321)	(143,888)	7
1,417	Net cash outflow/(inflow) on revenue activities		(7,179)	3
	Servicing of Finance			
	Cash Outflows:			
1,072	Interest paid	1,048		
8	Interest re Finance Leases	6		
	Cash Inflows:			
(673)	Interest received	(853)	201	
	Capital Activities			
	Cash Outflows:			
4,165	Purchase of fixed assets	4,989		
1,677	Other capital cash payments	1,864		
		6,853		
	Cash Inflows:			
(2,274)	Sales of fixed assets	(1,967)		
(2,868)	Capital grants	(3,038)		5
(115)	Other capital cash receipts	(4)	1,844	6
2,409	Net Cash Outflow/(Inflow) before financing		(5,134)	1/2
	Management of Liquid Resources			
(2,500)	Net increase/(decrease) in temporary investments		6,365	
	Financing			
	Cash Outflows:			
1,435	Loan repayments	1,202		
26	Capital element of finance leases	28		7
	Cash Inflows:			
-	New loans raised	(4,000)	(2,770)	
1,370	Net Decrease/(Increase) in Cash		(1,539)	

NOTES TO THE CASH FLOW STATEMENT

1 Reconciliation of Net Cash Flow to Movement in Net Debt

	£000
Increase/(Decrease) in cash in year	1,539
Receipt of loans	(4,000)
Repayment of loans	1,202
Repayment of Capital element on finance leases	28
Increase/(Decrease) in temporary investments	6,365
	5,134
Change in net debt	5,134
Net funds at 31 March 2005	(10,776)
Net funds at 31 March 2006	(5,642)

2 Analysis of Change in Net Debt

	Balance at March 2005 £000	Cash Flow £000	Balance at March 2006 £000
Cash	(3,155)	1,539	(1,616)
Loans	(15,603)	(2,798)	(18,401)
Finance Leases	(68)	28	(40)
Temporary Investments	8,050	6,365	14,415
	(10,776)	5,134	(5,642)
	(10,776)	5,134	(5,642)

3 Reconciliation of Consolidated Revenue Account to Revenue Activities Cash Flow

2004/05		2005/06	
£000		£000	£000
(418)	General Fund surplus/(deficit)		-
(284)	Collection Fund surplus/(deficit)		172
396	HRA surplus/(deficit)		400
<u>(306)</u>			<u>572</u>
Non Cash Transactions:			
4,792	Depreciation	4,345	
(4,435)	Additional charge in respect of MRP	(3,976)	
1,114	Contribution to reserves	589	
(307)	Contribution to provisions	13	971
Items on accruals basis:			
1,462	Increase/(decrease) in revenue creditors	1,079	
36	Decrease/(Increase) in stocks	4	
(3,605)	Decrease/(Increase) in debtors	4,121	5,204
Other Items:			
407	Interest	201	
(1,093)	Payments to Housing Pooled Capital Receipts	(899)	
-	Prior Year Capital Receipts Adjustment	35	
518	Direct revenue financing of capital expenditure	1,095	432
<u>(1,417)</u>	Cash Inflow/(Outflow)		<u>7,179</u>

4 Revenue Government Grants

2004/05		2005/06	
£000		£000	
Department for Communities and Local Government			
56	Homelessness		70
505	Planning Delivery		165
250	Supporting People		157
-	Local Authority Business Growth Incentive Scheme		546
15,030	Department for Work and Pensions - Benefits etc		19,708
204	East of England Development Agency		788
378	DEFRA - Recycling		44
140	Home Office - Crime Reduction		191
167	Other		46
<u>16,730</u>	Total Revenue Government Grants		<u>21,715</u>

5 Capital Grants

2004/05 £000		2005/06 £000
	Government Grants:	
	Department for Communities and Local Government	
304	Disabled Facilities Grants	385
372	e-Government & ISB	250
2,175	Major Repairs Allowance	2,207
-	Planning Delivery Grant	38
-	DEFRA - Coast Protection	82
-	DEFRA - Countryside Agency	53
17	Other	23
<u>2,868</u>	Total Capital Grants	<u>3,038</u>

6 Other Capital Receipts

2004/05 £000		2005/06 £000
95	Sport England etc re Skate Park	-
20	Other	4
<u>115</u>		<u>4</u>

7 Significant Variations

In 2004/05 pensions costs of £1.129 million (£1.723 million in 2005/06) were included under 'Other operating cash payments' these are now shown under 'Cash paid to and on behalf of employees' in accordance with the SORP.

In 2004/05 the capital element of finance leases (£0.026 million in 2004/05 and £0.028 million in 2005/06) was included under 'Other operating cash payments'. These are now disclosed separately in accordance with the SORP; notes 1, 2 and 3 have been amended accordingly.

Until 31 March 2005 Tendring District Council undertook Highways functions under an agency agreement. This resulted in a reduction in income for 2005/06 of £2.7 million and has impacted on figures shown for 'Cash received for goods and services', 'Other operating cash payments' and 'Cash paid to and on behalf of employees' compared to the previous year.

The figure for 'Other operating cash receipts' has increased by £1.073 million, the main variations are an additional £0.489 million from Essex County Council for Council Tax on Second Homes and Local Service Agreement and £0.221 million on additional VAT recovered.

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 2005/06.

		Basic Allowance	Special Responsibility Allowance	Childcare Allowance	Attendance	Total
		£	£	£	£	£
D	Aldis	4,305.50	2,769.50			7,075.00
K	Aldis	4,305.50	2,769.50			7,075.00
E T	Allen	4,305.50	17,227.50			21,533.00
C J	Baker	4,305.50				4,305.50
P	Beadles	4,305.50				4,305.50
A	Bevan	4,305.50	8,472.50			12,778.00
B M	Bevan	4,305.50				4,305.50
W	Bleakley	4,305.50	10,118.50			14,424.00
M	Bragg	4,305.50				4,305.50
P E	Brand	4,305.50				4,305.50
R J	Bucke	4,305.50	3,359.00			7,664.50
R H	Caddick	4,305.50	10,118.50			14,424.00
S	Candy	4,305.50				4,305.50
M	Cossens	4,305.50	5,855.00			10,160.50
J	Cripps	4,305.50				4,305.50
M A	De Roy	4,305.50				4,305.50
P G	De-Vaux Balbirnie	4,305.50	3,442.00			7,747.50
M	Dew	4,305.50				4,305.50
I R	Dimmock	4,305.50	1,678.00			5,983.50
D J	Dixon	4,305.50	1,858.00			6,163.50
L J	Double	4,305.50	5,682.00			9,987.50
G	Downing	4,305.50	2,769.50			7,075.00
W G	Elmer	4,305.50				4,305.50
C	Griffiths	4,305.50				4,305.50
R	Heaney	4,305.50				4,305.50
S	Henderson	4,305.50	2,066.00			6,371.50
M	Holden	4,305.50				4,305.50
P	Honeywood	4,305.50				4,305.50
C	Jessop	4,305.50				4,305.50
I R	Johnson	4,305.50	10,118.50			14,424.00
J	Kelly	4,305.50	2,769.50			7,075.00
J	King	4,305.50	2,769.50			7,075.00
B	Leatherdale	4,305.50	2,769.50			7,075.00
D	Lines	4,305.50	1,678.00			5,983.50
H	Markham-Lee	4,305.50	2,769.50			7,075.00
M	Morley-Souter	4,305.50				4,305.50
A	Oxley	4,305.50	2,769.50			7,075.00
P J	Oxley	4,305.50	10,118.50			14,424.00
M	Page	4,305.50	10,118.50			14,424.00
P	Patrick	4,305.50	10,118.50			14,424.00
L	Payne	4,305.50				4,305.50
A-J	Peters	4,305.50				4,305.50

		Basic Allowance	Special Responsibility Allowance	Childcare Allowance	Attendance	Total
		£	£	£	£	£
G	Potter	4,305.50	7,536.00			11,841.50
J A	Powell	4,305.50	4,482.50			8,788.00
J	Ruffell	4,305.50				4,305.50
D	Rutson	4,305.50				4,305.50
C	Sambridge	4,305.50	2,769.50			7,075.00
K	Sargeant	4,305.50				4,305.50
A R	Sargent	4,305.50				4,305.50
G	Scott	4,305.50	352.00			4,657.50
H	Shearing	4,305.50	10,118.50			14,424.00
S	Shearing	4,305.50				4,305.50
R G	Smith	4,305.50				4,305.50
N	Stock	4,305.50		637.50		4,943.00
M J	Talbot	4,305.50	10,118.50			14,424.00
R J	Taylor	4,305.50	4,063.50			8,369.00
B W	Thomasson	4,305.50				4,305.50
C A	Turner	4,305.50				4,305.50
N W	Turner	4,305.50				4,305.50
J F	White	4,305.50	2,769.50			7,075.00
Total Payments for year		258,330.00	176,395.00	637.50	0.00	435,362.50

The allowances payable to Chairman and Vice Chairman of the Council were as follows:

Chairman – C Turner (2004)	£440.00
Chairman – M Bragg (2005)	£5,155.00
Vice Chairman – R Taylor (2005)	£1,740.00

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: 'Local Connections – Tendring Community Strategy'. 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 2006/07 – 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 which sets out the Council's Vision, Mission, Core Values and priorities. It also indicates 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 is 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) who then redistribute 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.

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 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.

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 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.

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 Charging 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 Charging Authorities (District Councils).

Provisions

Amounts set aside to meet future costs which at the end of the accounting period cannot be exactly quantified.

Public Works Loan Board (PWLB)

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

Reserves

Amounts set aside to meet future costs. The principal difference when compared with provisions is that reserves are set up to meet costs that are readily identifiable 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 Consolidated Revenue Account (CRA), which also demonstrates how the annual costs of the Council have been financed.

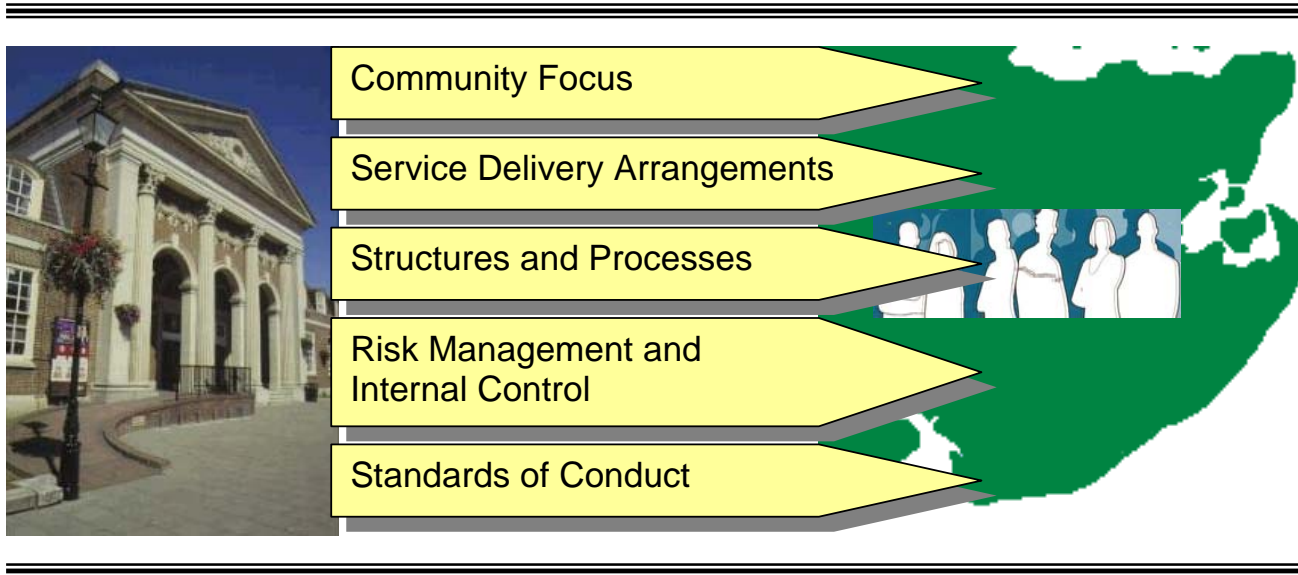
Stocks

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.

YOUR COUNCIL *for* OUR COMMUNITY



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

**Reviewed
& Updated
June 2006**

**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

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.

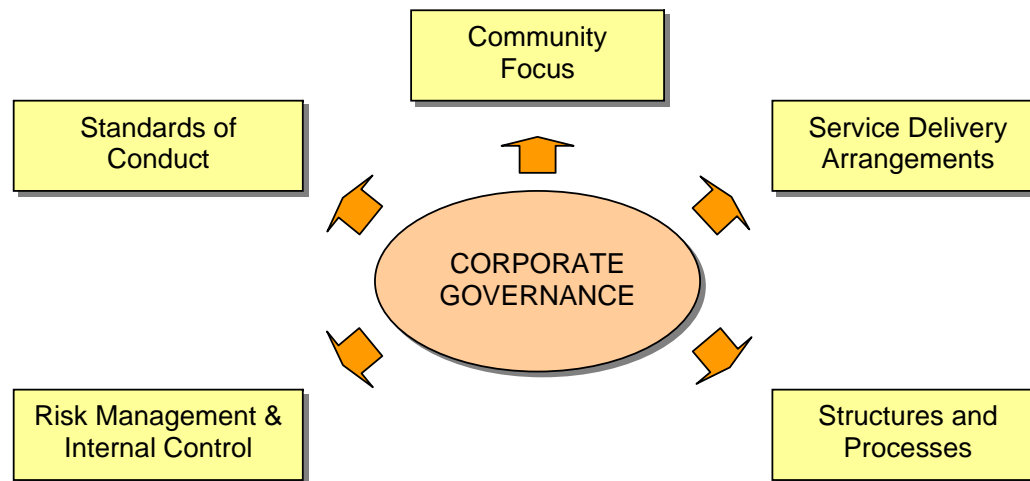
To deliver this agenda, it is therefore essential that local Councils have sound corporate governance arrangements that reflect three fundamental principles of:

- ◆ **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. A report on the Council's audit of its community governance and risk management arrangements was published in August 2005 as a result of which the Council is reviewing its governance arrangements.

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.

Progress with the actions in the Corporate Improvement Action Plan is reported each year in our Best Value Performance Plan (BVPP), the document that sets out the Council's improvement priorities and how those priorities will be addressed over the coming year. Copies of the BVPP are available from the contact details at the front of this Code.

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.**

Amendments to these regulations have recently been issued and came into force from 1 April 2006. The procedures adopted by this Council mean that the new reporting requirements in relation to the statement of internal control and the annual audit report are already in place.

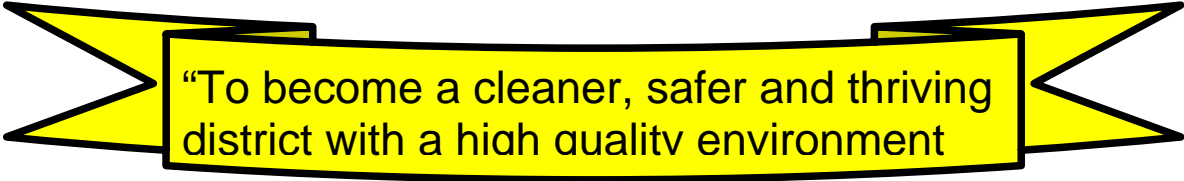
1. A clear vision for the community

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:-

Our Vision



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

Our Priorities

<div style="border: 1px solid black; padding: 5px; display: inline-block;"> Main Priority </div> <p>A strong local economy</p>	<ul style="list-style-type: none"> • Ensuring that sufficient land is available in the right places through the District Local Plan • Creating jobs • Exploiting development opportunities through planning decisions • Increasing inward investment • Regenerating the rural economy through appropriate diversification and improved access
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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:-

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

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. 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;
- 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 Forum 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;
- Monitor our tenants' and leaseholders' views of 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 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 Head of Corporate Performance. The Panel has reviewed and updated the External Communication Strategy in December 2005 with particular emphasis on e-government arrangements, "hard to reach" groups and consultation.



The Council has re-launched its website in October 2005. The website has been formally awarded contact 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 an officer Customer Services Panel and 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 services that can help you.
- ✓ Have published policies and standards, and be accountable and open about how 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 answerphone message) on the same day or the following morning if your message was received after 4pm.
- ✓ 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 involved in the planning, delivery and monitoring of our services.
- ✓ Be responsive to the special needs of any of our customers.

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 key decisions by the Leader, the Cabinet 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;
- normally 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 officers (except operational officer decisions) 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:-

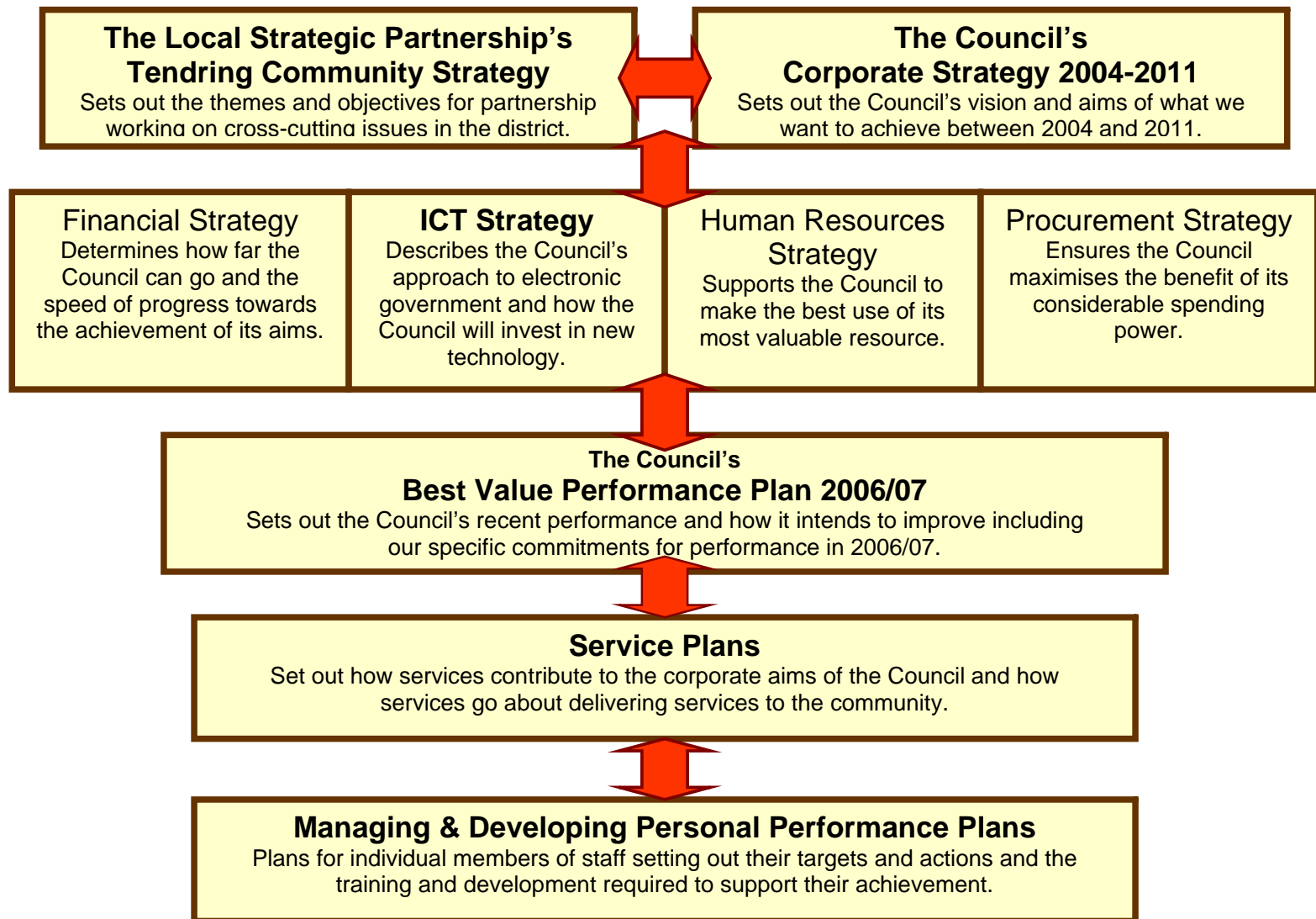
- Publish a Statement of Accounts for the preceding financial year that has been audited by the District Auditor;
- Publish as part of this Code, a Statement on Internal Control reviewing our arrangements for internal control;
- Publish the Council's Budget Proposals for the current financial year and 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 that:-
 - 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;
 - Sets out our arrangements for addressing our improvement priorities including our priority indicators to help deliver our priorities in the Corporate Strategy, how we intend to respond to the challenge of the Government's new efficiency agenda and our response to the Council's Comprehensive Performance Assessment; User focus Assessment, Use of Resources Assessment and Investors in People Assessment
 - Provides details of past performance and future targets for each service in relation to their performance Indicators; and
 - Reports progress with improving our governance arrangements through the Corporate Improvement Action Plan;
- 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 Committee 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 challenge for all local government is to innovate and take the initiative on behalf of the communities it serves to deliver improvement in times of financial constraint. The Council has agreed a practical route map to integrate the Council's Corporate Strategy of achieving financial stability, delivering priorities and driving forward key service improvements within the realities of the Council's Financial Strategy which places significant constraints on the Council's ability to deliver all of its aspirations. This route map set out in full in the Council's Best Value Performance Plan comprises the following key elements:-

- A risk assessment of financial planning;
- A clear statement of core priorities and objectives;
- Identification of non-core (non-priority) activities;
- Utilisation of reserves;
- Consultation with our community;
- Utilisation of the Contact Centre Approach;
- Use of the marketplace;
- Investing in people;
- Creative and innovative thinking;
- Reviewing use of resources;
- Using ICT to achieve improvements and efficiency; and
- Working with partners to maximise improvements.

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 Strategy in setting standards and targets for service delivery. The Council has achieved practical compliance with Level One of the 'Equality Standards for Local Government' and work is progressing aimed at achieving Level Two by March 2007.

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 2006/07.

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 developed the electronic Performance Management System referred to above to provide information to service managers, the Council's Management Board and Members on our performance against the actions and targets set out in our Best Value Performance Plan.

Alongside the Performance Management System, services also produce Management Information Reports (MIRs) to manage performance. These MIRs provide, through a range of 'Local Indicators', information on how services are contributing to the Council's corporate priorities and associated action and targets and to key strategies such as the Council's Corporate Community Safety Strategy.

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 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 recently been extended to include quarterly reality checks undertaken by the Tendring Youth Assembly as a means of promoting engagement of young people.

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

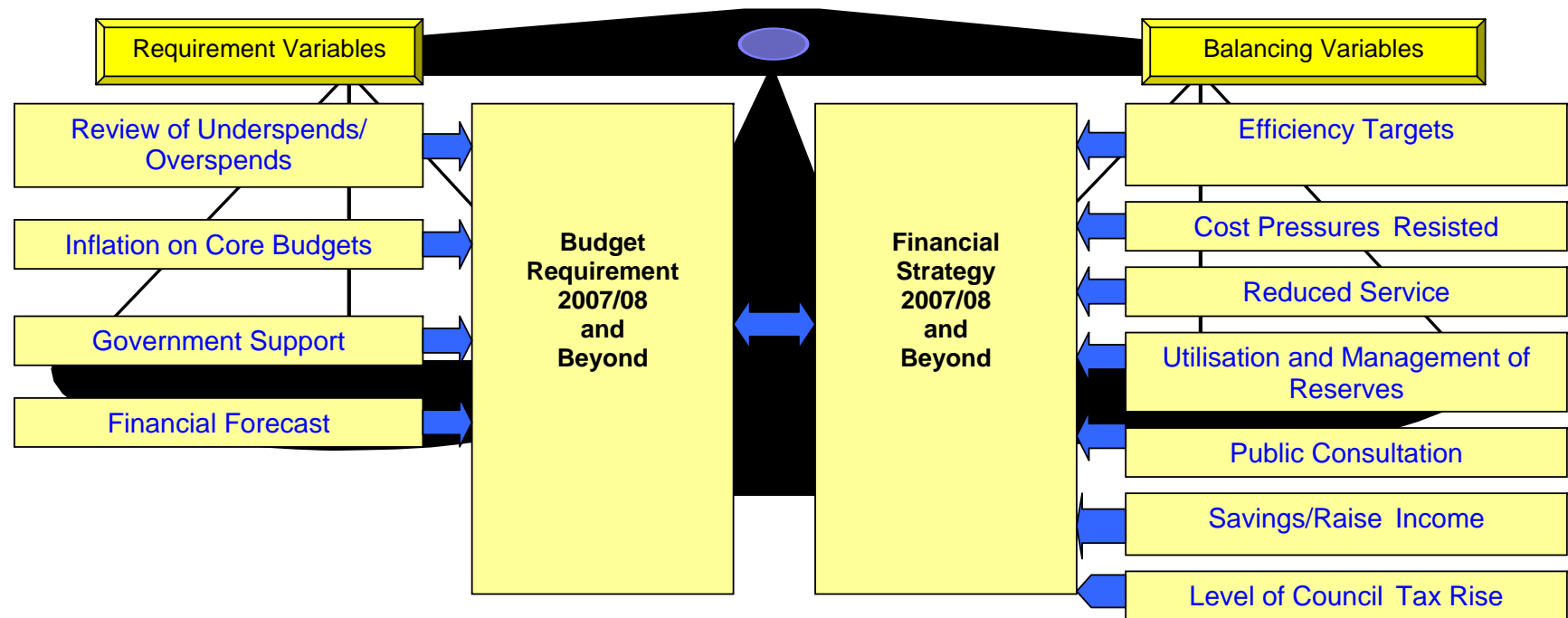
The Council's Planning and Performance Management Framework will ensure that clear and comprehensive performance plans with robust monitoring mechanisms exist at a number of different but linked levels:-

Level	Planning	Monitoring mechanism
Corporate	The Council's Best Value Performance Plan:- Chapter Two: "The Corporate Strategy"; Chapter Three: "Arrangements for addressing our Improvement Priorities"; and Chapter Four: "Details of Performance and Future Targets".	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 where they are in our Best Value Performance Plan. Service Management Information Reports (MIRs) monitor services' contribution to Council Strategies.
Service	Service Plans	The Performance Management System monitor actions / targets where they are in our Best Value Performance Plan. Service Management Information Reports monitor performance against 'Local Indicators'.
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 Committee with accurate, current and comprehensive information on performance. The Management Information Reports will also be used by services to monitor progress in terms of their contribution to the performance of the Council and the delivery of their Service Plans. 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 2007/08 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 and the Haven Gateway Partnership that directly contribute to helping achieve our objectives. These partnerships are instrumental in delivering externally funded programmes and co-ordinating partner agency contributions.

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. 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. The Council will also 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 and physical inspection through our targeted programme of 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:-

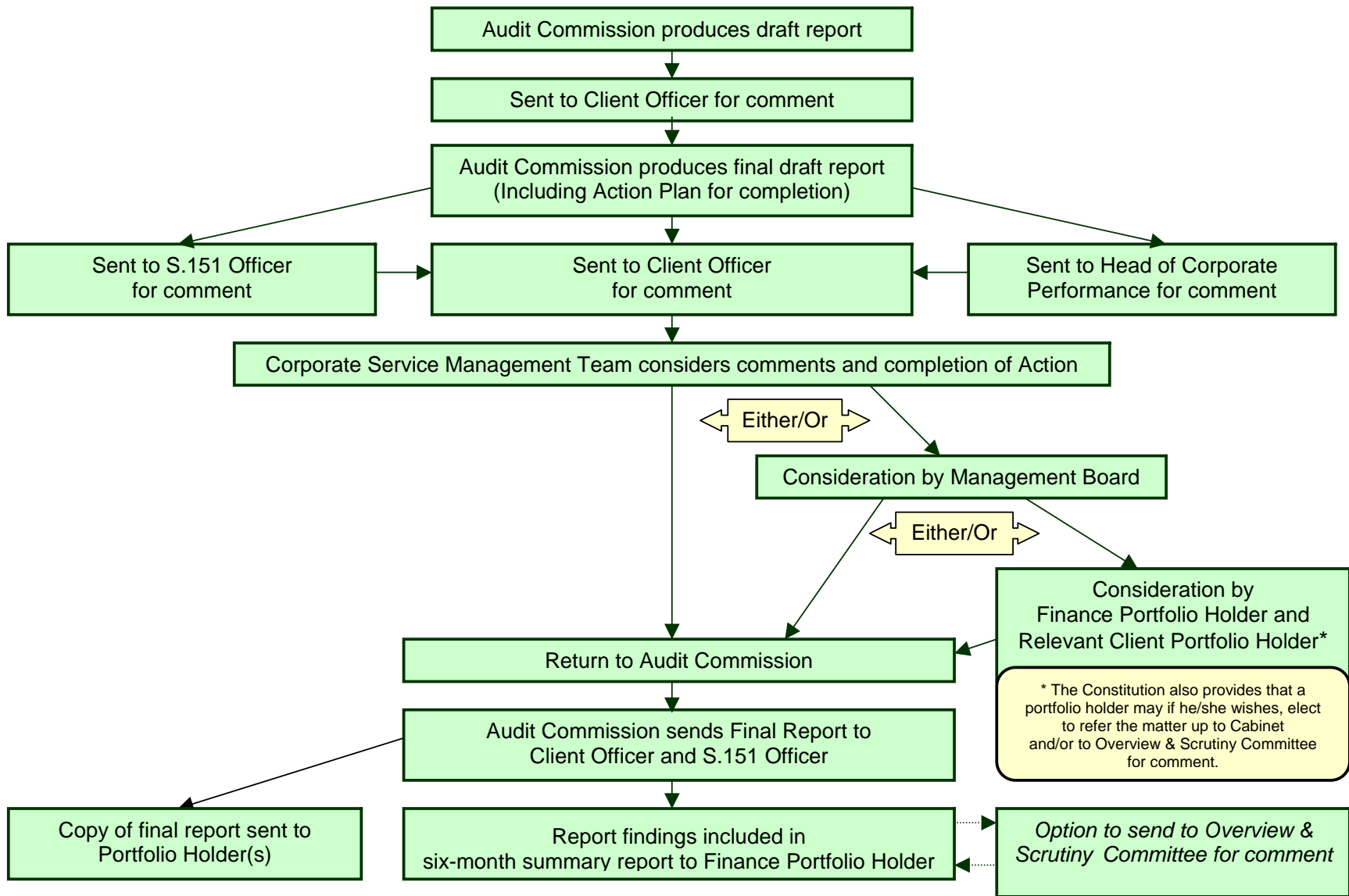
“Tendring District Council is a ‘good’ council with improving services. It is ambitious, and has more recently invested and made robust plans to deliver better services and improve the quality of life for the people of Tendring.”

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 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 has been 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 Finance Portfolio Holder.

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



Tending's Process for the Receiving & Formal Agreement of External Audit Reports and reporting progress with agreed actions

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 Committee** advises on policy formulation and holds the Executive to account in relation to specific matters. It also reviews 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 regulatory 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.

A scheme is maintained detailing in a schedule the responsibilities of the Leader, the Cabinet, individual portfolio holders, the committees and senior officers and those matters specifically reserved for the collective decision of the Council. The scheme is agreed by full Council and is open to public inspection as part of the Council's Constitution.

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 Chief Executive and the other Management Board members are determined by full Council, having regard to the recommendations of a Management Board Sub-Committee. Heads of Service have their terms of remuneration determined according to a locally designed scheme linked to the Local Government Single Status Job Evaluation Scheme that is specifically geared towards our corporate objectives.

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: seven meetings of Council; a meeting of the Overview and Scrutiny Committee every month; a meeting of the Development Control Committee every three weeks; and six meetings of the Licensing (General Purposes) Sub-Committee and the Appeals Sub-Committee. The Standards

Committee, the Regulatory Committee, the Licensing Committee and its Premises / Personal Licenses Sub-Committees, the Manpower Committee and its Management Board Sub-Committee, together with the Overview and Scrutiny Committee's Scrutiny Sub-Committee and other ad hoc sub-committees 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 Cabinet approves and updates on a six-monthly basis a 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.

The 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 Committee 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.

To ensure that officers are properly trained to support Members in delivering the Council's vision for Tendring, the Council's Manpower Committee 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 has been 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 was achieved by the whole Council.

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 2005.

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.



Tending'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
Resources Etc. Portfolio Holder	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 in MAPs via MIRs.	
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 **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 a five-year Strategic 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 to audit 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 2005/06 Internal Audit Plan provides reasonable assurance that the systems of internal control were generally operating adequately and effectively in those areas examined, with one exception where major control failings regarding one part of one activity were identified – this activity is still under investigation.

However, this opinion is based upon the level of Internal Audit activity possible within the level of resources available in 2005/06. This level of activity fell short of that required by the Strategic Internal Audit Plan and there are some areas of the Council where Internal Audit review is overdue. Action has been taken to increase the level of resources available for Internal Audit activity for 2006/07 and subsequent years.

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

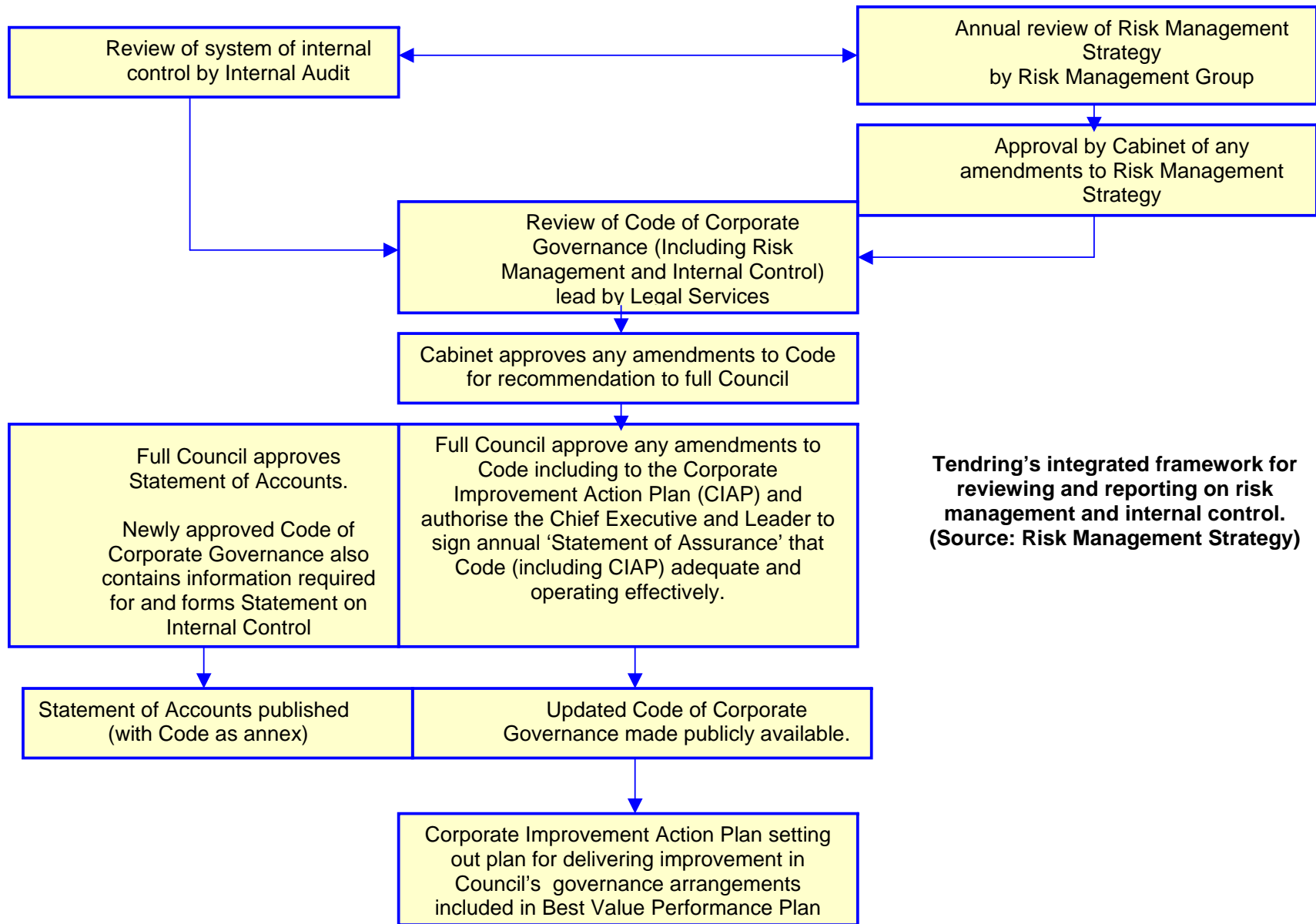
2. Delivery of services by trained and experienced people

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. This process will be reviewed during 2006/07.



Tendring's integrated framework for reviewing and reporting on risk management and internal control. (Source: Risk Management Strategy)

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 adopted a Members' Code of Conduct which sets out standards of personal 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 to one another that Members and officers are required to observe.

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 through its Whistleblowing Policy to raise any serious concerns he may have over the standards of behaviour of another employee, (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 our initial aim of compliance with Level One of the Standard and are now working towards compliance with Level Two.

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 the following key elements.

To ensure that Members are not improperly influenced when acting in their official capacity, Members will observe the Council's Members' Code of Conduct by:-

- Disclosing the existence and nature of any 'personal interest' in a matter being discussed at a council meeting he/she is attending and if he/she is making an executive decision on that matter to record the interest on the Decision Record; or
- If the interest is one which a member of the public would reasonably regard as so significant that it is likely to prejudice the Member's judgement, that Member must normally:
 - withdraw from the meeting (unless he has obtained a dispensation from the Council's Standards Committee);
 - not exercise executive functions in relation to the matter; and
 - not seek improperly to influence a decision about that matter.

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:-

- A standard agenda item for Council, Cabinet and committee meetings for receiving any declarations of interest from Members;
- 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)

Community Focus		
Proposed Actions	Responsible Officer	Target Date
CIAP 1.3 The Council will review its Community Strategy	Assistant Chief Executive	March 2007

Service Delivery Arrangements		
Proposed Actions	Responsible Officer(s)	Target Date
CIAP 2.1 The Council will devise an Action Plan to ensure practical compliance with Level Two of the 'Equality Standards for Local Government'.	Overview and Scrutiny Manager	March 2007
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 2007

Structures and Processes		
Proposed Actions	Responsible Officer	Target Date
CIAP 3.2 The Council will produce a proposition for a unified performance management system with a view to implementation by April 2007	Head of Corporate Performance	December 2006

The above actions and details of completed actions have been incorporated into the Council's Corporate Improvement Action Plan (part of the Best Value Performance Plan). A number of additional actions which are relevant to corporate governance issues have been included in the same action plan as a result of an internally conducted audit of corporate governance.

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 or further copies can be obtained from Legal Services, on 01255 686500.

The Code was last reviewed and agreed by the Council at its meeting on 27 June 2006 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 Terry Allen
Executive Leader

John Hawkins
Chief Executive