
FINANCIAL STATEMENTS 2011/12

1 SUMMARY

- 1.1 This report presents the audited Financial Statements for 2011/12 for approval.
- 1.2 The External Auditors, PKF, have now completed their audit of the Statements. Their report on the audit is presented as a separate item to this meeting.
- 1.3 The Council agrees a Medium Term Financial Strategy (MTFS) each year in order to produce a balanced budget, which maintains a suitable level of balances. The forecast for General Fund balances as at 31 March 2012 was £779k with a net contribution from balances and reserves of £279k. Following closure of the accounts, the final figure for General Fund balances was a slight improvement to this figure at £819k.

2 MEMBER QUESTIONS

- 2.1 The Statements are lengthy and complicated. Therefore, although Members can ask questions at Audit Committee, it is requested that if Members wish to raise specific questions, they contact the Financial Services Manager direct (details at the end of this report) before the meeting.

3 SIGNING AND APPROVAL

- 3.1 The Accounts and Audit Regulations were amended in 2011. The Financial Statements must now be signed as true and fair by the Chief Finance Officer before 30 June, and then Member approval must be given to the audited statement to allow publication by 30 September. Council have given delegation for that approval to Audit Committee. Following approval by Committee, the Financial Statements should be signed and dated by the Chairman residing over that Committee. This will be arranged after this meeting.

4 ANNUAL GOVERNANCE STATEMENT

- 4.1 The Annual Governance Statement, which forms part of the Financial Statements, was considered in detail by the Audit Committee on 13 June 2012 and will be signed by the Chief Executive and Leader of the Council prior to final publication.

5 FINANCIAL STATEMENTS

- 5.1 The main highlights of the financial performance for 2011/12 are summarised below:

Income and Expenditure Account – General Fund

- 5.2 Overall the General Fund, after contributions to Earmarked Reserves, was in line with the original estimate. The analysis of variations against budget was

reported to the Executive on 11 July 2012. The target savings figure of £1.4m for the year was achieved.

- 5.3 The final outturn on the main income streams for 2011/12, compared to original and revised estimates was lower than expected, except for planning where a number of large development applications have been received, and investment income where some more favourable interest rates have managed to be secured in the year.

| | Original Estimate £ | Revised Estimate £ | Actual £ |
|-------------------|------------------------------------|-----------------------------------|---------------------|
| Planning Fees | 264,000 | 264,000 | 303,923 |
| Building Control | 300,000 | 300,300 | 231,180 |
| Land Charges | 86,000 | 174,000 | 149,728 |
| Investment Income | 91,400 | 96,000 | 104,226 |
| Parking Fees | 910,000 | 910,000 | 831,360 |

Balance Sheet

- 5.4 The Balance Sheet, which reports the assets and liabilities for the Authority, is showing a decrease in net worth of nearly £9.1m. This is primarily due to the increase in pension liability, which rose from £18.7m to £26.1m. These figures are based on the FRS17 accounting standard, which does not determine the contributions that are paid to the Fund. The value of the pension liability under FRS17 would not be the same as if a full actuarial revaluation had taken place and is based on approximate calculations. Offset against this is a general reduction in money owing to the Council, investment levels and value of the Council's assets due to yearly depreciation charges and revaluation changes.
- 5.5 Part of the Financial Statements includes the capital investment. During 2011/12, the Authority's expenditure on capital items was £1,214m, against a forecast of £1,985m. This is a significant decrease on budget due to timings on three major projects: the electrical rewiring of the offices, Cherry Orchard Jubilee Country Park, and Hall Road cemetery. The Capital Programme was reported to Members in July, and contained more detailed information on all items in the capital programme.

Earmarked Reserves

- 5.6 In line with the Council's policy on reserves, the Council maintains a number of earmarked reserves to identify funds from surplus income or unused budget in order to provide sums for specific projects and service development.

5.7 List of Earmarked Reserves showing the movement in the year:-

| Earmarked Reserves | Balances at 31/03/11 £000s | Movement in 2011/12 £000s | Balance at 31/03/12 £000s | Description |
|----------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|---|
| Corporate | 917 | 158 | 1,075 | This includes sums set aside for corporate tasks, including Community Safety, Insurance and Planning Appeals. |
| Housing | 118 | 41 | 159 | This includes money for functions specific to the Housing Services, for example homelessness and priority needs. |
| IT Strategy | 250 | - | 250 | This reserve is for the provision of IT equipment and ensures that the Council's IT infrastructure is fit for purpose. The contribution to the reserve is from savings achieved during the financial year above target. |
| Projects | 891 | 10 | 901 | Retains funds earmarked for Projects being undertaken by the Authority. Includes funds for the Joint Area Action Plan for Southend Airport. It also includes funds held on behalf of third parties for example the Local Strategic Partnership. |
| Repairs & Maintenance | 212 | (134) | 78 | This reserve ensures that funds are available for works in progress or outstanding at the end of the year or unplanned works to the Council's Assets. |

Changes to accounts following audit

- 5.8 A number of changes have been made to the Statements during the audit but have mainly been disclosure items in the notes to the accounts which have not impacted on the net worth of the Council or the General Fund balances.
- 5.9 The main issue in this year's accounts was the incorrect accounting treatment of Revenue funded by Capital under Statute. A further review of the historical figures will be carried out for the 2012/13 financial statements. This has no impact on the General Fund balances and is purely a balance sheet item.
- 5.10 In addition, a spreadsheet error was found in balances carried forward for depreciation. This has been amended in the accounts; again, there is no revenue impact.
- 5.11 These issues identified by PKF are detailed in their Annual Governance Report, which is a separate item on this agenda.

6 MAJOR JUDGEMENTS MADE

- 6.1 In the preparation of the Accounts, the Head of Finance may be required to make judgments or use estimates. The types of judgment include asset life and depreciation methods. The main estimate is on the Housing Benefit subsidy. The figures included in the Accounts are based on the draft end of year subsidy claim form which is still subject to external audit checking which will be completed in October.
- 6.2 There has been a difference of opinion on the treatment of the disposal of electrical and heating components in the Council buildings that were replaced during the year.
- 6.3 With regard to the accounting treatment for the first instalment of the 2012/13 New Homes Bonus of £22,000 which was received in March 2012, the *2011 Code of Practice on Local Authority Accounting in the United Kingdom* (the 'Code') requires that where a grant is received, and there are no conditions attached to the grant, the amount should be recognised as income immediately. The Head of Finance's view is that the Financial Statements for 2012/13 should show an amount for New Homes Bonus that agrees to other figures published, such as in CLG publications, the grant determination or the Council's budget. This departure from strict compliance with the Code will be included in the 2012/13 Financial Statements.

7 CHANGES TO ACCOUNTING POLICIES

- 7.1 The Financial Statements are prepared in accordance with the Code. The Code interprets the Accounting Standards, such as International Financial Reporting Standards (IFRS), published by the Accounting Standards Board. The Code also gives guidance on the wording to be used in the notes to the accounts and the layout of the Financial Statements.

7.2 There have been no changes to Accounting policies in 2011/12.

8 RISK IMPLICATIONS

8.1 It is a statutory requirement to have the Financial Statements published by 30 September 2012.

9 RECOMMENDATION

9.1 It is proposed that the Committee **RESOLVES**

- (1) That the Financial Statements be approved and signed by the Chairman.
- (2) That the movement in Earmarked Reserves be agreed.

Yvonne Woodward

Head of Finance

Background Papers:-

None.

For further information please contact Carrie Cox (Financial Services Manager/ Chief Accountant) on:-

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If you would like this report in large print, Braille or another language please contact 01702 318111.

Financial Statements 2011/12



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ROCHFORD DISTRICT COUNCIL
FINANCIAL STATEMENTS 2011/2012

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Further information about the accounts is available from:

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EXPLANATORY FOREWORD

Rochford District Council's Financial Statements comprise 5 statements and their associated notes.

In all statements and some of the notes to the statements it has been necessary to round some of the figures to ensure that all statements agree to each other, and where applicable figures equal the detailed notes. This is required due to the way in which the accounts are formulated. Figures will only have been increased or decreased by a maximum of £2k, and therefore do not affect the interpretation of the accounts.

Movement in Reserves Statement.

This shows the movement in the year on the different reserves held by the Authority, analysed into 'useable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves.

Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. It breaks down service costs into gross expenditure (exp.) and gross income (inc.).

For 2011/12, the Authority's movement in balances is a net contribution from reserves of £122k.

Balance Sheet

The Balance Sheet shows the value as at 31 March 2012 of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are useable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

As at the 31 March 2012 the Authority has seen a net decrease in its assets of £9.3m compared to the same time in the previous year. This is primarily due to the change in pension liability in the year (£7.4m).

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Authority.

There are two methods of compiling the cashflow, the Authority has chosen to use the indirect method.

As at 31 March 2012, the Authority's cash balances had increased by £726k from the same time the previous year.

Collection Fund

This Authority is a billing authority, this means that it bills and collects Council Tax and National Non Domestic Rates on behalf of other precepting authorities (e.g. the County Council) and Central Government.

The transactions relating to this function are recorded in the Collection Fund Statement. The Authority's share of these transactions are recorded in the Balance Sheet and Comprehensive Income and Expenditure Account. The Collection Fund Adjustment Account figure shown in the Balance Sheet is this Authority's share of the Collection Fund balance.

Policy Changes

There have not been any changes to the Policies adopted for the 2011/12 Financial Statements.

Capital Expenditure

The Capital Expenditure incurred in the year has mainly been on the replacement of the Heating and Electrical systems of the Authority's office buildings. Other than Government Grants, the Authority's capital programme is funded by capital receipts.

Pension Liability

Details of the Authority's Pension Scheme can be found in Note 33 to these accounts. Although the Authority has a net liability to the scheme, this is managed in such a way so as to minimise the impact of the payments towards the liability on the Income and Expenditure of the Authority.

Current Economic Climate

The Authority has currently managed to meet the challenges it faces due to the downturn in the economic climate with minimal impact to its customers. There have been no major cuts to services, although the Authority met its target of £1.4m in reduced expenditure and additional income. A further target of £0.9m has been set for 2012/13.

Financial information

Note 34 details the current Contingent Liabilities the Authority faces. There have not been any material write offs in the year, and there are no provisions.

Up until the date these accounts were authorised for issue, there were no post balance sheet items to be noted in the accounts.

The headline service expenditure compared to budgets can be found below.

General Fund - Net Expenditure Compared to Budget 2011/12

| | Original Estimate £000s | Revised Estimate £000s | Actual Exp/(Inc) £000s | Variance Rev - Act £000s |
|--|-------------------------------|------------------------------|------------------------------|--------------------------------|
| Central Services | 1,574 | 1,709 | 545 | 1,164 |
| Non Distributed Costs | 971 | 992 | (66) | 1,058 |
| Cultural and Related Services | 3,323 | 3,330 | 3,765 | (435) |
| Environmental and Regulatory Services | 3,659 | 3,356 | 3,177 | 179 |
| Planning Services | 2,099 | 1,664 | 1,743 | (79) |
| Highways, Roads & Transport Services | (404) | (540) | (470) | (70) |
| Housing Services | 1,539 | 1,827 | 1,504 | 323 |
| Corporate & Democratic Core | 1,084 | 953 | 1,898 | (945) |
| Net Costs of Services | 13,845 | 13,291 | 12,096 | 1,195 |
| Revenue Contribution to Capital | - | - | - | - |
| Staffing Strategy Savings | (921) | (279) | - | (279) |
| Target Efficiency Savings | (186) | (103) | - | (103) |
| Reversal of Capital Charges | (2,128) | (2,333) | (3,010) | 677 |
| Reversal of Government Grants Deferred | - | - | 293 | (293) |
| IAS 19 Retirement Benefits | - | - | 746 | (746) |
| Reversal of absence accrual | - | - | (17) | 17 |
| Minimum Revenue Provision | - | - | 321 | (321) |
| Total | 10,610 | 10,576 | 10,429 | 147 |
| Interest Received | (91) | (81) | (97) | 16 |
| Interest Payable | - | - | 47 | (47) |
| Contribution to/(from) reserves | - | - | 75 | (75) |
| General Fund Expenditure | 10,519 | 10,495 | 10,454 | 41 |
| Parish Precepts | 1,088 | 1,088 | 1,088 | - |
| General Fund Expenditure | 11,607 | 11,583 | 11,542 | 41 |
| Contribution To/(From) General Fund Balances | (303) | (279) | (122) | (157) |
| Government Grants not budgeted for | - | - | (116) | 116 |
| Amount to be met by Government Grant and Local Tax Payers | 11,304 | 11,304 | 11,304 | - |

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| 2010/11 | | | 2011/12 | | |
|---|------------------------|----------------------|------------------------|------------------------|----------------------|
| Gross Exp. £000s | Gross Inc. £000s | Net Exp. £000s | Gross Exp. £000s | Gross Inc. £000s | Net Exp. £000s |
| Continuing operations | | | | | |
| 6,601 | (5,749) | 852 | 6,291 | (5,746) | 545 |
| 3,713 | (600) | 3,113 | 4,125 | (360) | 3,765 |
| 5,041 | (1,368) | 3,673 | 4,836 | (1,659) | 3,177 |
| 2,801 | (536) | 2,265 | 2,402 | (659) | 1,743 |
| 1,041 | (1,375) | (334) | 622 | (1,092) | (470) |
| 959 | (150) | 809 | 42 | (42) | - |
| 18,422 | (16,757) | 1,665 | 19,379 | (17,875) | 1,504 |
| 2,345 | (290) | 2,055 | 1,907 | (9) | 1,898 |
| 61 | (73) | (12) | 129 | (195) | (66) |
| - | (3,048) | (3,048) | - | - | - |
| 40,984 | (29,946) | 11,038 | 39,733 | (27,637) | 12,096 |
| Cost Of Services | | | | | |
| 1,019 Other Operating Expenditure (Note 9) | | | 1,479 | | |
| 403 Financing and Investment Income and Expenditure (Note 10) | | | (123) | | |
| (13,063) Taxation and Non-Specific Grant Income (Note 11) | | | (11,392) | | |
| (603) (Surplus) or Deficit on Provision of Services | | | 2,060 | | |
| Surplus or deficit on revaluation of non current assets | | | | | |
| (1,029) Revaluation gains | | | (1,548) | | |
| 1,656 Revaluation losses (chargeable to revaluation reserve) | | | 987 | | |
| 24 | | | 1,499 | | |
| Actuarial gains / losses on pension assets / liabilities (Note 33) | | | | | |
| (2,112) Matching the entry to the pensions reserve | | | 7,526 | | |
| - Other Comprehensive Income and Expenditure | | | 124 | | |
| (2,088) Total Comprehensive Income and Expenditure | | | 9,149 | | |

Balance Sheet as at 31 March 2012

| 31 March 2011 £000s | | 31 March 2012 £000s |
|---------------------------|--|---------------------------|
| 38,741 | Property, Plant & Equipment (Note 12) | 36,960 |
| 252 | Intangible Assets (Note 14) | 185 |
| | Long Term Debtors | |
| 27 | Mortgages | 17 |
| 39,020 | Long Term Assets | 37,162 |
| 3,837 | Short Term Investments (Note 15) | 3,328 |
| 2,665 | Short Term Debtors (Note 16) | 1,819 |
| 1,565 | Cash and Cash Equivalents (Note 17) | 2,291 |
| 8,067 | Current Assets | 7,438 |
| (2,219) | Short Term Creditors (Note 18) | (2,549) |
| (2,219) | Current Liabilities | (2,549) |
| (1,841) | Long Term Creditors (Note 15) | (888) |
| | Other Long Term Liabilities (Note 33) | |
| (18,666) | Net pensions liability | (26,058) |
| (152) | Capital Grants Receipts In Advance | (45) |
| (20,659) | Long Term Liabilities | (26,991) |
| 24,209 | Net Assets | 15,060 |
| 5,879 | Useable Reserves | 5,647 |
| 18,330 | Unuseable Reserves (Note 19) | 9,413 |
| 24,209 | Total Reserves | 15,060 |

I certify that the accounts present a true and fair view of the financial position of the Council as at 31 March 2012 and the income and expenditure for the year then ended.

Signed:

Chief Finance Officer

Dated:

Movement in Reserves Statement for year ending 31 March 2011 and 31 March 2012

| | General Fund Balance | Earmarked GF Reserve | Capital Receipts Reserve | Capital Grants Unapplied | Total useable Reserves | Unuseable Reserves (Note 19) | Total Authority Reserves |
|---|-------------------------|-------------------------|-----------------------------|-----------------------------|---------------------------|------------------------------------|-----------------------------|
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Balance at 31 March 2010 | 2,173 | 2,264 | 2,455 | 219 | 7,111 | 15,011 | 22,122 |
| Movement in reserves during 2010/2011 | | | | | | | |
| Surplus or (Deficit) on provision of services | 603 | - | - | - | 603 | - | 603 |
| Other Comprehensive Income & Expenditure | - | - | - | - | - | 1,484 | 1,484 |
| Total Comprehensive Income & Expenditure | 603 | - | - | - | 603 | 1,484 | 2,087 |
| Adjustments between accounting & funding basis under regulations (Note 7) | (1,711) | - | (124) | - | (1,835) | 1,835 | - |
| Net Increase/Decrease before transfers to Earmarked Reserves | (1,108) | - | (124) | - | (1,232) | 3,319 | 2,087 |
| Transfers to/from Earmarked Reserves (Note 8) | (124) | 124 | - | - | - | - | - |
| Increase/(Decrease) Movement in Year | (1,232) | 124 | (124) | - | (1,232) | 3,319 | 2,087 |
| Balance at 31 March 2011 | 941 | 2,388 | 2,331 | 219 | 5,879 | 18,330 | 24,209 |
| Movement in reserves during 2011/2012 | | | | | | | |
| Surplus or (Deficit) on provision of services | (2,060) | - | - | - | (2,060) | - | (2,060) |
| Other Comprehensive Income & Expenditure | - | - | - | - | - | (7,089) | (7,089) |
| Total Comprehensive Income & Expenditure | (2,060) | - | - | - | (2,060) | (7,089) | (9,149) |
| Adjustments between accounting & funding basis under regulations (Note 7) | 2,013 | - | (144) | (41) | 1,828 | (1,828) | - |
| Net Increase/(Decrease) before transfers to Earmarked Reserves | (47) | - | (144) | (41) | (232) | (8,917) | (9,149) |
| Transfers to/from Earmarked Reserves (Note 8) | (75) | 75 | - | - | - | - | - |
| Increase/(Decrease) Movement in Year | (122) | 75 | (144) | (41) | (232) | (8,917) | (9,149) |
| Balance at 31 March 2012 carried forward | 819 | 2,463 | 2,187 | 178 | 5,647 | 9,413 | 15,060 |

Cash Flow Statement for year ending 31 March 2012

| 2010/2011 | 2011/2012 |
|---|------------------------|
| £000s | £000s |
| 603 Net (surplus) or deficit on the provision of services | (2,060) |
| (1,259) Adjust net surplus or deficit on the provision of services for non cash movements | 4,433 |
| Adjust for items included in the net surplus or deficit on the provision of services that are investing and (1,646) financing activities | (1,031) |
| <hr/> | <hr/> |
| (2,302) Net cash flows from operating activities (Note 20) | 1,342 |
| 1,868 Investing Activities (Note 21) | (225) |
| 1,130 Financing Activities (Note 21) | (391) |
| <hr/> 696 <u>Net increase or decrease in cash and cash equivalents</u> | <hr/> 726 <hr/> |
| 869 Cash and cash equivalents at the beginning of the reporting period | 1,565 |
| 1,565 Cash and cash equivalents at the end of the reporting period | 2,291 |

Notes to the Core Financial Statements

1. ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Financial Statements summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Services Reporting Code of Practice 2011/12 (SERCOP), supported by the International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ACCRUALS FOR INCOME AND EXPENDITURE

The revenue accounts of the Authority are maintained on an accruals basis. This means that sums due to or from the Authority relating to the year are included whether or not the cash has actually been received or paid. A sum becomes due when a contractual obligation has taken place.

Where income and expenditure have been recognised in the Comprehensive Income and Expenditure Statement, but cash has not been received or paid, a debtor or creditor is raised for the relevant amount in the Balance Sheet. Debtors included in the accounts are net of the Provision for Bad Debts. Where amounts are not considered significant, these are not accounted for and are recorded separately from the accounts.

CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature within 3 months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

EXCEPTIONAL ITEMS

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statements (CI&E) or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

CHARGES TO REVENUE FOR NON CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service.
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. Therefore these transactions are adjusted in the General Fund balance by a transaction between the Capital Adjustment Account and the Movement in Reserves Statement.

EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements and flexi leave earned by employees but not taken before the year-end which employees can carry forward in to the next financial year. This accrual is charged to the relevant service, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs, but there is no impact on the amount chargeable to Council Tax.

Post Employment Benefits

Local Government Pension Scheme (LGPS):

The Authority is a member of the LGPS which is a defined benefit scheme based on length of service and final salary, administered on behalf of the Authority by Essex County Council.

Liabilities in the scheme that are attributed to the Authority are included in the balance sheet on an actuarial basis using the projected unit method – i.e. 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 projections of future earnings for current employees.

Liabilities are discounted to their value at current prices using a discount rate of 4.6% calculated as a weighted average of “spot yields” on AA rated corporate bonds that reflect the duration of the pension liabilities.

Assets in the scheme attributed to the Authority are included in the Balance Sheet at their fair value, using either current bid price, professional estimate or market value for property.

Actuarial Gains and losses are recognised immediately in the Comprehensive Income and Expenditure Statement, in line with the Actuary's treatment, these are then reversed out to affect the net pension liability.

The change in net pension liability is analysed into seven components:

- Current Service Cost – the increase in liabilities as a result of years of service earned this year allocated to the services for which employees worked.
- Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services as part of Non Distributed Costs.
- Gains / losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – credited or debited to the Net Cost of Services as part of Non Distributed Costs.
- Interest Cost – the expected increase in present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure.
- Expected return on assets – the annual investment return on the fund assets attributed to the Council, based on the average of the expected long term return – credited to the Net Operating Expenditure.
- Actuarial gains / losses – changes in the net pensions' liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuary has updated their assumptions.
- Contributions paid to the Pension Fund – cash paid as employers' contributions to the pension fund.

Statutory provisions limit the amount chargeable to Council Tax for pensions to the sums certified by the actuary as employer contributions for the year. In the Movement in Reserves Statement there are appropriations to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and any amounts payable to the Fund but unpaid at year-end.

Discretionary Benefits:

The Authority 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 decision to make the award and accounted for using the same policies as are applied to the LGPS.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue. Two types of event can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Financial Statements are adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period - the Financial Statements are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Financial Statements.

FINANCIAL INSTRUMENTS

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

The Authority only has loans and receivables.

Loans and receivables are recognised on the Balance Sheet when the Authority enters into the contractual arrangements for the financial instrument and are initially measured at Fair Value. The amount represented in the Balance Sheet is the outstanding principle receivable plus accrued interest, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

All investments are short term (less than 365 days) fixed period cash deposits made in the United Kingdom and are shown at the cash value of the investment including any interest due.

GOVERNMENT GRANTS

Regardless of method of payment, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are the terms of the financing that specify if not met then the grant will be required to be returned to the transferor.

Where conditions are not yet satisfied, monies are carried as creditors in the Balance Sheet. When they are satisfied, it is then credited to the relevant service area in the Comprehensive Income and Expenditure Statement if a revenue grant, or to Taxation and Non Specific Grant income, on the face of the statement. Capital Grants are then reversed out of the General Fund balance in the Movement in Reserves Statement.

Unapplied grants are reversed into the Capital Grants Unapplied reserve until applied, when it is posted to the Capital Adjustment Account.

INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licenses) is capitalised when it is expected that the future economic benefit or service potential of the asset will flow to the Authority.

These are recorded in the Balance Sheet at historical cost. The balance is then amortised to the relevant service revenue account over the economic life of the asset (considered to be 5 years).

It is not permitted for the revenue charges to have an impact on the General Fund Balance, therefore they are reversed out in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and building, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those services that benefit from the supply of service in accordance with the costing principles of the CIPFA SERCOP. 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 Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs - Costs of the Authority that cannot be directly attributable to specific services.

These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

The requirement to show costs gross of movement to reserves, and the timing of creating recharges leaves residual balances on some administration cost centres, therefore these are disclosed under Non Distributed Costs.

PROPERTY, PLANT & EQUIPMENT

Expenditure on the acquisition or enhancement of Property, Plant & Equipment has been capitalised on an accruals basis in the Balance Sheet.

Land and buildings are re-valued at least every five years. One fifth of these assets have been valued in the valuations provided by Wilks Head & Eve as at April 2011. (Members of the Royal Institute of Chartered Surveyors).

Fixed assets consist principally of the Authority's buildings. Assets are generally included in the Balance Sheet on the following basis:

- Operational assets have been included in the Balance Sheet at market value for existing use or depreciated replacement cost for specialist properties.
- Community Assets are recorded at Historic Cost.
- Car parks are valued on the basis of existing use value. This has been completed by the valuers on income generation basis.

Further details of the Authority's fixed assets can be found later in these Notes to the Core Financial Statements.

The Authority's fixed asset register contains vehicles used to provide the services under the Waste Collection, Street Cleansing and Grounds Maintenance Contracts. These vehicles are managed under an embedded finance lease.

Depreciation

Depreciation is charged to the Comprehensive Income and Expenditure Statement and on all operational assets. Depreciation rates are determined according to the life expectancy of individual assets. Depreciation is not charged for Community Assets. Depreciation is charged on a straight line basis and the useful economic life for Operational Assets as follows:

- 20-35 years for buildings
- 5-18 years for vehicles
- 5-10 years for furniture and equipment.

Car park land is not depreciated. The value of the surfacing and fencing is not significant and therefore does not need to be depreciated.

Componentisation

The Authority have made the decision not to componentise assets on the grounds of materiality.

CONTINGENT LIABILITIES & ASSETS

These are where an event has taken place that creates a possible obligation (liability) or benefit (asset) which has not yet been confirmed or is outside the control of the Authority.

RESERVES

The Authority sets aside specific amounts as Earmarked reserves for future policy purposes or to cover contingencies. Earmarked reserves are created by moving funds from General Fund Balances in to the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year for inclusion in the surplus/deficit on the provision of services, the reserve is then moved back into the General Fund Balance so that there is no net charge against Council Tax for Expenditure.

The following reserves are kept to manage the accounting process for non-current assets and employee benefits, these are not useable resources for the Authority.

- o The Revaluation Reserve, which represents principally the balance of the surpluses or deficits arising on the revaluation of fixed assets.
- o The Capital Adjustment Account, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.
- o Short Term Absences Account which represents the amounts of untaken leave not yet represented in the accounts.
- o The Pension Reserve holds the differences between amounts of pension costs and contributions and also the actuarial gains and losses.

REVENUE EXPENDITURE FUNDED FROM CAPITAL

Capital Expenditure, which does not give rise to a tangible non-current asset or where the economic benefit of the asset cannot be controlled by the Authority, is classified as Revenue Expenditure Funded from Capital. These sums are written out of the accounts in the year they are incurred.

VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE YET TO BE ADOPTED

For 2011/12 the only accounting policy change that needs to be reported relates to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets). The amendments are intended to assist the users of these statements to evaluate the risk exposure that relate to the transfer of financial assets. It is not considered likely that the change to this standard will have a significant impact on these financial statements.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgments about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- As invoices are raised and received after year end, a decision is made as to whether they significantly affect the Accounts. Where this is the case they are amended for. Recharges are not amended to take these into consideration.
- Depreciation is calculated based on the Useful Economic Life of an asset. When calculating these each year there is an assumption that there will not be an major change to the condition of the asset or the market value.
- Each year Pension transactions are determined by the actuary. These are subject to triennial revaluations and accounting assumptions. The accounts are produced annually assuming that the assumptions used in that year will be in place going forward.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:-

| Item | Uncertainties | Effect if Actual Results differ from Assumptions |
|-----------------------|--|--|
| Depreciation | The annual charge made is based on Useful Economic Lives (UEL), which are only an estimation of the period of time over which an asset will continue to be of economic benefit to the Authority. | If the UEL changes significantly, then there potentially could be a significant change to the charge to service expenditure. This item however is reversed out of General Fund Balances so wouldn't impact on the level of reserves. Changes to the UEL would also affect the componentisation policy adopted. |
| Housing Benefit Claim | The figures in the accounts are based on an estimated unaudited claim. | If figures change, then adjustments are put through in the following year's Accounts when final figures are known. So over time balances will be accurate. |
| Bad Debt Provision | The provision is based on a calculation of previous years' outstanding debts and is therefore based on historical information. | The amount of revenue recognised in the accounts will be incorrect and the level of assets recorded in the balance sheet will be incorrect. |

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

£1.13m of impairment was charged to cultural and related services in the year, relating to the Freight House. This charge is related to the change in valuers, and not an indication of deterioration in the building.

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Head of Finance on 22 June 2012. Events taking place after this date up until the date of Committee approval on the 26 September 2012 are reflected in the Financial Statements or notes. Where events take place before this date provided information about conditions existed at 31 March 2012, the figures in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events requiring disclosure.

**7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS
UNDER REGULATIONS**

| 2011/12 | useable Reserves | | | Movement in Unuseable Reserves |
|---|-------------------------|--------------------------------|--------------------------------|--------------------------------------|
| | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | |
| Adjustments primarily involving the Capital Adjustment Account: | £000s | £000s | £000s | £000s |
| Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement: | | | | |
| Charges for depreciation of non current assets and amortisation of intangible assets. | (1,463) | - | - | 1,463 |
| Revaluation losses on Property, Plant and Equipment | (1,136) | - | - | 1,136 |
| Capital, grants and contributions applied | 323 | - | - | (323) |
| Revenue expenditure funded from capital under statute | (411) | - | - | 411 |
| Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement: | | | | |
| Statutory provision for the financing of capital investment | 321 | - | - | (321) |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | |
| Capital grants and contributions unapplied and credited to the Comprehensive Income & Expenditure Statement | - | - | (27) | 27 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | - | - | 68 | (68) |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement | (381) | (22) | - | 403 |
| Use of Capital Receipts Reserve to finance new capital expenditure | - | 853 | - | (853) |
| Contribution to the Capital Receipts Reserve for Unattached Capital Receipts | 685 | (685) | - | - |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | (10) | 10 | - | - |
| Transfer from the Deferred Capital Receipts Reserve upon receipt of cash | - | (12) | - | 12 |
| Adjustments primarily involving the Pensions Reserve: | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | 134 | - | - | (134) |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | |
| Amount by which Council Tax income credited to the Comprehensive Income & Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements | (58) | - | - | 58 |
| Adjustments primarily involving the Accumulated Absences Account: | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (17) | - | - | 17 |
| Total Adjustments: | (2,013) | 144 | 41 | 1,828 |

| 2010/11 Comparative figures | useable Reserves | | | Movement in Unuseable Reserves |
|---|----------------------------|--------------------------------|--------------------------------|--------------------------------------|
| | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | |
| Adjustments primarily involving the Capital Adjustment Account: | £000s | £000s | £000s | £000s |
| Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement: | | | | |
| Charges for depreciation of non current assets and amortisation of intangible assets. | (1,781) | - | - | 1,781 |
| Revaluation losses on Property, Plant and Equipment | (224) | - | - | 224 |
| Capital, grants and contributions applied | 985 | - | - | (985) |
| Revenue expenditure funded from capital under statute | (703) | - | - | 703 |
| Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement: | | | | |
| Statutory provision for the financing of capital investment | 257 | - | - | (257) |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | |
| Use of Capital Receipts Reserve to finance new capital expenditure | - | 788 | - | (788) |
| Contribution to the Capital Receipts Reserve for Unattached Capital Receipts | 659 | (659) | - | - |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | (8) | 8 | - | - |
| Transfer from the Deferred Capital Receipts Reserve upon receipt of cash | - | (13) | - | 13 |
| Adjustments primarily involving the Pensions Reserve: | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | 2,531 | - | - | (2,531) |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | |
| Amount by which Council Tax income credited to the Comprehensive Income & Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements | (34) | - | - | 34 |
| Adjustments primarily involving the Accumulated Absences Account: | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 29 | - | - | (29) |
| Total Adjustments: | 1,711 | 124 | - | (1,835) |

8. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/2013

| | Balance at 1 April 2010 £000s | Transfers Out 2010/11 £000s | Transfers In 2010/11 £000s | Balance at 31 March 2011 £000s | Transfer Out 2011/12 £000s | Transfer In 2011/12 £000s | Balance at 31 March 2012 £000s |
|-------------------------|--|--------------------------------------|-------------------------------------|---|-------------------------------------|------------------------------------|---|
| General Fund: | | | | | | | |
| Corporate | 545 | (97) | 469 | 917 | (236) | 394 | 1,075 |
| Housing | 167 | (54) | 5 | 118 | - | 41 | 159 |
| IT Strategy | 250 | (65) | 65 | 250 | (55) | 55 | 250 |
| Projects | 1,152 | (288) | 27 | 891 | (43) | 53 | 901 |
| Repairs and Maintenance | 150 | - | 62 | 212 | (200) | 66 | 78 |
| Total | 2,264 | (504) | 628 | 2,388 | (534) | 609 | 2,463 |

9. OTHER OPERATING EXPENDITURE

| 2010/11 £000s | 2011/12 £000s |
|--|------------------|
| 1,011 Parish council precepts | 1,088 |
| 8 Payments to the Government Housing Capital Receipts Pool | 10 |
| - Gains/losses on the disposal of non-current assets | 381 |
| 1,019 Total | 1,479 |

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| 2010/11 £000s | 2011/12 £000 |
|---|-----------------|
| 61 Interest payable and similar charges | 47 |
| 1,105 Pensions interest cost and expected return on pensions assets (Note 33) | 612 |
| (104) Interest receivable and similar income | (97) |
| (659) Unattached Capital Receipts | (685) |
| 403 Total | (123) |

11. TAXATION AND NON SPECIFIC GRANT INCOMES

| 2010/11 £000s | 2011/12 £000 |
|--|-----------------|
| (7,345) Council tax income | (7,434) |
| (4,471) Non domestic rates | (2,791) |
| (649) Revenue Support Grant | (863) |
| (70) Non-ring fenced Government Grants | (275) |
| (528) Capital grants and contributions | (29) |
| (13,063) Total | (11,392) |

12. PROPERTY, PLANT & EQUIPMENT

Movement in Balances

| 2011/12 | Operational | | | Non-operational | Total |
|--|---------------------------------|--------------------------|---------------------------|------------------------------|----------------|
| | Other Land & Buildings £000s | Community Asset £000s | Vehicles & Plant £000s | Investment Property £000s | £000s |
| Balance at 1 April 2011 | 35,525 | 1,992 | 3,789 | - | 41,306 |
| Additions | 438 | 105 | 233 | - | 776 |
| Disposals | (401) | - | (60) | - | (461) |
| Revaluation gain (Revaluation Reserve) | 619 | - | - | - | 619 |
| Revaluation loss (Revaluation Reserve) | (987) | - | - | - | (987) |
| Revaluation loss (CI&E) | (1,136) | - | - | - | (1,136) |
| Gross book value as 01 April 2012 | 34,058 | 2,097 | 3,962 | - | 40,117 |
| Depreciation | | | | | |
| Accumulated depreciation | (1,235) | - | (1,522) | - | (2,757) |
| Accumulated amortisations | - | - | - | - | - |
| Depreciation for year | (806) | - | (585) | - | (1,391) |
| Depreciation written back on disposal & revaluation | 933 | - | 58 | - | 991 |
| Balance at 31 March 2012 | (1,108) | - | (2,049) | - | (3,157) |
| Net book value of assets at 31 March 2012 | 32,950 | 2,097 | 1,913 | - | 36,960 |
| This balance is made up of: | | | | | |
| Gross book value | 35,525 | 1,992 | 3,789 | - | 41,306 |
| Movement | (1,467) | 105 | 173 | - | (1,189) |
| Accumulated depreciation | (1,108) | - | (2,049) | - | (3,157) |
| | 32,950 | 2,097 | 1,913 | - | 36,960 |

| Comparative Figures for 2010/11 | | | | Non-operational | Total |
|---|------------------------|------------------|------------------|---------------------|----------------|
| | Other Land & Buildings | Community Assets | Vehicles & Plant | Investment Property | |
| | £000s | £000s | £000s | £000s | £000s |
| Balance at 1 April 2010 | 37,015 | 1,587 | 3,876 | 105 | 42,583 |
| Additions | 515 | 405 | 73 | - | 993 |
| Disposals | - | - | - | - | - |
| Revaluation Gain (Revaluation Reserve) | 197 | - | - | 9 | 206 |
| Revaluation loss (Revaluation Reserve) | (2,052) | - | - | - | (2,052) |
| Revaluation loss (CI&E) | (264) | - | - | - | (264) |
| Transfer | 114 | - | - | (114) | - |
| Gross book value as 01 April 2011 | 35,525 | 1,992 | 3,949 | - | 41,466 |
| Depreciation | | | | | |
| Accumulated depreciation | (1,263) | - | (998) | - | (2,261) |
| Accumulated amortisations | - | - | - | - | - |
| Depreciation for year | (1,178) | - | (545) | - | (1,723) |
| Depreciation written back on disposal & revaluation | 1,259 | - | - | - | 1,259 |
| Balance at 31 March 2011 | (1,182) | - | (1,543) | - | (2,725) |
| Net book value of assets at 31 March 2011 | 34,343 | 1,992 | 2,406 | - | 38,741 |
| This balance is made up of: | | | | | |
| Gross book value | 37,015 | 1,587 | 3,876 | 105 | 42,583 |
| Movement | (1,490) | 405 | 73 | (105) | (1,117) |
| Accumulated depreciation | (1,182) | - | (1,543) | - | (2,725) |
| | 34,343 | 1,992 | 2,406 | - | 38,741 |

Changes to comparatives

The brought forward figures for 2011/12 Vehicles gross book value and accumulated depreciation have had to be amended for £160k and £69k respectively due to the removal of some assets previously categorised as Finance Leases. The 2010/11 comparative has not been amended as the values are not considered material.

Additionally, during 2011/12, an error was found on the prior year depreciation charge. This was not material enough to change the prior year figures, however has been changed in the brought forward comparatives.

Depreciation

The bases used in the calculation of depreciation are documented in Note 1 to these Statements.

Capital Commitments

At 31 March 2012, the Authority does not have any capital commitments.

Effects of Changes in estimates

For properties that have been revalued under the new valuers, some assets have been given a new Useful Economic Life. This has affected the annual depreciation charge for these assets.

Revaluations

An external body, Wilks Head & Eve, Members of the Royal Institute of Chartered Surveyors, carry out the 5 year rolling programme of operational asset valuations. Although it is only a proportion of assets that are fully valued by physical inspection each year, all operational assets are subject to a desk top review by the same valuers, and therefore all have some form of revaluation each year. There are also material assets, i.e. Leisure Centres that are fully revalued annually.

The last valuation was carried out as at 1 April 2011.

13. TRUST FUNDS

The Council administers three small Trust Funds. These are Dutch Cottage Trust, King George Playing Field Trust, and the Finchfield Trust. King Georges does not have any transactions for disclosure for 2011/12. The current outturn for the other two trust is shown below. We are the Custodian Trustees of the fixed assets and consequently these are not included on our balance sheet .

| Trust | Income £000s | Expenditure £000s | Assets £000s | Liabilities £000s |
|---------------|-----------------|----------------------|-----------------|----------------------|
| Dutch Cottage | 6 | 5 | 99 | - |
| Finchfield | 46 | 47 | 636 | 23 |

The figures above are only draft as the accounts for these trusts have not yet been audited.

14. INTANGIBLE ASSETS

This relates to the purchase of software licences. The cost of Intangible Assets is written off to the IT service revenue account over a period of 5 years on a straight line basis, and then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

It is not possible to quantify exactly how much of the amortisation is attributable to each individual service heading.

Movement in Intangible Fixed Assets:

| Purchased Software Licences | 2010/11 £000s | 2011/12 £000s |
|----------------------------------|------------------|------------------|
| Accumulated Cost | 757 | 732 |
| Amortisations to 1 April | (504) | (504) |
| Balance at 1 April | 253 | 228 |
| Expenditure in year | 56 | 30 |
| Write out on completion | - | (341) |
| Amortisation Written back | - | 341 |
| Amortisation written off in year | (57) | (73) |
| Balance at 31 March | 252 | 185 |
| Comprising | | |
| Accumulated Cost | 813 | 420 |
| Amortisations to 31 March | (561) | (236) |

* An error in 2010/11's amortisation was found during 2011/12. The 2011/12 brought forward balance has been amended to reflect this.

15. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments.

| | Current | |
|--|------------------------|------------------------|
| | 31 March 2011 £000s | 31 March 2012 £000s |
| Investments | 3,837 | 3,328 |
| Cash and Cash Equivalents | 1,565 | 2,292 |
| Debtors | 2,125 | 1,540 |
| Total Loans and Receivables | 7,527 | 7,160 |
| Short Term Financial Liabilities | (1,628) | (2,134) |
| Total Financial Liabilities carried at Amortised Cost | (1,628) | (2,134) |
| Long Term Financial Liabilities | (1,841) | (690) |
| Total Financial Liabilities carried at Amortised Cost | (1,841) | (690) |

Income, Expense, Gains and Losses

| | Loans and Receivables 2010/11 £000s | Loans and Receivables 2011/12 £000s |
|--|---|---|
| Interest Income from Loans and Receivables | 104 | 97 |
| Total Income in Surplus/Deficit on the provision of services | 104 | 97 |
| Interest Paid on Other Liabilities | (61) | (47) |
| Total Expense in Surplus/Deficit on the provision of services | (61) | (47) |
| Net gain/(loss) for the year | 43 | 50 |

The interest paid relates to the calculated interest payment on the embedded lease for the Waste and Street Cleansing Vehicles.

Fair Values of Assets and Liabilities

The investments held in the Balance Sheet are all under 365 days and are fixed interest; therefore the carrying amount is a reasonable approximation of the fair value. To confirm this, the following table shows the figure carried in the Balance Sheet, and the Fair Value.

| | 2010/11 | | 2011/12 | |
|------------|--------------------------|---------------------|--------------------------|---------------------|
| | Carrying Amount £000s | Fair Value £000s | Carrying Amount £000s | Fair Value £000s |
| Investment | 3,837 | 3,850 | 3,328 | 3,351 |

The Authority is debt free

16. SHORT TERM DEBTORS COMPRISE:

| | 2010/11 £000s | 2011/12 £000s |
|--------------------------------|------------------|------------------|
| Central Government bodies | 468 | 40 |
| Other Local Authorities | - | - |
| Other entities and Individuals | 2,197 | 1,779 |
| Total | 2,665 | 1,819 |

17. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements

| 31 March 2011 £000s | | 31 March 2012 £000s |
|------------------------|--|------------------------|
| | 1 Cash held by the Authority | 1 |
| 1,564 | Bank Current Accounts | 2,290 |
| 1,565 | Total Cash and Cash Equivalents | 2,291 |

18. SHORT TERM CREDITORS

| | 2010/11 £000s | 2011/12 £000s |
|--------------------------------|------------------|------------------|
| Central Government Bodies | - | (266) |
| Other Local Authorities | (526) | (358) |
| Other Entities and Individuals | (1,693) | (1,925) |
| Total | (2,219) | (2,549) |

19. RESERVES

Movement on the Authority's useable reserves is detailed in the Movement in Reserves Statement and Note 7.

Movement in the Authority's unuseable reserves is shown below.

| 31 March 2011 £000 | | 31 March 2012 £000 |
|-----------------------|------------------------------------|-----------------------|
| (5,850) | Revaluation Reserve | (6,286) |
| (31,004) | Capital Adjustment Account | (29,130) |
| (36) | Deferred Capital Receipts Reserve | (24) |
| 18,666 | Pensions Reserve | 26,058 |
| (164) | Collection Fund Adjustment Account | (106) |
| 58 | Accumulated Absences Account | 75 |
| (18,330) | Total Unuseable Reserves | (9,413) |

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment [and Intangible Assets]. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost.
- used in the provision of services and the gains are consumed through depreciation.
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

| 2010/11 | | 2011/12 | |
|----------------|---|----------------|--|
| £000s | | £000s | |
| (6,564) | Balance at 1 April | (5,850) | |
| (1,029) | Upward revaluation of assets | (1,548) | |
| | Downward revaluation of assets and impairment losses not charged to the | | |
| 1,656 | Surplus/Deficit on the Provision of Services | 987 | |
| | Surplus or deficit on revaluation of non-current assets not posted to the | | |
| 627 | Surplus or Deficit on the Provision of Services | (561) | |
| 87 | Difference between fair value depreciation and historical cost depreciation | 70 | |
| - | Accumulated gains on assets sold or scrapped | 55 | |
| 87 | Amount written off to the Capital Adjustment Account | 125 | |
| (5,850) | Balance at 31 March | (6,286) | |

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income & Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is created with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| 2010/11 | | 2011/12 |
|----------------|--|----------------|
| £000s | | £000s |
| (31,596) | Balance at 1 April | (31,004) |
| | - Adjustment for prior year depreciation error | 123 |
| 1,723 | Charges for depreciation and impairment of non-current assets | 1,390 |
| 224 | Revaluation losses on Property, Plant & Equipment | 1,137 |
| 58 | Amortisation of intangible assets | 73 |
| 703 | Revenue expenditure funded from capital under statute | 411 |
| | Amounts of non-current assets written off on the disposal or sale as part of the | |
| | - gain/loss on disposal to the Comprehensive Income & Expenditure Statement | 403 |
| (87) | Adjusting amounts written out of the Revaluation Reserve | (126) |
| 2,621 | Net written out amount of the cost of non-current assets consumed in the year | 3,411 |
| | Capital financing applied in the year: | |
| (787) | Use of the Capital Receipts Reserve to finance new capital expenditure | (853) |
| | Application of grants to capital financing from the Capital Grants Unapplied | |
| (985) | Account | (363) |
| | Statutory provision for the financing of capital investment charged against the | |
| (257) | General Fund balances | (321) |
| (31,004) | Balance at 31 March | (29,130) |

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resource set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| 2010/11 | 2011/12 |
|--|---------------|
| £000s | £000s |
| 23,309 Balance at 1 April | 18,666 |
| (2,112) Actuarial gains or losses on pensions assets and liabilities | 7,526 |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & (944) Expenditure Statement | 1,457 |
| Employer's pensions contributions and direct payments to pensioners payable (1,587) in the year | (1,591) |
| 18,666 Balance at 31 March | 26,058 |

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place, i.e. mortgages. Under statutory arrangements, the Authority does not treat these gains as useable for financing new capital expenditure unless they are backed by cash receipts. When the deferred cash settlement expenditure eventually takes place, amounts are transferred to the Capital Receipts Reserve.

| 2010/11 | 2011/12 |
|---|-------------|
| £000s | £000s |
| (49) Balance at 1 April | (36) |
| - Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | - |
| 13 Transfer to the Capital Receipts Reserve upon receipt of cash | 12 |
| (36) Balance at 31 March | (24) |

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

| 2010/11 | | 2011/12 |
|--------------|--|--------------|
| £000s | | £000s |
| (198) | Balance at 1 April | (164) |
| 34 | Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements | 58 |
| <u>(164)</u> | Balance at 31 March | <u>(106)</u> |

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

| 2010/11 | | 2011/12 |
|-----------|---|-----------|
| £000s | | £000s |
| <u>87</u> | Balance at 1 April | <u>58</u> |
| (87) | Settlement or cancellation of accrual made at the end of the preceding year. | (58) |
| <u>58</u> | Amounts accrued at the end of the current year | <u>75</u> |
| (29) | Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | <u>17</u> |
| <u>58</u> | Balance at 31 March | <u>75</u> |

20. CASH FLOW STATEMENT - OPERATING ACTIVITIES

Adjustments to the net surplus on the provision of services

| 2010/11 £000s | Non Cash movements | 2011/12 £000s |
|------------------|--|------------------|
| 603 | Net Surplus on the Provision of Services | (2,060) |
| 1,724 | Depreciation | 1,390 |
| 223 | Downward Valuations | 1,137 |
| 57 | Amortisation | 73 |
| (1,023) | Movement in Creditors | 304 |
| (13) | Movement in Interest Debtors | 9 |
| 304 | Movement in Debtors | 1,254 |
| (2,531) | Pension Liability | (134) |
| - | Carrying amount of non current assets, held for sale or derecognised | 400 |
| (1,259) | TOTAL | 4,433 |
| | <i>Investing / Financing Activities</i> | |
| (986) | Capital Grants credited to the surplus on the Provision | (323) |
| (660) | Proceeds from the sale of Non Current Assets | (708) |
| (1,646) | TOTAL | (1,031) |
| (2,302) | Net Cashflow from Operating | 1,342 |

The cash flows for operating activities include the following items relating to interest:

| 2010/11 £000s | | 2011/12 £000s |
|------------------|-------------------|------------------|
| (91) | Interest Received | (105) |
| 61 | Interest Paid | 47 |
| (30) | Total | (58) |

21. CASHFLOW STATEMENT - INVESTING & FINANCING ACTIVITIES

The cash flows for investing activities include the following items:

| 2010/11 £000s | | 2011/12 £000s |
|------------------|--|------------------|
| (731) | Purchase of property, plant and equipment, investment property and intangible assets | (1,159) |
| (56,400) | Purchase of short-term and long-term investments | (48,450) |
| 13 | Proceeds from the sale of property, plant and equipment, investment property | 8 |
| 57,400 | Proceeds from short-term and long-term investments | 48,950 |
| 1,586 | Other receipts from investing activities | 426 |
| 1,868 | Net cash flows from investing activities | (225) |

The cash flows for financing activities include the following items:

| 2010/11 £000s | | 2011/12 £000s |
|------------------|---|------------------|
| 1,458 | Council Tax and NNDR adjustments | (75) |
| (328) | Payments for reduction in Finance Lease Liability | (316) |
| 1,130 | Net cash flows from financing activities | (391) |

22. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Executive on the basis of budget reports analysed across service areas. These reports are prepared on a different basis for the accounting policies used in the financial statements. In particular:

- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- National Non-Domestic Rates charged on the Authority's own assets.

The income and expenditure of the Authority's principle services recorded in the budget reports for the year is as follows:

| <u>Head of Service Income & Expenditure 2011/12.</u> | Chief Executive £000s | Community Services £000s | Environmental Services £000s | Finance, Audit & Performance Management £000s | Information & Customer Services £000s | Legal, Member & Committee Services £000s | Planning & Transportation £000s | Total £000s |
|--|--------------------------|--------------------------------|------------------------------------|--|--|---|---------------------------------------|-----------------|
| Fees, Charges & other service income | (117) | (5,727) | (1,626) | (24) | (3) | (326) | (1,658) | (9,481) |
| Government Grants | - | (17,298) | - | - | - | - | - | (17,298) |
| Total Income | (117) | (23,025) | (1,626) | (24) | (3) | (326) | (1,658) | (26,779) |
| Employee Expenses | 744 | 1,534 | 949 | 646 | 1,108 | 796 | 1,124 | 6,901 |
| Other service expenses | 537 | 24,924 | 4,530 | 56 | 1,214 | 832 | 313 | 32,406 |
| Support Service recharges | 353 | 755 | 308 | (674) | (1,577) | (96) | 687 | (244) |
| Total Expenditure | 1,634 | 27,213 | 5,787 | 28 | 745 | 1,532 | 2,124 | 39,063 |
| Net Expenditure | 1,517 | 4,188 | 4,161 | 4 | 742 | 1,206 | 466 | 12,284 |

| <u>Head of Service Income & Expenditure 2010/11.</u> | Chief Executive £000s | Deputy Chief Executive £000s | Community Services £000s | Environmental Services £000s | Finance, Audit & Performance Management £000s | Information & Customer Services £000s | Legal, Member & Committee Services £000s | Planning & Transportation £000s | Total £000s |
|--|--------------------------|------------------------------------|-----------------------------|------------------------------------|--|--|--|---------------------------------------|-----------------|
| Fees, Charges & other service income | (345) | - | (5,733) | (1,548) | (20) | (3) | (277) | (1,791) | (9,717) |
| Government Grants | - | - | (16,747) | (2) | - | - | - | (149) | (16,898) |
| Total Income | (345) | - | (22,480) | (1,550) | (20) | (3) | (277) | (1,940) | (26,615) |
| Employee Expenses | 875 | 235 | 1,533 | 943 | 623 | 1,165 | 744 | 1,235 | 7,353 |
| Other service expenses | 966 | 3 | 23,714 | 4,446 | 70 | 1,352 | 860 | 1,468 | 32,879 |
| Support Service recharges | 317 | (246) | 1,312 | 698 | (700) | (2,241) | (200) | 1,087 | 27 |
| Total Expenditure | 2,158 | (8) | 26,559 | 6,087 | (7) | 276 | 1,404 | 3,790 | 40,259 |
| Net Expenditure | 1,813 | (8) | 4,079 | 4,537 | (27) | 273 | 1,127 | 1,850 | 13,644 |

Reconciliation of Service Income & Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement.

This reconciliation shows how the figures in the analysis of services income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

| | 2010/11 £000s | 2011/12 £000s |
|---|------------------|------------------|
| Net expenditure in the service analysis | 13,644 | 12,284 |
| Net expenditure of services and support services not included in the analysis | - | - |
| Amounts in the comprehensive Income & Expenditure statement not reported to management in analysis | (2,606) | (188) |
| Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement | - | - |
| Cost of services in the Comprehensive Income and Expenditure Account | 11,038 | 12,096 |

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

| <u>Reconciliation to Subjective Analysis 2011/12</u> | Service Analysis £000s | Services & Support Services not in Analysis £000s | Amounts not reported to management for decision making £000s | Amounts not included in I&E £000s | Allocation of Recharges £000s | Cost of Services £000s | Corporate Amounts £000s | Total £000s |
|--|---------------------------|--|--|---|-------------------------------------|---------------------------|----------------------------|-----------------|
| Fees, Charges & other service income | (9,481) | - | - | - | - | - | (685) | (10,166) |
| Interest and Investment income | - | - | - | - | - | - | (97) | (97) |
| Taxation and non specific grant income | - | - | - | - | - | - | (11,393) | (11,393) |
| Government grants and contributions | (17,298) | - | - | - | - | - | - | (17,298) |
| Total Income | (26,779) | - | - | - | - | - | (12,175) | (38,954) |
| Employee Expenses | 6,901 | - | (33) | - | - | 612 | - | 7,480 |
| Other service expenses | 29,801 | - | (153) | - | - | - | - | 29,648 |
| Support Service recharges | (244) | - | - | - | - | - | - | (244) |
| Gain on disposal of fixed asset | - | - | - | - | - | - | 381 | 381 |
| Depreciation, amortisation and impairment | - | - | - | - | - | 2,605 | - | 2,605 |
| Payment to Housing capital Receipts pool | - | - | - | - | - | - | 10 | 10 |
| Precepts & Levies | - | - | - | - | - | - | 1,088 | 1,088 |
| Interest Payments | - | - | - | - | - | - | 46 | 46 |
| Total Expenditure | 36,458 | - | (186) | - | - | 3,217 | 1,525 | 41,014 |
| Surplus or deficit on the provision of services | 9,679 | - | (186) | - | - | 3,217 | (10,650) | 2,060 |

| <u>Reconciliation to Subjective Analysis 2010/11</u> | Service Analysis £000s | Services & Support Services not in Analysis £000s | Amounts not reported to management for decision making £000s | Amounts not included in I&E £000s | Allocation of Recharges £000s | Cost of Services £000s | Corporate Amounts £000s | Total £000s |
|--|---------------------------|--|--|---|-------------------------------------|---------------------------|----------------------------|-----------------|
| Fees, Charges & other service income | (9,717) | - | - | - | - | - | - | (9,717) |
| Interest and Investment income | - | - | - | - | - | (102) | - | (102) |
| Income from Council Tax | - | - | - | - | - | - | (13,063) | (13,063) |
| Government grants and contributions | (16,898) | - | - | - | - | - | - | (16,898) |
| Total Income | (26,615) | - | - | - | - | (102) | (13,063) | (39,780) |
| Employee Expenses | 7,353 | - | 294 | - | - | (3,060) | - | 4,587 |
| Other service expenses | 31,097 | - | 233 | - | - | (71) | (2) | 31,257 |
| Support Service recharges | 27 | - | - | - | - | - | - | 27 |
| Depreciation, amortisation and impairment | - | - | - | - | - | 1,782 | - | 1,782 |
| Payment to Housing capital Receipts pool | - | - | - | - | - | - | 8 | 8 |
| Interest Payments | - | - | - | - | - | - | 1,011 | 1,011 |
| Precepts & Levies | - | - | - | - | - | - | 332 | 332 |
| Payments to Housing Capital Receipts Pool | - | - | - | - | - | - | 71 | 71 |
| Total Expenditure | 38,477 | - | 527 | - | - | (1,349) | 1,420 | 39,075 |
| Surplus or deficit on the provision of services | 11,862 | - | 527 | - | - | (1,451) | (11,643) | (705) |

23. AGENCY SERVICES

In 2011-12, the Authority provided Accountancy and Payroll Services for Thamesgateway South East Partnership involving payments of around £404,000. From 2011-12 it was agreed that no fee would be charged. It is not possible to isolate the costs associated with this service as it is run in conjunction with RDC's functions by the same officers.

The Authority provides Payroll Services for Castle Point Borough Council. A fee of £21,517 is charged annually. It is not possible to isolate the costs associated with this service as it is run in conjunction with RDC's functions by the same officers.

Prior to 2011-12, the Authority provided on street parking enforcement on behalf of Essex County Council. This was ringfenced and any surplus had to be paid to Essex County, and any deficit reclaimed. From 1 April 2011, this function was transferred to the South Essex Parking Partnership which will deliver parking enforcement in South Essex on behalf of Essex County Council. There are no financial transactions relating to this partnership.

24. POOLED BUDGETS

Rochford District Council did not participate in any Pooled Budget Arrangements in 2011/12. The Authority was part of the Local Area Agreement which covers funding streams given by Essex County Council to the LAA which Rochford District Council is part of.

The Purpose of LAA is:

- To form an agreement between the county's 13 Local Strategic Partnerships and the community and voluntary sector, to achieve 14 outcomes that are regarded as being key to making Essex a better place to live and work.
- 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 area of funding that Rochford was granted monies were:

- Reduce Crime, the harm caused by illegal drugs and reassure the public, reducing the fear of crime. Build respect in communities and reduce anti-social behaviour. Rochford District Council received £32,302.24

The total amount for the Safer and Stronger Communities scheme was £1,115,160 split over all member authorities.

25. MEMBERS' ALLOWANCES

The total amount paid during the year in respect of Members Allowances (basic allowance and special responsibility allowance) was made up as follows:

| | 2010/11 £000s | 2011/12 £000s |
|----------------------------------|--------------------------|--------------------------|
| Basic Allowance | 165 | 164 |
| Special Responsibility Allowance | 124 | 119 |
| Travel & Subsistence | 5 | 4 |
| TOTAL | 294 | 287 |

The amounts paid to each Member are shown below. All Members received a basic allowance of £4,250 per annum (pro rated if served less than a year) plus the following allowances:

| NAME | Special Allowances £ | Travel and Subsistence £ | Total including Basic Allowance £ |
|---------------|-------------------------|-----------------------------|--------------------------------------|
| P AVES | 425 | 10 | 4,685 |
| C I BLACK | 2,125 | - | 6,375 |
| L BUTCHER | 839 | - | 1,259 |
| T J CAPON | 1,097 | 280 | 5,627 |
| P A CAPON | 2,125 | 33 | 6,408 |
| M CARTER | - | - | 4,250 |
| J P COTTIS | 850 | 116 | 5,216 |
| L COX | 252 | - | 671 |
| T G CUTMORE | 21,250 | - | 25,500 |
| J DILLNUTT | - | - | 420 |
| K A GIBBS | 2,550 | - | 6,800 |
| H GLYNN | 480 | 215 | 4,945 |
| T E GOODWIN | - | - | 4,250 |
| K J GORDON | 8,500 | - | 12,750 |
| J E GREY | 2,125 | 22 | 6,397 |
| A HALE | - | 170 | 4,020 |
| M HOY | 1,647 | - | 5,897 |
| D HOY | - | - | 3,353 |
| K H HUDSON | 12,202 | 382 | 16,834 |
| A J HUMPHRIES | - | - | 1,884 |
| T LIVINGS | - | 3 | 423 |
| G LUCAS-GILL | 7,732 | 324 | 12,306 |
| C J LUMLEY | - | - | 4,250 |
| J R LUMLEY | 3,125 | - | 7,375 |
| M MADDOCKS | 7,458 | 205 | 11,913 |
| C MASON | - | - | 3,850 |
| J R MASON | 1,851 | 207 | 6,308 |
| J MCPHERSON | 7,403 | 594 | 12,247 |
| D MERRICK | 425 | - | 4,675 |
| J A MOCKFORD | 4,703 | - | 8,953 |
| T MOUNTAIN | - | - | 3,850 |
| R A OATHAM | - | 47 | 4,297 |
| R POINTER | - | - | 3,850 |
| A PRIEST | - | - | 4,250 |
| P R ROBINSON | - | - | 354 |
| C ROE | - | - | 1,417 |
| C G SEAGERS | 8,500 | - | 12,750 |
| S SMITH | 9,531 | - | 13,781 |
| D G STANSBY | - | - | 354 |
| M STEPTOE | 8,500 | 799 | 13,549 |
| J THOMASS | - | 61 | 4,311 |
| I WARD | - | 39 | 3,889 |
| M J WEBSTER | 2,424 | - | 6,320 |
| P F WEBSTER | - | - | 4,250 |
| C A WESTON | 425 | 16 | 4,691 |
| B WILKINS | 370 | 201 | 4,821 |
| Total | 118,914 | 3,724 | 286,575 |

26. OFFICERS' REMUNERATION

The number of employees whose remuneration was £50,000 or more in bands of £5,000 were:

| Salary Band £ | Number of employees | |
|-------------------|---------------------|---------|
| | 2010/11 | 2011/12 |
| 50,000 - 54,999 | 1 | 2 |
| 55,000 - 59,999 | | |
| 65,000 - 69,999 | 1 | |
| 70,000 - 74,999 | 5 | 4 |
| 75,000 - 79,999 | 1 | 2 |
| 90,000 - 94,999 | | |
| 95,000 - 99,999 | | |
| 115,000 - 119,999 | 1 | 1 |
| 145,000 - 150,000 | 1 | |

The following note sets out the remuneration disclosures for Senior Officers of the Council whose salary is more than £50,000.

Financial Year 2011/12

| Job title | Bonuses £ | Salary -includes fees & allowances £ | Expense allowance £ | Benefits in kind (e.g. car allowance) £ | Compensation for loss of office | Pension contribution £ | Total remuneration including pension contributions £ |
|--|--------------|---|------------------------|--|---------------------------------|---------------------------|---|
| Chief Executive | 86 | 116,826 | 363 | 1,311 | - | 14,241 | 132,827 |
| Head of Finance | 172 | 75,656 | 408 | 1,294 | - | 9,226 | 86,756 |
| Head of Community Services | 86 | 68,699 | 111 | 1,239 | - | 8,381 | 78,516 |
| Head of Information & Customer Services | 172 | 68,699 | 114 | 1,273 | - | 8,381 | 78,639 |
| Head of Legal, Estates & Member Services | - | 77,260 | 373 | 1,332 | - | 9,395 | 88,360 |
| Head of Environmental Services | 172 | 68,699 | 135 | 1,277 | - | 8,381 | 78,664 |
| Head of Planning & Transportation | 172 | 68,797 | 346 | 1,355 | - | 8,381 | 79,051 |

Financial Year 2010/11

| Job title | Bonuses | Salary -includes fees & allowances | Expense allowance | Benefits in kind (e.g. car allowance) | Compensation for loss of office | Pension contribution | Total remuneration including pension contributions |
|--|----------------|---|--------------------------|--|--|-----------------------------|---|
| | £ | £ | £ | £ | | £ | £ |
| Chief Executive | 84 | 116,849 | 289 | 1,369 | - | 14,474 | 133,065 |
| Corporate Director (Internal Services) | 103 | 16,253 | 59 | 319 | 53,248 | 2,013 | 71,995 |
| Deputy Chief Executive | 84 | 93,460 | 223 | 1,483 | 51,029 | 11,577 | 157,856 |
| Head of Finance | 170 | 72,953 | 400 | 1,348 | - | 9,046 | 83,917 |
| Head of Community Services | 338 | 68,699 | 106 | 1,233 | - | 8,519 | 78,895 |
| Head of Information & Customer Services | 169 | 68,699 | 70 | 1,273 | - | 8,519 | 78,730 |
| Head of Legal, Estates & Member Services | 169 | 74,380 | 338 | 1,344 | - | 9,214 | 85,445 |
| Head of Environmental Services | 169 | 68,699 | 165 | 1,328 | - | 8,519 | 78,880 |
| Head of Planning & Transportation | 169 | 68,797 | 235 | 1,402 | - | 8,519 | 79,122 |

In addition to the figures above, the Chief Executive also received payment of £5,744 for his role as the Returning Officer for the district council elections.

27. EXTERNAL AUDIT COSTS

The following fees relate to Audit and Inspection works for the Council for 2010/11:

| | 2010/11 £000s | 2011/12 £000s |
|--|------------------|------------------|
| Fees paid to PKF for External Audit Services | 110 | 104 |
| Fees paid to PKF for Certification of Grant Claims and Returns | 28 | 30 |
| Total | 138 | 134 |

28. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income & Expenditure in 2011/12:

| | 2010/11 £000s | 2011/12 £000s |
|---|------------------|------------------|
| Credited to Taxation and Non Specific Grant Income | | |
| Revenue Support Grant | 649 | 863 |
| NNDR entitlement | 4,471 | 2,791 |
| New Homes bonus | - | 117 |
| Council Tax Freeze Grant | - | 158 |
| Area Based Grant | 35 | 35 |
| New Burdens Grant | 34 | 34 |
| Essex County Council Grant for Grove woods | - | 27 |
| Playbuilder Grant/Aiming High | 72 | 3 |
| Sure Start Grant | 442 | - |
| Football Association | 15 | - |
| Total | 5,718 | 4,028 |
| Credited to services | | |
| Disabled Facilities Grant | 154 | 189 |
| Private Sector Renewal Grant | 38 | - |
| Thames gateway warm and decent homes grant | 265 | 104 |
| Total | 457 | 293 |

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if the conditions are not met. The balances as at the year-end are as follows:

| | 2011/12 £000s |
|---|------------------|
| Capital Grants Receipts in Advance | |
| Big Lottery Fund | 9 |
| Thames gateway Warm and Decent Homes | 32 |
| Aiming High | 4 |
| Total | 45 |

29. RELATED PARTIES

The Authority is required to disclose details of material transactions with related parties, bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. A related party transaction is the transfer of assets or liabilities or the performance of services by, or for another (related) party irrespective of whether a charge is made. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government - Central Government has effective control over the general operations of the Council as it is responsible for setting the statutory framework within which the Authority operates, provides the majority of its funding and prescribes the terms of many of the Council's transactions, for example, housing benefits. Grants received from Government Departments are set out in the subjective analysis in Note 22 on reporting for resources allocations decisions. Grants receipts outstanding at 31 March 2012 are shown in note 28.

Members - Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2011/2012 is shown in Note 25. £15,000 was paid to Rayleigh and Rochford District Association Voluntary Services of which Cllr Mrs Lumley is on the governing body. £73,000 was paid to Thames Gateway of which Cllr Cutmore holds a directorship, he is also a Director for Groundwork Trust South Essex to which this Authority made a payment of £10,000. All grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants.

Cllr Mr Lumley is the spouse of Cllr Mrs Lumley, and therefore is subject to the same transactions as detailed above. These have not been shown again.

30. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets required under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

| | 2010/11 £000's | 2011/12 £000's |
|---|-------------------|-------------------|
| Opening Capital Financing Requirement ** | 477 | 458 |
| <i>Capital Investment</i> | | |
| Property, Plant and Equipment | | |
| Intangible Assets | 56 | 30 |
| Other Land & Buildings | 515 | 438 |
| Vehicles, Plant, Equipment & Furniture | 73 | 233 |
| Community Assets | 405 | 105 |
| Revenue expenditure funded by capital | 704 | 411 |
| Total Capital Expenditure | 1,753 | 1,217 |
| | | |
| <i>Financed by:</i> | | |
| Useable Capital Receipts | 787 | 854 |
| Government Grants | 985 | 363 |
| | | |
| Total Financing | 1,772 | 1,217 |
| Increase in underlying need to borrowing (unsupported by | - | - |
| Increase/(Decrease) in Capital Financing Requirement | (19) | - |

** NB, it should be noted that the CFR calculated above is different from the CFR used for Minimum Revenue Provision (MRP) purposes. In calculating the later, an adjustment for any Housing Revenue Balance held as at a certain date is taken into consideration. This gives this Authority a negative CFR for MRP purposes.

31. LEASES

Finance Leases

The Authority, as Lessee, has identified that the contracts for Waste Collection and Street Cleansing contain embedded leases for the vehicles used. These are therefore included within the Authority's Balance Sheet as Vehicles within Property, Plant and Equipment at the following net amounts:-

| | 31 March 2011 £000s | 31 March 2012 £000s |
|--|------------------------|------------------------|
| Vehicles, Plant, Furniture and Equipment | 1,360 | 951 |

The costs paid annually for these vehicles are made up as below:-

| | 31 March 2011 £000's | 31 March 2012 £000's |
|---|-------------------------|-------------------------|
| <i>Finance lease liabilities (net present value of minimum lease payments):</i> | | |
| Current | 339 | 327 |
| Non-Current | 1,090 | 690 |
| Finance costs payable in future years | 127 | 72 |
| Minimum lease payments | 1,556 | 1,089 |

The minimum lease payments will be payable over the following periods:

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|---|------------------------|---------------|---------------------------|---------------|
| | 31 March 2011 | 31 March 2012 | 31 March 2011 | 31 March 2012 |
| No later than one year | 389 | 363 | 339 | 327 |
| Later than one year and not later than five years | 1,167 | 726 | 1,090 | 690 |
| Total | 1,556 | 1,089 | 1,429 | 1,017 |

32. TERMINATION BENEFITS

The Authority terminated the contracts of 2 employees in 2011/2012, incurring liabilities of £38,986 (£238,229 in 2010/2011).

| Value of exit packages | 2010/11 | 2011/12 |
|------------------------|---------|---------|
| £0-£40,000 | 59,790 | 38,986 |
| £80,000-£100,000 | 178,439 | - |

The bands have been condensed to larger ranges to ensure that no one package can be identified.

33. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in one post employment scheme, which is the Local Government Pension Scheme, administered by Essex County Council - this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits are recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

| | Local Government Pension Scheme £000s | |
|---|--|------------------|
| | 2010/2011 | 2011/2012 |
| Comprehensive Income & Expenditure Statement | | |
| Cost of Services: | | |
| Current service cost | (961) | (801) |
| Past service gain | 3,048 | - |
| Curtailment | (38) | (44) |
| Financing and Investment Income and Expenditure | | |
| Interest cost | (3,082) | (2,767) |
| Expected return on scheme assets | 1,977 | 2,155 |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 944 | (1,457) |
| Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | | |
| Actuarial gains and losses | 2,112 | (7,526) |
| Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement | 3,056 | (8,983) |
| Movement in Reserves Statement | | |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | (2,531) | (134) |
| Actual amount charged against the General Fund Balance for pensions in the year | | |
| Employers' contributions payable to scheme | 1,587 | 1,591 |

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £15.713m.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of Present Value of the Scheme Liabilities (defined benefit obligation):

| | 2010/2011 | 2011/2012 |
|------------------------------------|-----------|-----------|
| Opening balance at 1 April | (55,580) | (50,639) |
| Current Service Cost | (961) | (801) |
| Interest Cost | (3,082) | (2,767) |
| Member Contributions | (359) | (322) |
| Actuarial Gains & (Losses) | 3,922 | (5,730) |
| Benefits Paid | 2,411 | 1,853 |
| Curtailments | (38) | (44) |
| Past Service Costs | 3,048 | - |
| Closing balance at 31 March | (50,639) | (58,450) |

Reconciliation of Fair Value of Scheme Assets:

| | 2010/2011 | 2011/2012 |
|------------------------------------|-----------|-----------|
| Opening balance at 1 April | 32,271 | 31,973 |
| Expected Rate of Return | 1,977 | 2,155 |
| Actuarial Gains and Losses | (1,810) | (1,796) |
| Employer Contributions | 1,587 | 1,591 |
| Member Contributions | 359 | 322 |
| Benefits Paid | (2,411) | (1,853) |
| Closing balance at 31 March | 31,973 | 32,392 |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £0.36m (2010/2011: £3.08m).

Scheme History

| | 2007/08 £000s | 2008/09 £000s | 2009/10 £000s | 2010/11 £000s | 2011/12 £000s |
|------------------------------|------------------|------------------|------------------|------------------|------------------|
| Present Value of Liabilities | (47,968) | (40,993) | (55,580) | (50,639) | (58,450) |
| Fair Value of Assets | 29,666 | 23,523 | 32,271 | 31,973 | 32,392 |
| Surplus/(Deficit) in Scheme | (18,302) | (17,470) | (23,309) | (18,666) | (26,058) |

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £58.5m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £26.06m. However statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2013 is £1.35m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis by Mercer Human Resource Consulting Ltd (actuaries to the Fund) based on an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc derived from the full actuarial valuation carried out as at 1 April 2010.

The principal assumptions used by the actuary have been:

| | 2010/11 | 2011/12 |
|--|---------|---------|
| Long-term Expected Rate of Return on Assets in the Scheme: | | |
| Equity investments | 7.50% | 6.40% |
| Bonds | 4.40% | 3.30% |
| Other Bonds | 5.10% | 4.60% |
| Cash/Liquidity | 0.50% | 0.50% |
| Property | 6.50% | 5.40% |
| | | |
| Mortality Assumptions: | | |
| <i>Longevity at 65 for current pensioners:</i> | | |
| Men | 22.6 | 22.7 |
| Women | 25.2 | 25.3 |
| <i>Longevity for future pensions:</i> | | |
| Men | 24.0 | 24.1 |
| Women | 26.8 | 26.8 |
| Rate of RPI Inflation | 3.40% | 3.30% |
| Rate of CPI inflation | 2.90% | 2.50% |
| Rate of Increase in Salaries | 4.40% | 4.30% |
| Rate of Increase in Pensions | 2.90% | 2.50% |
| Rate for Discounting Scheme Liabilities | 5.50% | 4.60% |
| Proportion of take-up of option to convert annual pension into retirement lump sum | 50.00% | 50.00% |

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

| | 31 March 2011 % | 31 March 2012 % |
|------------------|--------------------|--------------------|
| Equities | 70 | 70 |
| Government Bonds | 7 | 4 |
| Other Bonds | 10 | 10 |
| Property | 11 | 14 |
| Cash/Liquidity | 3 | 2 |
| | 100 | 100 |

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/2012, can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012.

| | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|--|---------|---------|---------|---------|---------|
| | % | % | % | % | % |
| Differences Between the Expected and Actual Return on Assets | 11.6 | 35.4 | 21.5 | (5.8) | (5.5) |
| Experience Gains and Losses on Liabilities | 0.2 | 0 | 0 | 7 | (0.4) |

Further information can be found in Essex County Council's Pension Fund Annual Report which is available upon request from:

The Pensions Division,
Finance and Performance
County Hall
Chelmsford
CM1 1JZ

34. CONTINGENT LIABILITIES

The Authority is currently part of a country wide legal claim as a result of a change in legislation that has ruled some services now to be free. At this time the outcome or possible amount of award is still uncertain.

An environmental warranty was given to Rochford Housing Association as part of the Large Scale Voluntary Transfer making the Council liable if a contaminated land site is found on a housing site. The limit of this liability is £10m and stands for 10 years from transfer (September 2007). There is a very low likelihood that any sum will have to be paid.

35. CONTINGENT ASSETS

There are no contingent assets for the year ending 31 March 2012.

36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Authority's activities expose it to a variety of financial risks:

- o credit risk - the possibility that other parties might fail to pay amounts due to the Authority.
- o liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments.
- o market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Accountancy Team, under policies approved by Rochford District Council in the Treasury Management Strategy. Rochford District Council provides written principles for overall risk Management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

The risk is minimised through the Annual Treasury Management Strategy, which sets out the criteria such as credit ratings to be applied before depositing with a bank and limits on how much can be deposited with one institution.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £3.8m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2012 that this was likely to happen.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

| | Amount at 31 March 2012 £000s A | Historical experience of default % B | Historical experience adjusted for market conditions at 31 March 2012 C | maximum exposure to default and uncollectability at 31 March (A X C) |
|--|---------------------------------------|--|--|--|
| Deposits with Banks & Financial Institutions | 3,328 | - | - | - |
| Customers | 336 | 2 | 2 | 7 |
| | | | Total | 7 |

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non performance by any of its counterparties in relation to deposits.

The Authority does not generally allow credit for customers. The breakdown of amounts due can be analysed by age as follows:

| | 31 March 2011 £000s | 31 March 2012 £000s |
|----------------------|------------------------|------------------------|
| Less than 43 days | 170 | 13 |
| 43-63 days | 1 | 5 |
| 64-84 days | 1 | 2 |
| Greater than 84 days | 131 | 131 |
| Total | 303 | 151 |

Amounts not yet due are £185,000 for 2011/12 (£155,000 for 2010/11).

Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments.

All trade and other payables are due to be paid in less than one year. The Authority remained debt free in 2011/12.

Market Risk

Interest Rate Risk

All investments held in the Balance Sheet are short term fixed rate investments. Therefore there is no interest rate risk unless rates were to rise, which would cause a fall in the fair value of the asset. As all investments are less than one year, this risk is minimal and is managed by placing deposits for shorter periods in line with rate forecasts.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

The Authority only undertake fixed rate investments therefore changes in interest rates during an investment, would not have affected the interest on these investments. However, had the interest rate been 1% higher at the inception of each investment, then the Authority would have obtained an additional £85,000 income.

Price Risk

The Authority does not invest in equity shares or quoted securities, therefore there is no price risk.

Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Collection Fund Income and Expenditure Account
for the year ended 31 March 2012

| 2010/11 £000s | | 2011/12 £000s |
|------------------|--|------------------|
| £ | | £ |
| | Income | |
| (42,652) | Income from Council Tax | (43,145) |
| | Transfers from the General Fund: | |
| (5,195) | Council Tax Benefits | (4,940) |
| (47,847) | | (48,085) |
| (13,792) | Income Collectable from Business Ratepayers | (14,819) |
| (61,639) | Total Income | (62,904) |
| | Expenditure | |
| | Precepts and Demands: | |
| 34,123 | Essex County Council | 34,108 |
| 4,148 | Essex Police Authority | 4,147 |
| 2,086 | Essex Fire and Rescue Authority | 2,085 |
| 7,326 | Rochford District & Parish/Town Councils | 7,402 |
| | Business rates: | |
| 13,633 | Payments to Pool | 14,639 |
| 88 | Cost of Collection Allowance | 88 |
| 61,404 | | 62,469 |
| | 117 Movement on Provisions for Uncollectable Amounts | 228 |
| | Distribution of Previous Year's Estimated Surplus | |
| 243 | Essex County Council | 419 |
| 29 | Essex Fire and Rescue Authority | 26 |
| 15 | Essex Police Authority | 51 |
| 52 | Rochford District Council & Parish/Town Councils | 90 |
| 61,860 | Total expenditure | 63,283 |
| | Movement on Fund Balance | |
| (1,292) | Surplus Brought Forward | (1,071) |
| 221 | (Surplus)/Deficit for the Year | 379 |
| (1,071) | Surplus Carried Forward | (692) |

NOTES TO THE COLLECTION FUND

1. Council Tax

Council Tax derives from charges raised according to the values of residential properties, which have been classified into eight valuation bands, using estimated 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Essex County Council and other preceptors and this Authority for the forthcoming year and dividing this by the Council Tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts). The basic amount of Council Tax for a Band D property for Rochford District (£201.15 in 2011/12), was added to the basic amount due to the parish/town councils and the total was multiplied by the specified proportion to give an individual amount due. Precepts in respect of Essex County Council, Essex Police Authority and Essex Fire Authority were added to this figure.

2. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specified an amount of 43.3p in the £ of rateable value for 2011/12 (41.4p in the £ for 2010/11) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Authority is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a national formula.

The total non-domestic rateable value at 31 March 2012 was £40m (£41m in 2010/11).

3. Collection Fund Balance

The Collection Fund balance represents previous years' surpluses. A proportion is redistributed to the precept demanding bodies, as shown in the Collection Fund Income and Expenditure Account. The balance carried forward for the Collection Fund does not tie directly into the Balance Sheet due to this redistribution of the surplus. The amounts included in the Collection Fund Surplus are included within the creditors figure on the balance sheet and the long term preceptor creditor figure, as at 31 March 2012. The Collection Fund total on the balance sheet is just the share attributable to Rochford District Council.

The table below shows how the balance sheet and Collection Fund balance figures relate and how the Collection Fund balance is attributable to the precept demanding bodies.

| | 2010/11 £000s | 2011/12 £000s |
|------------------------------------|------------------|------------------|
| Balance per Collection Fund | 1,071 | 692 |
| Redistribution due to: | | |
| Essex County Council | (419) | (328) |
| Essex Police Authority | (51) | (40) |
| Essex Fire and Rescue Authority | (26) | (20) |
| Balances attributable to: | | |
| Essex County Council | (348) | (166) |
| Essex Police Authority | (42) | (21) |
| Essex Fire and Rescue Authority | (21) | (10) |
| Balance Sheet 31 March | 164 | 107 |

The balance on the Balance Sheet therefore just shows the amounts attributable to Rochford District Council as follows:

| | 2010/11 £000s | 2011/12 £000s |
|-------------------------------|------------------|------------------|
| Redistribution of surplus | 90 | 71 |
| Share of Balance | 75 | 36 |
| Balance Sheet 31 March | 165 | 107 |

4. Uncollectable Debts.

Uncollectable debts of £21,507 for Council Tax (£40,499 2010/11) and £152,949 for Non-Domestic Rates (£118,471 for 2010/11) were written off in 2011/12.

5. Calculation of the Council Tax 2011/12

The Council Tax for Rochford residents for 2011/12 for an average Band D property was as follows:

| | BAND D £ |
|---------------------------------|-----------------|
| Parish/Town Councils | 34.67 |
| Rochford District Council | 201.15 |
| Essex County Council | 1,086.75 |
| Essex Fire and Rescue Authority | 66.42 |
| Essex Policy Authority | 132.12 |
| Total | 1,521.11 |

The Council Tax base which is used to calculate the expected income from Council Tax is shown in the following table and is an estimate of the number of properties in each band made before the start of the financial year. Properties are banded according to value and pay a proportion of the average Band D charge as indicated overleaf.

| <u>Tax Band</u> | Estimated Properties after adjustments | Proportion of charge | Band D Equivalent Properties |
|--|--|-------------------------|------------------------------------|
| A | 1,040.24 | 6/9 | 693 |
| B | 2,840.23 | 7/9 | 2,209 |
| C | 10,270.74 | 8/9 | 9,130 |
| D | 9,386.50 | 1 | 9,387 |
| E | 4,464.76 | 11/9 | 5,457 |
| F | 2,031.74 | 13/9 | 2,935 |
| G | 1,055.27 | 15/9 | 1,759 |
| H | 69.00 | 18/9 | 138 |
| Total | | | 31,708 |
| Adjustments for Band D Full Year Equivalents | | | 156 |
| | | | 31,864 |
| Less Adjustment for Collection Rate | | | 98.50% |
| Total Council Tax Base | | | 31,386 |

ANNUAL GOVERNANCE STATEMENT FOR 2011/12

SCOPE OF RESPONSIBILITY

Rochford District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and is used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness

In discharging this overall responsibility the Council is responsible for putting in place proper arrangements for; the governance of its affairs, the effective exercise of its functions, and the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

This Statement explains how the Council has complied with the Code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 the completion of an Annual Governance Statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises of the systems and processes, culture and values by which the Council is directed and controlled and the methods by which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of efficient and effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide a reasonable and not an absolute assurance of effectiveness. The system of internal control is based on a continuing and embedded process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised, and to manage them efficiently, effectively and economically.

This statement is in respect of the governance framework in place at Rochford District Council for the year ended 31 March 2012 and up to the date of approval of the Financial Statements for 2011/12.

GOVERNANCE FRAMEWORK

The Governance Framework is a combination of systems, procedures, policies and strategies which are managed and monitored through senior management and officer and member groups. The key elements of these governance arrangements are listed below and have been reviewed as part of this statement:-

- Corporate Plan which sets out the Council's visions and priorities.
- The Medium Term Financial Strategy (MTFS), including the Capital Strategy, and Asset Management Plan that links financial and business planning to enable the Council to balance the delivery of quality services along with its priorities and aspirations and maximise the effectiveness of its assets.
- A formal Performance Management Framework which incorporates regular reporting against financial and non-financial targets and outcomes.
- A Corporate Risk Policy and Corporate Risk Register which sets out the risk management framework and identifies and assesses risks faced by the Council.
- The Council's Constitution which covers roles and responsibilities and delegated powers, along with key areas such as financial and contract procedure rules. This is reviewed on an annual basis.
- An effective Audit Committee.
- Whistle Blowing and Comments, Complaints, Compliments procedures.
- Business Continuity Plans, which are regularly tested, to ensure the Council can maintain an effective level of service.
- Members' and Officers' Codes of Conduct.
- A Review Committee which provides the overview and scrutiny function and carries out an annual programme of work.
- Statutory officers such as the Head of Paid Service, Section 151 Officer and Monitoring Officer.
- A Human Resource framework which maintains a range of practices and policies and the Workforce Development Plan.
- Partnership arrangements to deliver priorities and services.
- A Communication Strategy and Consultation Programme which is reviewed regularly.

The Council's key governance processes are subject to internal audit on a cyclical / risk based approach. This work forms part of the Audit and Performance Manager's Annual Audit Opinion on the Council's systems of internal control reported separately to the Audit Committee.

REVIEW OF EFFECTIVENESS

1 Business Planning and Strategy

A key document for the Council is its corporate plan 2012-2017 and supporting divisional plans, which are refreshed annually and provide a systematic approach to deciding and communicating what needs to be done now and in the future. The plans are reflected in a performance management framework which is the means of assessing what has been achieved and ensures the information reaches the right people at the right time so that decisions are made and action taken.

Another key planning document is the Local Development Core Strategy, which has been adopted against a background of uncertain Central Government intentions in respect of planning regulation and growth targets. As a result of this the Core Strategy is now the subject of a pending judicial review which poses a risk to the Council depending on the outcome of this review and is noted in the Corporate Risk Register.

On the partnership front the Rochford Local Strategic Partnership (LSP) has now successfully merged with the Castle Point Borough Council LSP creating the Castle Point and Rochford LSP (CP&RLSP). This has provided the opportunity to develop the shared partnership arrangements and reflect the changing context of partnership working, with reduced and evolving funding streams, changing legislation and changing organisational structures.

2 Consultation and Engagement

For the past 3 years, measurement of customer satisfaction with the main Council services has utilised proprietary software known as Govmetric. These reports showed the level of satisfaction in respect of face to face, telephone, email, website and postal contacts with the Council. Satisfaction levels are generally high and this, coupled with the need for more diagnostic data, has led to development of "in house" equivalents and avoidance of costs of re-licensing the software.

Within a specific department the Revenues and Benefits Team were awarded the prestigious Charter Mark in 2006 and gained the Customer Service Excellence Award in 2011 which was retained in 2012 on the basis of 100% compliance with no action plan for improvement being required.

Incorporating our external links the Council recognises the importance of a vibrant local economy to the quality of life of those living in, working in, or visiting the District. It has sought to support local business by a number of initiatives, which include:-

- o The Rochford Business Network
- o The Rochford Business Forums giving access to information and training opportunities.
- o A Young Entrepreneur Programme in conjunction with local schools to develop the business skills of the next generation
- o A Joint Area Action Plan for Southend Airport and its environs in conjunction with Southend Borough Council.
- o A "Shop at My Local" initiative signing up local retailers and shoppers to a range of promotional offers.
- o Ensuring invoices for local businesses are paid within 10 days of receipt

The Council has moved away from Area Committees to now holding Community Forums at least twice a year with the Leader of the Council chairing the meetings. The Forums are also attended by partners such as Essex County Council, Essex Police and the NHS, and they provide an opportunity for residents to put questions direct to their elected representatives and receive immediate answers where possible.

3 Financial Reporting including Budget Monitoring

The financial management arrangements of the Council have been assessed against the governance principles set out in CIPFA's Statement on the role of the Chief Financial Officer in Local Government and there are no areas of non-compliance.

The medium term financial strategy 2012/13-2016/17 (MTFS) is a key financial management tool which is updated biannually by the Head of Finance and agreed by Council in January. The budget process involves all Members with two away days held in November and January. The MTFS not only considers short and medium revenue spending but also includes the Council's capital expenditure for the next 5 years with associated revenue costs identified where appropriate.

Delivering the cost reductions and income generation targets for 2011/12 has been a key concern for the Council over the last year with regular reports to Members and close budget monitoring. The total cost reductions of £1.4m have been achieved for 2011/12 with a further £0.9m planned for 2012/13.

4 Asset Management

The asset management plan 2011-2016 is reviewed annually and was presented to the Executive in July 2011. It shows the current and proposed use of Council property and the achieved and planned efficiency measures (including energy efficiency and reduction of emissions) which ensure cost effective management of assets. A review of the Authority's assets is planned for later in the year in order to identify opportunities to create revenue or capital streams and to demonstrate that they are providing best value to the authority.

5 Risk Management including Anti Fraud and Corruption, Whistle blowing, Health and Safety

The Council has a well developed and embedded risk management policy and framework supported by a corporate strategic and operational risk registers. During 2011/12 these were reviewed and updated bi-monthly by officers of the corporate risk group with reports going to the Audit Committee in September 2011 and March 2012. A rolling programme of risk review was conducted and a number of new risk analyses were developed in 2011 including; risk of failure of contract tendering arrangements, risk of legal challenge to Council decisions and risk of failure to respond to illegal encampments within the District. The ongoing risk monitoring meant the failure of Council's grounds maintenance contractor in February was both anticipated and responded to expeditiously.

The appointment of a new Health and Safety Officer in 2011 revitalised the Council's activity in this area of prime importance for both customers and the workforce. There is now formal linkage between the Council's risk management and health and safety activity. Additionally, an external review by the Health and Safety Executive of our waste collection and recycling arrangements highlighted that the Council still had the overall legal responsibility for the health and safety of these operations. We must therefore ensure that our contractors are taking adequate precautions to ensure the health and safety of their operatives and customers. This concept is being reiterated to all contract managers.

The anti-fraud and corruption policy is reviewed annually by Internal Audit and communicated to all staff through the core brief. The whistle blowing policy has recently been updated by Human Resources with the assistance of Internal Audit with an intended re-launch in 2012.

6 Business Continuity

During 2011/12, the business continuity plans for the Council and individual services have been updated and desktop exercises have been conducted to test the Council's ability to respond to a variety of incidents. Members of Senior Management Team have been trained on attendance at the Gold Command that would be set up in the event of a major incident.

The business continuity arrangements for the delivery of the grounds maintenance service were reviewed by the Council's Corporate Risk Group and found to be adequate at the time with a risk rating of High. When the grounds maintenance contractor went into liquidation action was taken to ensure a service was provided and consideration was given to the issues raised as part of the risk register. The service elements were prioritised and arrangements put in place to deliver the various aspects of the service, including bringing some of it back in-house. A follow up review of how the contractor failure was managed, including monitoring beforehand, has been carried out and lessons identified for the future include: ensuring due diligence research is undertaken when contracted suppliers are taken over or their status otherwise changes; establishing the efficacy of performance bonds and parent company guarantees; ensuring contract monitoring includes appropriate financial checks; ensuring contract termination clauses contain options acceptable to the Council; undertaking "desk top" exercises to test business continuity arrangements for significant contracts; and, enhanci

7 Performance Management delivery and People

Our performance management framework was reviewed and updated in 2011 to ensure it continues to provide a systematic approach to deciding and communicating what needs to be done, supported by plans to ensure that it happens, and a means of assessing what has been achieved. Our CorVu performance management database was extended to cover project management reporting in 2011 and this improved the flexibility and efficiency of reporting. The system feeds data to both the Council's intranet and public website and work on a CorVu linkage to risk management has commenced to further improve the range of information to sustain and improve performance.

The Council gained the prestigious Investors in People (IIP) Gold award in 2011 and this reflects the now firmly embedded arrangements for review and development of the performance of each member of staff.

A significant review and update of the Council's HR policies and procedures commenced in 2011 to ensure these are fit for purpose and provide appropriate support to the Council's updated Workforce Development Plan which covers the period 2010 -2015, in line with the updated Corporate Plan and MTFS; and sets out a range of actions which will equip the Council as an organisation for the challenges ahead. It focuses particularly on managers and staff, but also includes reference to member training and development under the Member Charter.

The new plan will underpin the work required around retaining our IIP recognition and achieving a Gold Standard under the new IIP assessment framework. It will also help us in our work around equalities and diversity to achieve the Excellent standard under that categorisation.

With regard to equality and diversity the Council was externally assessed and achieved level 4, "Working Towards Excellence" grading in June 2009. Going forward the Council sought and achieved Level 5 "Excellent" in 2011, reflecting the Council's work in putting in place policies and procedures that meet the equalities and diversity standard.

8 Data Quality Strategy

The Council needs reliable, accurate and timely information with which to make decisions, inform users and report on performance. A review of the Data Quality and Records Management Policy (DQRMP) was undertaken in 2011/12 and approved by the Audit Committee in March 2012. The principal changes to the policy were those required to reflect latest legislation. Additionally, reference to a separate Data Quality Strategy and Action Plan was removed as it was no longer considered necessary in view of the progress that has been made. The provisions of the Strategy are incorporated in the DQRMP and the actions are now integrated into day-to-day operations. Internal audit of the data used in performance reports is conducted at least annually and in-year spot checks are also conducted.

9 Information Management Security

The Council recognises that the efficient management and protection of its records is necessary to support its core functions, to comply with its legal and regulatory obligations and to contribute to the effective overall management of the authority. Our IT and Records Management policies aim to ensure that data is stored, used and shared in accordance with the law including the Data Protection Act and Freedom of Information Act.

The Council continues to be fully compliant with IT security requirements under the Government's Code of Connection which is assessed annually.

10 Value for Money

During 2011/12, the Council had to deliver cost reductions of £1.4m and implemented a number of actions to achieve this. Senior Management Team oversaw the implementation of the action plan, with regular reporting to Members on the financial position of the Council.

The Council has a programme of business process re-engineering (BPR) projects and is extending the remit of the corporate BPR team to include lean systems thinking.

The Council has implemented a programme of building improvements in such areas as heating and electricity to achieve energy reductions in line with its Climate C02de Action plan and its medium term target to reduce carbon dioxide emissions by 10% by 2015, based on 2008 baseline figures. Further improvements will continue around better insulation within the Council offices.

11 Procurement

The business process re-engineering group are completing a review of the ordering process for goods and services with the view to ensuring that the processes are efficient and effective as possible to support the delivery of best value. This follows a review undertaken by Internal Audit which raised a number of recommendations around the process and the requirement to evidence that best value has been obtained.

The principles around procurement can be extended to the letting of contracts where some issues have been raised with regard to the process and necessary expertise to manage the different aspects of letting a contract, ensuring the specification is sufficient and that the correct process is followed depending on the contract value.

12 Customer Feedback

The Council monitors customer satisfaction and feedback through a number of channels including:

- o An on-line "Comments, Compliments, Complaints" system
- o "mystery shopping"
- o Survey of Services
- o Customer Surveys
- o Have your say group who can be contacted on a variety of topics
- o Freedom of Information Requests
- o Formal Complaints Process

Feedback from the comments, compliments and complaints system is reported regularly to Members and the officer Customer Access and Consultation Group.

13 Codes of Conduct

Standards of conduct and personal behaviour expected of Members and staff are defined through the published Codes of Conduct. The Council has an effective and independently chaired Standards Committee. The Localism Act 2011 made fundamental changes to the system of regulation of standards of conduct for Members with the abolition of the Standards Board for England and the introduction of a new regime to operate from 1 July 2012. The Council have agreed a revised Code of Conduct and a new constitution for the Standards Committee.

14 Review Committee

During 2011-12 the Council's Review Committee has considered a number of topics in its role as the overview and scrutiny function. The topics reviewed were the Local Strategic Partnership, overview of the refuse collection, recycling, street cleansing and grounds maintenance contracts, disabled facilities grants and Regulation of Investigatory Powers. In addition, the Committee also has the duty to scrutinise decisions made by the Executive and, during the year one item was called in for consideration. The Committee also considered the progress made on the Climate C02de, pre-application planning fees, Essex County's library service, Choice Based Lettings Scheme and highways matters. The Committee made a number of recommendations to improve performance, following their review of the disabled facilities grants arrangements, which were all accepted by the relevant Portfolio Holder.

15 Auditors' Assurance and Audit Committee

The Council is subject to internal and external audit based on a defined programme of work which is presented to the Audit Committee.

Internal Audit have given their assurance on a range of areas during the course of the year, providing the Audit Committee with an annual opinion on the effectiveness of internal control within the Council during 2011/12. No significant issues had arisen and External Audit has been able to place full reliance on the work of Internal Audit.

The Audit Committee met three times during 2011/12 reviewing and discussing the reports from Internal and External Audit with close monitoring of the recommendations raised.

External Audit reviews the Council's Financial Statements. Any recommendations arising from external audit are monitored through the Audit Committee.

SUMMARY OF GOVERNANCE ARRANGEMENTS

As can be seen from the evidence listed above, during 2011/12 the Council has monitored and improved its processes of governance to ensure the Council is managed effectively with a minimal level of significant risk. The assurance has been gained from the key management tools which are all supported by an extensive list of policies, procedures, plans, strategies and compliance with legislation. The monitoring of these arrangements in an ongoing process and is carried out at various levels across the Council including Members and external inspections.

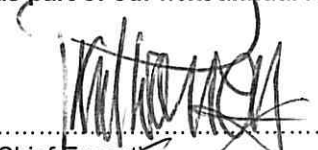
| SIGNIFICANT RISKS FROM 2010/11 | ACTION COMPLETED 2011/12 |
|--|---|
| <i>The Council has to deliver cost reductions and additional income totalling £1.4m in 2011/12 and there is a risk that the Council will not be able to achieve such a substantial target. This could have an impact on service delivery and the financial position of the Council in the short term, including its ability to maintain an appropriate minimum level of reserves and achieve value for money. In addition, the Council also has to continue to identify further cost reductions or additional income in order to produce a balanced budget for 2012/13. At the same time, the Government is currently reviewing the way that local authorities are funded with a view to introducing changes to the Formula Grant with effect from 2013/14 which could also have a significant impact on the level of Government funding the Council receives.</i> | An action plan was put in place to ensure that delivery of the wide range of cost reductions/income generation activities was monitored regularly by the Senior Management Team and progress was reported to Members during the financial year. |

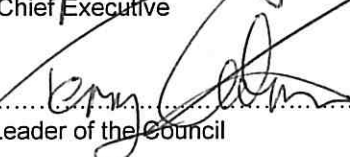
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| <p><i>The management arrangements during the letting of a major contract and the use of the competitive dialogue approach were identified as an area of weakness during the year and were subject to a review by the Executive.</i></p> | <p>The contract procedure rules were amended to reflect the recommendations from the review; the Council's new general policy would be that the competitive dialogue approach should be avoided unless there is clear justification and Member sanction. Members are notified quarterly of any upcoming contracts to be let under competitive tendering. The major contract renewal during 2011/12 was the ICT procurement with 3 other authorities which was supported by expert legal and procurement advisers. As part of the process for the next major procurement, the Grounds Maintenance Contract, a Member Advisory Group has been set up and funding allocated for procurement support.</p> |
|---|---|

| SIGNIFICANT RISKS 2011/12 | ACTION FOR 2012/13 |
|--|---|
| <p>Following the failure of the Council's grounds maintenance contractor in January 2012, the Council is having to go through an earlier than planned procurement for this service to have a contract in place by April 2013. The opportunity is being taken to review the contract specification and look at alternative ways of delivering the service. This raises a potential risk around getting the contract completed on time and in compliance with the Council's rules and EU procurement requirements.</p> | <p>A Member Advisory Group has been tasked with overseeing the procurement including the specification and future service provision. There is a supporting officer group with project plan and risk management arrangements in place.</p> |
| <p>Since the Government published its Comprehensive Spending Review in 2010 which forecast major reductions in local authority funding, the risks associated with the Council's funding have been closely monitored. Updated risks include:</p> | |

| | |
|--|--|
| <ul style="list-style-type: none"> • The replacement of the current Formula Grant with a Business Rates Retention scheme which transfers some of the risks associated with rates collection from Government to Local Authorities. | <p>Business rates retention scheme – as further information is made available, particularly on the baseline funding for 2013/14, this will be reported to Members. Information requirements for forecasting future levels of business rates will need to be identified and the Finance Team will work with the Revenues and Benefits team in order to develop forecasting tools.</p> |
| <ul style="list-style-type: none"> • The introduction of a localised Council Tax Support scheme which will replace the national Council Tax Benefit scheme. This will require Local Authorities to design their own schemes with the aim of reducing expenditure by 10% and transferring some of the risks to local authorities. The new scheme will need to have been designed, consulted on, agreed by Council and implemented by April 2013. • The introduction of the Universal Credit to be administered by the Department for Works and Pensions (DWP) will replace existing benefits such as Housing Benefits, currently delivered by local authorities. The Council currently receives administration subsidy which will reduce or disappear, but the timing is not yet clear. | <p>Localised Council Tax support scheme – a group representing all the Essex Authorities, County and Fire has been set up to develop a pan-Essex scheme. An action plan and risk register are in place and regular reports are made to other groups, including Members, in order to keep all stakeholders informed. A communications strategy will need to be developed and Member training has been organised for June. The Essex Authorities are co-ordinating on governance and consultation arrangements.</p> <p>Universal Credit – this is being led by DWP and the Council is dependent upon their announcements about timing and transition arrangements. Once these become more certain, the Council will consider the implications and draw up its own action plan.</p> |

We are satisfied that these steps will address the need for improvement that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:  Date: 19 Sept 2012
 Chief Executive

Signed:  Date: 19 Sept 2012
 Leader of the Council

GLOSSARY OF TERMS

Accrual

An amount included in the accounts for income or expenditure concerning the financial year, where payment has not yet been received/made. Also called sundry creditors/debtors.

Agency Services

Rochford District Council provide services on behalf of other organisations, for which we receive reimbursement.

Asset

This is an object held on the balance sheet as it gives rise to future economic benefit. For example, Buildings are an asset and invoices issued but not yet paid, as cash will be received in the future for them.

Benefits

Council Tax Benefit – assistance provided to adults with no or low incomes to help them pay their Council Tax bill. The cost is funded by Government subsidy.

Housing Benefit – an allowance to persons with no or low incomes to meet the whole or part of their rent. Benefit paid to private sector landlords on behalf of residents is known as rent allowances. Part of the cost of benefits and of running the service is funded by Government subsidy.

Billing Authority

This refers to Rochford District Council, which is the responsible authority for the invoicing and collection of the Council Tax from all residential properties in the District. This is undertaken on behalf of Rochford District Council, Essex County Council, Essex Police Authority, Essex Fire and Rescue Authority and Town/Parish Councils.

Business Rates

These rates, called National Non-Domestic Rates (NNDR), are the means by which local businesses contribute to the cost of providing local authority services. They are based on rateable values of each business multiplied by a uniform amount set annually by the Government. All business rates are paid into a national central pool. The pool is then divided by the Government between all local authorities, apart from Town/Parish Councils.

Capital Expenditure

This generally relates to expenditure on non-current assets that will be of use or benefit to the Council in providing its services for more than one year e.g. the recent expenditure to expand Cherry Orchard Jubilee Country Park.

Capital Adjustment Account (CAA)

This reserve contains prescribed amounts set aside from revenue budgets or capital receipts to fund expenditure on fixed assets, and balances this with the depreciation of assets.

Capital Programme

The Council's plans for capital expenditure over future years.

Capital Receipts

The income from the sale of assets, which may be used to finance new capital expenditure.

Central Support Costs

Costs relating to centrally provided services such as telephones, printing, bank charges, office accommodation, residual pension costs, which benefit all services and as such are recharged to cost centres where appropriate on an agreed basis, e.g. office accommodation costs allocated based on floor area occupied by a service.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the main professional body for accountants working in the public sector.

Collection Fund

The fund into which Council Tax and Business Rates are paid and the precepts of Essex County Council, Essex Police Authority, Essex Fire & Rescue Authority, Rochford District and Town/Parish Councils are met. Any surplus or deficit is shared between the various authorities, other than Town/Parish Councils, on the basis of precept amounts.

Community Assets

Assets that the Council intends to hold forever, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and the Mill Tower.

Contingent Liability

This is an amount at the balance sheet date, which the Council may be liable to incur if specific events occur, but which are not certain. Any such amount is disclosed as a note to the accounts.

Council Tax

A local tax based on residential properties set by local authorities in order to finance their budget requirement. The level set by an authority will be broadly determined by its expenditure on general fund services less other income, e.g. car parking, use of Council reserves and government grant.

Council Tax Base

An equated average number of dwellings over which the Council Tax is collected. All dwellings are valued and classified into eight bands (A to H). All bands represent a proportion of Band D. The Council Tax base is the number of dwellings expressed in terms of a Band D average.

Creditors

Amounts due, but not yet paid for, for work carried out, goods received or services rendered during the financial year.

Debtors

Amounts due, but not yet received, for work carried out or services supplied, during the financial year.

Deferred Liabilities

Amounts which are payable at some point in the future or paid off by an annual sum over a period of time e.g. mortgages.

Depreciation

The measure of the wearing out, consumption, or other reduction, in the useful economic life of a fixed asset, whether arising from use, passing of time or obsolescence through technical or other changes.

Fair Value

The fair value of an asset, such as an investment, is the amount at which that asset could be bought or sold in a current transaction rather than its value at the time the investment was made. This will take into account any interest accumulated on the investment.

Fees and Charges

Charges made to the public for Council services and facilities.

Financial Year

The period of 12 months covered by the accounts commencing on 1 April.

General Fund

The main revenue fund of the Council. Day to day spending on services is met from the Fund.

IFRS

International Financial Reporting Standards. These are the basis under which the accounts are now produced

Intangible Assets

These are assets that the Council will have use of for more than one year but they do not have a physical form, for example computer software licenses.

Liability

This is the opposite of an asset and sees the future transfer of economic benefit from the Council to another party. An example is the payment of invoices to suppliers that at the financial year end were still outstanding.

Local Government Pension Scheme (LGPS)

The majority of council officers belong to this scheme.

Non Distributed Costs

These are pension costs that cannot be attributed to individual services, i.e. the demands on the fund from previous employees.

Post Balance Sheet Events

Events which occur between the balance sheet date and the date on which the responsible officer signs the Statement of Accounts.

Precept

The amount that councils/authorities, providing services within the Rochford District, require to be paid from the Collection Fund to meet the cost of their services.

Provision

An amount set aside to provide for a liability where the Council has an obligation to pay, but where the exact amount or the date on which it will arise is uncertain. A provision is created by making a charge to revenue in the year of account.

Reserves

A Council's accumulated surplus income in excess of expenditure. Available at the discretion of the Council to meet items of expenditure in future years. Earmarked reserves are set-aside for a specific purpose, e.g. to fund specific Council projects such as the Joint Area Action Plan for Southend Airport.

Responsible Officer

Officer responsible for the proper administration of the Council's financial affairs in accordance with Section 151 of the Local Government Act.

Revenue Support Grant

Central Government financial support towards the general expenditure of local authorities determined by a prescribed methodology which is available on the Communities and Local Government website.

Code of Practice on Local Government Accounting

This is the guidance produced separately to assist in the preparation of the accounts.

Support Services

Mainly the cost of provision of services by central departments, which is recharged on an agreed basis to other services. Also includes the cost of office accommodation and other central overheads associated with staff directly employed by the service.

Property, Plant & Equipment

These are non-current assets that the Council will have use of for a period of more than one year e.g. buildings.

Un-apportionable Overheads

This is made up of Non-Distributed Costs and Central Support Costs. (See definitions).

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. For the year 2011/12, the responsible officer was the Head of Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve and publish a Statement of Accounts.

The Head of Finance's Responsibilities

The Head of Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing this Statement of Accounts, the Head of Finance has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code

The Head of Finance has also:

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

Opinion

The Statement of Accounts gives a true and fair view of the financial position of Rochford District Council at 31 March 2012, and its income and expenditure for the year then ended.

Signed:
Head of Finance

The Chairman's Approval

I confirm that these accounts were approved by the Audit Committee at its meeting on 26 September 2012.

Signed:
Chairman of the Audit Committee

Date: 26 September 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROCHFORD DISTRICT COUNCIL

Opinion on Rochford District Council financial statements

We have audited the financial statements of Rochford District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund Income and Expenditure Account and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Rochford District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Head of Finance's Responsibilities Statement, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Rochford District Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Rochford District Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In our opinion, the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the Annual Governance Statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- We issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- We designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires Rochford District Council to consider it at a public meeting and to decide what action to take in response; or
- We exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects

Conclusion on Rochford District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of Rochford District Council and the auditor

Rochford District Council 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 review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that Rochford District Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that Rochford District Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of Rochford District Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether Rochford District Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Rochford District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Rochford District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, we are satisfied that, in all significant respects, Rochford District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

We certify that we have completed the audit of the financial statements of Rochford District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Richard Bint, Partner
for and on behalf of:
PKF (UK) LLP
London

September 2012