



T e n d r i n g
District Council

ANNUAL SUMMARY FINANCIAL INFORMATION **2008/09**

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 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 summary is intended to give quick and easy access to the information contained in the full Statement of Accounts and includes brief explanations of important financial information about the Council. The full Statement of Accounts is available on the Council's website at the following address:
<http://www.tendringdc.gov.uk/NR/ronlyres/240ADC56-AF56-41CC-8246-B1965148FE99/0/StatementofAccounts200809STA.pdf>

Significant Matters Arising During the Year

- **Asset Revaluations** - The effects of the current challenging economic climate have had an impact on some of the Council's property assets, primarily the Council Housing and non-operational properties, reflecting the current downturn in the housing market. For 2008/09 the total change in the value of the Council's fixed assets was £29.1 million which was primarily due to this reason. However, there is no overall impact on the Council's 'bottom line' as the amounts are reversed out so there is no overall impact on council tax or housing rents.
- **Pension Liability** - Overall there is a pension liability attributable to the Council of £35.804 million (£36.856 million for 2007/08) as at 31 March 2009. However this overall liability 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.

- **Temporary Investments** – The sum held in temporary investments has decreased during 2008/09 by £4.9 million. This is mainly due to more cash being placed in very short term investments (£1.0 million) which are recorded elsewhere on the balance sheet in the bank figure, combined with additional expenditure on Housing Benefit payments. This additional expenditure is reclaimed from the Department of Works and Pensions at the end of the financial year under Housing Benefit subsidy arrangements.
- **Change in Accounting Policy** – Prior to 2008/09 expenditure that did not satisfy the criteria to be classified as capital expenditure, but was permitted to be funded from capital resources was known as 'deferred charges'. A change in accounting guidance has resulted in expenditure previously recognised as deferred charges now being accounted for under a new category 'Revenue Expenditure Funded from Capital under Statute'. This change has had no impact on the Council Tax requirement.
- **Group Statements** – Group statements have been prepared for the first time. Local Authorities are required to consolidate within their own accounts, the accounts of any other organisations over which they have a significant level of control, influence or interest. On 4 April 2008 a separate company (Tendring Regeneration Limited) was set up by the Council to deliver regeneration projects and initiatives and their financial results for 2008/09 have therefore been included in the 'group position'.

Summary Financial Information

Within the full Statement of Accounts there are 13 main statements produced:

- Income and Expenditure Account
- Statement of Movement on the General Fund Balance
- Statement of Total Recognised Gains and Losses
- Balance Sheet
- Cash Flow Statement
- Housing Revenue Account Income and Expenditure Account
- Statement of Movement of the Housing Revenue Account Balance
- Collection Fund Income and Expenditure Account
- Group Income and Expenditure Account
- Reconciliation of the Single Entity Surplus/Deficit to the Group Surplus/Deficit
- Group Statement of Total Recognised Gains and Losses
- Group Balance Sheet
- Group Cash Flow Statement

These statements are organised into 'Core', 'Supplementary' and 'Group' Statements. A summary of the key information contained in these statements is as follows:

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

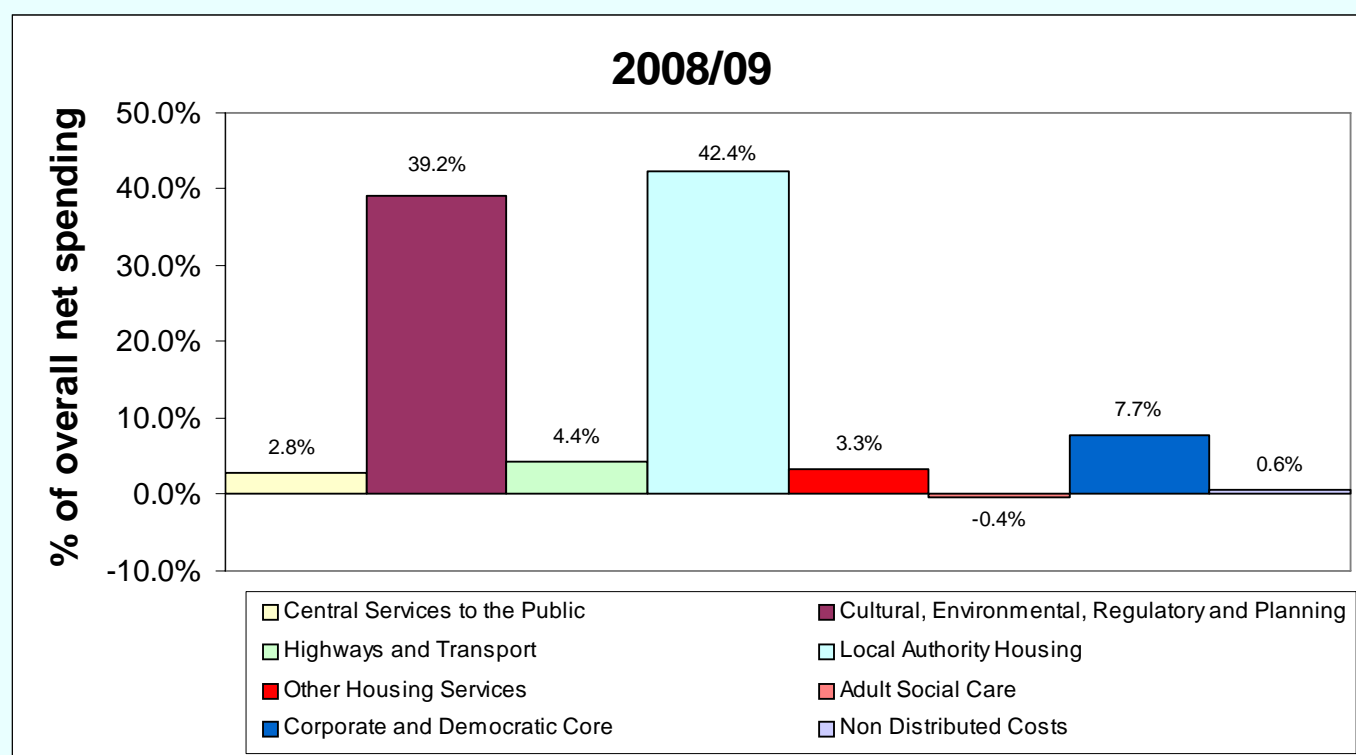
This brings together all of the Council's revenue activities for the year, including the costs and income associated with the Council as landlord for over 3,000 properties in the District. Revenue activity mainly covers the day to day running costs and income of the Council rather than investments in, 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 2007/08	Net Expenditure 2008/09
Central Services to the Public	£0.871 million	£1.186 million
Cultural, Environmental, Regulatory and Planning	£14.751 million	£16.876 million
Highways and Transport	£2.025 million	£1.877 million
Local Authority Housing	£15.474 million	£18.332 million
Other Housing Services	£2.075 million	£1.411 million
Adult Social Care	(£0.094 million)	(£0.159 million)
Corporate and Democratic Core	£3.087 million	£3.304 million
Costs not distributed across services	£0.926 million	£0.247 million
Total on Services	£39.115 million	£43.074 million
*Other Accounting and Financial Adjustments	(£17.459 million)	(£20.164 million)
TOTAL OPERATING EXPENDITURE	£21.656 million	£22.910 million

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

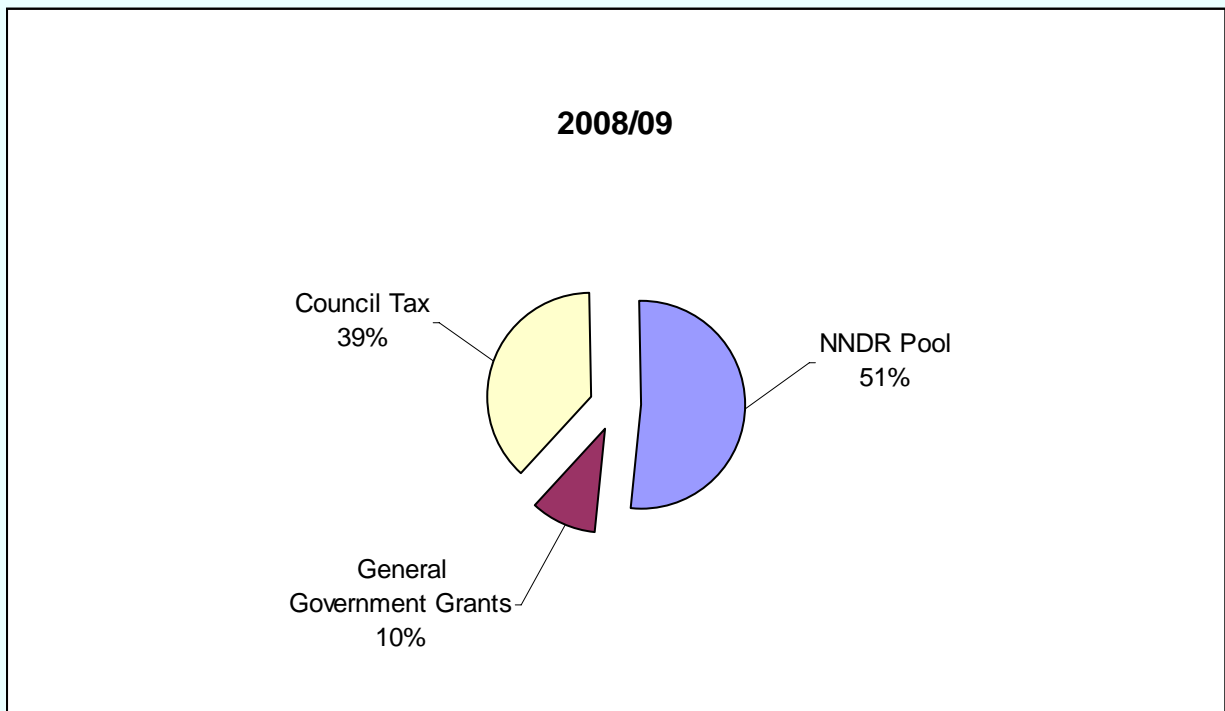
Analysis of net service expenditure expressed as a % of overall total on services for 2008/09 is as follows:



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

	2007/08	2008/09
General Government Grants	£2.175 million	£2.234 million
Distribution from National Non-Domestic Rate Pool (NNDRP)	£11.107 million	£11.796 million
Council Tax (includes a small surplus from previous year)	£8.371 million	£8.870 million
TOTAL FUNDING	£21.653 million	£22.900 million

Analysis of income as % of total funding for 2008/09 is as follows:



For 2008/09, total expenditure marginally exceeded total funding by £10,000.

*This small deficit has been met from the Council's uncommitted reserve which is a reserve that supports the Council budgets in future years or to meet the costs arising from unforeseen events that are unable to be funded elsewhere. Following this adjustment the uncommitted reserve stands at **£3.9 million at the 31st March 2009** built up from net surpluses from previous years.*

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 some items that apply to Local Authorities that need to be taken into account to arrive at the overall position of the Council. The **Statement of Movement on the General Fund Balance** shows these adjustments, to arrive at the actual movement on the general fund balance for the year.

Not all gains and losses incurred by the Council are shown in the Income and Expenditure Account. It is necessary to consider all gains and losses when arriving at an overall financial position for the year. The **Statement of Total Recognised Gains and Losses** 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.

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

This brings together all of the information regarding the Council's assets and liabilities into 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 are summarised as follows:

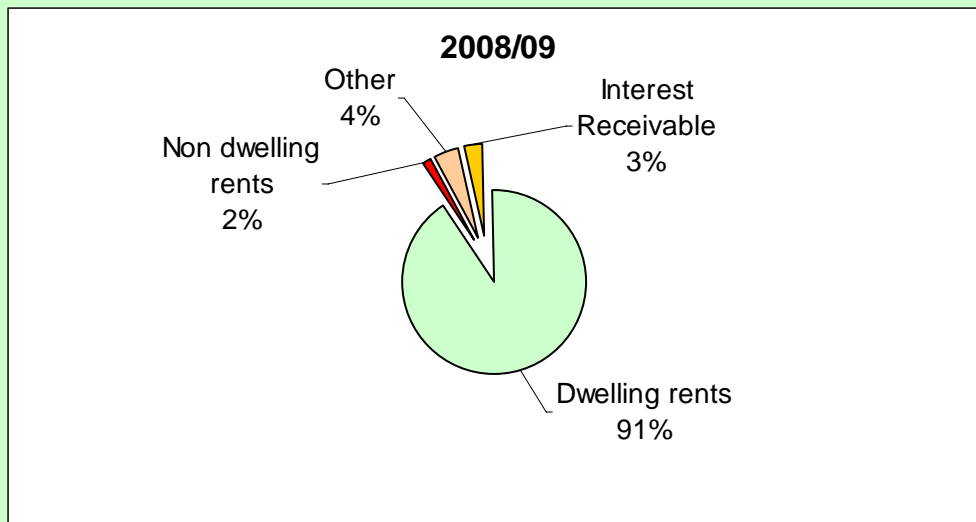
	2007/08	2008/09
Value of our Fixed Assets <i>This includes our buildings, housing properties, vehicles, plant and equipment</i>	£203.2 million	£174.1 million
Value of our Long Term Assets <i>These are our investments including money owed to the Council</i>	£0.3 million	£0.3 million
Value of our Current Assets <i>These include cash held in our bank account and temporary investments</i>	£26.9 million	£29.5 million
TOTAL ASSETS	£230.4 million	£203.9 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>	£71.5 million	£73.3 million
TOTAL ASSETS LESS OUR LIABILITIES	£158.9 million	£130.6 million

The overall value of our assets (less liabilities) decreased by £28.3 million when compared with last year. This was mainly due to the revaluation in the Council's property assets previously mentioned.

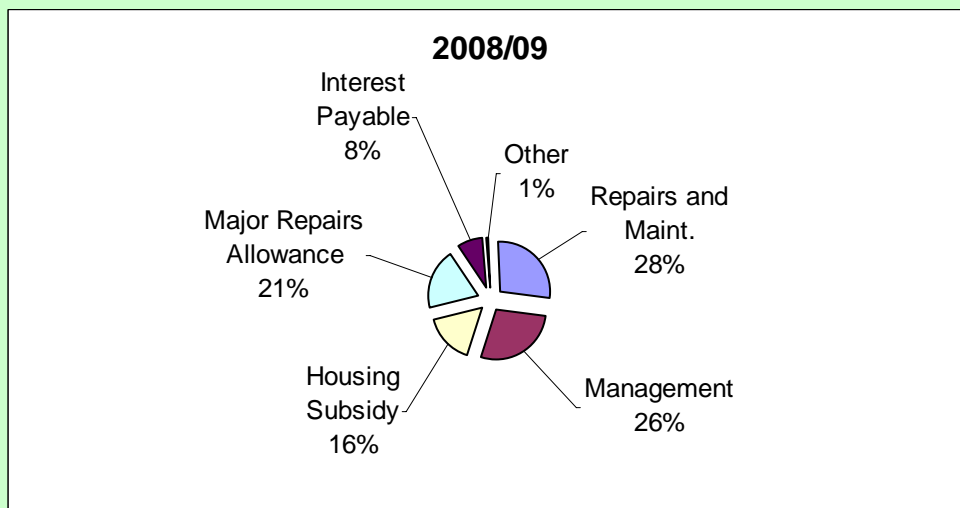
3) INCOME AND EXPENDITURE FOR COUNCIL HOUSING (Housing Revenue Account)

This summarises the expenditure 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 already set out above, more detailed information is shown below.

The Council collected **£11.340 million** (compared with **£10.524 million** last year) in income, which mainly comes from the rent charged on its properties. The rents that are charged to the Council's tenants are calculated by applying formulas set by central government. This income figure also includes interest received on Housing Revenue Account cash balances held during the year. The following chart gives a breakdown of the income received:



Set against this is the expenditure incurred for the year which totalled **£10.672 million**. (Compared with **£9.884 million** last year). The following chart gives a breakdown of expenditure:



Overall there was a surplus of **£668,000** for the year. (Compared with **£640,000** for last year)

After adding this to surpluses carried forward from previous years, the total amount of money held at the end of 2008/09 increased to **£4.977 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 (**£1,759,000 for 2008/09**). 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 local authority housing is self financing overall with some councils paying money to government whilst others receive it.

4) OTHER FINANCIAL INFORMATION

The above are summaries of the significant statements included in the full Statement of Accounts (excluding the Group Statements which are summarised later in this document), a brief summary of 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 2008/09 there was an increase in cash held of **£0.8 million**.
- **Collection fund** – This statement shows the level of Council Tax collected during the year (**£72 million for 2008/09 compared to £69 million for 2007/08**) 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 of the Council Tax but then pays over the appropriate sums to the precepting authorities. Once these allocations were finalised a deficit of **£0.461 million** remained (**£0.030 million surplus** for 2007/08). When added to the surplus at the start of the year a surplus of **£0.940 million** remains in the fund, which must be applied by Tendring District Council and the relevant precepting authorities when they next consider their Council Tax as part of the budget setting process in the following year.

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 nationally rather than locally. For 2008/09 **£22 million** was collected (**£22 million** in 2007/08) 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).

5) THE GROUP STATEMENTS

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

The Accounts of Tendring Regeneration Limited have been combined with those of Tendring District Council to produce a set of Group Statements. A brief summary of the group position is given below:

Group Income and Expenditure (*Income and Expenditure Account*)

Total on Services	2008/09 £42.3 million
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Group (Gains) and Losses	£27.5 million
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Group Assets and Liabilities (*Group Balance Sheet*)

Group Fixed Assets	£174.1 million
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Group Long Term Assets	£0.3 million
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Group Current Assets	£30.2 million
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TOTAL GROUP ASSETS	£204.6 million
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Group Current and Long Term Liabilities	£73.2 million
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TOTAL GROUP ASSETS LESS GROUP LIABILITIES	£131.4 million
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Group Cash Flow Statement

Increase in cash held by the group	£1.6 million
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6) SIGNIFICANT INVESTMENTS BY THE COUNCIL

A summary of some significant activity / investments being made by the Council in the District from 2009/10 are set out below:

- Works to the Council's Housing Stock - **£3.108 million**
- Harwich Master Plan Works - **£1.750 million**
- Clacton Regeneration Works - **£0.580 million**
- Coastal Defence Work - **£1.316 million**

7) UPCOMING FINANCIAL CHALLENGES FACING THE COUNCIL

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

- **Inflation** – Although published indices have highlighted overall reductions in inflation over the past year, inflationary pressures remain in the economy both now and in the longer term which will have a direct impact on areas of Council expenditure e.g. salaries, electricity and gas bills and contracts with partners / external organisations. Although subject to review each year, historically the net expenditure base of the Council has increased by **£0.750m to £1 million** each year due to price increases.
- **Comprehensive Spending Reviews (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 most recent review was undertaken in 2007 which informs public sector spending decisions in 2008/09 through to 2010/11. This will continue to have a direct impact on the Council's budgets in 2009/10 and 2010/11.
- **Future Public Sector Financial Environment** – Given the current national financial climate and Central Governments overall financial outlook, Local Authorities are braced for a very difficult period of tighter financial settlements. This is in addition to the current impact of the recession which includes reduced income and greater demand for services such as housing benefit. Both of these issues will need to be considered as part the Financial Strategy and Budget Setting Framework in 2009/10.
- **External Funding** – The Council's financial position is supported by significant amounts of external income. There are no guarantees in the level of funding the Council will receive - will it continue? If yes at what level?.
- **Efficiency Targets** – On a regular basis the public sector is 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 national efficiency targets has recently increased from 2.5% per year to 3% per year with further increases announced by the Government in its budget statement earlier in 2009.
- **Budgetary Cost Pressures** – Each year the Council faces a number of cost pressures such as repairs to buildings and equipment which may need to be funded urgently or items that may need to be funded in the medium to longer term which need to be planned for. Such items have historically totalled more than **£5 million** which would clearly not be affordable if undertaken in the same financial year or over a relatively short period of time so a risk based / prioritisation approach is taken to effectively meet this ongoing challenge.

8) 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

If any further information or alternative formats are required, then 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.