

TENDRING DISTRICT COUNCIL



STATEMENT OF ACCOUNTS

2007/08

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SUMMARY FINANCIAL INFORMATION AND EXPLANATORY FOREWORD

INTRODUCTION

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

- What the cost of the Council's services were for 2007/08;
- Where the Council's funding came from;
- What the Council's assets and liabilities were at the end of 2007/08.

The format and information provided follows the Statement of Recommended Practice for Local Authority Accounting in the United Kingdom 2007 (SORP). This brings together accounting recommendations and best practice and brings local authority reporting closer to private sector reporting requirements.

SUMMARY OF THE 2007/08 FINANCIAL YEAR

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

Revenue Expenditure

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

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

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

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

	Estimate £000	Actual £000
Net Cost of Services	23,541	26,468
Interest Payable for the year	1,179	1,160
Pension interest cost and expected return on pension assets	493	477
Other Operating Costs	434	(245)
Net Operating Expenditure	25,647	27,860
Contribution to/(from) Reserves	(2,832)	1,723
Other Movement on General Fund Balances	(1,162)	(7,927)
Movement on General Fund Balance	(3,994)	(6,204)
Increase/(Decrease) in General Fund Balance for the year	(4)	(3)
	21,649	21,653
Financed by:		
Income from Council Tax Payers	8,371	8,371
Government Grants	2,171	2,175
National Non-Domestic Rates	11,107	11,107
	21,649	21,653

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

General Fund 2007/08

Due to the size, nature and lead-in times of some revenue and capital schemes (which are part funded by revenue contributions) expenditure can span financial years with some schemes and projects not completed by the 31 March in any one year. In such circumstances it is possible to carry forward the budget to enable projects to be completed. For 2007/08 these items total £2.578 million and the decrease in the General Fund balance for the year of £0.003 million shown above is the remaining balance after taking this into account, which was in line with the budget.

General Fund balances at 31 March 2008 now stand at £12.425 million, of which £8.537 million has been set aside for specific policy purposes within earmarked reserves (an analysis of the earmarked reserves can be found on page 56 note 41 to the Core Financial Statements). The balance of £3.888 million is in the uncommitted reserve and of this sum, £1.6 million is required to be maintained as the Council's Minimum Working Balance to support the Council's cash flow requirements during the year.

Housing Revenue Account 2007/08

The Council's revised estimates for 2007/08 planned for an overall surplus for the year of £0.277 million but the final figure was a £0.640 million surplus. This surplus has been contributed to HRA Balances which now total £4.309 million at the end of March 2008. When added to the balance of £0.544 million in the Housing Repairs Account which is held to support the maintenance of the Council's housing stock, the total Housing Revenue Account Balances total £4.853 million at 31 March 2008.

Capital Investment 2007/08

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. During 2007/08 the following priority schemes were completed: Lifestyles Health and Fitness Club, Replacement of Public Conveniences at Frinton and the Clacton Town Centre Environmental Enhancement Project. Other examples of capital expenditure incurred by the Council during the year were improvements to the Council's housing stock, Disabled Facilities Grants to the private sector and information technology projects.

The Council's capital expenditure in 2007/08 totalled £11.318 million, compared with a budget for the year of £13.143 million. This variance was primarily due to spending on schemes being rescheduled into the 2008/09 Capital Programme as projects can span financial years as previously mentioned. Included in the capital programme was the sum of £0.077 million for the replacement of vehicles through leasing arrangements/contract hire, of which vehicles to the value of £0.074 million were acquired during the year.

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

The Prudential Code for Capital Finance in Local Authorities

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

The Council manages its debt portfolio with advice from external consultants. In accordance with the Council's approved Treasury Strategy no new borrowing was undertaken during 2007/08. The total external debt of the Council as at 31 March 2008 stood at £22.7 million compared to its capital financing requirement (which represents the overall borrowing requirement) as at 31 March 2008 of £25.8 million. The difference between external debt and the capital financing requirement is the amount met by internal resources.

Current Year

The Council's overall net General Fund budget for 2008/09 is £20.908 million to be met by Government support of £13.438 million and £7.470 million from local taxpayers. The Housing Revenue Account expenditure budget for 2008/09 is £10.777 million and after allowing for estimated income of £11.150 million, a balance of £0.373 million is forecast for the year.

The revised capital budget for the year is £9.783 million. This will be financed by government grants and other government funding (£4.562 million), borrowing (£0.671 million), capital receipts (£0.865 million), revenue (£2.731 million) and other sources including external contributions (£0.954 million).

The Council has General Fund balances of £12.425 million to bring forward into 2008/09. Of this sum, £8.537 million is earmarked in specific reserves.

Within the overall budget figures mentioned above, significant investments in the District which are planned for 2008/09 include the following items:

- Works to the Council's Housing Stock - £3.046 million
- Coast Defence Work - £0.900 million funded by Government Grant
- Disabled Facilities Grants - £1.072 million
- Provision of Public Conveniences at Dovercourt - £0.350 million

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

THE STATEMENT OF ACCOUNTS

The main elements of the financial statements are explained below and comprise of information in respect of accounting concepts and estimation techniques, accounting policies, the responsibilities for the statement of accounts along with the report of the auditors and the detailed financial statements and notes. For 2007/08 the format and information continues in the same format as last year which was the first year in which significant changes were introduced to bring local authority reporting closer to private sector reporting requirements. The detailed financial statements that are now required are explained below which are split into 'core statements' and 'supplementary statements' as required by the Statement of Recommended Practice for Local Authority Accounting in the United Kingdom 2007 (SORP).

ACCOUNTING AND RESPONSIBILITY STATEMENTS

- ❖ **Statement of Accounting Concepts and Estimation Techniques (Page 10).** This briefly sets out the three main concepts that are applicable along with estimation methods used in preparing the accounts.
- ❖ **Statement of Accounting Policies (Page 11).** This explains the accounting policies that have been adopted in drawing the accounts together. They provide a framework for analysing the Council's expenditure and income. Also included are details of the Council's pension arrangements.
- ❖ **Statement of Responsibilities for the Statement of Accounts (Page 24).** 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 25).** The Auditor certifies that an audit of the Statement of Accounts has been concluded and gives an opinion of their presentation and content.

CORE FINANCIAL STATEMENTS

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

- ❖ **Income and Expenditure Account (Page 29).** This statement presents the net cost for the year of all the functions for which the authority is responsible and demonstrates how the costs are financed. It is presented in three distinct sections as follows:
 - Net cost of the services the Council provides
 - Other items of expenditure and income relating to the Council as a whole
 - Income from local taxation and general government grants

- ❖ **Statement of Movement on the General Fund Balance (Page 29).** Figures in the Income and Expenditure account use the same basis as that of a large private sector company when preparing the annual financial statements. However there are other items that apply to Local Authorities such as those set out in statutory and non statutory proper practices that need to be taken into account to arrive at the overall position of the Council. Therefore this statement shows these additional adjustments that must be taken into account to arrive at the actual movement on the general fund balance for the year.
- ❖ **Statement of Total Recognised Gains and Losses (STRGL) (Page 30).** Not all gains and losses incurred by the Council are shown in the Income and Expenditure Account. It is therefore necessary to consider all gains and losses when arriving at an overall financial position for the year. This statement therefore presents the Council's gains and losses that are not included in the Income and Expenditure Account such as those associated with the revaluation of assets and changes in pension liabilities.
- ❖ **Balance Sheet (Page 31).** This statement provides a 'snapshot' of the Council's assets and liabilities/net worth of the Council as at the 31 March 2008. A significant change compared to last year is the inclusion of new items within the 'financed by' section of the statement to reflect new accounting requirements in respect of capital expenditure and asset values.
- ❖ **Cash Flow Statement (Page 33).** This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital spending purposes.

SUPPLEMENTARY FINANCIAL STATEMENTS

- ❖ **Housing Revenue Account Income and Expenditure Account (Page 63).** The Housing Revenue Account (HRA) reflects a statutory obligation (Local Government and Housing Act 1989) to maintain a separate account for local authority housing provision such as those revenue transactions relating to the Council's housing stock and its other housing assets. This Account shows the expenditure and funding associated with this service and continues in the new Income and Expenditure Account format introduced in 2006/07. The Account is also consolidated into the 'Core' Income and Expenditure Account previously mentioned.
- ❖ **Statement of Movement on the Housing Revenue Account Balance (Page 64).** Similarly to the Statement of Movement on the General Fund Balance, amounts that need to be included in the HRA to arrive at an overall position for the year include those in accordance with statute and are either added or removed from the figures in the Income and Expenditure Account. Accordingly this second part of the statements relating to the Council's housing function reconciles the income and expenditure account with the other items in the HRA to arrive at the overall HRA balance for the year.

- ❖ **Collection Fund Income and Expenditure Account (Page 72).** The Council is required to account separately for Collection Fund transactions. The account shows the Council Tax and National Non-Domestic Rates collected and transferred to the Government, Essex County Council, Essex Fire Authority, Essex Police Authority and Tendring District Council. Transactions relating to Tendring District Council are included in the Income and Expenditure Account.

OTHER INFORMATION

Additional information to aid the understanding and interpretation of the accounts along with significant changes included in the accounts for 2007/08 are as follows:

ADDITIONAL STATEMENTS

- ❖ **Member's Allowances (Page 76).** This shows the allowances paid to Councillors in respect of their duties. Publication of these allowances is a statutory requirement.
- ❖ **Glossary (Page 80).** This explains in more detail the terms used in the Statement of Accounts.

ADDITIONAL INFORMATION

❖ **New or Increased Liabilities/Assets**

- 1 **Asset Revaluations** – During the year various assets were subject to revaluations either as part of the desktop review or full revaluation process or as part of other required accounting processes such as those where housing properties are sold under 'Right to Buy'. For 2007/08 the surplus arising on revaluation of fixed assets is £0.416 million as highlighted in the Statement of Total Recognised Gains and Losses within the Core Statements of the Accounts.
- 2 **Housing Benefit Subsidy** – During the year benefit subsidy is receivable from the Department for Work and Pensions (DWP) to meet the cost of providing Rent Allowances, Rent Rebates and Council Tax Benefit along with an overall administration grant. The monthly payments received during the year are based on estimates until final figures become known at the end of May 2008 when a claim for subsidy is finalised and sent to DWP. For 2007/08 the final subsidy figure being claimed from DWP is £1.254 million more than the payments received from them during the year so this additional income appears as a debtor in the accounts as the payment is not expected to be received until June/July 2008. This is reflected in the Income from Government Departments and Agencies line within the analysis of debtors that appear in the Balance Sheet (page 53 note 34).

❖ **Explanation of Pension Liability**

Overall a pension liability attributable to the Council of £36.856 million (£23.983 million for 2006/07) has been included in the Balance Sheet as at 31 March 2008. This reflects the calculations carried out within financial reporting standards (FRS17) based on actuarial assumptions which have been subject to a comprehensive triennial review as at 31 March 2007. The liability reported for 2007/08 indicates that to date there is a deficit between the assets of the fund which are attributable to the Council and the future pension benefits earned to date by its employees. However this deficit is being recognised in real terms through a contribution made by the Council to the Pension Fund each year which aims to close this funding gap in the longer term

❖ **Significant Changes in Accounting Policy - Accounting for Asset Revaluations**

A key change for 2007/08 is in respect of the accounting treatment required to reflect capital expenditure and changes in asset values.

In previous years changes to the value of assets were charged to a Fixed Asset Restatement Account (FARA) and other adjustments to the value of assets, including the financing of capital expenditure other than through borrowing, were shown in the Capital Financing Account (CFA). From 2007/08 these two accounts have been replaced by a Revaluation Reserve and Capital Adjustment Account. These accounts operate in broadly similar ways to the ones they replace. For 2007/08 the balances on FARA and CFA carried forward from 2006/07 have been added to the Capital Adjustment Account.

Any historic increases in asset values from previous years cannot be included in the revaluation reserve as this reserve starts with a nil balance from 1 April 2007. Any increases in asset values for 2007/08 can however be credited to this reserve.

Where the value of assets has decreased during 2007/08, the difference between the old and new values has been 'written-off' within the total impairment charge made to the income and expenditure account as there is no balance in the revaluation reserve brought forward from previous years to offset these amounts. In future years as balances on the reserve are 'built up' against individual assets if they increase in value, any future reductions in value could be considered as a charge against this reserve rather than the income and expenditure account as has been the case in 2007/08.

The impairment charges within the income and expenditure account for 2007/08 total £7.719m (£2.037m for the General Fund and £5.682 million for the HRA)

There is no overall impact on the 'bottom line' as the amounts are reversed out in the Statement of Movement on the General Fund/Housing Revenue Account Balance.

❖ **Significant Changes in Accounting Policies**

➤ **Accounting for Financial Liabilities**

In a change from previous years, accounting guidance requires that rather than show the accrued interest that is payable on long term borrowing separately as a current liability within the creditors figures of the Balance Sheet, it is now added to the actual principal outstanding at the end of the Financial Year, with the aggregate amount appearing in the Balance Sheet under the item 'Long Term Borrowing'. The notes to the Balance sheet have been expanded to clearly show the amounts of interest involved in 2006/07 and 2007/08.

➤ **Accounting for Financial Assets**

Similarly to financial liabilities above the accrued interest that is owed on temporary investments is now added to the actual temporary investment figure as it appears in the Balance Sheet rather than shown separately within current assets – Debtors. This change has been reflected in both the 2006/07 and 2007/08 figures.

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

Although there were no significant gains or disposals in 2007/08, for information, a land sale was completed with income received of £180,000 along with an exchange arrangement taking place in the year for a Public Convenience which had a balance sheet value of £280,000.

❖ **Other Significant Changes**

➤ **Project Tendring**

In April 2008 the Council set up a Local Authority Controlled Company - Tendring Regeneration Limited, to deliver it's major regeneration projects under the banner of Project Tendring. Project Tendring is a wide ranging approach to regeneration in the Tendring District. The Company, trading under the name INTend, is a Non Profit Distributing Organisation limited by Guarantee whose objectives are to assist, promote, encourage develop and secure the regeneration in the social, physical and economic environment of Tendring.

➤ **Private Sector Renewals/Renovation Grants**

In previous years, loans which were advanced to assist with repairs to private housing and registered as a charge against the property, were shown as long term debtors with a corresponding adjustment in deferred capital receipts within the balance sheet (2006/07 - £0.933 million). However in reviewing this position against the requirements of revised accounting guidelines, the terms of the loan agreements and the variable nature of potential repayment dates, it is now considered appropriate to de-recognise them in the Balance Sheet.

ACCOUNTING CONCEPTS AND ESTIMATION TECHNIQUES

Accounting Concepts

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

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

Estimation Techniques

These are the methods adopted by the Council to arrive at estimated amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and charges to the Reserves. Where the basis of measurement for the amount to be recognised under accounting policies is uncertain, an estimation technique is applied. In the Council's accounts, estimation techniques continue to be applied for the calculation of depreciation, bad debt provision, pension assets/liabilities and the amount due from/to Government 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.

STATEMENT OF ACCOUNTING POLICIES

Accounting Policies

Accounting policies are the principles, bases, conventions, rules and practices the Council has applied that specify how the effects of transactions and other events are reflected in the financial statements through the recognition, selection of measurement bases and the presentation of assets, liabilities, gains, losses and changes in reserves. The following are the accounting policies that have been applied to the Council's accounts for 2007/08.

General

1 *General Principles*

The Statement of Accounts summarises the Council's transactions for the 2007/08 financial year and its position at 31 March 2008. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2007 – A Statement of Recommended Practice (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of assets.

2 *Accruals of Income and Expenditure*

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Grants, both capital and revenue, are recorded in the accounts for the period when the expenditure to which they relate is charged. Revenue subsidy claims are not settled until after the accounts have been closed and therefore, the best estimate of grant income due for the year is used in respect of rent allowances, rent rebates and council tax rebates. The estimation technique used to calculate the grant due for the year for these items is based on an estimate of the subsidy due using the most up to date information available from the benefits subsidy IT system and are the same figures as submitted on 30 May 2008 to the for Works and Pensions (DWP) in the final subsidy grant claim for the year.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

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

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

3 Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, a provision for bad debt would be set up if the Council is involved in pursuing debt but where uncertainty remains around final settlement.

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

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

4 Reserves

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

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

Other reserves 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 47, note 23 to the Core Financial Statements).
- The Major Repairs Reserve (page 47, note 23 to the Core Financial Statements and page 66 note 3 to the Housing Revenue Account).

Non-statutory reserves held by the Council are:

- earmarked reserves which have been set aside for specific policy purposes as explained on page 56 note 41 to the Core Financial Statements; and
- revenue balances which represent resources set aside for purposes such as general contingencies and cash flow management.

5 Government Grants and Contributions (Revenue)

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

6 Retirement Benefits

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

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

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme that requires the Council and employees to pay contributions into the fund calculated at a level estimated to balance investment assets to pension liabilities. The fund is subject to a full actuarial review every three years with the most recent one being in 2007, with associated assumptions forming the basis of the calculations included in the 2007/08 accounts.

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

Pension Fund Liabilities

- The liabilities of the Essex County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method. This is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected future earnings of scheme members.
- Future scheme liabilities are discounted to their value at current prices, for comparison purposes with the current value of fund assets to determine the overall surplus/liability of the Pension Fund. For the 2007/08 Statement of Accounts a discount rate of 2.5% real (6.1% actual) has been used compared to 2.3% real (5.4% actual) in the previous year. These rates are derived from the requirement to base discount rates on the current rate of return on high quality corporate bonds of equivalent currency and term to the scheme liabilities. For 2007/08 the discount rate, as advised by the fund actuary, has been calculated by taking a weighted average of 'spot yields' on AA rated Corporate Bonds. This is a change from 2006/07 where the discount rate was based on the Sterling AA Corporate Bond over a 15 year index. This new approach reflects more accurately the duration of the pension liabilities of the typical LGPS employer. Application of these revised rates in 2007/08 results in reduced estimated scheme liabilities although this is more than offset by a change in life expectancy assumptions which when taken together result in a net actuarial loss for the year of £12.812 million.

Pension Fund Assets

- The assets of the Essex County Council pension fund attributable to the Council at the end of March 2008 are included in the Balance Sheet at their fair value and are set out below (scheme assets include current assets such as cash and debtors as well as the investment portfolio):
 - ❖ **Equities** – £46.963 million
 - ❖ **Bonds** – £10.704 million
 - ❖ **Property** – £7.158 million
 - ❖ **Other** – £2.074 million

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

- **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. It 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. Current Service Costs are stated net of employee contributions and are allocated in the Income and Expenditure Account to the revenue accounts of the services for which the employees worked.

- **Past service costs** are costs that arise from decisions taken in the current year but whose financial effect is derived from years of service earned in earlier years. They are disclosed on a straight-line basis over the period in which increases in benefits are associated. These costs are included in the Net Cost of Services part of the Income and Expenditure Account under Non-Distributed Costs. For 2007/08 these totalled £769,000 and are due to changes in various benefits under the new LGPS coming into effect on 1st April 2008.
- **Past service gains** arise where there is a reduction in the level of benefits due to scheme members whose financial effect is derived from years of service earned in earlier years. For information, in 2005/06 this reflected the changes included in the Local Government Pension Scheme (Amendment) Regulations 2006 which allows members to receive a higher lump sum upon retirement by commuting part of their annual pension.
- **The Interest cost** is the expected increase in the present value of liabilities during the year as they move one year closer to being paid and are based on the discount rate and the present value of the scheme liabilities at the beginning of the period. (The interest cost is the amount needed to unwind the discount applied in calculating the current service cost and is included under Net Operating Expenditure in the Income and Expenditure Account).
- **The expected return on assets** is the expected return on the fund's assets attributable to the Council and is based on long term expectations at the beginning of the period and is included in the Net Operating Expenditure in the Income and Expenditure Account.
- **Losses arising on a settlement or curtailment** are a result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is debited to the Net Cost of Services in the Income and Expenditure Account as part of the Non Distributed Costs.
- **Actuarial Gains and Losses.** These are changes in the net pension's liability that arise where events have not been in line with original assumptions made at the last actuarial valuation or due to an update in actuarial assumptions. These are included in the Statement of Total Recognised Gains and Losses.
- **Contributions paid to the Essex County Council Pension Fund** reflects the cash paid as employer's contributions during the year to the pension fund.

Many of the above requirements result in notional figures being included in the accounts to better reflect the Council's pension position. However statutory provisions limit the Council to raising council tax to cover only the actual amounts payable to the pension fund in the year. A pension reserve is required to be set up and within the Statement of Movement on the General Fund Balance there are appropriations to and from the pensions reserve to remove any notional figures included in the Income and Expenditure Account to replace them with actual payments to the pension fund and any amounts payable to the fund but unpaid at the year-end.

The pensions liability stated in the Balance Sheet is matched by the pension reserve shown in the 'financed by' section of the balance sheet.

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

Discretionary Benefits

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

7 Value Added Tax (VAT)

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

However, HMRC is currently carrying out a review of how partial exemption calculations should be applied to local authorities. While the review is in progress HMRC will not be requiring local authorities to undertake the 5% calculation for the year ended 31 March 2008 and therefore accepts that a local authority will not be in breach of the 5% limit at all during 2007/08.

8 Foreign Currency Transactions

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

9 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2007 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

10 Intangible Fixed Assets

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

11 Tangible Fixed Assets

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

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

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

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

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

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

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

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

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

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

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

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

Council dwellings and other housing assets were valued as at 1 April 2005 in accordance with the former ODPM's *Guidance on Stock Valuation for Resource Accounting*, which requires a full revaluation at least every five years with a desktop valuation review in the other four years. This full revaluation as at 1 April 2005 was carried out by I Bromley-Derry MRICS IRRV of NPS Property Consultants Limited. For 2007/08, external inspections of beacon properties were carried out and 75% of properties were subject to a desktop review by G Hart MRICS of NPS Property Consultants Ltd.

Other land, buildings and non-operational assets are also revalued at least every five years in accordance with the Royal Institute of Chartered Surveyors' *Manual of Valuation Guidance Notes*. These assets were all fully revalued as at 1 April 2006 by G Knox MRICS of NPS Property Consultants Limited. Within a programme of rolling revaluations, 25% of the assets are subject to a full revaluation each year, with the remainder being subject to an annual desktop review. Valuations and desktop review information required in respect of the change in valuations up to 31 March 2008 was obtained from G Hart MRICS of NPS Property Consultants Limited.

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

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

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

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

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

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

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

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

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

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

12 Charges to Revenue for Fixed Assets

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

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

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

13 Deferred Charges

Deferred charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets for the Council e.g. capital grants to external organisations. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of the deferred charges from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

14 Leases

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

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

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

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

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

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

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

Information on all of the Council's leasing arrangements is given on page 43 note 17 to the Core Financial Statements.

15 Financial Liabilities

In line with best practice, the Council's treasury position is reviewed on an ongoing basis.

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

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

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

Tendring District Council did not undertake any repurchase, early settlement or debt restructuring in 2007/08 and does not hold any outstanding premiums or discounts from previous years.

16 **Financial Assets**

Financial assets are classified into two types:

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

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

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

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

Tendring District Council did not have any impaired Loans and Receivables assets in 2007/08.

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

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

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

Tendring District Council currently holds only instruments with quoted market prices

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

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

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

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

Tendring District Council did not have any impaired Available-for-sale assets in 2007/08.

17 Stocks and Work in Progress

The stocks included in the Balance Sheet are valued at cost. There are no relevant works in progress at the end of 2007/08.

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 the United Kingdom (A Statement of Recommended Practice 2007).

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

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

The Head of Financial Services has also:

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

The Head of Financial Services should sign and date the Statement of Accounts, stating that it presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2008.

INDEPENDENT AUDITOR'S REPORT TO TENDRING DISTRICT COUNCIL YEAR ENDED 31 MARCH 2008

Opinion on the financial statements

I have audited the financial statements of Tendring District Council for the year ended 31 March 2008 under the Audit Commission Act 1988, which comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

Respective Responsibilities of Chief Finance Officer and Auditor

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 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 2007.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

Basis of Audit Opinion

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

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

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

CONCLUSION ON ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES

Authority's Responsibilities

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

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1988 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resource. The Code of Audit Practice issued by the Authority Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Tendring District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

I have issued my statutory report on the audit of the authority's best value performance plan for the financial year 2007/08. 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.

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

SUBJECT TO AUDIT

INCOME AND EXPENDITURE ACCOUNT

2006/07 Net Expenditure £000		Gross Expenditure £000	2007/08 Gross Income £000	Net Expenditure £000	Note Ref
	EXPENDITURE ON SERVICES				1
664	Central Services to the Public	14,207	(13,372)	835	
11,739	Cultural, Environmental and Planning Services	21,080	(7,864)	13,216	
1,181	Highways, Roads and Transport Services	3,266	(1,398)	1,868	
(528)	Council Housing - Housing Revenue Account	15,399	(10,128)	5,271	2
1,296	Other Housing Services	40,125	(38,675)	1,450	
(97)	Social Services	352	(452)	(100)	
2,949	Corporate and Democratic Core Expenses	3,062	(17)	3,045	
21	Non Distributed Costs	883	-	883	
17,225	Net Cost of Services	98,374	(71,906)	26,468	
637	(Gain)/loss on disposal of fixed assets			-	3
(104)	Other Income			(140)	4
1,199	Parish Council Precepts			1,265	
1,123	Interest payable and similar charges			1,160	
1,101	Contribution to the Housing Capital Receipts Pool			459	6
(1,265)	Interest and Investment Income			(1,829)	
684	Pensions interest cost and expected return on pensions assets			477	7
20,600	Net Operating Expenditure			27,860	
(7,925)	Income from the Collection Fund			(8,371)	
(2,715)	General Government Grants			(2,175)	8
(10,273)	Distribution from the Non-Domestic Rate Pool			(11,107)	
(313)	(Surplus)/Deficit for the Year			6,207	

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2006/07 Net Expenditure £000		2007/08 Net Expenditure £000	Note Ref
(313)	Income and Expenditure Account (Surplus)/Deficit for the year	6,207	9
301	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(6,204)	10
(12)	(Increase)/Decrease in General Fund Balance for the year	3	
(3,879)	General Fund Balance brought forward	(3,891)	
(3,891)	General Fund Balance carried forward	(3,888)	

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2008**

2006/07 £000		2007/08 £000	Note Ref
(313)	(Surplus)/Deficit on Income and Expenditure Account for the year	6,207	
(32,302)	(Surplus)/Deficit arising on revaluation of fixed assets	(416)	24
(5,215)	Actuarial (gains) and losses on pension fund assets and liabilities	12,812	7
(27)	(Surplus)/Deficit on Collection Fund attributable to Tendring District Council	(4)	
<u>(37,857)</u>	Total Recognised (Gains) / Losses for the Year	<u>18,599</u>	

SUBJECT TO AUDIT

Core Financial Statements

BALANCE SHEET

AS AT 31 MARCH 2008

31 March 2007 £000		31 March 2008 £000	£000	Notes
	Fixed Assets			
	Tangible Fixed Assets			27
	Operational Assets			
157,938	- Council Dwellings	151,271		
44,252	- Other Land and Buildings	45,368		
3,005	- Infrastructure Assets	4,105		
950	- Vehicles, Plant, Machinery and Equipment	1,448		
271	- Community Assets	357		
	Non-Operational Assets			
3,037	- Surplus assets held for disposal	2,883	205,432	
681	Intangible Fixed Assets		568	28
210,134	Total Fixed Assets		206,000	
10	Long Term Investments		10	31
243	Long Term Debtors		286	32
210,387	Total Long Term Assets		206,296	
	Current Assets			
27	- Stocks		19	33
7,818	- Debtors		7,440	34
20,211	- Temporary Investments		20,400	35
10	- Petty Cash/Imprests/Floats		10	
238,453	Total Assets		234,165	
	Current Liabilities			
(6,264)	- Creditors		(8,244)	36
(153)	- Borrowing repayable within 12 months		(165)	
(1,881)	- Bank Overdraft		(1,015)	
230,155	Total Assets less Current Liabilities		224,741	
(22,801)	Long Term Borrowing		(22,622)	37
(3,121)	Government Grants Deferred		(3,575)	26
(9)	Deferred Liabilities		-	
(23,983)	Asset/Liability related to defined benefit pension schemes		(36,856)	7
(18)	Provisions		(64)	39
180,223	Total Assets less Liabilities		161,624	40

Core Financial Statements

31 March 2007 £000		31 March 2008 £000	Notes
	Financed by:		
-	Revaluation Reserve	26	24
181,877	Capital Adjustment Account	176,628	25
4,495	Usable Capital Receipts Reserve	2,222	23
319	Deferred Capital Receipts	157	38
(23,983)	Pensions Reserve	(36,856)	7
1,790	Major Repairs Reserve	1,998	23
7,589	Earmarked Reserves	8,537	
3,891	General Fund Balance	3,888	
4,078	Housing Revenue Account Balance	4,853	
167	Collection Fund Balance	171	
180,223	Total Net Worth	161,624	40

HEAD OF FINANCIAL SERVICES' CERTIFICATE

I certify that the accounts set out on pages 10 to 75 present fairly the financial position of the Council at the 31 March 2008 and the income and expenditure for the year then ended.

Karen Neath CPFA
Head of Financial Services
Date: 25 June 2008

CHAIRMAN OF THE AUDIT COMMITTEE'S CERTIFICATE

I confirm that the Audit Committee at the meeting held on 25 June 2008 approved these accounts.

Councillor C A Turner on behalf of Tendring District Council
Chair of meeting approving the accounts
Date: 25 June 2008

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

Core Financial Statements
CASH FLOW STATEMENT

2006/07 £000		2007/08 £000	£000	Note Ref
Revenue Activities				
Cash Outflows:				
16,617	Cash paid to and on behalf of employees		17,170	
22,736	Other operating cash payments		23,793	
27,653	Housing benefits paid out		29,570	
24,110	National Non-Domestic Rate payments to National Pool		23,211	
58,555	Precepts paid		62,314	
1,081	Payments to the Capital Receipts Pool		577	
150,752			156,635	
Cash Inflows:				
(3,017)	Rents (after rebates)	(3,060)		
(54,282)	Council Tax receipts	(57,057)		
(10,273)	Non-Domestic Rate receipts from National Pool	(11,107)		
(22,157)	Non-Domestic Rate receipts	(22,334)		
(1,983)	Revenue Support Grant	(1,864)		
(25,566)	DWP grant for benefits	(31,421)		
(21,904)	Other government grants	(23,547)		48
(8,318)	Cash received for goods and services	(8,689)		
(2,286)	Other operating cash receipts	(3,270)	(162,349)	
966	Net cash outflow/(inflow) on revenue activities		(5,714)	45
Servicing of Finance				
Cash Outflows:				
1,120	Interest paid	1,148		
3	Interest element of Finance Leases	1		
Cash Inflows:				
(1,265)	Interest received	(1,875)	(726)	
Capital Activities				
Cash Outflows:				
4,065	Purchase of fixed assets	8,752		
1,901	Other capital cash payments	2,172		
		10,924		
Cash Inflows:				
(3,341)	Sales of fixed assets	(948)		
(4,055)	Capital grants received	(4,592)		49
(143)	Other capital cash receipts	(207)	5,177	
(749)	Net Cash Outflow/(Inflow) before financing		(1,263)	46/47
Management of Liquid Resources				
5,400	Net increase/(decrease) in temporary investments		235	
Financing				
Cash Outflows:				
10,573	Repayments of amounts borrowed	153		
31	Capital element of finance lease rental payments	9		
Cash Inflows:				
(15,000)	New loans raised	-	162	
255	Net Decrease/(Increase) in Cash		(866)	

NOTES TO CORE FINANCIAL STATEMENTS

1 Expenditure on Services

The expenditure on services includes where applicable a charge in respect of the impairment in the value of an asset. The total impairment included in the accounts for 2007/08 is £7.719m. Additional information including associated accounting treatment is included in the explanatory foreword under 'Significant Changes in Accounting Policy - Accounting for Asset Revaluations'

2 Housing Services

A full analysis of costs and income relating to the provision of council housing are set out in the Supplementary Financial Statement and associated notes for the Housing Revenue Account (HRA) on pages 63 to 71.

3 (Gain)/Loss on Disposal of Fixed Assets

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

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

2006/07 £000		2007/08 £000
	Disposal of Assets:	
31	Sale of Council Houses (after deduction of Right to buy admin costs)	13
-	Land at Cambridge Road	5
-	Public Conveniences at Pier Hotel, Walton	(106)
-	Public Conveniences at Connaught Avenue, Frinton	62
-	Demolition of Public Conveniences, Marine Parade East	26
34	Disposal of HRA Garages	-
572	Transfer of properties to a Registered Social Landlord	-
637		-
637		-

The (gains)/losses above include administration costs totalling £29,000 (£31,000 in 2006/07).

The public convenience at Pier Hotel Walton was relinquished to a developer in return for a replacement public convenience nearby, the gain reflects the increased value of the new building over the old building.

The public convenience at Connaught Avenue, Frinton was replaced with a new convenience, the cost shown above represents the value of the old building at the time it was replaced.

4 Other Income

There are other gains that have arisen which are not directly related to disposal of assets in 2007/08:

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2006/07		2007/08
£000		£000
(56)	Discounts repaid on Sale of Council Houses	(17)
(3)	Discounts repaid on DIYSO properties	-
(20)	Release of Covenants	(33)
(25)	Renovation Grants / Loans Repaid	(85)
-	Other	(5)
<u>(104)</u>		<u>(140)</u>

5 Trading Operations

In previous years separate information was set out for specific trading activities undertaken by the Council. However following a review of this position in 2007/08, the trading activities previously reported do not operate at a level considered to be material on a commercial basis and are no longer reported separately. The two activities concerned, Engineering and Horticultural services charge for work done on a job cost basis. This basis is set to recover costs and the vast majority of all the work is for internal services on a cost recovery basis. However, occasionally other public bodies approach the Council and ask services to undertake a limited amount of work on their behalf. Any surplus/deficit at the year end is charged to Services. In 2007/08 the surplus was £110,274 (5% of turnover).

6 Contribution to Housing Capital Receipts Pool

The Council has to pay a proportion of specified housing related capital receipts into a Government pool for redistribution. Any amount paid to the pool is disclosed as expenditure after Net Cost of Services, although the capital receipts themselves are not recognised as an income item in the Income and Expenditure Account. However, it is then reversed out by an appropriation from Usable Capital Receipts to the Statement of Movement on the General Fund Balance.

7 Pension Interest Cost and Expected Return on Pension Assets

The cost of retirement benefits are included in the Income and Expenditure account under Net Cost of Services when employees earn them rather than when the benefits are paid as pensions. However the charge the Council is required to make against council tax for the year is instead based on the cash payable in the year. Therefore the notional cost of retirement benefits mentioned above are reversed out and replaced with the cash payments to the pension fund in the Statement of Movement on the General Fund Balance.

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

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2006/07		2007/08
£000	Income and Expenditure Account	£000
	Net Cost of Services	
2,164	Current Service Cost	1,871
-	Past Service Cost / (Gain)	769
	Net Operating Expenditure	
4,598	Interest Cost	5,049
(3,914)	Expected return on Assets in the scheme	(4,572)
2,848	NET CHARGE TO THE INCOME AND EXPENDITURE ACCOUNT	3,117
	Statement of Movement on the General Fund Balance	
(2,848)	Reversal of net charges made for retirement benefits in accordance with FRS17	(3,117)
2,961	Actual Amount Charged against the General Fund Balance for Pensions in the Year - Employer's contributions payable to the scheme	3,056

Assets and Liabilities in Relation to Retirement Benefits

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

	31 March 2007	31 March 2008
	£000	£000
Estimated liabilities in scheme	(93,957)	(103,755)
Estimated assets in scheme	69,974	66,899
Net Asset/(Liability)	(23,983)	(36,856)

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The total net liabilities of £36.856 million have 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.

Basis for Estimating Assets and Liabilities

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

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	1 April 2007 % pa	31 March 2008 % pa
Rate of inflation	3.10	3.60
Rate of increase in salaries	4.60	5.10
Rate of increase in pensions	3.10	3.60
Rate for discounting scheme liabilities	5.40	6.10
Take-up of option to convert annual pension into retirement grant	50.0	50.0

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

	*28 Feb 2007 £000	Expected Rate of Return %	31 Mar 2008 £000	Expected Rate of Return %
Equities	2,045,740	7.50	2,223,936	7.50
Properties	369,000	6.50	338,976	6.50
Government Bonds	292,250	4.70	297,792	4.60
Other Bonds	185,970	5.40	209,088	6.10
Other	59,040	5.25	98,208	5.25
Total	2,952,000		3,168,000	

* latest available actuary calculated asset values for the year

Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008:

	2007/08		2006/07		2005/06		2004/05		2003/04	
	£000	%	£000	%	£000	%	£000	%	£000	%
Differences between the expected and actual return on assets (% of Assets)	(7,518)	11.2	774	1.1	10,054	15.6	2,441	4.8	6,330	9.3
Differences between actuarial assumptions about liabilities and actual experience (% of Liab.)	1,299	1.3	-	-	(1,889)	2	(255)	0.3	-	-
Changes in the demographic and financial assumptions used to estimate liabilities (% of Liab.)	(6,593)	6.4	4,441	4.7	(6,930)	7.4	(12,756)	15.4	-	-
Net actuarial gain / (loss) (percentage of liabilities)	(12,812)	12.3	5,215	5.6	1,235	1.3	(10,570)	12.8	6,330	9.3

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8 General Government Grants

The following grants have been received during the financial year:

2006/07		2007/08
£000		£000
1,994	Revenue Support Grant for year	1,864
597	Local Authority Business Growth Incentive Scheme	311
124	Local Public Service Agreement Reward Grant	-
<u>2,715</u>		<u>2,175</u>

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

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

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

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

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

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2006/07		2007/08
£000		£000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(1,757)	Depreciation and Impairment of fixed assets (excludes HRA depreciation)	(9,195)
(1,087)	Excess of HRA depreciation over the Major Repairs Allowance	(1,146)
418	Government grants deferred amortisation	479
(199)	Amortisation of intangible assets	(233)
(525)	Deferred charges	(622)
(533)	Gain or Loss on sale of fixed assets and other income	156
(2,848)	Reversal of net changes made for retirement benefits in accordance with FRS17	(3,117)
(6,531)		(13,678)
Amounts not included in the Income and Expenditure Account but required to be included by Statute when determining the Movement on the General Fund Balance for the year		
398	Statutory provision for repayment of debt	364
679	Capital expenditure charged to General Fund Balance	2,790
2,961	Employers contributions payable to the pension scheme	3,056
(1,101)	Transfer from Usable Capital Receipts	(459)
2,937		5,751
Transfers to or from the General Fund balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
778	Surplus/(Deficit) on the Housing Revenue Account	775
3,117	Net transfer to/(from) earmarked reserves	948
3,895		1,723
301	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(6,204)

The Surplus on the Housing Revenue Account shown above is the aggregate of the surplus on the Housing Revenue Account for the year of £640,000 and the net surplus in the Housing Repairs Account which totals £135,000.

11 Major Long Term Contracts

In 2008/09 the authority is committed to making the following estimated payments under long term contracts subject to the contractor meeting the terms of the contract. The major long-term contracts are:

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	£000	Contract Expires
Household Waste and Recycling Collection	2,835	2011/12
Street Cleaning	1,376	2008/09
ICT Support Services for Hardware, Infrastructure, and software support	526	2010/11
Housing Maintenance - estimated payment to be made based on a schedule of rates for responsive repairs	1,300	2012/13
	6,037	

12 Publicity

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

2006/07		2007/08
£000		£000
73	Recruitment and relocation	94
6	Tending Show	7
50	Official Guide	54
53	Tourism publicity	36
18	Economic promotion	19
16	Civic Ceremonial	18
216		228

13 Agency Services

The Council has an Agency Agreement with Essex County Council (ECC) to operate On Street Parking enforcement. The Council has agreed to meet the first £20,000 of any deficit (after allowing for Penalty Charges and Permit Income) in respect of this activity and this sum is included in the Income and Expenditure Account. Under the terms of the agreement with ECC, the balance of the deficit (£264,518) (£234,070 in 2006/07) will be met by Essex County Council and is not included in the Income and Expenditure Account of the Council.

14 Local Area Agreement (LAA)

The Council is a participant in a LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, the LAA completed the second year of its three year agreement.

The purpose of the LAA is:

- To form an agreement between the Essex Partnership, Essex County Council, Essex's Health Organisations, Fire and Police Services, the Essex Learning and Skills Council, Essex's twelve Local Strategic Partnerships and District and Borough Council's, and other local partners including the Community and Voluntary Sector and the Government (represented by Government Office for the East of England), to achieve fourteen outcomes that are regarded as being key to making Essex a better place to live and work.

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- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement.
- To improve the effectiveness and efficiency of public services in Essex by pooling and aligning funding streams.

The LAA partners are:

- **Local Government Bodies**
Essex County Council, Basildon District Council, Braintree District Council, Brentwood Borough Council, Castle Point Borough Council, Chelmsford Borough Council, Colchester Borough Council, Epping Forest District Council, Harlow District Council, Maldon District Council, Rochford District Council, Tendring District Council, Uttlesford District Council.
- **Local Strategic Partnerships (LSP)**
Basildon District LSP, Braintree PACT (Partners and Communities Together), Brentwood LSP, Castle Point LSP, Chelmsford Strategic Partnership Board, Colchester 2020 LSP, Epping Forest LSP, Harlow 2020 Partnership, Maldon 2010 Partnership, Rochford LSP, Tendring LSP, Uttlesford Futures.
- **Community Protection Authorities**
Essex County Fire and Rescue, Essex Police, National Probation Service.
- **Health Bodies**
South East Essex PCT, South West Essex PCT, West Essex PCT, Mid Essex PCT and North East Essex PCT, Basildon and Thurrock University Hospitals NHS Foundation Trust, SE Partnership NHS Trust, East of England Strategic Health Authority.
- **Learning Bodies**
Essex Learning and Skills Council, Essex Southend and Thurrock Connexions, University of Essex.
- **Voluntary Organisations**
Essex County for Voluntary Youth Services.
- **Other Organisations**
Sport England, Haven Gateway Partnership, Thames Gateway South Essex Partnership, ESTIC, Families in Focus, Interlock, Rural Community Council for Essex, Essex Partnership Steering Group.

Essex County Council acts as the Accountable body for the LAA. This means that they are responsible for the distribution of the grant paid by the Government Office to the partners involved.

The total amount of LAA grant received by the Accountable Body in 2007/08 is £14,845,141. The Council received £1,906,799 of this total. Of this sum £1,666,000 was passed to the Interaction Neighbourhood Management Partnership (see below).

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Interaction Neighbourhood Management Partnership

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

15 Building Control Account

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

2006/07				2007/08		
Chargeable	Non Chargeable	Total Building Control		Chargeable	Non Chargeable	Total Building Control
£000	£000	£000		£000	£000	£000
137	74	211	Employee expenses	121	69	190
10	5	15	Transport	9	5	14
14	7	21	Supplies and services	12	6	18
107	57	164	Central and support service charges	89	51	140
3	2	5	Capital financing costs	4	2	6
271	145	416	Total Expenditure	235	133	368
(255)	-	(255)	Income: Building Regulation charges	(259)	-	(259)
16	145	161	Deficit/(Surplus) for year	(24)	133	109

16 Local Authorities (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. In 2007/08 the Authority provided a grounds maintenance service to Essex County Council. Essex County Council requested that the Council maintained verges and trees on some Highway Roads. The costs of this service are fully reimbursed by the County Council (£91,043 in 2007/08 and £88,172 in 2006/07). No other significant areas of work were undertaken during the year.

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17 Operating, Contract Hire and Finance Leases

a) Payments made by the Council as Lessee

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

i) Operating Leases and Contract Hire

2006/07	2007/08
£000	£000
117 Payments made in year in respect of leases in existence 1 April	163
55 Payments made in year in respect of leases taken out in year	29

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

The authority was committed at 31 March 2008 to making payments of £81,154 under operating leases in 2008/09 comprising the following elements:

	£000
Operating leases expiring in 2008/09	-
Operating leases expiring between 2009/10 and 2012/13	81
Operating leases expiring after 2012/13	-

➤ **Commitment under Contract Hire Leases for vehicles**

The authority was committed on 31 March 2008 to making payments of £89,985 under Contract Hire Agreements in 2008/09 comprising the following elements:

	£000
Contract Hire leases expiring in 2008/09	-
Contract Hire leases expiring between 2009/10 and 2012/13	84
Contract Hire leases expiring after 2012/13	6

➤ **Properties Leased from a Registered Social Landlord**

During 2006/07 17 properties leased from Colne Housing Society previously held under fixed assets were reclassified as operating leases. No payments are due on these properties which are operated by Tendring District Council until vacated by the current tenant. During 2007/08 4 properties became vacant and were returned to Colne Housing Society.

2006/07	2007/08
No of Properties	No of Properties
17 Balance brought forward 1 April	11
(6) Returned to Lessor	(4)
<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
11 Balance carried forward 31 March	7
<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

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ii) Finance Leases

- A Finance Lease entered into prior to 1 April 2004 in respect of mowers was shown on the Balance Sheet under Vehicles, Plant and Equipment for 2006/07. The equipment has been fully depreciated and has no value as at 31 March 2008.

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

2006/07		2007/08
£000		£000
40	Value of original leases at 1 April	9
(31)	Less Principal element of lease rentals paid in year	(9)
<u>9</u>		<u>-</u>

The final payment on the lease was made in 2007/08.

- A Finance Lease entered into prior to 1 April 2004 in respect of the purchase of office equipment cost less than £10,000, and therefore is not shown on the Balance Sheet. The details are as follows:

2006/07		2007/08
£000		£000
1	Amount charged to Income and Expenditure Account	1

The final payment was made in 2007/08.

b) Income received by the Council as Lessor

The Council also leases out some assets to external organisations under Operating Leases. For the significant leases where the annual income is in excess of £10,000 the total received for 2007/08 was £109,332 (£107,700 in 2006/07). The value of the assets subject to these Operating Leases is £1,726,338 (£1,719,890 in 2006/07). Accumulated depreciation relating to these assets as at 31 March 2008 totalled £39,997 (nil in 2006/07).

18 Members Allowances

The Local Authorities (Members' Allowances) (England) Regulations 2003 provide for the circumstances in which allowances are payable to Members and to the maximum amounts payable in respect of certain allowances. The total allowances paid to Members under these regulations during the year were £478,950 (2006/07 - £469,406). Further details of individual payments to Members are provided on pages 76 to 78.

19 Employee Remuneration

The number of employees whose remuneration, excluding employer's pensions contributions, was £50,000 or more in bands of £10,000 was:

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2006/07		Remuneration Band	2007/08	
Number of Employees			Number of Employees	
Total	Left during year		Total	Left during year
5	-	£50,000 - £59,999	4	-
8	-	£60,000 - £69,999	7	-
3	-	£70,000 - £79,999	5	-
-	-	£80,000 - £89,999	-	-
-	-	£90,000 - £99,999	-	-
2	-	£100,000 - £109,999	2	-
-	-	£110,000 - £119,999	-	-
1	-	£120,000 - £129,999	1	-

The 2006/07 figures have been restated to align with the 2007 SORP requirements.

20 Related Party Transactions

The Council is required to disclose material transactions with related parties (bodies or individuals that have the potential to control or influence the Council or to be controlled by the Council). During the year, transactions with related parties arising from funding arrangements with central government and precepting authorities (including parish councils) are detailed in the Cash Flow Statement. Other material related party transactions for 2007/08 which are not fully disclosed elsewhere in the Statement of Accounts were as follows:

2006/07			2007/08	
Receipts	Payments		Receipts	Payments
£000	£000		£000	£000
1,724	5,203	Essex County Council	1,588	5,890
34	264	Other Essex local authorities	56	78
Transactions with organisations related by a declared interest of Council Members or Senior Officers:				
-	74	Citizens Advice Bureau	-	114
-	-	Clacton County High School	41	1
-	73	Colne Housing Society	12	69
-	-	East of England Co-operative Society Ltd	249	-
-	22	East of England Regional Assembly	-	23
-	7	Harwich Connexions	15	8
694	-	Interaction Neighbourhood Management Partnership Board	653	-
-	20	Local Government Association	-	19
-	-	NACRO	1	34
31	-	North East Essex Primary Care Trust	77	1
3	42	Tendring Community Voluntary Services	1	94
-	80	West Cliff (Tendring) Trust	-	47
41	245	Other	21	57
2,527	6,030	Total Related Party Transactions	2,714	6,435

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21 Disclosure of Audit Costs

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

2006/07		2007/08
£000		£000
112	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	126
5	Fees payable to the Audit Commission in respect of statutory inspection	6
50	Fees payable to the Audit Commission for the certification of grant claims and returns	50
<u>167</u>		<u>182</u>

22 Movements in revenue resources

	General Fund Balances £000	HRA Balances £000	Collection Fund £000	Earmarked Reserves £000	Pensions Reserve £000
Surplus/(deficit) for 2007/08	(3)	-	4	-	-
Appropriations (to)/from revenue	-	775	-	948	-
Gains and losses relating to pensions	-	-	-	-	(12,873)
	<u>(3)</u>	<u>775</u>	<u>4</u>	<u>948</u>	<u>(12,873)</u>
Balance brought forward at 1 April 2007	3,891	4,078	167	7,589	(23,983)
Balance carried forward at 31 March 2008	<u>3,888</u>	<u>4,853</u>	<u>171</u>	<u>8,537</u>	<u>(36,856)</u>

Earmarked Reserves are set aside by the Council from Revenue Resources for specific policy purposes and further details on reserves can be found on page 56, Note 41 to the Core Financial Statements.

Where pension payments are made for the year in accordance with the Local Government Pension Scheme requirements and do not match the change in the Council's recognised asset or liability for the same period, the recognised cost of pensions will not match the amount to be raised in taxation. Therefore adjustments appear in the Statement of Movement on the General Fund Balance and Statement of Total Recognised Gains and Losses to reflect the changes in the pensions liability. (See also page 35, Note 7 to this Statement).

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23 Movements in realised capital resources

2006/07			2007/08	
Usable Capital Receipts £000	Major Repairs Reserve £000		Usable Capital Receipts £000	Major Repairs Reserve £000
3,431	2,190	Amounts receivable	1,089	2,228
(1,101)	-	Amounts paid to the Government as the 'pooling contribution'	(459)	-
2,330	2,190	Net usable capital receipts in year	630	2,228
(924)	(2,017)	Amounts applied to finance new capital investment	(2,903)	(2,020)
1,406	173	Total increase/(decrease) in realised capital resources	(2,273)	208
3,089	1,617	Balance brought forward at 1 April	4,495	1,790
4,495	1,790	Balance carried forward at 31 March	2,222	1,998

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. Page 66 note 3 to the Housing Revenue Account Statements sets out the Reserve in further detail.

24 Revaluation Reserve

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (see accounting policy 11). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance in line with SORP requirements. As this is a new requirement for 2007/08, no figures for 2006/07 for comparison can be included in the table below. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

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	2007/08 £000
Balance 1 April	-
Add gains on fixed assets due to increases in values	416
Less charges equal to the depreciation on assets that has occurred only because assets have been revalued	(13)
Less value of assets written out to capital adjustment account on disposals	(377)
	26
Balance 31 March	26

25 Capital Adjustment Account

The Capital Adjustment Account was created upon the implementation of the Revaluation Reserve. The credit balance of £174.069 million on the FARA at 31 March 2007 has been added to the Capital Financing Account (£7.808 million credit balance) to form the new Capital Adjustment Account with a balance of £181.877 million. As this account is new for 2007/08 there are no prior year actuals.

	2007/08 £000
Balance 1 April	181,877
Add Resources set aside in year to finance capital expenditure	8,952
Historical cost of acquiring, creating or enhancing fixed assets:	
- Depreciation and impairment losses	(12,569)
- Revaluation Reserve - Current value depreciation/impairment	13
- Revaluation Reserve - Gains outstanding on disposal	377
- Book value of assets on disposal	(1,167)
Write down of amortisation of intangible Assets	(233)
Write down of deferred charges for year	(622)
	176,628
Balance 31 March	176,628

26 Government Grants Deferred

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

		2007/08 £000
2006/07 £000		
2,985	Balance 1 April	3,121
554	Grants applied to Capital Expenditure	933
(418)	Amounts credited to the Income and Expenditure Account in Year	(479)
		3,575
3,121	Balance 31 March	3,575

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27 Tangible Fixed Assets

a) Movement of fixed assets

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 2007	161,215	44,320	8,647	2,882	294	3,037	220,395
Accumulated depreciation and impairment	(3,277)	(68)	(5,642)	(1,932)	(23)	-	(10,942)
Net Book Value at 31 March 2007	157,938	44,252	3,005	950	271	3,037	209,453
Movement in 2007/08							
Net Additions	2,802	3,803	1,509	1,094	89	-	9,297
Disposals	(621)	(366)	-	-	-	(180)	(1,167)
Revaluation	208	79	-	-	-	129	416
Depreciation for year	(3,374)	(772)	(392)	(274)	(3)	(33)	(4,848)
Impairment loss	(5,682)	(1,628)	(17)	(322)	-	(70)	(7,719)
Net Book Value at 31 March 2008	151,271	45,368	4,105	1,448	357	2,883	205,432

Within the Net Book Value at 31 March 2007, £3,000 previously reported under Vehicles Plant and Equipment has been transferred to Council Dwellings to align with SORP requirements.

In accordance with the Housing Revenue Account (Accounting Practices) Directions 2000, the valuations for housing assets were subject to review in 2007/08 in line with the Guidance on Stock Valuation for Resource Accounting issued by the Office of the Deputy Prime Minister, July 2005. The guidance states that the adjustment factor for the Eastern Region is 46% which is the rate used to reflect the existing use of the assets as social housing rather than valuation based on vacant possession.

b) Depreciation

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

In accordance with these requirements, depreciation has been provided in 2007/08 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 59 years for the Pier Avenue Offices in Clacton.

c) Major fixed asset information

Fixed assets owned by the Council include the following:

Core Financial Statements

Number as at 31 March 2007		Number as at 31 March 2008
	Council Dwellings	
3,256	Council House stock	3,247
438	Garages	438
1	Community Centre	1
4	Shops etc	4
	 Other Operational Buildings	
1	Town Hall	1
9	Offices	9
5	Depots and Workshops	5
30	Off Street Car Parks	30
1	Leisure Centres (with indoor swimming pool)	1
1	Sports Halls	1
	Swimming Pools:	
2	- Indoor	2
1	- Open Air	1
1	Theatres	1
4	Cemeteries	4
1	Crematorium	1
45	Public Conveniences	44
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	Old Lifeboat House	1
1	Clacton Steam Queen	1

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

d) **Fixed Asset Revaluation**

The freehold and leasehold properties that comprise the Authority's property portfolio, with the exception of housing properties, were all revalued as at 1 April 2006 by G Knox MRICS of NPS Property Consultants Limited. The valuations were made in accordance with the 'Manual of Valuation Guidance Notes' issued by The Royal Institution of Chartered Surveyors. These property valuations were based upon available records, but structural or soil surveys were not carried out and service installations were not tested. Since 1 April 2006 a full revaluation is undertaken each year on 25% of all fixed assets and the remaining 75% are subject to a desktop review.

A revaluation of all Council dwellings as at 1 April 2005 was obtained from I Bromley-Derry MRICS IRRV of NPS Property Consultants Limited. In respect of valuations as at 31 March 2008, a desktop review and external inspection of beacon properties was carried out during the year by G Hart MRICS of NPS Property Consultants Limited.

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An estimate was also obtained from G Hart MRICS as to the change in value from 1 April 2007 to 31 March 2008 of all the Council's fixed assets, the results of which are reflected in the value of the assets on the Balance Sheet as at the 31 March 2008. The Supplementary Financial Statement for the Housing Revenue Account sets out additional valuation details relating to the Council's housing stock.

28 Intangible Fixed Assets

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

	HRA IT Upgrade Replacement £000	General Software Licences £000	Total £000
Original Cost (from 1 April 2004)	121	924	1,045
Amortisations to 31 March 2007	(60)	(304)	(364)
Balance as at 1 April 2007	61	620	681
Expenditure in Year	-	120	120
Written off to revenue in year	(30)	(203)	(233)
Balance at 31 March 2008	31	537	568

The total amortisation to 31 March 2008 is £597,000.

29 Capital Expenditure and Capital Financing Requirement

		2007/08
2006/07		£000
24,800	Opening Capital Financing Requirement	25,135
	Capital Investment:	
4,107	Operational assets	8,904
138	Intangible Assets	120
1,901	Deferred charges	2,172
	Sources of Finance:	
(924)	Capital Receipts	(2,903)
(1,740)	Government Grants	(2,383)
(3,094)	Sums set aside from revenue including MRP	(5,175)
(53)	Other Grants	(101)
25,135	Capital Financing Requirement	25,769

The figures for Capital Investment shown above differ from those on page 49 note 27 as an asset valued at £395,000, acquired by exchange, is not included.

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2006/07		2007/08
£000		£000
	Explanation of movements in year	
272	Increase in underlying need to borrow (supported by Government financial assistance)	655
63	Increase in underlying need to borrow (unsupported by Government financial assistance)	(21)
335	Movement in the Year	634

Deferred charges includes expenditure in accordance with Accounting Policy 13 on page 20, which includes items such as Private Sector Improvement Grants/Loans.

30 Commitments under Capital Contracts

As at 31 March 2008, the Council was contractually committed to capital payments as follows:

2006/07		2007/08
£000		£000
28	Information Technology systems	92
245	Council Contact Centre	-
130	Lifestyles Health and Fitness Club, Clacton Leisure Centre	-
93	Clacton Town Centre Environmental Enhancements Project	2
88	Princes Theatre Boiler Replacement	3
65	Air Conditioning, Pier Avenue Offices	-
-	Replacement of Careline Piper network	50
-	Cliff maintenance re Beach Road seafront shelter	63
-	Rebuilding Kirby Pavilion	359
-	Leisure Management System	74
-	Refurbishment of Children's Play Areas	110
118	Other Projects	45
767		798

31 Long Term Investments

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

32 Long Term Debtors

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

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2006/07		2007/08
£000		£000
46	Sale of council houses (mortgages)	38
1	Housing Act Advances (mortgages)	-
92	Harwich and District Indoor Bowls Centre	86
32	Car loans	27
38	Debts subject to charging orders	101
34	Rents to Mortgage Scheme	34
243	Total long term debtors	286

The 2006/07 figure for sale of council house (mortgages) now includes £20,000 for accrued amounts previously reported under current assets - debtors to align with accounting guidance.

33 Stocks

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

2006/07		2007/08
£000		£000
11	Print Unit	12
16	Senior Citizens' Railcards	6
-	Leisure centres - General Stocks	1
27	Total stocks	19

34 Debtors

2006/07		2007/08
£000		£000
4,284	Government departments and agencies	3,592
464	Other local authorities	1,031
2,238	Council taxpayers	2,190
250	Non-domestic ratepayers	365
289	Housing rents	245
2,380	Sundry debtors	2,668
9,905	Total gross debtors	10,091
(2,087)	Less provision for doubtful debts	(2,651)
7,818	Total net debtors	7,440

An amount has been transferred to Long Term Debtors within the 2006/07 figures for amounts owed under mortgages (page 52 note 32 refers).

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The sum due from debtors at the end of 2007/08 compared with 2006/07 has decreased by £0.378 million (4.8%). This is mainly due to an increase in the provision for doubtful debts of £0.564 million of which

£0.416 million is in respect of housing benefit overpayments, offset by a reduction in the net amount due from Other Local Authorities and Government departments and agencies.

35 Temporary Investments

The value of the temporary investments includes accrued interest owing to the Council as at 31 March 2008 on the sums invested with counterparties. As at 31 March 2008 the amount of accrued interest was £350,235 (£395,785 in 2006/07).

All counterparties are risk assessed and only high credit rated counterparties are used and there is a maximum investment of £4 million in any one counterparty and its subsidiaries. As at 31 March 2008 all the investments are repayable within 12 months and historically the Council has not had any default on the repayment of investments.

36 Creditors

2006/07		2007/08
£000		£000
379	Government departments and agencies	558
1,553	Other local authorities	2,205
1,355	Council taxpayers	1,481
438	Non-domestic ratepayers	711
2	Mortgagors	-
2,274	Sundry creditors	2,336
263	Section 106 Contributions from Developers	953
<u>6,264</u>	Total creditors	<u>8,244</u>

The sum due from creditors at the end of 2007/08 compared with 2006/07 has increased by £1.980 million (31.6%). This is mainly as a result of:

- An increase in the Other Local Authorities amount relates to payments is due to Essex County Council for the cost of Clacton Town Centre Enhancement works (£0.513 million) and Local Area Agreement grant for expenditure to be incurred in 2008/09 (£0.143 million).
- An increase in the amount of section 106 deposits received (£0.690 million) which have to be returned to the depositor if the Council does not spend the deposit in accordance with the agreement.

37 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 (PWLB). All loans are at fixed rates of interest. The PWLB has advised that the fair value of the loans as at 31 March 2008 was £24.320 million, (£22.716 million as at 31 March 2007).

Core Financial Statements

2006/07		2007/08
£000		£000
126	Interest due on loans payable during 2008/09	111
	Principal:	
165	Between 1 and 2 years	179
582	Between 2 and 5 years	609
2,216	Between 5 and 10 years	2,318
627	Between 10 and 15 years	1,128
19,085	More than 15 years	18,277
<u>22,801</u>	Total Long Term Borrowing	<u>22,622</u>
<u>22,801</u>		<u>22,622</u>

All loans are with the PWLB at fixed rates. The treasury strategy agreed by Council in March 2008 identified that, based on the currently approved 5 year capital programme, there is no need to borrow to finance capital investment until 2012/13.

38 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:

2006/07		2007/08
£000		£000
43	Sales of Council Houses	37
92	Loan to Harwich and District Indoor Bowls Centre	86
150	Sales of Land	-
34	Rents to Mortgages	34
<u>319</u>		<u>157</u>
<u>319</u>		<u>157</u>

39 Provisions

A provision is required for any liabilities of uncertain timing or amount to be settled by the transfer of economic benefits. As at 31 March 2008 the following provisions have been made.

2006/07		2007/08
£000		£000
18	Insurance excesses that may be payable if outstanding claims against the Council are successful	4
-	Potential Settlement Costs arising from an external claim against the Council	60
<u>18</u>	Total Provisions	<u>64</u>
<u>18</u>		<u>64</u>

40 Analysis of Net Assets Employed

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

Core Financial Statements

2006/07		2007/08
£000		£000
34,533	General Fund	22,844
145,523	Housing Revenue Account	138,609
167	Collection Fund	171
<u>180,223</u>	Total net assets employed	<u>161,624</u>

41 Movement on Reserves

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

The following schedule lists these reserves with their purpose:

- a) **Revaluation Reserve**
Holds the accumulated gains on fixed assets arising from increases in values.
- b) **Capital Adjustment Account**
Holds the difference between the historical costs of assets that have been consumed and the amount that has been financed in accordance with statutory requirements.
- c) **Usable Capital Receipts**
Proceeds of fixed asset sales available to meet future capital investment.
- d) **Deferred Capital Receipts**
Capital Receipts that will be received in the future.
- e) **Pensions Reserve**
Balancing account to allow inclusion of Pensions Liability in the Balance Sheet.
- f) **Housing Revenue Account Balance**
Resources available to meet future running costs for council houses.
- g) **Major Repairs Reserve**
Resources available to meet capital investment in council housing.
- h) **General Fund Balance**
Resources available to meet future running costs for non-housing services.
- i) **Collection Fund Balance**
The Council's proportion of the balance on the Collection Fund Revenue Account.
- j) **Earmarked Reserves**
The Council's Earmarked Reserves provide funds for the following specific policy purposes:

Core Financial Statements

- i) **Revenue Commitments Reserve**

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

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

This was established to provide funding for the approved capital programme pending realisation of the required capital receipts.
- iv) **Capital Projects Reserve**

This reserve was created to finance any future capital projects the Council may wish to pursue.
- v) **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.
- vi) **Careline System Replacement Reserve**

This has been established to finance future equipment.
- vii) **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.
- viii) **Cremator Replacement Reserve**

This was established to finance future replacement and improvement works to the crematorium plant and equipment at Weeley.
- ix) **Fixed Penalty Notice Reserve**

An earmarked reserve set up in 2006/07 to enable income from fixed penalty notices, such as those issued for litter offences, to be transferred to it and used to support initiatives associated with this function.
- x) **Haven Gateway Partnership Reserve**

This has been set up to support the costs associated with the Haven Gateway Partnership.
- xi) **Jaywick Project Manager and Externally Funded Posts Reserve**

This was established to finance the costs of a project manager to work on the Jaywick Master Plan and other costs associated with externally funded posts.

Core Financial Statements

xii) **Joint User Sports Centres Reserve**

This reserve was established to help meet the additional costs incurred by the Council when it assumed lead responsibility for the Joint User Sports Centres at Harwich and Manningtree. The Reserve was set up using monies transferred to the Council by Essex County Council.

xiii) **Local Development Framework Reserve**

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

xvi) **Manual Workers Job Evaluation Reserve**

This was established to equalise the additional costs of job evaluation whilst employees' remuneration is protected under the terms of the scheme.

xv) **Project Investment Reserve**

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

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

Core Financial Statements

	Balance 1 April 2007 £000	Net Movement in year £000	Balance 31 March 2008 £000	Further Detail of Movements (all notes refer to core financial statements unless stated otherwise)
Revaluation Reserve	-	26	26	Page 47, note 24
Capital Adjustment Account	181,877	(5,249)	176,628	Page 48, note 25
Usable Capital Receipts	4,495	(2,273)	2,222	Page 47, note 23
Deferred Capital Receipts	319	(162)	157	Page 55, note 38
Pensions Reserve	(23,983)	(12,873)	(36,856)	Page 35, note 7
Housing Revenue Account Balance	4,078	775	4,853	Page 64, note 1 to the HRA.
Major Repairs Reserve	1,790	208	1,998	Page 47, note 23
General Fund Balance	3,891	(3)	3,888	Statement of Movement on General Fund Balance, page 29
Collection Fund Balance	167	4	171	Page 75, note 4 to the Collection Fund.
Earmarked Reserves:				
Revenue Commitments Reserve	1,635	2,847	4,482	
Capital Commitments Reserve	1,594	254	1,848	
Capital Investment Reserve	765	(765)	-	
Capital Projects Reserve	1,939	(1,739)	200	
Car Parks (Decriminalisation) Reserve	55	80	135	
Careline System Replacement Reserve	40	40	80	
Contact Management/Development Reserve	800	92	892	
Cremator Replacement Reserve	213	69	282	
Fixed Penalty Notice Reserve	6		6	
Haven Gateway Partnership Reserve	75		75	
Jaywick Project Manager and Externally Funded Posts Reserve	72	11	83	
Joint User Sports Centres Reserve	62		62	
Local Development Framework Reserve	-	141	141	
Manual Workers Job Evaluation Reserve	239	(67)	172	
Project Investment Reserve	94	(15)	79	
	<u>180,223</u>	<u>(18,599)</u>	<u>161,624</u>	

42 Contingent Liabilities

Municipal Mutual Insurance (MMI), the Council's Insurer until 1992, is now the subject of a scheme of arrangement and the Company's assets are now being utilised via a managed run-off to finance any insurance claims arising prior to 1992. It is the view of the directors of MMI that based on all the information currently known to them a solvent run-off can be anticipated. However, if this is not possible the Council's maximum potential liability, as notified by the Company is, as at 31 March 2008, approximately £248,000.

On 1 April 2006 free travel under the concessionary bus fares scheme became a statutory requirement. Since that time a number of issues have emerged relating to appeals surrounding the funding and operation of the scheme. If these were to be resolved against the Council it is estimated that this could result in additional costs to the Council of up to £500,000.

Core Financial Statements

43 Euro Costs

As at 31 March 2008, 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.

44 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.

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

2006/07		2007/08	
£000		£000	£000
(313)	Income and Expenditure Account (Surplus)/Deficit		6,207
(27)	Collection Fund (Surplus)/Deficit		(4)
Non Cash Transactions			
(1,757)	Depreciation and Impairment of fixed assets (excludes HRA depreciation)	(9,195)	
(1,087)	Excess of HRA depreciation over the Major Repairs Allowance	(1,146)	
418	Government grants deferred amortisation	479	
(199)	Amortisation of intangible assets	(233)	
(525)	Deferred charges	(622)	
(533)	Gain or loss on sale of fixed assets and other income	170	
113	Gain/(Loss) after Actuarial Changes on Pension Net Liability	(60)	
(3,910)			(10,607)
Items on accruals basis:			
1,564	(Increase)/Decrease in revenue creditors	(1,786)	
5	Increase/(Decrease) in stocks	(8)	
3,160	Increase/(Decrease) in debtors	(164)	
4,729			(1,958)
Other Items:			
5	Contribution to provisions	(46)	
142	Net Interest Receivable	694	648
966	Net cash outflow/(inflow) on revenue activities		(5,714)

Core Financial Statements

46 Reconciliation of Net Cash Flow to Movement in Net Debt

2006/07		2007/08
£000		£000
(255)	Increase/(Decrease) in cash in year	866
(15,000)	Receipt of loans	-
10,573	Repayment of loans	153
31	Repayment of Capital element on finance leases	9
5,400	Increase/(Decrease) in temporary investments	235
<u>749</u>	Change in net debt	<u>1,263</u>
(5,642)	Net funds at 1 April	(4,893)
<u>(4,893)</u>	Net funds at 31 March	<u>(3,630)</u>

47 Analysis of Change in Net Debt

2006/07			2007/08		
Cash Flow	Balance at 31 March		Cash Flow	Balance at 31 March	
£000	£000		£000	£000	
(255)	(1,871)	Cash	866	(1,005)	
(4,427)	(22,828)	Loans	153	(22,675)	
31	(9)	Finance Leases	9	-	
5,400	19,815	Temporary Investments	235	20,050	
<u>749</u>	<u>(4,893)</u>		<u>1,263</u>	<u>(3,630)</u>	

Core Financial Statements

48 Revenue Government Grants

2006/07 £000		2007/08 £000
	Communities and Local Government	
60	Homelessness	152
452	Planning Delivery Grant	371
295	Supporting People	335
597	Local Authority Business Growth Incentive Scheme	107
-	Concessionary Fares	140
	Department for Work and Pensions	
18,588	Benefits (excluding grant in respect of housing benefits paid)	20,769
-	Local Housing Allowance Set up Costs	50
802	East of England Development Agency	520
-	Department of Health - Smokefree Legislation	64
530	Safer Stronger Communities	731
117	DEFRA - Waste Performance and Efficiency Grant	61
50	Home Office - Crime Reduction	159
247	Local Public Service Agreement Reward Grant	-
166	Other	88
<u>21,904</u>	Total Revenue Government Grants	<u>23,547</u>

49 Capital Grants

2006/07 £000		2007/08 £000
	Communities and Local Government	
251	Disabled Facilities Grants	487
328	Regional Housing Pot Capital Grant	331
2,190	Major Repairs Allowance	2,228
50	East of England Development Agency	75
81	Department for Work and Pensions - Contact Centre	324
8	DEFRA - Coast Protection	55
143	DEFRA - Countryside Agency	-
1,004	Safer Stronger Communities	1,092
<u>4,055</u>	Total Capital Grants	<u>4,592</u>

Supplementary Financial Statements

HOUSING REVENUE ACCOUNT – INCOME AND EXPENDITURE ACCOUNT

2006/07 £000		2007/08 £000	Note Ref
	INCOME		
9,058	Dwelling rents	9,532	
166	Non dwelling rents	182	
329	Charges for Services and Facilities	333	
156	Contributions towards expenditure	81	13
9,709	Total Income	10,128	
	EXPENDITURE		
2,591	Repairs and Maintenance	2,760	4
2,203	Supervision and Management	2,287	
10	Rents, Rates, Taxes and Other Charges	8	
932	Negative Housing Revenue Account Subsidy	1,171	10
3,277	Depreciation and impairment of fixed assets	9,056	2 & 7
45	Debt management expenses	45	
57	Increase in the Provision for Bad Debts	24	12
66	Deferred Charges and Amortisation of Intangible Fixed Assets	48	8 & 9
9,181	Total Expenditure	15,399	
(528)	Net Cost of HRA Services per Authority Income and Expenditure Account	5,271	
240	HRA Share of Corporate and Democratic Core	255	
-	HRA Share of other amounts included in the Whole Authority Net Cost of Services but not allocated to specific Services	-	
(288)	NET COST OF HRA SERVICES	5,526	
578	Gain or Loss on sale of HRA Fixed Assets	(42)	14
853	Interest payable and Similar Charges	840	
-	Amortisation of Premiums and Discounts	-	
(281)	Interest and Investment Income	(396)	
-	Pension Interest Cost and Expected Return on Pension Assets	-	
862	(SURPLUS) OR DEFICIT FOR THE YEAR ON HRA SERVICES	5,928	

Supplementary Financial Statements

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

2006/07		2007/08	Note
£000		£000	Ref
862	Surplus or Deficit for the Year on the HRA Income and Expenditure Account	5,928	
(1,510)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(6,568)	15
(648)	(INCREASE) OR DECREASE IN THE HOUSING REVENUE ACCOUNT BALANCE	(640)	
(3,021)	HRA surplus Brought Forward	(3,669)	
(3,669)	HRA surplus Carried Forward	(4,309)	

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

1 Housing Revenue Account Balances

HOUSING REVENUE ACCOUNT RESERVES				
2006/07		Housing Revenue Account	2007/08 Housing Repairs Account	Total
£000		£000	£000	£000
(3,300)	Balances as at 1 April	(3,669)	(409)	(4,078)
(778)	(Surplus)/deficit for year	(640)	(135)	(775)
(4,078)	Balances as at 31 March	(4,309)	(544)	(4,853)

2 Housing Assets

As at 31 March 2008, the Council was responsible for managing the following council housing assets:

Supplementary Financial Statements

31 March 2007			31 March 2008		
No	Balance Sheet Value £000		No	Balance Sheet Value £000	
		Dwellings			
1,510	59,425	Flats	1,506	57,190	
1,060	63,866	Houses	1,057	60,926	
339	19,823	Bungalows	339	18,696	
319	9,358	Sheltered accommodation	319	9,312	
28	1,737	Do-It-Yourself Shared Ownership (DIYSO)	26	1,556	
3,256	154,209		3,247	147,680	
		Other HRA Assets			
65	2,044	Shared equity plots of land	65	1,947	
438	957	Garages	438	916	
367	39	Ground rents re sold Council flats	371	38	
1	430	Community Centre	1	406	
4	221	Other non-domestic properties	4	217	
7	35	Land	7	33	
-	3	Other	-	34	
4,138	157,938	Total Balance Sheet values	4,133	151,271	

The 2006/07 figures now include £3,000 under other HRA assets as this amount has been transferred from figures previously reported under the General Fund to align with SORP requirements.

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 2007 following the 5 year revaluation review undertaken in accordance with CLG's Guidance and subsequent revaluations in 2006/07 and 2007/08 was £338 million compared with the existing use value of £157 million. The difference between the two values of £181 million represents the economic cost of providing council housing at less than open market rents. Desktop reviews and external inspection of beacon properties were undertaken by the external valuer during the year with resulting changes and other adjustments being reflected in the Balance Sheet value as at 31 March 2008.

During 2007/08, 8 council houses and flats were sold under 'Right to Buy' legislation, DIYSO shares equivalent to 0.5 whole property were sold along with the remaining 1% of a DIYSO being acquired during the year which resulted in the property being transferred to the Council's general stock.

Supplementary Financial Statements

3 Major Repairs Reserve

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

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

2006/07		2007/08	
£000		£000	£000
1,617	Balance as at 1 April		1,790
	HRA depreciation provision		
3,207	Dwellings (excluding DIYSO)	3,300	
70	All other HRA assets	74	
		3,374	
(1,087)	Transfer to the HRA		(1,146)
(2,017)	Applied to finance capital expenditure on the housing stock		(2,020)
1,790	Balance as at 31 March		1,998

4 Housing Repairs Account

A contribution is made into this account each year from the HRA in order to assist the planning of major and cyclical works to the Council's housing stock. The movements on this account for 2007/08 were as follows:

2006/07		2007/08	
£000		£000	
(2,721)	Income: Contribution from Housing Revenue Account	(2,895)	
2,591	Expenditure on repairs and maintenance	2,760	
(130)	(Surplus)/Deficit for year	(135)	
(279)	Balances Brought Forward	(409)	
(409)	Balances Carried Forward	(544)	

5 Capital Expenditure and Financing

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

Supplementary Financial Statements

2006/07		2007/08
£000		£000
	Capital Investment:	
2,817	Operational Assets	2,771
36	Deferred Charges	18
5	Other	31
<u>2,858</u>		<u>2,820</u>
	Sources of Finance:	
639	Borrowing	655
2,017	Major Repairs Reserve	2,020
202	Capital Receipts Reserve	145
<u>2,858</u>		<u>2,820</u>

6 Usable Housing Capital Receipts Reserve

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

The remaining capital receipts can be applied to finance any capital expenditure. During 2007/08, the housing capital receipts amounted to £0.682 million of which £0.459 million was 'poolable' and therefore payable to the Government. Of the total of £0.749 million applied during the year to finance capital expenditure, £0.145 million was for improvements to the council's housing stock and other associated schemes, with the balance of £0.604 million spent on non-HRA housing capital schemes (primarily private sector renewals/initiatives and disabled facilities grants). The movements on the Reserve during the year are shown below:

Supplementary Financial Statements

2006/07		2007/08
£000		£000
2,343	Balance as at 1 April	2,005
	Capital Receipts in the year:	
1,423	Council house sales (net of administration costs)	561
104	DIYSO property sales	47
5	Mortgage principal repayments	6
59	Other receipts	55
3,934		2,674
	Less:	
(1,101)	Capital receipts 'pooling contribution'	(459)
(828)	Capital receipts used for financing capital expenditure	(749)
2,005	Balance as at 31 March	1,466

7 Depreciation and Impairment Charges

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

2006/07		2007/08
£000		£000
3,207	Dwellings	3,300
36	Do-It-Yourself Shared Ownership (DIYSO)	38
20	Garages	21
9	Community Centre	9
5	Other Non-Domestic Properties	5
-	Other	1
3,277		3,374

Impairment may be applicable to assets if caused by either a consumption of economic benefits or a general fall in prices. There was £5.682 million of impairment charged to the HRA in 2007/08 following asset revaluations during the year. As with depreciation, this is reversed out in the Statement of Movement on the HRA Balance so that it does not impact on the overall net HRA position for the year.

8 Deferred Charges

Deferred charges were made to the HRA during the year in accordance with the Secretary of State's Item 8 Determination. Deferred charges total £18,000 for 2007/08 (£36,000 for 2006/07) as expenditure was incurred on a cash incentive scheme which is in accordance with the classification of such cost as explained in Accounting Policy 13 on page 20.

Supplementary Financial Statements

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

9 Intangible Fixed Assets

This represents expenditure that has recently been incurred on software that has been financed from capital resources. The amount of £30,000 charged to the Housing Revenue Account for the year (£30,000 for 2006/07) represents the annual writing down of the asset over an appropriate period of time.

10 Housing Revenue Account Subsidy

Set out below is the notional HRA for 2007/08 assessed for subsidy purposes in accordance with general determinations issued for the year although subject to final certification during 2008/09. This results in a 'negative subsidy' position for the Authority.

2006/07		2007/08
£000		£000
4,864	Management and maintenance	4,990
1,186	Charges for capital	1,158
88	Rent Constraint Allowance	285
2,190	Major Repairs Allowance	2,228
3	Admissible allowance	-
8,331		8,661
(9,225)	Rent	(9,831)
(3)	Mortgage interest	(2)
(897)		(1,172)
(35)	Adjustment re previous year	1
(932)	Housing Subsidy due/(repayable) for year	(1,171)

11 Contributions to Pensions Reserve

In line with the accounting treatment in the General Fund, the pension benefits accrued for employees whose time is charged to the HRA are shown in the Income and Expenditure Account for 2007/08 by replacing pension costs charged for the year with the current cost of service within Supervision and Management Costs. However, to ensure there is no overall impact on HRA balances further adjustments have been made in the Statement of Movement on the HRA Balance. These reverse out the additional costs added via the current cost of service adjustment mentioned above but also add back the HRA's share of the Council's total pension payments to the pension fund in 2007/08 which totalled £324,000.

Supplementary Financial Statements

12 Rent Arrears and the Provision for Bad and Doubtful Debts

The rent arrears at 31 March 2008 were £244,503 (2006/07 - £288,035), which equates to 2.44% (2.96% for 2006/07) 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 2008 is £63,089 after the following movements on the account during 2007/08:

2006/07 £000		2007/08 £000
98	Balance as at 1 April	94
57	Provision for year	24
(61)	Arrears written off	(55)
<u>94</u>	<u>Balance as at 31 March</u>	<u>63</u>

13 Contributions Towards Expenditure

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

14 Gains or Losses on the Sale of Fixed Assets

In some circumstances a gain or loss may arise when an HRA asset is disposed of such as the sale of an asset for an amount that is lower than its current value. However, most HRA assets sales will not result in this situation as each asset will be revalued to its market value when disposal takes place which gives the best indication of current value. However, administration costs incurred in the disposal of an asset are a cost directly associated with the disposal and therefore a loss is shown in the Income and Expenditure Account to reflect this. In addition to this the Council may receive income from repaid discounts which would have been given at the time of the original asset sale such as those under the Right to Buy Scheme and are deemed to be a gain on HRA asset disposals and so shown in the Income and Expenditure Account. For 2007/08 the net gain of £41,557 in the HRA Income and expenditure account is made up of a loss of £13,210 (£30,609 loss in 2006/07) for disposal administration costs, offset by gains of £16,867 (£59,217 in 2006/07) from repaid discounts from previous years asset sales, £32,900 (nil in 2006/07) from a deed of release associated with a previous property sale and £5,000 (nil in 2006/07) from a minor capital receipt for the sale of land. Further details are shown in the Core Financial Statements on pages 34 and 35 notes 3 and 4.

15 Statement of Movement on the HRA Balance

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

Supplementary Financial Statements

2006/07 £000		2007/08 £000
	Items included in the HRA Income and Expenditure Account but Excluded from the Movement on HRA Balances for the year	
(66)	Difference between items of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	(5,730)
(578)	Gain or Loss on sale of HRA fixed assets	42
(211)	Net charges made for retirement benefits in accordance with FRS17	(193)
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balances for the year	
(1,087)	Transfer to/from Major Repairs Reserve	(1,146)
130	Transfers to/from Housing Repairs Account	135
302	Employer's Contribution's Payable to the Essex County Council Pension Fund	324
(1,510)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(6,568)

16 Further Information

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

You can also contact Housing Services by:

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

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

2006/07		2007/08		Note
£000		£000	£000	Ref
INCOME				
54,656	Income from Council Tax		57,198	1
	Transfers from the General Fund:			
11,186	Council Tax Benefits		11,942	
-	Council Tax Transitional Reduction Scheme		(2)	
<u>65,842</u>			<u>69,138</u>	
22,159	Income Collectable from Business Ratepayers		22,102	2
<u>88,001</u>			<u>91,240</u>	
EXPENDITURE				
	Precepts:			3
7,795	Tendring District Council		8,231	
47,953	Essex County Council		50,469	
2,907	Essex Fire Authority		3,013	
5,541	Essex Police Authority		5,854	
	Use of Council Tax balance:			4
130	Tendring District Council		140	
812	Essex County Council		861	
51	Essex Fire Authority		52	
93	Essex Police Authority		100	
<u>65,282</u>			<u>68,720</u>	
	Council Tax Bad and Doubtful Debts:			
308	Amounts written off	290		
46	Increase/(Reduction) in Provision for Doubtful Debt	98	388	
	Business Rate:			2
21,860	Contribution to the Central Government pool	21,802		
299	Cost of Collection allowance	300	22,102	
<u>87,795</u>			<u>91,210</u>	
206	Net Surplus/(Deficit) for the year		30	
1,165	Balance as at 1 April		1,371	
<u>1,371</u>	Balance as at 31 March		<u>1,401</u>	4

Supplementary Financial Statements

1 Council Tax

The average Council Tax levy for 2007/08 was £1,344.09 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 2007/08

2006/07	Band	Valuation	Pro-portion	Full Charge	Discount 25%	Discount 50%	2nd Homes	Empty Properties	Exempt	Total
8	*A	Up to £40,000	5/9	5	4	-	-	-	-	9
11,921	A	Up to £40,000	6/9	3,910	6,300	16	768	410	614	12,018
16,758	B	£40,001 to £52,000	7/9	9,254	6,553	18	338	287	421	16,871
20,037	C	£52,001 to £68,000	8/9	12,587	6,444	40	358	274	453	20,156
9,803	D	£68,001 to £88,000	9/9	6,916	2,416	35	186	147	190	9,890
4,481	E	£88,001 to £120,000	11/9	3,499	782	36	86	70	80	4,553
1,548	F	£120,001 to £160,000	13/9	1,195	257	25	37	18	23	1,555
770	G	£160,001 to £320,000	15/9	577	103	42	24	17	10	773
55	H	Over £320,000	18/9	40	3	9	2	1	-	55
<hr/>				37,983	22,862	221	1,799	1,224	1,791	65,880
<hr/>				51,211	Number of equivalent full charge Band D dwellings (unscaled tax base)					51,559
<hr/>				(1,280)	Less Provision for changes in valuation list, discounts and doubtful debts					(1,289)
<hr/>				49,931	Tax base for tax setting purposes					50,270
<hr/>										

* Band A – entitled to Disabled Relief

Analysis of the Council Tax

Council Tax for a Band D Dwelling

2006/07 Average £		2007/08 Average £
122.15	Tendring District Council: General Expenses	129.07
9.96	Special Expenses	9.51
24.01	Town and Parish Councils	25.16
960.39	Essex County Council	1,003.95
58.23	Essex Fire Authority	59.94
110.97	Essex Police Authority	116.46
<hr/>		
1,285.71		1,344.09
<hr/>		

The tax charged on dwellings in each parish must include an amount that would yield sufficient to meet the Parish Council's precept. In addition, the Council decided on 15 February 2007 that some identified estimated expenses (special expenses) would apply only to certain parishes and the unparished area of Clacton. A small additional tax is levied in these areas to finance the special expenses.

Supplementary Financial Statements

2 National Non-Domestic Rate

The National Non-Domestic Rate (NNDR) is a national tax administered locally. The Council collects a prescribed uniform business rate on all non-domestic property. From the proceeds of NNDR, a prescribed contribution towards the cost of collection is transferred to the General Fund. The remainder is paid into the central government's NNDR pool. The total amount of the pool is distributed to all local authorities as part of their external finance. The Council's share is paid into the General Fund and is therefore included in the Income and Expenditure Account shown on page 29.

2006/07		2007/08
42.6p	Non-Domestic Rate per £ of Rateable Value	44.1p
£000		£000
63,702	Rateable Value on 31 March	62,961
<hr/>		
27,034	Gross rate income	27,719
(4,770)	Allowances and other adjustments	(5,434)
(121)	Amounts written off	(84)
(35)	Interest on refunds of overpayments	(28)
51	Changes in provision for doubtful debt	(71)
<hr/>		
22,159		22,102
(299)	Cost of Collection allowance	(300)
<hr/>		
21,860	Contribution to the NNDR pool	21,802
<hr/> <hr/>		

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

3 Precepts

The Council (the collecting authority) and Essex County Council, Essex Fire Authority and Essex Police Authority (the major precepting authorities) precept upon the Collection Fund. Each precept is assessed from the Tax Base for tax setting purposes (described on page 73 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.

Supplementary Financial Statements

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 £1.401 million at 31 March 2008 together with balances paid over to precepting authorities in 2008/09, will form part of the assessment made in January 2009.

The balance of £1.401 million is made up as follows:

	2006/07	Net Movement in Year	2007/08
	£000	£000	£000
Essex County Council	1,024	22	1,046
Essex Fire Authority	62	1	63
Essex Police Authority	118	3	121
	<hr/>		<hr/>
	1,204	26	1,230
Tendring District Council	167	4	171
	<hr/>		<hr/>
	1,371	30	1,401
	<hr/> <hr/>		<hr/> <hr/>

The balance relating to Tendring District Council is shown in the Balance Sheet under the heading 'Collection Fund Balance' the remaining balance of £1.230 million is included under 'Creditors'.

TENDRING DISTRICT COUNCIL

MEMBERS' ALLOWANCES

The Council has adopted a Scheme of Members' Allowances and in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003, the details required are published below, to show expenditure during 2007/08.

	Basic Allowance	Special Responsibility Allowance	Childcare Allowance	Total
	£	£	£	£
Part year allowance to 2 May 2007				
K Aldis	823.57	482.23		1,305.80
E T Allen	823.57	3,294.29		4,117.86
C J Baker	823.57			823.57
P Beadles	823.57			823.57
A Bevan	823.57	1,935.31		2,758.88
B M Bevan	823.57			823.57
W Bleakley (Died 20.03.07)	257.92	606.08		864.00
P E Brand	823.57			823.57
R H Caddick	823.57	1,935.31		2,758.88
M A De Roy	823.57			823.57
I R Dimmock	823.57	306.00		1,129.57
D J Dixon	823.57	362.20		1,185.77
W G Elmer	823.57			823.57
M Holden	823.57			823.57
C Jessop	823.57	337.26		1,160.83
J Kelly	823.57	482.23		1,305.80
B Leatherdale	823.57	482.23		1,305.80
H Markham-Lee	823.57	482.23		1,305.80
M Morley-Souter	823.57			823.57
A Oxley	823.57	482.23		1,305.80
M Page	823.57	1,935.31		2,758.88
P Patrick	823.57	1,935.31		2,758.88
A-J Peters	823.57	482.23		1,305.80
G Potter	823.57			823.57
J Ruffell	823.57			823.57
K Sargeant	823.57			823.57
A R Sargent	823.57			823.57
R J Taylor	823.57	643.26		1,466.83
B W Thomasson	823.57			823.57
J F White	823.57	644.70		1,468.27
Total Payments for year	24,141.45	16,828.41	0.00	40,969.86

Elected 3 May 2007

I Beckett	3,998.43	1,126.44		5,124.87
J Broderick	3,998.43			3,998.43
J Brown	3,998.43	1,126.44		5,124.87
R Callender	3,998.43			3,998.43
G Calver	3,998.43			3,998.43
V Chapman	3,998.43	1,126.44		5,124.87

Other Financial Information

	Basic Allowance	Special Responsibility Allowance	Childcare Allowance	Total
	£	£	£	£
T Fawcett	3,998.43	1,126.44		5,124.87
T Ferguson	3,998.43			3,998.43
A Goggin	3,998.43			3,998.43
C Guglielmi	3,998.43	938.71		4,937.14
V Guglielmi	3,998.43			3,998.43
P Halliday	3,998.43	1,126.44		5,124.87
A Hockridge	3,998.43			3,998.43
S Honeywood	3,998.43			3,998.43
J Hughes	3,998.43	1,126.44		5,124.87
K T King	3,998.43			3,998.43
D Mayzes	3,998.43	1,126.44		5,124.87
S Mayzes	3,998.43	1,126.44		5,124.87
D McLeod	3,998.43	3,000.78		6,999.21
L McWilliams	3,998.43			3,998.43
M Mitchell	3,998.43	1,126.44		5,124.87
D Oxley	3,998.43	1,126.44		5,124.87
M Patten	3,998.43	156.44		4,154.87
P Scott	3,998.43			3,998.43
M Skeels	3,998.43	1,126.44		5,124.87
G Steady	3,998.43	1,668.83		5,667.26
R Walker	3,998.43			3,998.43
G Watling	3,998.43	1,126.44		5,124.87
K Watson	3,998.43	1,126.44		5,124.87
B Whitson	3,998.43	825.28		4,823.71
Total Payments for year	119,952.90	21,233.76	0.00	141,186.66
Full Years Allowance				
D Aldis	4,822.00	2,207.87		7,029.87
M Bragg	4,822.00	3,000.78		7,822.78
R J Bucke	4,822.00	9,655.38		14,477.38
S Candy	4,822.00	1,126.44	296.50	6,244.94
M Cossens	4,822.00	10,270.76		15,092.76
J Cripps	4,822.00	5,100.39		9,922.39
P G De-Vaux Balbirnie	4,822.00	1,976.60		6,798.60
M Dew	4,822.00	9,655.38		14,477.38
L J Double	4,822.00	9,919.30		14,741.30
G Downing	4,822.00	1,683.00		6,505.00
C Griffiths	4,822.00			4,822.00
R Heaney	4,822.00	1,126.44		5,948.44
S Henderson	4,822.00	2,079.98		6,901.98
P Honeywood	4,822.00			4,822.00
I R Johnson	4,822.00	11,331.00		16,153.00
J King	4,822.00	2,207.87		7,029.87
D Lines	4,822.00	15,845.13		20,667.13
P J Oxley	4,418.25	10,382.25		14,800.50
L Payne	4,822.00	8,814.15		13,636.15
J A Powell	4,822.00	6,557.00		11,379.00
D Rutson	4,822.00			4,822.00
C Sambridge	4,822.00	1,212.50		6,034.50

Other Financial Information

	Basic Allowance	Special Responsibility Allowance	Childcare Allowance	Total
	£	£	£	£
G Scott	4,822.00	3,000.78		7,822.78
H Shearing	4,822.00	11,331.00		16,153.00
S Shearing	4,822.00	1,651.32		6,473.32
R G Smith	4,822.00			4,822.00
N Stock	4,822.00	4,788.00	477.50	10,087.50
M J Talbot	4,822.00	11,331.00		16,153.00
C A Turner	4,822.00	4,382.50		9,204.50
N W Turner	4,822.00	1,126.44		5,948.44
Total Payments for year	144,256.25	151,763.26	774.00	296,793.51
Grand Total of payments for year	288,350.60	189,825.43	774.00	478,950.03

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

Chairman – R Taylor (2006)	£462.50
Vice Chairman – P De Vaux Balbirnie (2006)	£162.50
Chairman – P De Vaux Balbirnie (2007)	£5,225.00
Vice Chairman – R Smith (2007)	£1,834.00

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: Tendring District Council's Corporate and Community Strategies. The Statement of Accounts is one of a series of documents that the Council publishes in order to provide financial information about its activities.

Other publications include:

Revenue Estimates and Capital Programme 2008/09 – this provides information on the Council's planned expenditure and income for the year.

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

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

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

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

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

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

GLOSSARY OF TERMS USED IN THE STATEMENT OF ACCOUNTS

Accounting Period

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

Accruals

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

Asset

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

Balance Sheet

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

Beacon Properties

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

Capital Expenditure

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

Capital Financing

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

Capital Programme

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

Capital Receipt

Cash received from the sale of assets.

Capital Receipt Pooling

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

Cash Flow Statement

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

Other Financial Information

Charging Authority

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

Collection Fund

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

Community Assets

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

Council Tax

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

Creditors

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

Current Assets

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

Current Liabilities

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

Debtors

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

Deferred Charges

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

Deferred Capital Receipts

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

Depreciation

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

Other Financial Information

Fixed Assets

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

General Fund

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

Government Grants

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

Housing Revenue Account

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

Leasing

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

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

National Non-Domestic Rates (NDR)

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

Precept

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

Precepting Authority

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

Provisions

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

Public Works Loan Board (PWLB)

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

Other Financial Information

Reserves

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

Revenue Account

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

Stocks

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

Support Services Costs

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