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**ROCHFORD DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS 2004/2005**

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## **INTRODUCTION**

Through the current budget strategy the Council's corporate objective is to balance the budget and build some capacity. The Council is achieving this within the General Fund even though it has significant financial pressure in that a poor level of support from the Government dampens the aspirations of service delivery.

Although the Housing Revenue Account has had to draw down balances in previous years, the financing has improved from 2004/2005 onwards following changes made by the Government in relation to Housing Subsidies. The Council has endorsed the view of tenants that Large Scale Voluntary Transfer is the appropriate option for the future delivery of the Housing Service.

The capital programme is fully committed to use the capital receipts available and reasonably identified for the future.

A financial structure therefore needs to be in place to ensure that service delivery is maximised through the three key areas shown above. This financial statement contains not only the information in respect of 2004/2005, but also, by identifying earmarked reserves and General Fund balances, it demonstrates how the Authority is laying the foundations for future service delivery.

## **EXPLANATORY FOREWORD**

Overall the Authority has improved its position against General Fund. After contributing £367,285 to reserves, the General Fund balances increased by £58,047.

Within the revised estimates for 2004/2005, it was expected that there would be contributions from the General Fund of £233,200. This position has therefore improved by £291,247.

The Authority has a five-year strategy in place for the management of the Revenue Budget. In 2004/2005, a number of small earmarked reserves have been moved in the General Fund.

Information relating to the reserves held by the Authority can be found on page 29.

The Authority is one of the top authorities in England with a Council Tax Collection rate of around 98.8%. This, together with the receipt of Government grants, ensured the major funding of services.

This Statement of Accounts is split into the following areas:

- ⇒ Statement of Accounting Policies. These show the basis upon which the accounts are compiled.
- ⇒ The Consolidated Revenue Account. This records all day to day expenditure and income for all the Council services other than Council housing.
- ⇒ The Consolidated Balance Sheet and supporting notes. This shows the assets and liabilities of the Council as at 31 March 2005.
- ⇒ The Statement of Total Movement in Reserves. This brings together all recognised losses and gains of the Council during the year and identifies those that have not been recognised in the Consolidated Revenue Account. It separates the movements between capital and revenue reserves.
- ⇒ The Housing Revenue Account. This shows the income and expenditure in relation to Council housing.
- ⇒ The Collection Fund. This records the total movement relating to Council Tax and National Non-Domestic Rates.
- ⇒ Cash Flow Statement. This shows the movement of cash for the year.

In addition to the day to day expenditure, details can also be found on the capital expenditure and financing of the Authority.

Here the Council undertook capital investment of £2.9m. This was funded by the proceeds from the sale of assets, grants made available by the Government in respect of Housing, other grants or from revenue. Overall the Council repaid borrowing.

The Council has the corporate objective of setting a balanced budget.

**General Fund - Net Expenditure compared to Budget**

	Original Estimate £000s	Revised Estimate £000s	Actual Exp/(Inc) £000s	Variance Rev - Act £000s
Central Services	2,458	2,183	2,282	(99)
Non Distributed Costs	568	596	(284)	880
Cultural, Environmental & Planning Services	7,137	7,982	6,981	1,001
Highways, Roads & Transport Services	271	263	230	33
Housing Services	1,144	1,168	1,300	(132)
<b>Net Costs of Services</b>	<b>11,578</b>	<b>12,192</b>	<b>10,509</b>	<b>1,683</b>
Revenue Contribution to Capital	-	-	32	(32)
General Contingency Provision	10	10	-	10
Staffing Strategy Savings	(280)	(125)	-	(125)
Reversal of :				
Capital Charges	(2,435)	(3,166)	(2,497)	(669)
FRS 17 Retirement Benefits	(50)	-	321	(321)
<b>Total</b>	<b>8,823</b>	<b>8,911</b>	<b>8,365</b>	<b>546</b>
Interest Received	(290)	(443)	(649)	206
External Interest Paid	-	-	94	(94)
Contribution To/(From) Reserves	-	-	367	(367)
<b>General Fund Expenditure</b>	<b>8,533</b>	<b>8,468</b>	<b>8,177</b>	<b>291</b>
Contribution To/(From) General Fund Balances	(298)	(233)	58	(291)
<b>Net Expenditure</b>	<b>8,235</b>	<b>8,235</b>	<b>8,235</b>	<b>-</b>
Parish Precepts	797	797	797	
<b>Amount to be met by Government Grant and Local Tax Payers</b>	<b>9,032</b>	<b>9,032</b>	<b>9,032</b>	

## NOTES TO NET EXPENDITURE COMPARED TO BUDGET

1. The actual net expenditure on General Fund activities, before contributions to/from reserves, was an improvement of £658,532.

The General Fund balance at the end of 2004/2005 is £1,693,871. This compares to the estimated balance in the revised Budget Strategy of £1,402,624. The Council has an objective to achieve a balanced budget over its 5 year budget strategy.

The following table demonstrates how the £658,532 has been applied within the accounts.

	£000s
Increased Contribution to General Fund Balances	291
Increased Contribution to other Reserves (Net)	367
<b>Total</b>	<b>658</b>

Although this appears significant it has to be remembered that it is around 2.5% of gross General Fund expenditure of £26.9m. Put another way, on a household budget of say £1,500 per month it represents a variation of £37.

A full report on movements against budgets will be reported to the Finance and Policy Overview and Scrutiny Committee. However, a brief summary of the key points are:

- Staffing – there were a number of staff vacancies during 2004/2005 which produced direct savings. Expenditure on Staff Advertising was lower during the year following the introduction of on-line advertising.
- Interest – despite another difficult year for investments, net income was higher than estimated.
- This is the first year of the new financial arrangements in respect of Housing Benefits. A provision has been created to deal with the uncertainties relating to Government funding.

Analysis of Revenue Expenditure.

The gross expenditure, gross income and net expenditure for each service provided by Rochford District Council is shown in the following tables.

<b>Summary</b>	<b>Gross Expenditure £000s</b>	<b>Gross Income £000s</b>	<b>Net Expenditure £000s</b>
Central Services	6,313	(4,031)	2,282
Un-apportionable Central Overheads	413	(697)	(284)
Cultural, Environmental & Planning Services	8,319	(1,338)	6,981
Highways, Roads & Transport Services	1,103	(873)	230
Housing Services	20,737	(14,748)	5,989
	36,885	(21,687)	15,198

<b>Central Services - Corporate &amp; Democratic Core</b>	<b>Gross Expenditure £000s</b>	<b>Gross Income £000s</b>	<b>Net Expenditure £000s</b>
Corporate Management	403	-	403
Democratic Representation	1,062	(28)	1,034
	1,465	(28)	1,437

<b>Central Services - Other Operating Income &amp; Expenditure</b>	<b>Gross Expenditure £000s</b>	<b>Gross Income £000s</b>	<b>Net Expenditure £000s</b>
Other Operating Income & Expenditure	-	79	79
	-	79	79

<b>Central Services - Non Distributed Costs</b>	<b>Gross Expenditure £000s</b>	<b>Gross Income £000s</b>	<b>Net Expenditure £000s</b>
Non Distributed Costs	477	(653)	(176)
Central Support Costs	(64)	(44)	(108)
	413	(697)	(284)

<b>Central Services to the Public</b>	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Council Tax	725	(69)	656
Business Rate Account	162	(89)	73
Council Tax Benefits	3,631	(3,698)	(67)
Conducting Elections	110	-	110
Registration of Electors	89	(2)	87
Emergency Planning & Health & Safety	22	-	22
Local Land Charges	109	(224)	(115)
	4,848	(4,082)	766

<b>Cultural,Environmental &amp; Planning Culture &amp; Related Services</b>	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Culture & Heritage	46	-	46
Leisure Premises	1,626	(7)	1,619
Woodlands	126	(13)	113
Management of Rec. Grounds & Open Spaces	878	(14)	864
Sports Development & Promotion	111	(46)	65
Leisure Client Account	76	(91)	(15)
	2,863	(171)	2,692

<b>Cultural,Environmental &amp; Planning Planning &amp; Development</b>	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Building Control Client Account	83	-	83
Building Control Fee Account	253	(255)	(2)
Development Control	984	(368)	616
Planning Policy	221	(24)	197
Corporate Policy	168	-	168
Environmental Initiatives	9	(17)	(8)
Economic Development	144	(40)	104
Community Development	404	(161)	243
Planning Administration	15	(13)	2
	2,281	(878)	1,403

<b>Cultural, Environmental &amp; Planning Environmental Services</b>	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Cemeteries & Churchyards - Open	90	(77)	13
Cemeteries & Churchyards - Closed	57	(13)	44
Environmental Health	881	(24)	857
Public Health	97	-	97
Public Conveniences	214	-	214
Hackney Carriage	87	(81)	6
Coast Protection	2	-	2
Street Cleansing	465	(2)	463
Waste Collection	1,164	-	1,164
Waste Disposal Depot	106 12	(80) (12)	26 -
	3,175	(289)	2,886

<b>Highways, Roads &amp; Transport</b>	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Highways/Roads (Routine)	132	(31)	101
On Street Parking	48	(76)	(28)
Off Street Parking	594	(701)	(107)
Public Transport	329	(65)	264
	1,103	(873)	230

<b>Housing Services</b>	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Housing Strategy	168	-	168
Private Sector Housing Renewal	383	(10)	373
Housing Advice	234	-	234
Registered Social Landlord Liaison	66	-	66
Homelessness	131	(60)	71
Housing Benefit Payments	8,750	(8,783)	(33)
Housing Benefit Administration	851	(461)	390
Revenues Investigation Section	132	(102)	30
Housing Revenue Account	10,022	(5,332)	4,690
	20,737	(14,748)	5,989

Income and Expenditure relating to Housing Revenue Account activities are contained on page 33.

### Consolidated Balance Sheet.

This statement is fundamental to the understanding of the Authority's financial position at the year-end. The Balance Sheet contains all the assets and liabilities of the Council.

### Statement of Total Movements in Reserves.

The statement of Total Movements in Reserves brings together all the recognised gains and losses of the Authority during the period and identifies those which have and have not been recognised in the Consolidated Revenue Account. The statement separates the movements between revenue and capital reserves.

The statement replaces the requirement for local authorities to show details of movements in capital reserves, including the Fixed Asset Restatement Account, the Capital Financing Account and usable capital receipts, in the notes to the balance sheet.

### Housing Revenue Account.

This account summarises the major elements of Housing Revenue Account expenditure and income relating to the Council's stock of dwellings.

### Collection Fund.

This account reflects the Council's statutory requirement to maintain a separate Collection Fund showing its transactions in relation to Non Domestic Rates and the Council Tax and illustrates the way in which they have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with other accounts of the Authority.

### Capital Expenditure and Financing.

Information relating to the Authority's capital expenditure and financing is set out in detail on page 21.

## **STATEMENT OF ACCOUNTING POLICIES**

The accounts have been prepared in accordance with the *2004 Code of Practice on Local Authority Accounting in the United Kingdom*, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with guidance notes issued by CIPFA on the application of accounting standards.

1. Changes in Accounting Policies.

There were no changes to accounting policies during the year except for the introduction of a new category of asset, Intangible Assets, to record such items as software licences.

2. The basis on which debtors and creditors are included in the accounts.

The revenue accounts of the Authority are maintained on an accruals basis in accordance with the Code of Practice. 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.

Grants are accrued in the accounts for the period when the expenditure to which they relate is charged. Where claims are not settled, the best estimate of grant income is used

Debtors included in the accounts are net of the Provision for Bad Debts.

3. Deferred Charges.

Capital Expenditure, which does not give rise to a tangible fixed asset, is classified as a deferred charge. These sums are written out of the accounts in the year they are incurred.

4. Allocation of central administration costs.

Costs of management and administration are allocated to the specific services to which they relate. Most relevant expenses were apportioned on the basis of staffing numbers. Office Accommodation and Central Support Services were allocated according to estimated usage.

5. Stocks and work in progress.

The Council does not hold any material stocks. Work in progress represents minor works carried out by the Council on behalf of individuals which has not yet been recovered, or for which amounts claimable on Insurance have not yet been received.

6. Government Grants.

Grants and subsidies receivable are credited to the appropriate revenue accounts and all known items due at 31 March 2005 are accrued.

Where the acquisition of a fixed asset is financed in part by a government grant, the amount of the grant is credited initially to the Government Grants Deferred Account (see Note 14 to the Consolidated Balance Sheet). Amounts are released from this account to

the Asset Management Revenue Account over the useful life of the asset, to match the depreciation charged on the asset to which it relates. The grants are accrued and credited to income in the same period in which the related expenditure was charged.

7. Capital receipts.

Capital receipts from the disposal of assets are allocated on a statutory basis between the proportion available for financing capital expenditure (useable) and that required to be set aside to repay debt (reserved). For 2004/05 a new system for the pooling of capital receipts from sales of housing properties was introduced to replace the previous set aside regime. Under this new system, reserved capital receipts are now paid to the Government (usually 75% of proceeds)

8. Pensions.

The majority of pension costs that are charged to the Council's accounts in respect of its employees represent the contributions paid to the funded pension scheme for those employees. Further costs arise in respect of certain pensions paid to retired employees on an un-funded basis. Information is now included within the accounts in respect of Financial Reporting Standard 17 (FRS 17). This shows the portion of assets and liabilities relating to Rochford District Council within the total pension fund managed by Essex County Council. Whilst this statement is not directly linked to the accounts of the Council, the results do show that there is a deficit in the Pension Fund managed by Essex County Council. This will lead to higher contributions by this Council in future years, following the determination of sums payable by the Actuary to the Essex County Council Pension Fund.

9. Fixed Assets

The Authority complies with the capital accounting requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Fixed assets consist principally of Council dwellings, land and buildings. Assets are included in the Balance Sheet at valuation, less depreciation where appropriate. Operational assets have been included in the Balance Sheet at the lower of open market value for existing use or depreciated replacement cost. Non-operational assets have been included at open market value. Community assets are included at historic cost.

Land and buildings are re-valued at least every five years in accordance with the Royal Institute of Chartered Surveyor's *'Manual of Valuation Guidance Notes'*. The majority of buildings are included at valuations provided by Savills Land and Property Limited (Members of the Royal Institute of Chartered Surveyors) as at April 2005. Depreciation is provided on Council dwellings, buildings and equipment and vehicles. The de minimis level for the capitalisation of all assets is £5,000.

Since 2000/2001 the Authority has operated a rolling programme of valuations on land and buildings enabling adjustments to be made based upon professional valuation advice.

Further details of the Council's fixed assets can be found in Note 2 to the Consolidated Balance Sheet

There are no leases applicable to the provision of any assets.

### 9.1 Council Dwellings

Properties have been valued on the basis of selecting a limited number of properties (Beacon properties) and applying the existing use value for social housing valuation to them (EUV-SH). These values are then applied to the total number of properties. FPD Savills Ltd carried out the valuations. The valuation date is 1 April 2005. The beacon valuation is £187m and the EUV-SH value £107m. See Note 10 to the Housing Revenue Account for further details.

### 9.2 Operational Assets

Car Parks are recorded at valuation based upon Open Market Value. The depreciation of car parks is now based on the value of the car park surface and is depreciated over 7 years.

For 2004/05 the operational assets of the Authority are based on valuations obtained by FPD Savills Ltd. The valuations are as at 1 April 2005.

### 9.3 Vehicles & Equipment

The Authority has adopted a de minimis level of £5,000 for assets such as vehicles, furniture, and equipment.

Vehicles and equipment valuation have been based on typical values given the age and condition of these assets.

### 9.4 Community Assets

Community Assets are recorded at a valuation based on Historic Cost, in accordance with the Code of Practice, with a de minimis of £5,000.

### 9.5 Non Operational Assets

This is a single property. The valuation is open market valuation undertaken by FPD Savills Ltd.

## 10. The basis of charges made to Revenue Accounts for Fixed Assets.

Asset rental charges are made to service revenue accounts at the minimum level required by the Accounting Code of Practice, based on depreciation (where applicable), plus a prescribed percentage (3.5% in 2004/2005 and 2003/2004) of net current value of all fixed assets used in the provision of the service. No charges are made in respect of Community Assets.

Depreciation rates are determined according to the life expectancy of individual assets.

## 11. Redemption of Debt.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately, as appropriations, on the face of the Consolidated Revenue Account, below Net Operating Expenditure.

It is not the policy of this Council to set aside more than the minimum required. This Authority redeems its debts as they become due, unless advised to do so by our appointed specialist Consultants.

12. Depreciation

Depreciation has been included within the Consolidated Revenue Account for operational assets, certain vehicles and items of equipment based on the life expectancy of individual assets.

Depreciation is included for General Fund Assets based on estimated useful life of the asset in question. These are 25-30 years for buildings, 7 years for car parks, based on the costs of surfacing and fencing, 5-18 years for vehicles.

From 2000/2001 depreciation has also been included for the housing stock. The depreciation included within the Housing Revenue Account is based on the calculations made by the Government in relation to the Major Repairs Allowance. The Authority has satisfied itself that this is a sound basis for the assessment of depreciation.

Depreciation is not included for Community Assets and Non Operational Assets.

13. Investments.

All investments are made in United Kingdom based fixed interest loans and are therefore shown at the cash value of the investment.

14. Reserves.

The system of capital accounting requires the maintenance of the following reserves in the Consolidated Balance Sheet:-

- I. The Fixed Asset Restatement Account, which represents principally the balance of the surpluses or deficits arising on the revaluation of fixed assets.
- II. The Capital Financing 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.

In addition, the Authority has earmarked reserves that are set aside for specific policy purposes, as explained on page 27 and balances that represent resources set-aside for purposes such as general contingencies and cash flow management.

15. Provisions.

The Authority sets aside provisions for specific future expenditure, which are likely, or certain, to be incurred.

16. Interest Charges

The Authority pays interest to the Housing Revenue Account using the average rate of interest earned for external investments.

**CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005**

2003/2004		Gross Expenditure	Gross Income	Net Expenditure
£000s		£000s	£000s	£000s
2,142	Central Services	6,313	(4,031)	2,282
(31)	Non Distributed Costs	413	(697)	(284)
6,108	Cultural, Environmental & Planning Services	8,319	(1,338)	6,981
171	Highways, Roads & Transport	1,103	(873)	230
6,413	Housing	20,737	(14,748)	5,989
<hr/>		<hr/>	<hr/>	<hr/>
14,803	<i>NET COST OF SERVICES</i>	36,885	(21,687)	15,198
759	Precepts paid to Parish Councils			797
(4,854)	Transfer to/from Asset Management Rev Account (Note 3)			(4,818)
(496)	Interest and Investment Income			(697)
-	Contribution of housing capital receipts to Government Pool			783
550	Pensions Interest Cost and Expected Return on Pensions Assets (Note 7)			487
<hr/>				<hr/>
10,762	<i>NET OPERATING EXPENDITURE</i>			11,750
(142)	Surplus/(Deficit) transferred (from)/to HRA Balances			288
43	Contribution to/(from) specific revenue reserves			532
32	Capital expenditure financed from revenue			32
(122)	Contribution from the Pensions Reserve			(166)
-	Transfer from Usable Capital Receipts for Housing Pooled Capital Receipts			(783)
	Movement on Capital Financing Reserve			
235	- Provision for repayment of external loans			-
(656)	- Deferred charges			(632)
80	- Deferred Grants			138
(2,044)	- Depreciation			(2,185)
<hr/>	<i>AMOUNT TO BE MET FROM GOVERNMENT</i>			<hr/>
8,188	<i>GRANT AND LOCAL TAXPAYERS</i>			8,974
(5,093)	Precept Demanded from the Collection Fund			(5,532)
(33)	Collection Fund Transfer for the (Surplus)/Deficit			(9)
(1,083)	Revenue Support Grant			(1,332)
(2,744)	Contribution from Non-Domestic Rate Pool			(2,159)
<hr/>				<hr/>
(765)	<i>(SURPLUS) / DEFICIT FOR THE YEAR</i>			(58)
<hr/>				<hr/>
(871)	Balance at 1 April 2004			(1,636)
(765)	(Surplus) / Deficit for the Year			(58)
<hr/>				<hr/>
(1,636)	Balance at 31 March 2005			(1,694)
<hr/>				<hr/>

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 1. Section 137 of the Local Government Act 1972 (As Amended)

Section 137 empowers a local authority, subject to limitations, to incur expenditure on activities for which it has no specific powers, but which it considers will bring direct benefit to the area, or any part of it or all or some of its inhabitants. No expenditure was incurred during 2004/2005.

### 2. Publicity

Set out below, under the requirement of S5(1) of the Local Government Act 1986, is the Council's spending on publicity:

	2003/2004 £000s	2004/2005 £000s
Town Planning:	13	11
General Administration	83	103
Community Liaison	32	29
Housing Revenue Account	-	15
<b>Total</b>	<b>128</b>	<b>158</b>

### 3. Asset Management Revenue Account

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

Transactions during the year were as follows:

	2003/2004 £000s	2004/2005 £000s
<u>Capital charges</u>		
General Fund	(1,792)	(1,865)
Housing Revenue Account (Item 8)	(6,150)	(6,084)
External Interest on Loans		1,084
Transfer from Deferred Government Grants	(80)	(138)
Provision for Depreciation	2,044	2,185
<b>Credit to Consolidated Revenue Account</b>	<b>(4,854)</b>	<b>(4,818)</b>

### 4. Agency Services

The Authority manages work on an agency basis for Essex County Council. The areas of work are:-

	2003/2004 £000s	2004/2005 £000s
Street Cleansing	1	1
Verge Maintenance	30	30

Total	31	31
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#### 5. Employee Remuneration

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

Remuneration Band	Number of Employees	
	2003/2004	2004/2005
£50,000 - £59,999	-	3
£60,000 - £69,999	2	2
£70,000 - £79,999	-	-
£80,000 - £89,999	1	1

#### 6. Members Allowances

The total amount paid during the year in respect of Members Allowances (basic allowance and special responsibility allowance) was £110,667 made up as follows:-

	2003/2004 £000s	2004/2005 £000s
Basic Allowance	65	86
Special Responsibility Allowance	15	21
Travel & Subsistence	5	4
Total	85	111

In 2004/2005, Allowances were increased following advice from the Remuneration Panel which is made up of persons independent of the Council.

Further information on the amounts paid to individual Members can be obtained by writing to the Corporate Director (Finance & External Services) at the address at the front of this report or on the Council's website at [www.rochford.gov.uk](http://www.rochford.gov.uk).

#### 7. Pensions (FRS 17) (see also Page 25 - Note 16 to the Consolidated Balance Sheet)

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

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

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pension. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the

Consolidated Revenue Account after Net Operating Expenditure. The following transactions have been made in the Consolidated Revenue Account during the year:

	2003/2004 £000s	2004/2005 £000s
<i>Net Cost of Service:</i>		
▪ Current service cost	(579)	(768)
▪ Past service costs	-	-
<i>Net Operating Expenditure</i>		
▪ (Gain) loss due to curtailments	(14)	(31)
<i>Analysis of amount credited to other finance income:</i>		
▪ Interest on pension scheme liabilities	(1,804)	(1,918)
▪ Expected return on assets in the pension scheme	1,254	1,431
<i>Amounts to be met from Government Grants and Local Taxation:</i>		
▪ Movement on Pensions Reserve	132	187
<i>Actual Amount charged against council tax for pensions in the year:</i>		
▪ Employer's contributions payable to scheme	1,011	1,099

Note 16 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 5 to the Statement of Total Movements in Reserves details the costs that arose through the year where the estimates made in preparing figures for previous years have had to be revised (eg the expected return on investments).

#### 8. Related Party Transactions

The Council is required to disclose details of transactions with related parties. 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. Members of the Council and Chief Officers are required to disclose information about any material contract and other relationships between them or members of their family or household and the Council. This information is gathered by way of a personal return.

During the year, the following transactions arose in respect of the Corporate Director (Finance & External Services):

Business Enterprise Agency – grant payment      £ 1,500

The Council also provided staff for the financial administration of the Crossroads Care Attendant Scheme in Rochford.

## 9. Building Control Trading Account

The Building Control (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. Rochford District Council sets charges for work carried out in relation to building regulations with the aim of:

- ⇒ recovering the full cost of operating a building control service, with the objective of breaking even over a three-year period; or
- ⇒ recovering at least 90% of the costs over a three year period, where the proper costs of the functions do not exceed £450,000, OR where at least 65% of the charges arising under Regulation 7 (Principles of the scheme) are in respect of the erection of small domestic buildings, certain garages, carports and extensions.

Certain activities performed by the Building Control department cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control service divided between the chargeable and non-chargeable activities.

	Non Chargeable 2004/2005 £000s	Chargeable 2004/2005 £000s	Total Building Control 2004/2005 £000s
<u>Expenditure</u>			
Employee Expenses	94	172	266
Transport	6	10	16
Supplies and Services	5	10	15
Central & Support Service Charges	33	61	94
<b>TOTAL EXPENDITURE</b>	<b>138</b>	<b>253</b>	<b>391</b>
<u>Income</u>			
Contribution from Reserve	(11)	-	(11)
Building Regulation Charges	-	(255)	(255)
Miscellaneous Income	(54)	-	(54)
<b>TOTAL INCOME</b>	<b>(66)</b>	<b>(255)</b>	<b>(321)</b>
<b>(Surplus) / Deficit for Year</b>	<b>73</b>	<b>(2)</b>	<b>71</b>
<b>Comparatives for 2003/2004</b>			
Expenditure	138	204	342
Income	(45)	(218)	(263)
Contribution to Reserve	-	10	10
<b>(Surplus) / Deficit for Year</b>	<b>93</b>	<b>(4)</b>	<b>89</b>

10. Disclosure of Audit Costs

In 2004/2005, the Council incurred the following fees relating to external audit and inspection:

Fees paid to:	2003/2004 £000s	2004/2005 £000s
PKF for external audit services	76	77
Audit Commission for statutory inspection	16	15
PKF for certification of grant claims and returns	25	32
PKF for other services provided.	-	2
Total	117	126

**CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2005**

2003/2004 £000s		NOTE	2004/2005 £000s	2004/2005 £000s
325	Intangible Assets	1		540
	Operational Assets	2		
109,565	-Council Dwellings			108,749
21,953	-Other Land and Buildings			22,831
109	-Vehicles & Plant			76
150	-Furniture & Equipment			98
295	-Community Assets			368
160	Non Operational Assets			160
<u>132,557</u>				<u>132,822</u>
110	Long Term Debtors	3		78
<u>132,667</u>	Total Long Term Assets			<u>132,900</u>
	Current Assets:			
47	-Rechargeable Works in Progress		25	
1,654	-Debtors	4	2,233	
11,510	-Investments		12,352	
67	-Deferred Asset	16	59	
738	-Cash and Bank	5	380	15,050
<u>146,683</u>				<u>147,951</u>
0	Current Liabilities:			
(357)	-Short Term Borrowing		(357)	
(3,389)	-Creditors	6	(3,400)	
(404)	-Bank Overdraft		(335)	(4,092)
<u>142,533</u>	Total Assets less Current Liabilities			<u>143,859</u>
(10,859)	Long Term Borrowing	7	(10,502)	
(127)	Deferred Credits		(95)	
(10,330)	Pensions Liability Account		(15,349)	
(13)	Other Provisions	8	-	(25,947)
<u>121,204</u>	Total Assets less Liabilities			<u>117,912</u>
112,106	Fixed Asset Restatement Account	9		112,442
11,558	Capital Financing Account			11,200
1,813	Usable Capital Receipts Reserve			1,363
454	Deferred Credit	14		1,387
2,068	Earmarked Reserves	17		2,828
191	Redundancy & Financial Strain Reserve			250
1,636	General Fund Balance			1,694
(10,330)	Pensions Reserve	16		(15,349)
685	Housing Revenue Account Balance			973
1,023	Collection Fund			1,124
<u>121,204</u>	Total Net Worth			<u>117,912</u>

**Signed:** .....

**Date:** .....

Corporate Director (Finance & External Services)      Chairman of the Council

**NOTES TO THE CONSOLIDATED BALANCE SHEET****1 Intangible Assets**

This heading is new for 2004/2005 and relates to the purchase of software licences. Intangible Assets are amortised to the service revenue account over a period of 5 years. The comparative figure for 2003/2004 has been adjusted to show the value of Intangible assets held as at 31 March 2004, which were previously carried as part of the Furniture & Equipment figure.

**2 Fixed Assets****(i) Capital expenditure comprised:**

	2003/2004 £000s	2004/2005 £000s
Housing Investment Programme:		
Major repairs and improvements	1,303	981
Cash incentive scheme	23	50
Assistance to Housing Associations	-	210
Other Services:		
Improvement grants	381	226
Information Technology	214	355
Vehicle, Plants and Equipment	46	65
Rayleigh Windmill	157	71
Council Reception Area	-	194
Public Conveniences	-	68
Town Centre Improvements	-	38
Leisure Facilities (Open Spaces & Playspaces)	255	577
Other miscellaneous items	92	81
	2,471	2,916
Less Items Classified as Deferred Charges	(823)	(802)
<b>Additions to Capital Assets</b>	<b>1,648</b>	<b>2,114</b>

**(ii) Capital expenditure was financed as follows:**

	2003/2004 £000s	2004/2005 £000s
Credit Approvals	508	-
Capital Receipts Applied	353	1,328
Grant	413	525
Major Repairs Reserve	1,165	1,031
Contribution from Revenue	32	32
<b>Total</b>	<b>2,471</b>	<b>2,916</b>

(iv) Movement of Fixed Assets

The following table provides information relating to the movement of fixed assets during the financial year.

	Council Dwellings £000s	Operational Assets £000s	Vehicles £000s	IT/ Equipment £000s	Community Assets £000s	Non Operational £000s	Total £000s
Valuation at 31 March 2004	110,639	22,737	147	346	295	160	134,324
Accumulated Depreciation	(1,074)	(784)	(37)	(197)	0	0	(2,092)
Net Book Value 31 March 2004	109,565	21,953	110	149	295	160	132,232
Movement in 2004/2005							
Additions	899	756	14	17	73	-	1,759
Revaluation	344	929	-	-	-	-	1,273
Impairments	-	-	(32)	-	-	-	(32)
Disposals	(903)	-	(3)	-	-	-	(906)
Gross Book Value	109,905	23,638	89	166	368	160	134,326
Depreciation in year	(1,156)	(807)	(13)	(68)	-	-	(2,044)
Net Book Value 31 March 2005	108,749	22,831	76	98	368	160	132,282

(v) Information on Assets Held:

The following table categorises the assets held by the Authority as at 31 March 2005:

Category	Number as at 31 March 2004	Number as at 31 March 2005
Council Dwellings:		
Council Housing Stock	1,776	1,763
Garages	442	441
Shops	3	3
Operational Buildings:		
Administrative buildings	3	3
Leisure buildings	5	5
Public conveniences	7	6
Open spaces (buildings)	10	10
Cemeteries (buildings)	1	1
Car parks (spaces)	1,073	1,093
Miscellaneous buildings	4	5
Vehicles	16	16
Non Operational	1	1
Community Assets:		
Open spaces (land) (acres)	242	242

3 Long Term debtors comprise:

	2003/2004 £000s	2004/2005 £000s
Mortgages	104	78
Loans to Outside Organisations	6	-
<b>Total</b>	<b>110</b>	<b>78</b>

4 Other Debtors comprise:

	2003/2004 £000s	2004/2005 £000s
Government Departments	629	868
Staff Car Loans	3	-
Mortgages	23	19
Sundry Debtors	853	1,277
Council Tax	548	732
National Non Domestic Rates	357	437
Rent Payers	154	112
Provision For Bad Debts	(913)	(1,212)
<b>Total</b>	<b>1,654</b>	<b>2,233</b>

5 Cash and Bank

The cash and bank in hand balance is £380,453. This comprises £1,110 petty cash, £3,006 overdrawn Giro account balance and £382,349 public sector reserve account balances.

6 Creditors comprise:

	2003/2004 £000s	2004/2005 £000s
Government Departments	559	240
Other Local Authorities	2	(127)
Mortgages	-	-
Leaseholders	48	18
Rent Payers	82	62
NNDR Payers	100	87
Council Taxpayers	384	418
Sundry Creditors	2,214	2,702
<b>Total</b>	<b>3,389</b>	<b>3,400</b>

7 Long-term borrowing comprises:

	2003/2004 £000s	2004/2005 £000s
Public Works Loans Board	10,859	10,502

By maturity, long-term borrowing comprises:

Maturing within:	2003/2004 £000s	2004/2005 £000s
1 - 2 years	357	357
2 - 5 years	1,070	2,192
5 - 10 years	8,632	7,153
10 + years	800	800
Total	10,859	10,502

The average interest rate on long-term borrowing at 31 March 2005 was 9.8%.

8 Provisions

The provision set up in 1999/2000 for Economic Development has been transferred to Earmarked Reserves.

9 Capital and Revenue Reserves

Movements on these are shown in the Statement of Total Movements in Reserves on page 29.

10 Trust Funds

The Council administers four small Trust Funds. These are the Dutch Cottage Trust, King George Playing Field Trust, Crossroads Care Attendant Scheme (Rochford Branch) and the Finchfield Trust. These trusts have nil balances within the accounts of the Authority except for the Finchfield Trust which has a balance of £31,917 invested in the General Fund, for which it receives interest and Dutch Cottage Trust which has a balance of £384.

11 Analysis of Net Assets Employed

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

	2003/2004 £000s	2004/2005 £000s
General Fund	120,519	116,939
Housing Revenue Account	686	973
Total Equity	121,205	117,912

12 Contingent Liabilities

There are no material Contingent Liabilities requiring disclosure

13 Euro

The Authority has not as yet costed the implications of any change to the Euro. This will depend on the programmed replacement of software over the coming years. Where new software is purchased we will ensure that it is Euro compliant. The Authority will keep this issue under review and react to the national timetable set by any Government.

14 Government Grants Deferred

The Authority received grants during the year towards capital expenditure:

	2003/2004 £000s	2004/2005 £000s
Balance brought forward 1 April 2004	(291)	(454)
Grants Received:		
Rayleigh Leisure Centre		(598)
Cherry Orchard Jubilee Country Park	(43)	(52)
E-Government	(200)	(350)
Thames Gateway Projects	-	(71)
Applied	80	138
Balance carried forward 31 March 2005	(454)	(1,387)

When a government grant is used for the financing of capital expenditure, a balance is established in this account to be released to revenue to set off the depreciation charge on the asset. This application of the grant is based on the depreciation policy and if no depreciation is charged, then the balance on this account will remain the same.

15 Deferred Asset

Arising from the early redemption of two loans from the Public Works Loan Board in December 2002, there are premiums of £86,857 and discounts of £12,745 applicable to the Housing Revenue Account. These will be amortised over 10 years.

16 Pensions

Note 7 to the Consolidated Revenue Account includes details of the Authority's participation in the Local Government Pension Scheme (administered by Essex County Council).

The underlying assets and liabilities for retirement benefits attributable to the authority as at 31 March 2005 are as follows:

	31/03/04 £000s	31/03/05 £000s
Estimated Liabilities in Scheme	(31,087)	(38,376)
Market Value of Assets	20,757	23,027
Net Asset / (Liability)	(10,330)	(15,349)

The liabilities show the underlying commitments that the Authority has in the long-run to pay retirement benefits. The total liability of £39m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, although there is still a positive

overall balance. Statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

The deficit will be made good by increased contributions over the remaining working life of the employees, as assessed by the scheme actuary.

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 on 31 March 2004.

The main assumptions used in the calculations have been:

	2003/2004	2004/2005
Rate of Inflation	2.8%	2.9%
Rate of increase in salaries	4.6%	4.4%
Rate of increase in pensions	2.8%	2.9%
Rate for discounting scheme liabilities	6.3%	5.4%

In previous years, the Rate for discounting scheme liabilities has been calculated on a discount rate set by HM Treasury. For 2004/2005, the discount rate used to put a value on liabilities and calculate the current service cost will be based on the redemption yields available on long dated AA-rated corporate bonds. The effect of this change in the discount rate as at 1 April 2004 is an increase in liabilities of £3,925,000.

The market values of each main class of assets held by the fund as at 31 March 2005 and the expected rate of return for the ensuing year are set out in the following table:

	Fair Value £000s	Expected returns
Equities	15,865	7.5%
Government Bonds	2,533	4.7%
Other bonds	1,359	5.4%
Property	2,625	6.5%
Other	645	4.75%
Total	23,027	

There is no provision for unitising the assets of a fund under the LGPS. The above assets as a whole are allocated to participating bodies on a consistent basis.

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

17. Earmarked Reserves

Earmarked Reserves	Balance at 1 April 2004 £000s	Movement in the Year £000s	Balance at 31 March 2005 £000s
Earmarked for Services	424	90	514
S106 Agreements	21	180	201
West Street Reserve	163	7	170
Crime & Disorder Reserve	116	(20)	96
Housing Benefit Reserve	79	142	221
HRA Reserves	38	164	202
Insurance	27	-	27
Major Repairs ( HRA)	218	108	326
Park Sports	500	-	500
Pension Equalisation Reserve	200	-	200
Planning Delivery Grant	120	53	173
Repairs & Maintenance	162	36	198
<b>Total</b>	<b>2,068</b>	<b>760</b>	<b>2,828</b>

Nature of substantial reserves, provisions and contingent liabilities.

- ⇒ Earmarked For Services – this represents funds set aside to provide finance for a variety of service related issues including training, IT strategy and sports and arts projects where they meet the following criteria:
- Budget provision had been specifically earmarked for the particular item in 2004/2005.
  - It had been planned to actually incur the expenditure in 2004/2005.
  - The fact that the expenditure had not been incurred was beyond the control of the service.
  - The sums for carry forward for each specific item must not normally be below £20,000 or be a sum that cannot be readily met from the following year's budget.
  - Balances relating to external funding made available to the Council for specific purposes.
- ⇒ S106 Agreements – these are funds being held under S106 agreements.
- ⇒ West Street Reserve – this reserve was established in 2003/2004 to hold funds pending the outcome of Compulsory Purchase Order proceedings.
- ⇒ Crime and Disorder Reserve – This reserve was introduced in 1999/2000 to provide finance for various crime and disorder projects.
- ⇒ Housing Benefit Reserve – this reserve was established in 2002/2003 to provide funds for the implementation of the Verification Framework, Tax Credits and Performance Standards and to provide funds to meet future subsidy deficits.

- ⇒ HRA Reserves – Reserves for Resource Accounting and Stock Option Appraisal were established in 2002/2003 and 2004/2005 respectively to identify and provide funds for these items.
- ⇒ The insurance reserve provides funds to cover unforeseen events which are not covered by the Council's insurance policies.
- ⇒ Major Repairs Reserve – This reserve was established in 2001/2002 to provide funds to cover the cost of major repairs and improvements for Housing Revenue Account properties.
- ⇒ Park Sports Centre Reserve – This reserve was established in 2001/2002 to provide finance for the redevelopment of this site.
- ⇒ Pension Equalisation Reserve – This reserve was established in 2003/2004 to provide funds to meet future increased pension contributions to cover the deficit in pension liabilities. See Note 16 on page 25 for further information.
- ⇒ Planning Delivery Grant – From 2003/2004 the Authority received grant funding towards improving planning services. This reserve holds the balance of grant.
- ⇒ Repairs & Maintenance Reserve – This reserve was established in 2000/2001 to provide funds to cover the cost of building works at various Council owned buildings.

## 17 Post Balance Sheet Events

These are events which occur between the balance sheet date and the date on which the Statement of Accounts are signed. There are no material post balance sheet events.

**STATEMENT OF TOTAL MOVEMENTS IN RESERVES YEAR ENDED 31 MARCH 2005**

2003/2004 £000s		Notes	2004/2005 £000s	2004/2005 £000s
	Surplus/(deficit) for the year:			
765	- General Fund		58	
(142)	- Housing Revenue Account		288	
41	- Collection Fund		101	
3	Add back Movements on specific Revenue Reserves		927	
2,779	Actuarial gains /(losses) relating to pensions		(4,832)	
(1,143)	Deduct Appropriation from Pensions Reserve		(1,286)	
<hr/>			<hr/>	
2,303	<b>Total increase/(decrease) in revenue resources</b>	1		(4,744)
156	Increase/(decrease) in useable capital receipts		(450)	
-	Increase/(decrease) in unapplied capital grants		659	
	<b>Total increase/(decrease) in unapplied capital resources</b>	2		209
14,696	Gains/(losses) on revaluation of fixed assets		1,274	
	Impairment Losses on fixed assets due to general changes in prices		(32)	
	<b>Total increase/(decrease) in unrealised value of fixed assets</b>	3		1,242
(2,791)	<b>Value of disposed assets</b>			(906)
1,033	Capital receipts set aside		564	
(363)	Revenue Resources set aside		(922)	
162	Movement on Government Grants Deferred		274	
111	Movement on Major Repairs Reserve		(108)	
	<b>Total increase/(decrease) in amounts set aside to finance capital investment</b>	4		(192)
1,011	Increase/(decrease) on Pensions Reserve			1,099
<hr/>			<hr/>	<hr/>
16,318	<b>Total Recognised Gains and (Losses)</b>			(3,292)

**NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES****1 Movements in Revenue Resources**

See Note 17 to the Consolidated Balance Sheet for a breakdown of the Earmarked Reserves.

	General Fund Balances £000s	HRA Balances £000s
(Surplus)/Deficit for 2004/2005	(58)	(288)
Appropriations to/(from) Revenue	-	-
Balance brought forward 1 April 2004	(1,636)	(685)
Balance carried forward 31 March 2005	(1,694)	(973)

	Earmarked Revenue Reserves £000s	Redundancy & Financial Strain Reserve £000s	Pensions Reserve £000s
Appropriations to/(from) Revenue	(760)	(59)	187
Actuarial Gains & Losses	-	-	4,832
Balance brought forward 1 April 2004	(2,068)	(191)	10,330
Balance carried forward 31 March 2005	(2,828)	(250)	15,349

**2 Movements in realised capital resources**

	Useable Capital Receipts £000s	Unapplied Capital Grants £000s
Movements in realised capital resources:		
Amounts receivable in 2004/2005	949	1,109
Amounts applied to finance new capital investment	(1,396)	(463)
Total increase/(decrease) in realised capital resources	(447)	646
Balance brought forward 1 April 2004	1,813	13
Balance carried forward 31 March 2005	1,366	659

The Useable Capital Receipts Reserve can only be used to meet expenditure designated as expenditure for capital purposes – see Consolidated Balance Sheet Note 2 for more details about capital expenditure.

3 Movements in Fixed Asset Restatement Account

	Fixed Asset Restatement Account £000s
Gains/(Losses on revaluation of fixed assets	1,274
Impairment Losses on fixed assets due to general changes in prices	(32)
Total increase/(decrease) in unrealised capital resources	1,242
Amounts written off fixed asset balances for disposals	(906)
Total movement on reserve	336
Balance brought forward 1 April 2004	112,106
Balance carried forward 31 March 2005	112,442

The Fixed Asset Restatement Account represents the unrealised gain arising from the revaluation of assets less the disposal of fixed assets. It cannot be called upon to support capital or revenue spending.

4 Movements in amounts set aside to finance capital investments

	Capital Financing Account £000s	Government Grants Deferred £000s	Total £000s
Capital receipts set aside:			
Reserved Receipts			
Useable Receipts applied	1,328		
Less Write down of Deferred Charges	(764)		
<b>Total capital receipts set aside</b>	564		564
Revenue Resources set aside:			
capital expenditure financed from revenue and grants	1,263		
reconciling amount for provisions for loan repayment	(2,185)		
<b>Total revenue resources set aside</b>	(922)		(922)
Unapplied Grants		659	
Grants applied to capital investment		412	
Amounts credited to Asset Management Revenue Account		(138)	
<b>Movement on Government Grants Deferred</b>		933	933
Total increase/(decrease) in amounts set aside to finance capital investment			575
Total Movement on reserve	(358)	933	
Balance brought forward 1 April 2004	11,558	454	
Balance carried forward 31 March 2005	11,200	1,387	

The Capital Financing Account and Government Grants Deferred Accounts cannot be called upon to support capital or revenue spending as they are reserves matched by fixed assets within the balance sheet.

## 5 Pensions Reserve

The actuarial gains identified as movements on the Pensions Reserve in 2004/2005, can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2005:

	2004/2005		2003/2004	
	£000s	%	£000s	%
Differences between the expected and actual return on assets	1,062	4.80	2,779	13.40
Differences between actuarial assumptions about liabilities and actual experience	(134)	0.30	-	-
Changes in the demographic and financial assumptions used to estimate liabilities	(5,760)	15.00	-	-

**THE HOUSING REVENUE ACCOUNT YEAR ENDED 31 MARCH 2005**

2003/2004 £000s		Notes	2004/2005 £000s
666	Supervision and Management General		1,037
656	Supervision and Management Special		664
461	Repairs Administration		391
1,030	Repairs		853
1,074	Depreciation	14	1,156
168	Deferred Charges	15	132
15	Increased Provision for bad or doubtful debts		-
<u>3,835</u>	Capital Charges	16	<u>3,806</u>
7,905			8,039
2,699	Rent Rebates		-
<u>38</u>	Debt Management expenses		<u>38</u>
10,642			8,077
(5,652)	Rents and Charges (Net)	5	(5,665)
(26)	Income from service charges		(30)
(100)	Allocation of Fees for Major Repairs		(100)
-	Reduced Provision for bad or doubtful debts		(19)
(1,999)	Subsidies	3	476
<u>2,865</u>	NET COST OF SERVICE		<u>2,739</u>
	Capital Charges		
(2,930)	Net HRA Income on the Asset Management Revenue Account		(2,949)
(10)	Pensions Costs		(22)
8	Amortised PWLB Premiums & Discounts	9	8
<u>(36)</u>	Investment Income		<u>(47)</u>
(103)	NET OPERATING EXPENDITURE		(271)
	Appropriations		
30	Revenue Contribution to Capital Outlay		-
(19)	Transfer from Major Repairs Reserve		(17)
<u>235</u>	Minimum Revenue Provision		<u>-</u>
<u>143</u>	(SURPLUS)/DEFICIT FOR THE YEAR		<u>(288)</u>
	Change in Balances		
828	Balance b/fwd		686
<u>686</u>	Balance c/fwd		<u>974</u>
<u>142</u>			<u>(288)</u>

### NOTES TO THE HOUSING REVENUE ACCOUNT

1. The Housing Revenue Account now appears in the new Resource Accounting format. This includes a sum to represent the use of assets in delivering the housing service. It also separates out the operational cost and income away from costs associated with assets and loan debt outstanding.

2. Major Repairs Allowance and Reserve

From 2001/2002 the accounts now include the Major Repairs allowance. This is a new basis of funding by the Government to provide for major repair, improvement and renovation to property. The funds are transferred to a Reserve Account. Any amounts not spent are carried forward to the programme for the following year. During 2004/2005 the reserve was utilised for the repair, improvement and conversion of existing property.

Major Repairs Reserve	2003/2004 £000s	2004/2005 £000s
Balance b/fwd	(329)	(218)
Income	(1,055)	(1,138)
Expenditure	1,166	1,031
Balance c/fwd	(218)	(325)

3. Subsidies

	2003/2004 £000s	2004/2005 £000s
Management & Maintenance	(1,694)	(2,092)
Minimum Revenue Provision	(246)	-
Debt Management	(38)	(39)
Interest	(1,214)	(1,226)
Interest on receipts	14	9
Rent element	4,916	4,992
Major Repairs Allowance	(1,055)	(1,139)
Housing Benefits grant	(2,676)	-
Prior year and adjustments	(6)	(29)
<b>Total</b>	<b>(1,999)</b>	<b>476</b>

4. The housing stock at 31 March 2005 comprised 1,763 dwellings. The average stock for the year was 1,770 dwellings.

Analysis of stock at 31 March 2005:

The housing stock is analysed below using the criteria employed by the Department of the Environment in Housing Subsidy calculations.

- Analysis by property type:

	1 Bed	2 Bed	3 Bed	4 Bed	Total
Flats	633	149	13	-	795
Houses/Bungalows	210	241	511	6	968
<b>Total</b>	<b>843</b>	<b>390</b>	<b>524</b>	<b>6</b>	<b>1,763</b>

- Analysis by date built:

	Pre 1919	1919-44	1945-64	After 1964	Total
Flats	10	2	95	688	795
Houses/Bungalows	13	162	512	281	968
Total	23	164	607	969	1,763

#### 5. Rents

Rents	2003/2004 £000s	2004/2005 £000s
Gross Dwelling Rents	4,772	4,969
Gross Non-dwelling Rents	142	147
Gross Charges for Services	751	658
Total	5,665	5,774

6. The Provision for Bad Debts was reduced from £95,300 to £75,900.

#### 7. Arrears

Rent Arrears	2003/2004 £000s	2004/2005 £000s
Current Tenants	122	85
Former Tenants	32	27
Total	154	112

8. The Council does not operate a Housing Repairs Account.

#### 9. PWLB Premium and Discounts

These relate to the early repayment of debt in 2002/2003, which incurred a premium of £89,556 and a discount of £13,141, which are being applied to the Housing Revenue Account over a period of 10 years.

	2003/2004 £000s	2004/2005 £000s
Balance b/fwd	74	66
Discount	(1)	(1)
Premium	9	9
Balance c/fwd	66	59

10. The Balance Sheet value of Council Dwellings is £109m. This is the value based on existing use as social housing. The valuation for vacant possession is £187m. The basis of valuation can be found on page 12.

11. Housing Capital expenditure was financed as follows:

	2003/2004 £000s	2004/2005 £000s
Major Repairs Allowance	1,166	1,031
Revenue Contribution	30	-
Credit Approvals	130	-
<b>Total</b>	<b>1,326</b>	<b>1,031</b>

12. Capital Receipts arising from the Housing Revenue Account were as follows:

	2003/2004 £	2004/2005 £
Sale of Dwellings	2,053	1,119
Repayment of Mortgages	20	31
<b>Total</b>	<b>2,073</b>	<b>1,150</b>

13. The Housing Revenue Account includes interest on housing debt and is calculated on the amount of debt outstanding on Housing Revenue Account assets. The interest on debt is calculated on the average debt of £12.5m at an interest rate of approximately 9.81%.

14. Depreciation

The Council has undertaken a review of depreciation for dwellings within the HRA using proper practices. The result has been compared with the Major Repairs Allowance (MRA). It is considered that the difference between the value for depreciation calculated and the MRA would not result in a material misstatement in the accounts, therefore the MRA has been used to represent the value for depreciation charge for HRA dwellings. The depreciation charge during the year for dwellings was £1,138,659. The remaining £17,300 relates to non-dwelling depreciation.

15. Deferred Charges represent assets which are not shown on the Balance Sheet. During 2004/2005 a sum of £132,327 was incurred as a deferred charge.
16. The Housing Revenue Account now receives a charge equal to 3.5% of the assets employed. The Revenue Account shows that this cost is taken into account when looking at the net cost of the service but is adjusted as part of the capital charge adjustment. Therefore there is no effect on the actual balance carried forward in the accounts.

**THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT****FOR THE YEAR ENDED 31 MARCH 2005**

2003/2004			2004/2005
£000s		NOTE	£000s
	<b>INCOME:</b>		
(32,439)	Income from Council Tax	1	(34,256)
-	Transfers from the General Fund:		-
(3,119)	- Council Tax Benefits		(3,631)
<u>(35,558)</u>			<u>(37,887)</u>
<u>(10,902)</u>	Income Collectable from Business Ratepayers	2	<u>(11,377)</u>
<u>(46,460)</u>	<b>TOTAL INCOME</b>		<u>(49,264)</u>
	<b>EXPENDITURE:</b>		
	<b>Precepts and Demands:</b>	3	
27,465	- Essex County Council		27,256
2,848	- Police Authority		3,035
-	- Fire Authority		1,722
5,125	- Rochford District & Parish Councils		5,541
	<b>Business Rates:</b>		
10,933	- Payments to Pool		11,200
84	- Cost of Collection Allowance		84
<u>46,455</u>			<u>48,838</u>
(37)	Movement on provisions for uncollectable amounts		325
<u>46,418</u>	<b>TOTAL EXPENDITURE</b>		<u>49,163</u>
	<b>Movement on Fund Balance</b>		
(982)	Surplus brought forward		(1,023)
(41)	(Surplus)/deficit for the year		(101)
<u>(1,023)</u>	<b>SURPLUS CARRIED FORWARD</b>		<u>(1,124)</u>

## 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 Council 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 (£155.16 in 2004/2005), was added to the basic amount due to the parish 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 45.6p in the £ of rateable value for 2004/2005 (44.4p in the £ for 2003/2004) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council 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 2005 was £32.1m compared to the comparable rateable value in 2003/2004 of £28.2m

### 3. Precepts on the fund:

	Precept £000s	Adjustment £000s	Total £000s
Essex County Council	27,210	46	27,256
Police Authority	3,030	5	3,035
Fire Authority	1,722	-	1,722
Rochford District & Parish Councils	5,541	-	5,541

Any surplus or deficit on the Fund is shared between the billing authority (this Council) and the precepting authorities (Essex County Council, Essex Police Authority and Essex Fire Authority) and is included in the calculation of Council Tax for the following year. The adjustments shown above relate to the distribution of balances in 2004/2005 arising from the previous year. The Fire Authority was part of Essex County Council prior to 2004/2005.

### 4. Uncollectable Debts.

Uncollectable debts of £26,741 for council tax and £9,624 for non-domestic rates were written off in 2004/2005.

1. Calculation of the Council Tax base for 2004/2005

Tax Band	Estimated Properties after adjustments	Proportion of charge	Band D Equivalent Properties
A	1,033	6/9	688.42
B	2,557	7/9	1988.39
C	10,103	8/9	8980.18
D	9,288	9/9	9287.75
E	4,435	11/9	5420.58
F	2,009	13/9	2902.32
G	1,046	15/9	1743.29
H	66	18/9	132.50
Total			31,143.43
Less Adjustment for Collection Rate			98%
Total Council Tax Base			30,520.56

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005**

2003/2004 £000s		Notes	2004/2005 £000s	2004/2005 £000s
	<u>Revenue Activities</u>			
	<u>Cash Outflow</u>			
5,162	Cash paid to and on behalf of employees		5,380	
-	Housing Subsidy		768	
31,072	Precepts paid		32,759	
11,236	Non domestic rate payments to national Pool (net)		12,503	
5,454	Housing Benefits paid out		5,577	
13,465	Other operating cash payments		11,487	
<u>66,389</u>				<u>68,474</u>
	<u>Cash Inflows</u>			
(3,056)	Rents after rebates		(2,847)	
(32,788)	Council Tax receipts		(34,526)	
(11,225)	Non domestic rate receipts		(11,500)	
(2,744)	Non domestic rate receipts from national pool		(2,159)	
(1,083)	Revenue Support Grant		(1,332)	
(7,873)	Housing Benefits grants		(12,274)	
	Other material Government grants			
(2,351)	Housing Subsidy		-	
(7,359)	Other operating income/cash receipts		(6,771)	(71,409)
<u>(2,090)</u>	<b>Net Cash Flow from Revenue Activities</b>	1		<u>(2,935)</u>
	<u>Returns on Investments and servicing of Finance</u>			
1,127	Interest paid to other bodies		1,084	
(480)	Interest received		(685)	
				<u>399</u>
	<u>Capital Activities - cash outflows</u>			
	Capital expenditure			
1,155	Purchase of Fixed Assets		2,811	
-	Purchase of long term investments		-	
348	Other capital cash payments		-	2,811
	<u>Capital Activities - Cash inflows</u>			
(2,392)	Capital receipts		(1,700)	
(67)	Capital grants received		(62)	
-	Other capital cash receipts		-	(1,762)
<u>(2,399)</u>	<b>Net Cash flow before financing</b>			<u>(1,487)</u>
	<u>Management of liquid Resources</u>			
1,790	Net increase(decrease) in short term deposits	4		842
	<u>Financing</u>			
357	Repayments of amounts borrowed	2	357	
-	New loans raised		-	357

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<u>(252)</u>	<b>Net (increase) / decrease in cash</b>	3	<u>(288)</u>
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**NOTES TO THE CASH FLOW STATEMENT**1. Reconciliation of surplus/deficit on the Consolidated Revenue Account to the revenue activities net cash flow

	2003/2004 £000s	2004/2005 £000s
(Surplus)/Deficit on:		
General fund	(470)	(58)
Housing Revenue account	142	(288)
Collection fund	(41)	(101)
	(369)	(447)
Adjustment for Non Cash Transactions		
Minimum Revenue Provision	(235)	-
Miscellaneous	(132)	(187)
Capital Creditors	(1,139)	(580)
Revenue Contribution to Capital Outlay	(1,543)	(1,063)
	(3,418)	(2,277)
Movement on funds and balances		
Increase / (decrease ) in stocks	35	(21)
Increase / (decrease ) in Debtors	264	579
(Increase) / decrease in creditors	(778)	(11)
(Increase ) / decrease in provisions	2,454	(806)
	(1,443)	(2,536)
Other Items in the cash flow statement		
Interest paid	(1,127)	(1,085)
Interest received	480	686
<b>Net Cash Flow from Revenue Activities</b>	<b>(2,090)</b>	<b>(2,935)</b>

2. Movement in Borrowing

	2003/2004 £000s	2004/2005 £000s
Long term Borrowing brought forward 1 April	11,216	10,859
Repaid During Year	-	-
New Borrowing	-	-
Classified as short term borrowing	(357)	(357)
Long Term Borrowing carried forward 31 March	10,859	10,502
Temporary Borrowing brought forward 1 April	357	357
Net movement for the year	(357)	(357)
Classified as short term borrowing	357	357
Temporary Borrowing carried forward 31 March	357	357
<b>Total Increase(decrease) in Borrowing</b>	<b>(357)</b>	<b>(357)</b>

3. Net (Increase) / Decrease in Cash

	31 March 2004 £000s	31 March 2005 £000s
Cash & Bank	411	(358)
Bank Overdraft	(159)	69
Net (Increase) / Decrease in Cash	252	(288)

4. Temporary Investments

	2003/2004 £000s	2004/2005 £000s
Balance brought forward 1 April	9,720	11,510
Balance carried forward 31 March	11,510	12,352
Increase in Temporary Investments	1,790	842

5. Housing Subsidies & Rent Rebates

Rent rebates are now accounted for within the General Fund and not the Housing Revenue Account. Housing Benefit payments and grants have therefore been amended. The change also turns Housing Subsidy from a receipt to a payment.

6. Summary of Government Grants

	2003/2004 £000s	2004/ 2005 £000s
Housing Benefits	(7,873)	(12,274)
Housing Subsidies	(2,351)	-
NNDR support from national pool	(2,744)	(2,159)
Revenue Support Grant	(1,083)	(1,332)
Total	(14,051)	(15,765)

## **STATEMENT ON INTERNAL CONTROLS**

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. 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 accountability, members and senior officers are responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

### **THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Rochford District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at the Council for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts.

### **THE INTERNAL CONTROL ENVIRONMENT**

The key elements on the internal control environment include:

- ◆ Production of a Performance Plan with 6 monthly progress reviews reported to Committee.
- ◆ Each committee sets out its Work Programme for the forthcoming year in order to achieve the objectives set in the Performance Plan and this Programme is regularly reviewed and reported on.
- ◆ Comprehensive budgeting process which integrates capital and revenue and takes place within a strategy approach.
- ◆ Regular reviews of performance information including performance indicators and service action plans in order to achieve the Authority's future plans.
- ◆ Regular reviews of financial information.
- ◆ Regular reviews of the systems and processes to deliver financial management.
- ◆ Appropriate and trained staff handling delegated functions and regular individual Performance Development Reviews.
- ◆ Formal risk assessment and evaluation. Identification of risks is a requirement of all committee reports.
- ◆ Relevant self-assessments of key service areas within the department

- ◆ Relevant internal audit reports and results of follow ups regarding implementation of recommendations. All recommendations following audit reports are monitored through the committee process.
- ◆ Monitoring and implementation of actions from reviews of services by other bodies including, Inspectorates, external auditors etc.
- ◆ Compliance with the Constitution, established policies, procedures, laws and regulations.
- ◆ Investors in People Accreditation across the whole of the Council.
- ◆ Production and monitoring of CPA Improvement Plan including self assessment work.

## REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The Corporate Director (Finance and External Services) is the Section 151 officer and has responsibility for maintaining a system of sound internal controls within the Authority that support the proper management of finance and the achievement of the Corporate financial objectives, and for reviewing their effectiveness. The Chief Executive is overseeing the implementation of the Corporate Risk Strategy.

The Council adopted a Local Code of Corporate Governance in July 2002 and a copy of the Code is on our website at [www.rochford.gov.uk](http://www.rochford.gov.uk). The Authority carries out an annual assessment of compliance with the Code. The assessment was overseen by the Corporate Director (Finance and External Services) in accordance with the CIPFA/SOLACE framework and reported to Committee in July 2004, together with the Action Plan for improving compliance.

The Authority has in place an internal audit section that report to the Chief Executive. They operate on a risk management basis and regularly report to the Finance & Procedures Overview & Scrutiny Committee. Internal audit, working with our appointed external auditors, provide opinions on the adequacy and effectiveness of the system of internal financial control.

## SIGNIFICANT INTERNAL CONTROL ISSUES

We are satisfied that except for the matters below a sound system of internal control has been in place throughout the financial year and is ongoing. The areas where internal controls need to be enhanced are as follows:

- ◆ Risk management still needs to be further embedded in the Authority. The Corporate Risk Group has reconvened and progress is being made towards defining the role and responsibilities of the group.
- ◆ A key potential risk for the Authority is not implementing the CPA Improvement Plan. This is fully recognised and being monitored at the highest level.
- ◆ Business continuity planning needs to be improved to ensure maximum continuation of services following disruptive events. This is still outstanding but the new Contingency

Planning & Health & Safety Manager will be leading on this and linking it with the Corporate Risk Group.

- ◆ The Council has received its Investors In People accreditation but still recognises the need to ensure continuous development of all staff to enable them to discharge their responsibilities within the Authority. To this end, a Workforce Development Plan is in place and being implemented.
- ◆ Performance Management needs to be clearly defined and embedded within the Authority. An action plan is in place to review current procedures but further work is required to define and implement a clear performance management system.
- ◆ There is evidence of new legislation being implemented and communicated but clear procedures on how it is communicated are not documented. Good examples of effective introduction of new legislation include Freedom of Information and High Hedges. Procedures for communicating new legislation will be discussed at OMT.
- ◆ A review of complaints has been undertaken and referred to OMT to discuss and further define how reports of information are managed and monitored.
- ◆ On an operational level there are some concerns over the security of the telephone system, staff visiting arrangements and lone working, which will be reviewed. With the development of E-procurement, procedures for authorisation and approval need to be regularly reviewed.
- ◆ Written procedures need to be constantly reviewed and updated across the Authority.

We will ensure that steps are taken to address the above matters in order to enhance the adequacy of the Authority's internal controls. We are satisfied that these steps will enhance the system of internal controls and will be monitoring to ensure their implementation and operation.

Signed: ..... Date: .....  
*Chief Executive*

Signed: ..... Date: .....  
*Chairman of the Council*

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Authority's Responsibilities**

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Corporate Director (Finance & External Services).
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the statement of accounts.

### **The Corporate Director (Finance & External Services) Responsibilities**

The Corporate Director (Finance & External Services) 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 Great Britain ('the Code of Practice')

In preparing this statement of accounts, the Corporate Director (Finance & External Services) has:

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

The Corporate Director (Finance & External Services) has also:

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

### **Opinion**

The statement of accounts presents fairly the financial position of Rochford District Council at 31 March 2005, and its income and expenditure for the year then ended.

Signed: .....  
*Corporate Director (Finance & External Services)*

Date: .....