



T e n d r i n g **District Council**

ANNUAL REPORT / SUMMARY FINANCIAL INFORMATION 2006/07

Introduction

The annual production of the full Statement of Accounts is a statutory requirement for local authorities and is intended to give various people and organisations a detailed explanation of the financial position of the council as at the 31st of March of the relevant year. Also the introduction to the accounts provides a background to the accounting concepts and treatment of various financial issues along with any significant matters that occurred during the year.

However this Annual Report / Summary is intended to give quick and easy access to the significant financial statements covered in the full Statement of Accounts (subject to audit) and includes brief explanations of important financial information.

Significant Matters Arising During the Year

- ❖ Accounting for asset disposals are now shown in the accounts. However any loss or gain on disposal is only a reporting requirement with no overall affect on the Council's financial position.
- ❖ The only significant property asset disposed of during the year was the Clacton Golf Club
- ❖ The Council's non-housing assets were all revalued during the year. The value of all Council assets increased by £32 million
- ❖ The Council's pension deficit reduced from £29.311m to £23.983m (accounting for this item follows specific accounting requirements)
- ❖ In previous years there was a requirement to include in the cost of services a notional figure to reflect the cost of holding Council assets during the year rather than having the cash. This was primarily 3.5% of the assets value. This is no longer required in 2006/07 and therefore previous years have also been restated to aid comparisons year on year.

Summary Financial Information

Within the Statement of Accounts there are now 8 main statements produced.

These statements replace the financial statements reported in previous years, as 2006/07 is the first year in which new requirements have been introduced that aim to bring public sector reporting more into line with that of the private sector.

A summary of the information in the key statements is as follows:

1) THE COUNCIL'S INCOME AND EXPENDITURE (*Income and Expenditure Account*)

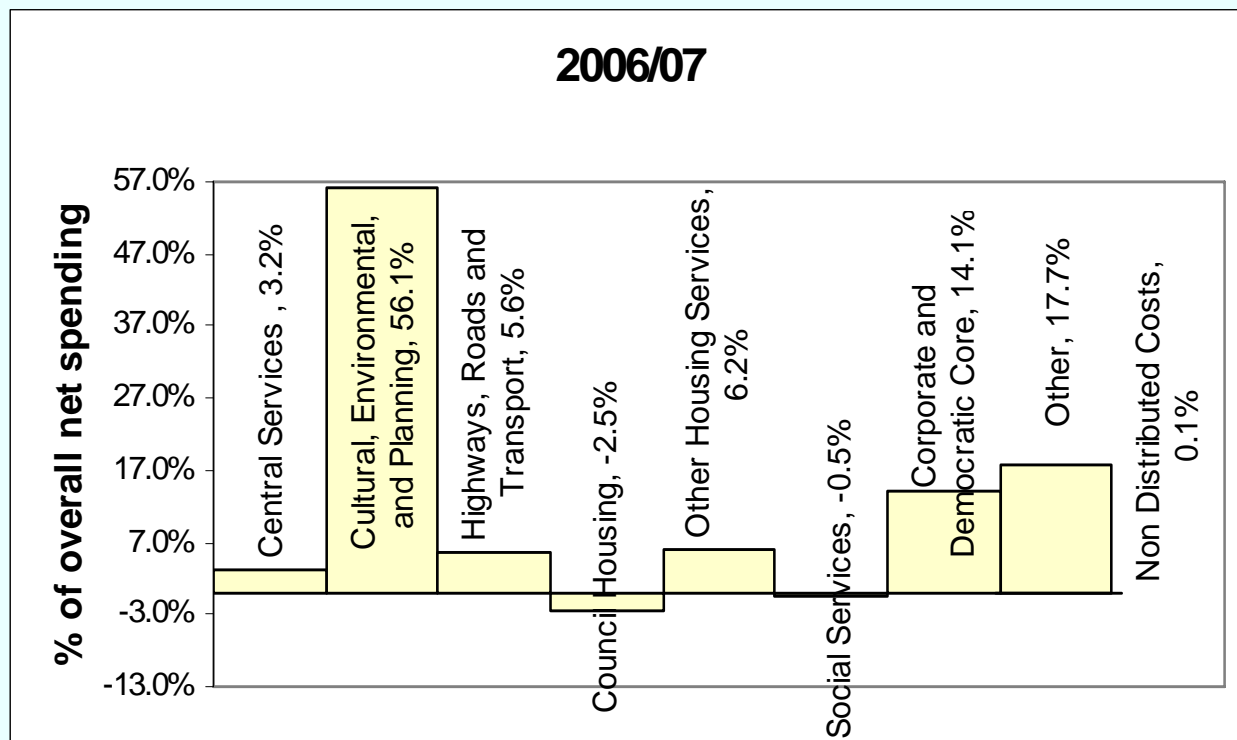
This brings together all of the Council's revenue activities for the year, including the costs and income associated with the Council as landlord for over 3,000 properties in the district. Revenue activity mainly covers the day to day running costs and income of the Council rather than investments in for example buildings and vehicles which is classified as capital activity.

This statement shows how much was spent for various service areas, after applying relevant fees and charges and also shows the amount of money that is required from central government and local taxpayers to fund the revenue activities undertaken for the year. A brief summary including comparisons with the previous year is as follows:

Service Expenditure	Net Expenditure 2005/06	Net Expenditure 2006/07
Central Services	£0.825 million	£0.664 million
Cultural, Environmental, and Planning	£11.203 million	£11.732 million
Highways, Roads and Transport	£0.311 million	£1.181 million
Council Housing	(£0.810 million)	(£0.528 million)
Other Housing Services	£2.188 million	£1.296 million
Social Services	(£0.072 million)	(£0.097 million)
Corporate and Democratic Core	£2.681 million	£2.949 million
Costs not distributed across services	(£1.388 million)	£0.021 million
Total on Services	£14.868 million	£17.218 million
*Other Accounting and Financial Adjustments	£3.504 million	£3.695 million
TOTAL OPERATING EXPENDITURE	£18.372 million	£20.913 million

**This includes items such as parish precepts payments, gains or losses on asset disposals, interest payable, interest receivable on our investments, transfers to reserves, other gains and losses, pension scheme transactions, reversing out gains and losses on assets disposed of and depreciation. Some of these transaction are included in a statement titled 'Statement of Movement on the General Fund Balance' within the full Statement of Accounts.*

Analysis of net service expenditure expressed as a % of overall net spending during 2006/07 is as follows:

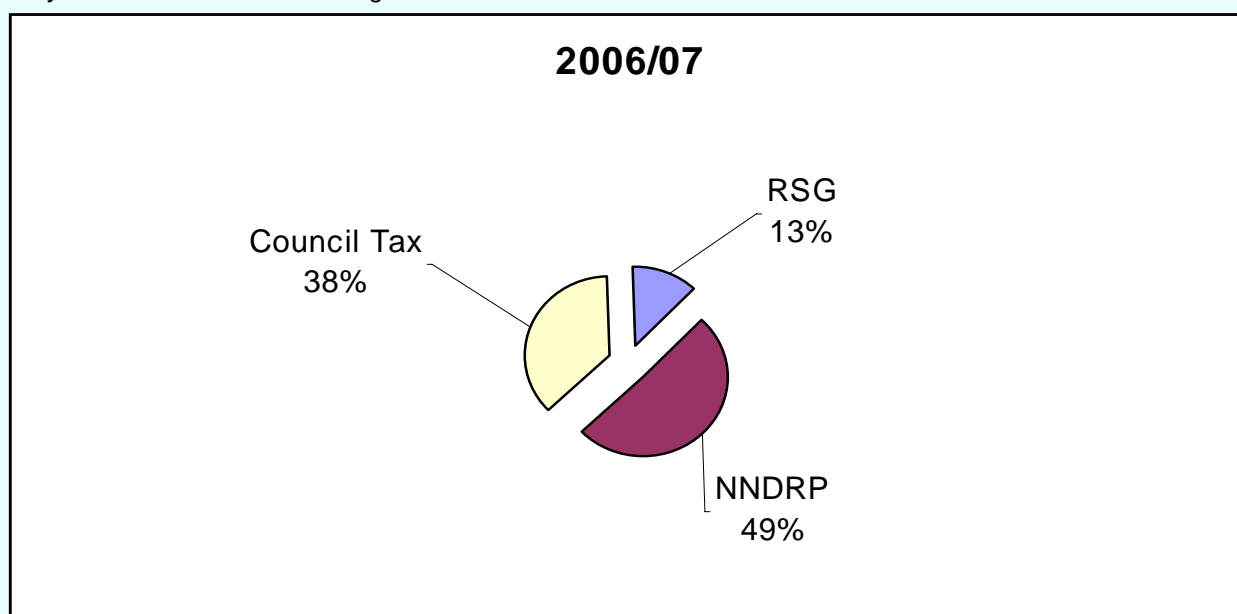


The funding the Council receives to support this level of operating expenditure is summarised below:

	2005/06	2006/07
Government Grant (Revenue Support Grant)	£6.896 million	£2.715 million
Distribution from National Non-Domestic Rate Pool (NNDRP)	£4.069 million	£10.273 million
Council Tax (includes a small surplus from Previous year)	£7.407 million	£7.925 million
TOTAL FUNDING	£18.372 million	£20.913 million

The differences when compared to last year in the amounts for RSG and NNDRP is due to a change in how the funding is presented / distributed rather than any significant underlying change.

Analysis of income as total funding for 2006/07 is as follows:



For 2006/07 the total funding equalled the overall level of expenditure so there was no overall surplus or deficit for the year.

*If there was a surplus for the year, then this would be added to the Council's uncommitted reserve to support the Council in future years. As there was no overall surplus or deficit for 2006/07 the uncommitted reserve remained at **£3.9 million at the 31st March 2007** built up from surpluses from previous years.*

The Council also incurs gains and losses that are not included in the figures above such as the gain from the increase in the value of Council's assets. These are therefore shown separately in a statement titled 'STATEMENT OF RECOGNISED GAINS AND LOSSES' within the full Statement of Accounts. For 2006/07 there was an overall gain of £38.429 million which was mainly due to the revaluation of assets during the year.

2) THE COUNCIL'S ASSETS AND LIABILITIES (Balance Sheet)

This brings together all of the information regarding the Council's assets and liabilities in one statement including those associated with the Council's activities as landlord for over 3,000 properties in the district. It is separated into various sections which can be summarised as follows:

	2005/06	2006/07
Value of our Fixed Assets <i>These includes our buildings, housing properties, vehicles, plant and equipment</i>	£183 million	£211 million
Value of our Long Term Assets <i>These are our investments including money owed to the council</i>	£1 million	£1 million
Value of our Current Assets <i>These include cash held in our bank account and temporary investments</i>	£19 million	£28 million
TOTAL ASSETS	£203 million	£240 million
Value of our Current and Long Term Liabilities <i>These include bank overdrafts, amounts we owe to other people / organisations and the estimated liabilities in our pension scheme</i>	£60 million	£58 million
TOTAL ASSETS LESS OUR LIABILITIES	£143 million	£182 million

The overall value of our assets (less liabilities) increased by **£39 million** when compared with last year. This was mainly due to the revaluation of the Council's non housing assets such as land and building as shown in the Value of our Fixed Assets above.

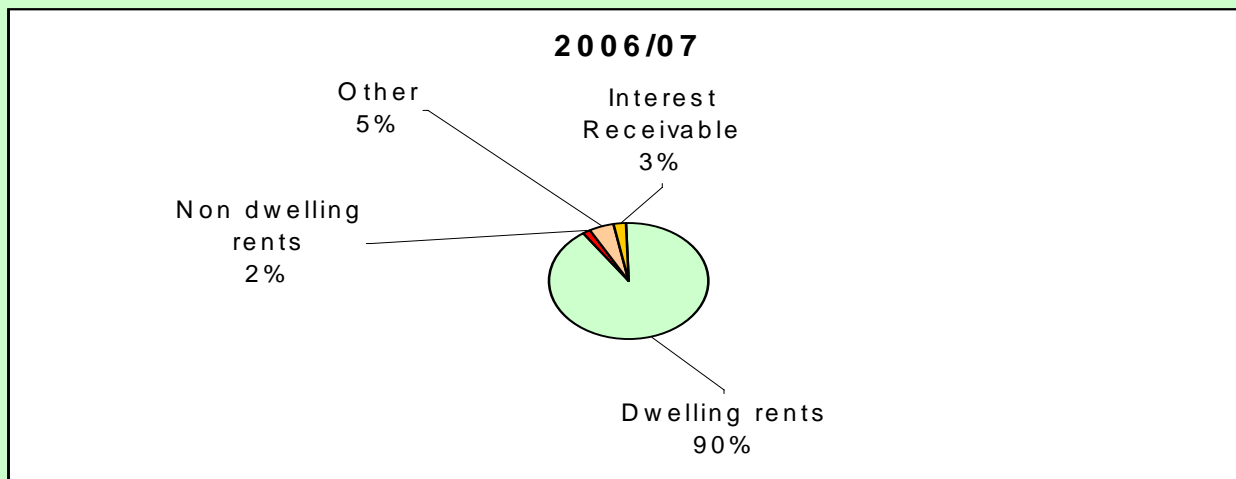
Other changes compared to last year include:

- ***Value of our Current Assets*** – The increase of £9 million compared to last year is mainly due to additional money owed to the Council by Central Government to reimburse the cost of Housing Benefits payments made during the year along with additional investments made by utilising the Council's cash balances during the year.
- ***Value of our Current and Long Term Liabilities*** – A reduction of £5 million in the Council's pension liability following the annual review by the Pension Fund Actuary which involves looking at returns of the fund's assets and its estimated long term pension payments.
- ***Value of our Current and Long Term Liabilities*** - An increase of £5 million in the amount of money borrowed which is in line with the Council's long term borrowing plans to finance capital expenditure (mainly Housing)

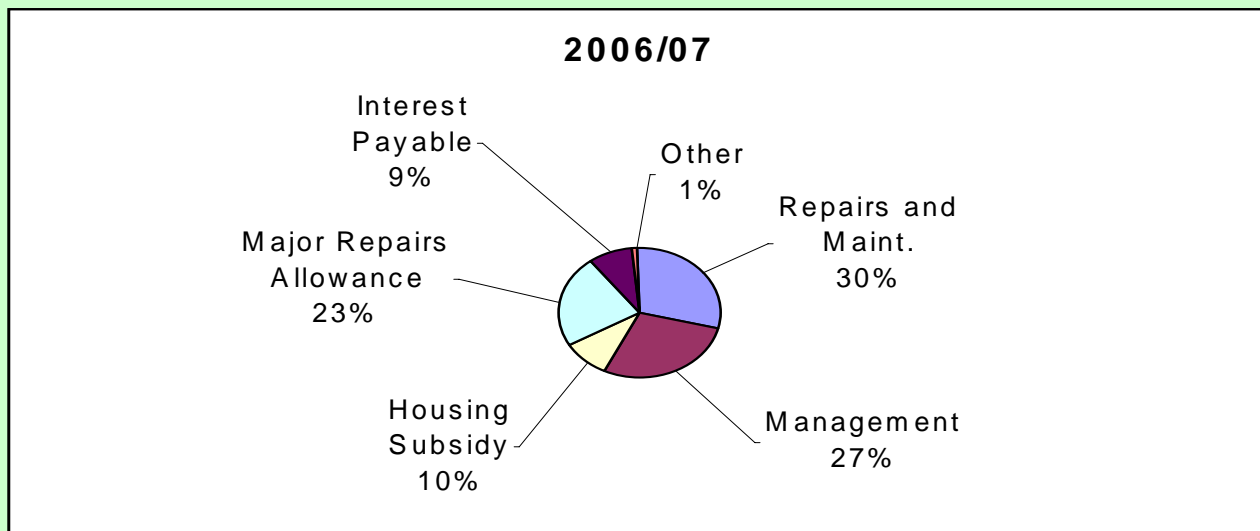
3) INCOME AND EXPENDITURE FOR COUNCIL HOUSING (*Housing Revenue Account*)

This summarises the cost and income for the revenue activities undertaken by the Council in its role as a landlord for over 3,000 housing properties it owns. Although these figures are included within the Income and Expenditure Account shown above, additional information is shown below.

The Council collected **£9.990 million** (compared with **£9.537 million** last year) in income which mainly comes from the rent charged on its properties but also includes interest receivable on cash balances held during the year. Rents are calculated by applying formulas set out by central government. The following chart gives a breakdown of income:



Set against this is the expenditure incurred for the year which totalled **£9.342 million**. (compared with **£8.981 million** last year). The following chart gives a breakdown of expenditure:



Overall there was a surplus of **£648,000** for the year. (compared with **£556,000** for last year)

After adding this to surpluses carried forward from previous years, the total amount of money held at the end of 2006/07 increased to **£3.669 million** which will be used to support the Council's landlord activities in future years.

A significant item of note within the Housing Revenue Account is an amount of money paid over to central government each year (**£932,000 for 2006/07**). This is referred to as a 'negative subsidy' and is based on a **notional** housing revenue account calculated within guidance set by government. When analysed on a national basis the aim of this approach is to ensure the cost of housing is self financing overall with some councils paying money to government whilst others receive it.

Although the above are summaries of the significant statements included in the full Statement of Accounts, a brief summary for the remaining financial statements that the Council produces are as follows:

- **Cash flow statement** – this shows the movement in cash during the year in terms of outflows and inflows resulting from our revenue and capital activities during the year. For 2006/07 there was a decrease in cash held of **£0.3 million**.
- **Collection fund** – This statement shows the level of Council Tax collected during the year (**£66 million for 2006/07**) and how it was allocated to Tendring District Council and the relevant precepting authorities i.e. Essex County Council, Essex Police Authority, and Essex Fire Authority. Tendring District Council collects all Council Tax but then pays over the appropriate sums to the precepting authorities. Once these allocations were finalised a surplus of just over **£0.2 million** remained. When added to the surplus at the start of the year a surplus of just over **£1 million** remains in the fund, which must be applied by Tendring District Council and the relevant precepting authorities when they next set their Council Tax.

This account also shows how much National Non Domestic Rates was collected during the year and the corresponding payment to the central government 'pool' where it is distributed national rather than locally. For 2006/07 just over **£22 million** was collected which was then paid to the central 'pool', (although a deduction of **£0.3 million** was made before this payment to the 'pool' to meet administration costs incurred by the Council in collecting amounts due).

Upcoming Financial Challenges for Tendring District Council

Brief explanations of some national and local issues that may have an impact on the Council's future Financial Position are as follows:

- **Comprehensive Spending Review 2007 (CSR)** – Periodically the government reviews its spending plans for public services that also takes account of any shift in priorities at a national level. The next review is planned for 2007 which will impact on the Councils budgets for 2008/09 and onwards. How the Council fares in terms of how much money it will receive will not be known until early December.
- **External Funding** – The Council's financial position is supported by significant amounts of external income. Similarly to the CSR mentioned above there are no guarantees in the level of funding - will it continue? If yes at what level?.
- **Efficiency Targets** – On a regular basis, Council's are set challenging efficiency targets)by Central Government. To date the Council has been very successful in delivering the required outcomes against these targets. However the level of efficiency targets is soon to be increased from 2.5% per year to 3% per year, further increasing the financial challenges faced by the Council.
- **National Free Concessionary Travel Scheme** – The Government recently announced the introduction of an extended travel scheme. Free travel for those people who qualify will therefore be provided nationally rather than just locally as is currently the case. Although funding will be made available to Council's by Government, the level of money given to this Council along with the level of increased costs is not yet known.
- **Inflation** – This is applied to all areas of Council expenditure, ranging from salaries, electricity and gas bills to contracts with partners / external organisations. At current levels, the net expenditure base of the Council increases by nearly £1 million each year due to price increases.

Further Information

Additional Information is available in the full Statement of Accounts along with further notes regarding all of the financial statements mentioned above.

The Statement of Accounts along with other financial information can be found on the Councils Web Site at www.tendringdc.gov.uk

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