
EXTERNAL AUDIT OF FINANCIAL STATEMENTS 2008/09

1 SUMMARY

- 1.1 The purpose of this report is to invite Members to give consideration to the External Auditor's report on the results of their audit of the Council's Financial Statements for 2008/09. This is attached at Appendix 1.
- 1.2 The external audit of the Financial Statements was not complete at the time of preparing this report so a verbal update will be given at the meeting.

2 INTRODUCTION

- 2.1 The draft Financial Statements for 2008/09 were approved by Council on 30 June 2009 for submission to the external auditors. Audit Committee received a report on 10 June 2009 on the variances against budget of more than £5,000.
- 2.2 In order for the Authority's external auditors to certify the Financial Statements in accordance with statutory timescales, it is necessary for Members to give consideration to the 'Report to those charged with Governance' at Appendix 1 to this report. The report has been prepared by PKF, the Council's approved external auditor, who will attend this meeting to present their findings.
- 2.3 In order to allow the Audit Committee to scrutinise the final Financial Statements, the final version is at appendix 2 to this report. The Statements are lengthy and technical with a lot of detail. Therefore although Members can ask questions at the meeting, if Members wish to raise specific questions they can also contact the Head of Finance, Audit & Performance Management direct (details at the end of this report) before the meeting.

3 MATTERS ARISING FROM THE AUDIT

- 3.1 The Financial Statements are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: a Statement of Recommended Practice (SORP). The external audit found that the way that the Council has been treating the capital accounting were incorrect and these are detailed in Appendix 1. As a result of these findings, there have been changes to the following accounting policies:
- 3.2 **Depreciation Policy for Car Parks** - Up to 2007/08, car parks were depreciated. The SORP does not require land to be depreciated. As the value of surfacing and fencing is not significant, the depreciation on these elements is not material, so depreciation will not be charged. There is no impact on General Fund balances as depreciation is a charge made to the cost of services which is then reversed out in the Statement of the Movement on the General Fund Balance.

- 3.3 **Valuation of Car Parks** - Up to 2007/08, car parks were valued on the basis of open market value. However, the SORP requires Car Parks to be valued on the basis of existing use value. This change in policy has resulted in the value of some car parks increasing while others decreased in value. As the net effect is not material, there is no prior year adjustment needed to the Financial Statements. This change impacts on the balance sheet value of assets but there is no impact on General Fund balances.
- 3.4 During the audit of the Financial Statements, it was identified that the accounting treatment of the impairment review of assets had been done incorrectly. With the assistance of PKF, the corrections have been made. The main impact is to reduce the Net Cost of Services on the Income and Expenditure Account by £2m as the impairment charge had been overstated. The most significant change is that the cost of Highways, Roads & Transport is £298,000, instead of the originally reported figure of £2.96m. However, because impairment is a capital accounting entry, it is reversed out below the Net Cost of Services and does not impact on the General Fund balance.
- 3.5 The main impact of these changes has been on the value of the Council's assets showing in the Balance Sheet. The value of assets is £37.981m compared to the originally reported figure of £35.29m.

4 2009/10 ACCOUNTS

- 4.1 The report highlights some areas for improvement around the preparation and presentation of the Council's Financial Statements, particularly in relation to definitions and interpretation, and these will be addressed for 2009/10.

5 REPRESENTATION OF THE COUNCIL

- 5.1 The Chairman of the Audit Committee has to sign an annual Statement on behalf of the Council, which is reproduced below.

5.2 Representations of the Council

We confirm to the best of our knowledge and belief, and having made appropriate enquiries of other officers and members of the Council, the following representations given to you in connection with your audit of the Council's Financial Statements.

5.3 Responsibility for the Statement of Accounts

- 5.4 We acknowledge our responsibilities to make arrangements for the proper administration of the Council's financial affairs and to approve the Statement of Accounts.

5.5 Uncorrected Misstatements

- 5.6 We have considered the uncorrected misstatements in the Statement of Accounts as listed in Appendix C to this letter, together with the explanations

provided by the Head of Audit, Finance and Performance Management for not correcting these misstatements, and we consider them to be immaterial to the view given by the Statement of Accounts.

5.7 Annual Governance Statement

5.8 We confirm that the Council has conducted a review during the year of the effectiveness of its system of internal control. We are satisfied that the Annual Governance Statement appropriately reflects the circumstances of the Council and includes an outline of the actions taken, or proposed, to deal with significant internal control issues.

6 RECOMMENDATION

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

- (1) That the report is noted and that implementation of any action plans be reported through the audit process.
- (2) That the Chairman of the Audit Committee can sign the Statement, as outlined in this report.

Yvonne Woodward

Head of Finance, Audit & performance Management

Background Papers:-

None.

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Accountants &
business advisers

Rochford District Council

Annual Governance Report

2008/09

September 2009

DRAFT

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Code of Audit Practice and Statement of Responsibilities of Auditors and Audited Bodies

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission contains an explanation of the respective responsibilities of auditors and of the audited body. Reports and letters prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body and no responsibility is taken by auditors to any member or officer in their individual capacity or to any third party.

1 Executive summary

- 1.1 We report to you in accordance with the provisions of International Auditing Standard 260, which requires us to report to “those charged with governance”, prior to issuing our opinion on the financial statements and giving our conclusion on the adequacy of your arrangements for securing economy, efficiency and effectiveness in your use of resources (our VFM conclusion).

Findings and conclusions

- 1.2 A summary of audit findings and conclusions is included in the table below:

Area of audit	Findings & Conclusion
Accounts	
Key financial systems	The key financial systems are adequate as a basis for preparing the financial statements and no significant control weaknesses were identified that impacted on our opinion.
Financial statements	<p>A material error of £2,630,425 was identified as a result of audit work, which related to the valuation and impairment of car parks, the correction of which reduced the Council’s reported deficit for the year by £2,573,302. There were a number of other material disclosure errors in the accounts which have been corrected but, as these only relate to the presentation of financial transactions and balances, these had no affect on the Council’s reported outturn.</p> <p>Some areas of work are still outstanding at the time of drafting this report. Should these result in any significant issues, we will give a verbal update to Members at the Audit Committee.</p> <p>We are satisfied that the Annual Governance Statement (AGS) is not inconsistent or misleading with other information we are aware of from our audit of the financial statements.</p> <p>A number of non-trivial, but not material, errors have been identified; those which the Council has not amended in the financial statements have been detailed in Appendix C. The majority of the errors identified are connected to the accounting treatment for fixed assets.</p> <p>Subject to satisfactory completion of the outstanding work, we anticipate issuing an unqualified opinion on the financial statements.</p>
Use of resources	
Use of resources assessment	Our provisional assessment for use of resources is that the Council is performing well in respect of governing the business and managing resources and adequately in respect of managing finances.
Data Quality	Management arrangements to ensure the quality of reported performance information are considered adequate.
VFM conclusion	We anticipate issuing an unqualified value for money conclusion.

Acknowledgement

- 1.3 We would like to thank the staff of the Council for the co-operation and assistance provided to us during the audit.

2 Introduction

- 2.1 This report summarises the results of our audit work completed to date in respect of the financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.
- 2.2 Our report is presented to Members in accordance with the provisions of International Auditing Standard 260 ("ISA 260") which requires us to report key findings from the audit to "those charged with governance", prior to issuing our opinion on the financial statements.

Findings

- 2.3 Detailed recommendations in response to the key findings identified by our audit are provided in the action plan at Appendix A. These recommendations have been discussed with appropriate officers and responses are included in the action plan where appropriate.
- 2.4 We would highlight that in this report we do not provide a comprehensive statement of all weaknesses that may exist in the accounting and control systems, but only those matters which have come to our attention as a result of the audit procedures performed. We have not restated recommendations already made by Internal Audit.

Independence

- 2.5 We confirm that we are not aware of any relationships that may bear on our independence and objectivity as auditor and that our independence declaration, included in the Annual Audit and Inspection Plan 2008/09, has remained valid throughout the period of the audit.

3 Accounts

Requirements

- 3.1 We are required to provide an opinion on whether your financial statements present fairly the financial position of the Council and its income and expenditure for the year, and whether they have been prepared properly in accordance with appropriate legislation.
- 3.2 We carry out procedures designed to obtain sufficient appropriate audit evidence to determine with reasonable confidence whether the accounts are free from material misstatement and evaluate the overall presentation in order to ascertain whether they have been prepared in accordance with relevant legislation and accounting standards.
- 3.3 We identify the principal areas of risk of material misstatement from our knowledge of the Council, of the environment in which it operates and from discussions with management. We address these risks by carrying out appropriate audit procedures.
- 3.4 We apply an appropriate level of materiality and as such the audit cannot be relied upon to identify all risks or potential and actual misstatements. Materiality is the expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.
- 3.5 We set a triviality level of £16,500 for the 2008/09 accounts audit and have not reported to you any matters arising below this level.

Accounts risks

- 3.6 The findings from our review of “significant” audit risks in relation to the financial statements identified in our audit planning - i.e. issues that have the potential to adversely affect the audit opinion and, therefore, require a tailored audit response - are summarised as follows:

Risk area	Overall conclusion
There is a risk that the VAT reclaim from Rochford Housing Association will be accounted for incorrectly.	We tested these receipts, which are included in Other Income in the Income and Expenditure account and found that they had been correctly accounted for as capital receipts.
Preparation of the financial statements has had to be completed one week early due to the Financial Services Manager's planned maternity leave, increasing the risk of material error in the accounts.	The appropriate independent senior staff checks had been carried out on the financial statements in line with the Council's timetable. A number of significant errors were identified during the audit but it is not possible to determine whether these stem from an early preparation of the financial statements. However, there were a number of presentational errors in the draft accounts that we would have expected to be identified and corrected during the internal review processes.
Internal Audit identified that Financial Services had not regularly evidenced, by initialling the Marketplace log, that they had checked the coding of orders placed. This reduces the audit assurance that can be taken from the effective operation of the control to mitigate the risk of material error in the classification of expenditure and creditors.	Absence of evidence of the operation of a control reduces the audit assurance that can be gained that it has operated effectively during the period and necessitates a substantive audit response as the control cannot be relied upon. The need to evidence checks completed was raised as a recommendation by Internal Audit and we have not repeated it. To gain assurance that the control operated in practice, even though it had not been evidenced, Internal Audit substantively checked the coding of orders and did not identify any errors in the sample tested. We concluded from this work that the financial statements were not materially misstated as a result of this issue.

Reporting to those charged with governance

- 3.7 In accordance with the requirements of International Standard on Auditing 260 ("ISA 260"), auditors are required to communicate relevant matters relating to the audit with those charged with governance. In particular we are required to report:
- qualitative aspects of **accounting practices and financial reporting**
 - final draft **letter of representation** to be agreed by management and those charged with governance
 - **uncorrected misstatements**
 - expected modifications to the **audit report**
 - material weaknesses in **accounting and internal control systems** identified during our work
 - **matters required to be reported by other auditing standards**
 - any **other audit matters of governance interest**.

- 3.8 Our comments in each of these areas are set out below:

Accounting practices and financial reporting

Application of accounting policies

- 3.9 The key changes introduced by the 2008 SORP were:
- the replacement of deferred charges with revenue expenditure funded from capital under statute
 - the prohibition of revaluing fixed assets on disposal
 - the clarification of Financial Reporting Standards 25, 26 and 29 relating to the accounting treatment for financial instruments
- 3.10 The Council has dealt with the implementation of these changes in an appropriate manner and assisted the audit in the review of the changes required. However, issues were identified with respect to the accounting policies for:
- Valuation of car parks
 - Depreciation.

- 3.11 These matters are explained in the following paragraphs in the order set out above:

Valuation of car parks

- 3.12 Our work identified that historically the Council's car parks have been valued at Market Value (MV). This is not in line with the SORP which states that operational, non specialised assets should be valued at Existing Use Value (EUV). Consequently, the Council requested and received revised car park valuations on the correct basis from Savills, the Council's Valuer.
- 3.13 Overall, the revaluation identified a net increase in the value of car parks as at 1 April 2008 of £130,146 (comprised of increased valuations amounting to £897,934 and decreased valuations amounting to £767,788). The net £130,146 valuation error has been amended. This amount is considered to be non-trivial but not material and so a prior period adjustment has not been made.

Depreciation

- 3.14 During the audit the Council identified that Car Parks had not been depreciated in line with its policy of depreciating the cost of surfacing and fencing the car parks on a straight line basis over 7 years. Instead the full value of car parks, including the land element, had been inappropriately depreciated by reference to the number of spaces in each car park.
- 3.15 Financial Reporting Standard 15 (FRS15) states that land should not be depreciated. Furthermore, through discussion with Savills, it was established that depreciation of the value of the non-land element would be immaterial. Consequently, and in line with the SORP, the Council has decided to amend its policy on car park depreciation so that it no longer depreciates these assets. An adjustment of £43,997 has been made to ensure all accumulated depreciation of has been written out and an amendment has been made to reduce the depreciation charge for the year by £44,001. As the amounts are not material to the accounts a prior period adjustment has not been made.
- 3.16 To ensure the accumulated depreciation remains immaterial to the financial statements, and the newly adopted depreciation policy remains appropriate, the Council will need to ensure these assets are subject to an annual desktop revaluation.
- 3.17 Our review of the fixed asset register identified that the Council had not complied with its depreciation policy for assets which had not been revalued in the year, depreciating them on a reducing balance basis rather than a straight line basis. As a result, depreciation charged on vehicles, plant, furniture and equipment was understated by £25,918 and amortisation of intangible assets was understated by £155,676. These are non-trivial but not material errors that have been amended.
- 3.18 Further issues were identified with the calculation of depreciation in year from our testing of transactions and balances. These have been detailed in that section of this report.

The accounts preparation process

- 3.19 The draft financial statements were approved by Members on 30 June 2009, which was the statutory deadline. As part of our planning for the audit, we prepared a detailed document request which outlined the information that we would require to complete the audit. The Council provided us with files of comprehensive working papers and draft accounts on 3 August 2009, the first day of the audit.
- 3.20 From our review of the working papers we concluded that the Council's Microsoft Excel based fixed asset register does not meet the requirements set out in the SORP guidance notes, which suggest that information should be kept on a gross basis, such as cost and accumulated depreciation. The Council's fixed asset register records this information on a net basis.

Testing of transactions and balances

- 3.21 As part of our audit approach, all material balances were subject to audit testing and agreement, on a sample basis, to supporting documentation. Issues arose in respect of the following matters, which we bring to your attention:
- Depreciation
 - Impairment.
- 3.22 These matters are explained in the following paragraphs in the order set out above:

Depreciation

- 3.23 For assets which had been revalued it was identified that the depreciation had been incorrectly calculated. The depreciation should be calculated on the current value of the asset, over its useful life, on a straight line basis. The fixed asset register was set up to calculate the depreciation on the historical cost and then adding the amount in the revaluation reserve. Consequently depreciation has been overstated by £48,122. This is included as an uncorrected misstatement in Appendix C.
- 3.24 A number of buildings were also identified as not being depreciated when they should be resulting in an understatement of the depreciation charge by £40,969. This non-trivial but not material error has been corrected.
- 3.25 Additionally, one of the assets not depreciated had a government grant attached to it which should have been amortised over its useful life. This resulted in an error of £45,332, which has been included in Appendix C as an uncorrected misstatement.

Impairment

- 3.26 The impairment charge to assets held at the end of the year was incorrect due to the impairment being calculated on the net book value of the assets before depreciation had been charged. This overstated the amount which had been charged to the Income and Expenditure account by £148,493. This non-trivial but not material error has been corrected.
- 3.27 In addition, the impairment on car parks was also found to be misstated as a result of the matters raised under application of accounting policies regarding the valuation basis of car parks (discussed above). As a result of the decision taken during the audit to change the valuation basis of car parks to EUV, the Council requested and received revised valuation figures for 1 April 2009 from the Valuer to use in the calculation of the impairment. These revised figures reduced the overall impairment on car parks by £2,630,425 which, in turn, reduced the impairment charged to the Income and Expenditure Account by £2,573,302. This is material to the Income and Expenditure account within the financial statements and has therefore been amended.

Adequacy of disclosures

- 3.28 We identified a number of departures from the expected presentation of the financial statements or where notes and other disclosures had not been presented in accordance with the SORP. All have been amended by the Council with no impact on the reported outturn position for the year. The most significant departures were in respect of:
- Pension costs
 - Benefit expenditure
 - Local authority business growth incentive grant
 - Opening cost and accumulated depreciation
 - Non operational assets
 - Revaluation of fixed assets
- 3.29 These matters are explained in the following paragraphs in the order set out above:

Pension costs

- 3.30 Included within Non-Distributed Costs gross expenditure in the Income and Expenditure Account were additional contributions made to the pension fund to reduce the deficit of £839,000. However, in line with Financial Reporting Standard 17 – Retirement benefits, these should be removed and the Past Service costs, as provided by the actuary, included. The net past service costs for the year was £49,000. The Council made an adjustment of £790,000 to reduce the contributions, but instead of netting down expenditure made the adjustment in the “income” column in the Income and Expenditure Account. This is a material disclosure error that has been corrected.

Benefit expenditure

- 3.31 The housing and council tax benefit system (Academy) nets overpayments recovered from ongoing entitlement of benefits paid to claimants. In order for benefit expenditure to be correctly shown as gross in the accounts, an annual adjustment is required to increase the benefit expenditure included within Other Housing Services to its gross value. The adjustment required for 2008/09 was £259,157. However, this was incorrectly posted to benefit subsidy income instead of to benefit expenditure. This is a non-trivial but not material disclosure error that has been corrected.

Local authority business growth incentive grant

- 3.32 This grant for £355,678 was included within Corporate and Democratic Core income in the Income and Expenditure Account. This grant is not for a specific purpose and, as such, should have been included in General Government Grants below Net Cost of Services.
- 3.33 In the Cash Flow Statement it was also identified that this grant had been included in Other Capital Grants. As this is not a capital grant, the Council has amended the cash flow to include an Other Government Grants line under Revenue Activities.
- 3.34 These are material disclosure errors that have been corrected.

Opening cost and accumulated depreciation

- 3.35 For vehicles, plant, furniture and equipment and intangible assets we identified that, although the net book value of the assets agreed to the fixed asset register, the opening cost and accumulated depreciation as at 1 April 2008 did not agree. The SORP states that if the historical cost of assets is not known then the carrying amount as at 1 April 2007 is to be taken as the historical cost from 1 April 2007 onwards. To correct this disclosure issue the Council has amended the opening cost and accumulated depreciation as if the value as at 1 April 2007 is taken as the historical cost. This reduces opening cost and accumulated depreciation by £473,000 on vehicles, plant, furniture and equipment and by £732,000 on intangible assets. This is a material disclosure error that has been corrected.

Non operational assets

- 3.36 In the draft set of financial statements 57 South Street, a non operational asset, was shown as transferring asset category from Available for Sale to Surplus Assets. However, neither of these are recognised asset categories as defined by the SORP, which has three categories for Non Operational assets, these being: Assets under Construction, Investment Properties and Surplus Assets Held for Sale. It was agreed with the Council that the asset should be classified as Surplus Assets Held for Sale.
- 3.37 The same asset was impaired at the beginning of the year by £135,000. However, this was incorrectly split in Note 12 to the core financial statements as a negative revaluation of £90,000 and an impairment of £45,000 when the full £135,000 should have been accounted for as an impairment. This is a non-trivial but not material error that has been corrected.

Revaluation

- 3.38 When assets are re-valued, the accumulated depreciation should be written down to £nil and the increase on the previous valuation taken to the fixed asset cost line in Note 12 to the core financial statements. Instead, the Council had erroneously included the full revaluation of £1,647,728 in the revaluation line in the gross cost and revaluation section of Note 12. This has been amended to write out the depreciation of £1,275,378 and increase cost of £372,350. This is a material disclosure error that has been corrected.

Letter of representation

- 3.39 The draft letter of representation has been attached as Appendix B. We do not anticipate any changes being required before providing our opinion on the financial statements.

Uncorrected misstatements

- 3.40 We set out at Appendix C all of the non-trivial misstatements which we noted during the course of our audit and which management do not intend to adjust. We will update this in advance of the Audit Committee meeting should we identify any additional items during the final clearance of outstanding issues.
- 3.41 We will obtain written representation, both from the Head of Finance, Audit and Performance Management and on behalf of the Audit Committee, of the reasons for not making the amendments noted in Appendix C.

Audit report

- 3.42 Subject to satisfactory resolution of the following outstanding issues and final clearance of the audit, we anticipate issuing an unqualified audit opinion on the accounts:
- Receipt of the pension fund auditor's letter of assurance
 - Completion of extended creditor cut off testing
 - Clearance of Manager and Partner review points.
- 3.43 We will provide a verbal update on these outstanding issues at the Audit Committee.

Accounting and internal control systems

- 3.44 We have reviewed the key financial systems, which contribute to the preparation of materially accurate financial statements, to assess the extent to which we can place reliance on them for this purpose. In carrying out this work we consider:
- the extent to which your accounting and internal control systems are a reliable basis from which to prepare the financial statements
 - the robustness of your accounts preparation processes.
- 3.45 In assessing the reliability of systems as a basis for providing financial information that is free from material misstatement, we prepared systems notes for each financial system and we evaluated the controls within those systems, with particular focus on assessing whether the controls in place to mitigate significant risks are suitably designed and operating as intended to meet their objective.

- 3.46 Your key financial systems are:
- Main accounting
 - Cash and bank
 - Payments and creditors
 - Non-contracting income and debtors
 - Payroll and employment costs
 - Council tax
 - Housing and council tax benefits
 - NNDR
 - Investments and investment income
 - Information technology
- 3.47 We also have a responsibility to give specific consideration to the potential risk of material misstatement of your financial statements due to fraud and error, including the risk of fraudulent financial reporting. This requires us to:
- review internal controls that are designed to prevent, or detect and correct, misstatements in the accounts
 - review the arrangements for preparing the financial statements
 - select and test transactions and balances, including review of significant balances against expectations and substantiate individual items
 - assess the significant estimates and judgements made by officers in preparing the accounts
 - consider the adequacy of presentation and disclosures included in the financial statements.
- 3.48 The primary responsibility for ensuring that your internal control frameworks are robust enough to prevent and detect material fraud and corrupt practices lies with management and those charged with governance.
- 3.49 Where possible, we have placed reliance on Internal Audit's work and thereby avoided unnecessary duplication of audit effort. To ensure this approach was valid, we have undertaken the following:
- reviewed Internal Audit's working papers and reports
 - considered the robustness of the key financial systems on the evidence of this work
 - re-performed Internal Audit's evaluation of controls and a sample of their testing of the effectiveness of controls, to ensure that their conclusions are soundly based.
- 3.50 In order to identify the fraud risks, and the controls you have put in place to mitigate those risks, we have:
- discussed your anti fraud and corruption arrangements with officers, and those charged with governance
 - considered the extent to which the work of Internal Audit is designed to detect material misstatements in the accounts arising through fraud
 - made enquiries regarding instances of actual fraud you have identified.
- 3.51 We were able to place reliance on Internal Audit's work for the testing of the effectiveness of specific controls.

Issues arising

- 3.52 A control weakness was identified within the creditors and payments system which had the potential to generate material error in the financial statements and, as such, was considered "significant" to the audit opinion. This weakness is outlined in the table at paragraph 3.6 above. In response, additional substantive testing was undertaken to gain assurance that material error had not occurred. We were able to place reliance on the work of Internal Audit, who completed the additional testing, in ensuring that the risks had been mitigated.

Conclusions

- 3.53 As a result of our work, we have concluded that the key financial systems are generally adequate as a basis for preparing the financial statements. All control weaknesses identified were previously reported by Internal Audit and recommendations have not, therefore, been repeated in Appendix A.
- 3.54 We did not identify any significant fraud risks that affected our audit programme for the financial statements.

Matters required to be reported by other auditing standards

- 3.55 There are no other matters arising from our work that we are required by other auditing standards to bring to the attention of those charged with governance.

Other audit matters of governance interest

Annual governance statement

- 3.56 The Council has a responsibility to publish a Governance Statement, including the outcome of a review of its effectiveness, with its 2008/09 financial statements.
- 3.57 We have reviewed the Annual Governance Statement and the supporting review of effectiveness that has been undertaken and we are satisfied that the Statement is not inconsistent with the evidence provided in the review of effectiveness and our knowledge of the Council.
- 3.58 All the information required in the Annual Governance Statement has been included. However, we would recommend that the Council review the structure of the statement to make it easier for the reader to understand what forms the governance arrangements and how assurances are taken from these arrangements.

International financial reporting standards

- 3.59 International Financial Reporting Standards (IFRSs) will be adopted in local government from 2010/11 and will require transitional arrangements to be put in place by the Council. Entities adopting IFRSs need to commence work to restate the balance sheet two years prior to the first year of reporting, that being a restatement of the balance sheet as at 31 March 2009.
- 3.60 Management should prepare for the adoption of IFRSs based on the Treasury timescales and ensure that staff have sufficient knowledge of IFRSs to restate the current financial statements. The Council have begun to review the potential impact of the change to IFRSs on their accounts and should now develop a formal timetable and detailed implementation plan.

4 Use of resources

- 4.1 The Audit Commission's Code of Audit Practice ('the Code') requires us to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money).
- 4.2 We are also required by the Code to undertake a use of resources assessment, the results of which are used to inform our VFM conclusion. The conclusion also draws on the results of local risk based audit, as well as consideration of the Council's processes underpinning its review of the effectiveness of its controls as described in the Annual Governance Statement.

Use of resources risks

- 4.3 The findings from our review of use of resources risks identified in our audit plan are summarised as follows:

Risk area	Findings and Conclusion
Health inequalities	<p>Following the issue of our joint Audit Commission and PKF report in March 2008, the Essex Chief Executives Forum collated an Essex-wide response to the Action Plan included in that report. We have undertaken a short review of local action-planning at Local Strategic Partnership (LSP) level, taking the Essex-wide Plan as a starting point and obtaining an understanding of how certain aspects, for example performance management, cascade from Local Area Agreement level through LSP working of the District Council with South East Essex PCT and other partners, to the individual contribution to targets of Rochford District Council.</p> <p>Our review considered a number of structural and other arrangements, changes already achieved and also other development plans being progressed. We concluded that the Council and the LSP are making good progress in this area. We intend to revisit Health Inequalities by way of a more in-depth follow-up review in 2009/10.</p>

Use of resources assessment

- 4.4 The Audit Commission have specified that auditors review the arrangements to secure economy, efficiency and effectiveness against their "Specified Key Lines of Enquiry for 2008/09" contained with the use of resources framework. This assessment comprises three themes that focus on:
- sound and strategic financial management
 - strategic commissioning and good governance
 - the management of natural resources, assets and people.

- 4.5 The use of resources assessment scoring mechanism is defined as follows:

Score	Judgement	Conclusion
1	Failure to meet minimum requirements	Performing inadequately
2	Meets only minimum requirements	Performing adequately
3	Exceeds minimum requirements	Performing well
4	Significantly exceeds minimum requirements	Performing excellently

4.6 The results of this work are used in forming our overall conclusion on VFM, as the KLOE for the scored use of resources assessment also form the criteria for the VFM conclusion.

4.7 The results of our work are set out in the table below:

Managing Finances	The organisation plans its finances effectively to deliver its strategic priorities and secure sound financial health	Yes	3
	The organisation has a sound understanding of its costs and performance and achieves efficiencies in its activities	Yes	2
	The organisation's financial reporting is timely, reliable and meets the needs of internal users, stakeholders and local people	Yes	2
	Weighted score		2
Governing the business	The organisation commissions and procures quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money	Yes	2
	The organisation produces relevant and reliable data and information to support decision making and manage performance	Yes	3
	The organisation promotes and demonstrates the principles and values of good governance	Yes	3
	The organisation manages its risks and maintains a sound system of internal control	Yes	2
	Weighted score		3
Managing Resources	The organisation is making effective use of natural resources	N/A	N/A
	The organisation manages its assets effectively to help deliver its strategic priorities and service needs	N/A	N/A
	The organisation plans, organises and develops its workforce effectively to support the achievement of its strategic priorities	Yes	3
	Weighted score		3

4.8 We will issue a separate report on the detailed findings from our use of resources assessment.

Value for money conclusion

4.9 Our conclusion is that adequate arrangements are in place to secure value for money.

Appendix A: Action plan

Conclusions from work	Recommendations	Priority	Management response	Responsibility	Timing
FINANCIAL STATEMENTS					
Fixed assets					
The fixed asset register does not collate the information required as per the SORP guidance notes. This will make accounting for capital transactions in the future more difficult.	1. Amend the current Microsoft Excel based fixed asset register to ensure it keeps all the gross accounting information required to produce accurate accounts, or consider implementing an IT software solution.	High	Accepted. The Council will consider an IT software solution which will also address the new IFRS requirements. The current register has been amended during the course of the audit to comply with the SORP guidance.	Financial Services Manager	February 2010
Nominal ledger					
The Council has had Dimensions (the main accounting system) in place since 2006/07. However, its full capability is not currently being utilised. Instead the Council is using a number of Microsoft Excel spreadsheets to manually amend the output from Dimensions at year end, increasing the risk of material misstatement due to human error.	2. Use Dimensions to its full capability to produce the financial statements.	High	Accepted. This had been the intention for 2008/09 but with the pressure to get the Accounts prepared before maternity leave commenced, it was necessary to continue with the current arrangements. Considerably more use was made of the Dimensions system for the preparation of the accounts this year than in previous years and this will continue to be developed for next year.	Financial Services Manager	April 2010

Conclusions from work	Recommendations	Priority	Management response	Responsibility	Timing
Annual governance statement					
The Annual Governance Statement does not clearly show the parts which form the Governance Framework and the arrangements in place to monitor the Governance Framework. Clearly defining these different parts of the arrangements will make it easier for the reader to understand the processes in place and their purpose.	3. Review the structure and content of the Annual Governance Statement to ensure it clearly defines the Governance Framework and the arrangements in place to monitor the effective operation of the framework.	High	The Statement is reviewed annually and this recommendation will be considered for the 2009/10 Statement.	Audit & Performance Manager	June 2010
International Financial Reporting Standards					
The Council has begun to prepare for the adoption of International Financial Reporting Standards but does not yet have a comprehensive implementation plan in place. Good preparation will help ensure that the restated financial statements in 2010/11 are free from material misstatement.	4. Prepare and monitor a formal timetable and action plan for implementing International Financial Reporting Standards.	High	The implications of IFRS for the Council have been identified and we have received feedback from PKF. A report on the timetable and action plan will be reported in to December's Audit Committee.	Financial Services Manager	December 2009

Conclusions from work	Recommendations	Priority	Management response	Responsibility	Timing
Debtors					
<p>Our review of benefit overpayments found that several debtors had repayment plans lasting an unfeasible length of time. For example, one debtor currently aged 67 has had a repayment plan agreed that lasts for 60 years.</p> <p>We considered the adequacy of the bad debt provision for benefit overpayments and overall are satisfied that this has no significant impact on the accounts. However, the Council should review its policy on the agreement of repayment plans and agree to write off uncollectable debt and place a maximum limit on the period over which repayment plans can be agreed.</p>	<p>5. Review the policy on agreement of repayment plans for benefit overpayments and set a maximum limit on the period of time over which repayment plans can be agreed.</p> <p>6. Consider each debt for which a repayment plan is being agreed and write off any amounts likely to be uncollectable.</p> <p>7. Review the policy for bad debt provision for benefit overpayments to identify whether a more detailed provision is appropriate, taking into consideration the payment plans rather than a set percentage for those within 1 year and those over 1 year.</p>	Medium	The policy will be reviewed and the recommendations will be considered as part of that review.	Revenues & Benefits Manager and Financial Services Manager	March 2010

Appendix B: Draft letter of representation

PKF (UK) LLP
16 The Havens
Ransomes Europark
Ipswich
Suffolk
IP3 9SJ

30 September 2009

Dear Sirs

Financial statements of Rochford District Council for the year ended 31 March 2009

Representations of the Head of Finance, Audit and Performance Management

I confirm to the best of my knowledge and belief, and having made appropriate enquiries of other officers and members of the Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2009.

Responsibility for the financial statements

I acknowledge as the Head of Finance, Audit and Performance Management and s151 Officer my responsibilities for the financial statements.

Completeness of information

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and committee meetings (held during the year and up to the date of this letter) have been made available to you.

Internal control

I acknowledge my responsibility for the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that are free from misstatement, whether arising from fraud or error.

Fraud

I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated as a result of fraud.

I am not aware of any fraud or suspected fraud affecting the financial statements, nor have any allegations of fraud or suspected fraud affecting the financial statements been communicated to me by employees, former employees, councillors, regulators or others.

Compliance with law and regulations

I am not aware of any possible or actual instances of non-compliance with laws or regulations whose effects should be considered when preparing financial statements of the Council.

Transactions with related parties

I confirm that I have put in place appropriate arrangements to identify related party transactions.

I am satisfied that the disclosure in the financial statements of related party transactions is appropriate and complete and contains all the elements necessary for an understanding of the financial statements.

Contingent liabilities

I am not aware of any significant contingent liabilities, including pending claims, proceedings or litigation involving the Council that have not already been disclosed in the financial statements.

Pension fund assumptions

I confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) scheme liabilities, as applied by the scheme actuary, are reasonable and consistent with my knowledge of the business. These assumptions include:

- | | |
|--|------|
| • Rate of inflation | 3.3% |
| • Rate of increase in salaries | 4.8% |
| • Rate of increase in pensions | 3.3% |
| • Rate for discounting scheme liabilities | 7.1% |
| • Take up option to convert the annual pension into retirement grant | 50% |

I also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities and that the obligation profile for the Council is not out of line with the profile of the bonds used to determine the discount rate.

Uncorrected misstatements

You have brought to my attention uncorrected misstatements in the financial statements as listed in Appendix 1 to this letter. I do not wish to correct these misstatements as I consider them to be immaterial to the view given by the financial statements.

Asset valuations

I confirm that the impairment percentages applied to the Council's fixed assets are reasonable and consistent with my knowledge.

Subsequent events

There have been no events since the balance sheet date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto. Should any material events occur, which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Yours faithfully

Yvonne Woodward

Head of Finance, Audit and Performance Management

Representations of the Council

We confirm to the best of our knowledge and belief, and having made appropriate enquiries of other officers and members of the Council, the following representations given to you in connection with your audit of the Council's financial statements.

Responsibility for the financial statements

We acknowledge our responsibilities to make arrangements for the proper administration of the Council's financial affairs and to approve the financial statements.

Uncorrected misstatements

We have considered the uncorrected misstatements in the financial statements as listed in Appendix 1 to this letter together with the explanations provided by the Head of Finance, Audit and Performance management for not correcting these misstatements, and we consider them to be immaterial to the view given by the financial statements.

Annual Governance Statement

We confirm that the Council has conducted a review during the year of the effectiveness of its system of internal control. We are satisfied that the Annual Governance Statement appropriately reflects the circumstances of the Council and includes an outline of the actions taken, or proposed, to deal with significant internal control issues.

Yours faithfully

Cllr Mrs J Mockford
Audit Committee Chair

Signed on behalf of the Council

Note: Appendix 1 referred to in this letter relates to Appendix C in this report

Appendix C: Uncorrected misstatements

The table below details the potential differences recorded during the audit that have not been adjusted for within the financial statements:

Uncorrected misstatements	Income Over/ (Under) £'000	Expenses (Over)/ Under £'000	Assets (Over)/ Under £'000	Liabilities Over/ (Under) £'000	Reserves Over/ (Under) £'000
Misstatements of fact (specific misstatements)					
Being the correction of the overstatement of depreciation charged on revalued assets.		(48)	48		(48)
Being the correction of the understatement of amortisation on government grants deferred.	(45)			45	(45)
Being the correction of errors identified in cut off testing of creditors and expenditure.		20	(62)	42	20
Misstatements of subjective decisions (estimates or application of accounting policy)					
None					
Likely misstatements (extrapolation of errors)					
None					
Total net misstatements	(45)	(28)	(14)	87	(73)
- Net overstatement of costs		(73)			
- Net overstatement of net assets			0		

Appendix D: Draft audit report

Independent auditors' report to the Members of Rochford District Council

Opinion on the financial statements

We have audited the accounting statements and related notes of Rochford District Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Head of Finance, Audit and Performance Management and auditors

The Head of Finance, Audit and Performance Management responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the Statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

[signature] _____

[date] _____

David Eagles

Partner, for and on behalf of PKF (UK) LLP
Ipswich, UK

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Auditors' Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority 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 in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, we are satisfied that, in all significant respects, Rochford District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

[signature] _____

[date] _____

David Eagles

Partner, for and on behalf of PKF (UK) LLP
Ipswich, UK

Financial Statements 2008/09



ROCHFORD DISTRICT COUNCIL
FINANCIAL STATEMENTS 2008/2009

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Further information about the accounts is available from:

The Head of Finance, Audit & Performance Management
Council Offices
South Street, Rochford
Essex SS4 1BW
financialservices@rochford.gov.uk

Joint welcome by the Leader of the Council and the Chief Executive

Welcome to the Rochford District Council Financial Statements for the year ending 31 March 2009.

The last year saw a dramatic economic downturn which has affected everyone and so Rochford saw reductions in some of its main income streams, namely planning, building control, land charges, parking fees and investment income. We have, however, managed to maintain good performance in a number of key areas, for example, in benefits where the number of applications has risen quite considerably.

The new recycling arrangements have been a great success and, thanks to the enthusiasm of our residents, recycling rates have risen to over 60% and with the planned rollout to flats this will increase further. Cherry Orchard Jubilee Country Park has grown in size as we purchased an additional 100 acres of land. With the help of local schools and residents, a further 34,000 trees have been planted on site.

In view of the decreased levels in income and the uncertainty around the recession we will continue to focus on maintaining and continuing to improve service delivery and working on key strategies which we hope will provide the framework for our future prosperity and wellbeing.

We hope you find the contents of this document useful and informative and we look forward to another successful year.



**Cllr Terry Cutmore
Leader**



**Paul Warren
Chief Executive**

Signed: _____ Signed: _____

EXPLANATORY FOREWORD

In order to assist readers of this lengthy document, there is a glossary on page 63, which explains the technical accounting terms used in the Financial Statements. If the Council has missed any, please let us know at the address at the end of this introduction.

The financial objective of balancing the budget and maintaining capacity is delivered through the Council's 5 year Medium Term Financial Strategy. The Council is achieving this even though it has significant financial pressures with a relatively low level of Government support and drops in income streams such as planning applications, building control inspections, land charge searches and investment income.

In September 2007, the Council underwent a Large Scale Voluntary Transfer (LSVT) of its council dwellings. This will therefore be the last year that a Housing Revenue Account (HRA) will be produced. The HRA statement on page 44 shows the final adjustment of housing subsidy for 2007/08 following the closure of the HRA. With effect from 1 April 2009, the balance in the HRA will be transferred into the General Fund.

The Council continues to need to have a financial structure in place to ensure that service delivery is maximised despite the financial pressures it faces. These Financial Statements contain not only the information in respect of 2008/09 but also, by identifying the Earmarked Reserves and General Fund balances, they demonstrate how the Council is laying the foundation for future service delivery.

The Council continues to demonstrate a sound track record in delivering efficiency savings. For the 3 years to 2007/08, the Council achieved a total of £950,800 in savings, against a target of £703,000. For 2008/09, the target was £380,000. The actual savings, which include efficiency savings, is £425,649.

Overall, for 2008/09, the Council has improved its position against forecasts on the General Fund. There was a net contribution from the balances of £1.14m, compared to a forecast contribution of £1.26m. The General Fund balance as at 31 March 2009 is £809,000, compared to a revised forecast of £687,000. This improvement of £122,000 was primarily due to additional Local Area Business Growth Incentive grant and a refund on VAT previously paid on parking penalty fines.

Rochford has continued to make good progress in delivering high quality services in a cost effective way and performs well compared to district councils nationally. The 2007/08 Performance Information Profile showed sustained improvements in 64% of PIs with 40% of performance indicators (PIs) in the best 25% of all English district councils. For 2008/09 the majority of these measures have maintained their good performance or improved further, with 80% either improved or maintained

The Council has increased the proportion of waste recycled, with the final figure for 2008/09 at 50%, a considerable improvement on the 2007/08 result of 19%. The Council has improved access to services and taken action to protect the most vulnerable people. The significant reduction in crime (-33% since 2004 - the largest decrease in Eastern England) continues with a further year on year drop of 8.9% for 2008/09.

The Council has historically been one of the top authorities in England for its Council Tax collection rate. The rate for 2008/09 was maintained at the same level as 2007/08, at 98.9%. This, together with the receipt of Government grants, ensured the funding of services.

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.

The main areas of capital expenditure in 2008/09 were grants to private residents for disabled adaptations to their homes, the purchase of the wheelie bins for the new recycling contract and improvements to the District's open spaces and playspaces.

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

The Financial Statements are split into the following areas:

- ⇒ Statement of Accounting Policies. These show the basis upon which the accounts are compiled.
- ⇒ The Income and Expenditure Account (I&E). This records all day to day expenditure and income for all the Council services accounted for in accordance with UK GAAP. This combines the General Fund and Housing Revenue Account.
- ⇒ Statement of the Movement on the General Fund Balance. This reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the General Fund Balance. It reflects the difference between accounting for the Council's activities in accordance with UK GAAP and what statute allows and requires to be funded by Council Tax payers.
- ⇒ Statement of Total Recognised Gains and Losses. This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.
- ⇒ The Balance Sheet and supporting notes. This shows the assets and liabilities of the Council as at 31 March 2009.
- ⇒ Cash Flow Statement. This shows the movements of cash for the year.
- ⇒ The Housing Revenue Account (HRA). This shows the income and expenditure in relation to Council housing accounted for in accordance with UK GAAP. Following the LSVT, this will be the last year that the Council publishes the HRA.
- ⇒ Statement of the Movement on the Housing Revenue Account Balance. This reconciliation statement summarises the difference between the outturn in the Housing Revenue Account Income and Expenditure Account and the Housing Revenue Account balance. It reflects the difference between accounting for the Council's activities in accordance with UK GAAP and what statute allows and requires to be funded by rents from council dwellings. Following the LSVT, this will be the last year that the Council publishes the HRA.
- ⇒ The Collection Fund. This records the total movement relating to Council Tax and National Non-Domestic Rates.

Changes from the previous year's accounting policies adopted in these Financial Statements can be found in note 1 on page 12.

A summarised version of the Financial Statements is published in the Council's newspaper, Rochford District Matters, and the Council's Annual Report.

If you have any comments or questions on the Financial Statements, please send them to:

Yvonne Woodward
Head of Finance, Audit & Performance Management
Rochford District Council
South Street
Rochford
Essex SS4 1BW

Or email: financialservices@rochford.gov.uk

Or Telephone: 01702 318029

General Fund – Net Expenditure Compared to Budget

	Original Estimate £000s	Revised Estimate £000s	Actual Exp/(Inc) £000s	Variance Rev - Act £000s
Central Services	3,230	3,520	3,254	265
Non Distributed Costs	743	842	236	607
Cultural, Environmental & Planning Services	9,942	9,628	9,478	150
Highways, Roads & Transport Services	342	419	296	123
Housing Services	1,663	1,517	1,874	(357)
Net Costs of Services	15,920	15,926	15,138	788
RHA Service Level Agreement	(192)	(145)	-	(145)
Revenue Contribution to Capital	-	-	8	(8)
General Contingency Provision	10	10	-	10
Staffing Strategy Savings	(300)	(150)	*-	(150)
Target Efficiency Savings	(380)	(180)	*-	(180)
Reversal of Capital Charges	(2,032)	(2,152)	(2,568)	416
Reversal of Government Grants Deferred	-	-	319	(319)
FRS 17 Retirement Benefits	-	-	537	(537)
Minimum Revenue Provision	44	44	44	-
Total	13,070	13,353	13,478	(125)
Interest Received	(725)	(837)	(744)	(93)
External Interest Paid	-	-	-	-
Contribution To/(From) Reserves	-	-	(348)	348
General Fund Expenditure	12,345	12,516	12,386	130
Parish Precepts	971	971	971	-
Net Expenditure	13,316	13,487	13,357	130
Contribution To/(From) General Fund Balances	(1,476)	(1,647)	(1,138)	(509)
Area Based Grant – Not Included in Budget	-	-	(379)	379
Amount to be met by Government Grant and Local Tax Payers	11,840	11,840	11,840	

Note: * are included in the above Net Cost of Service as the savings have been achieved.

NOTES TO NET EXPENDITURE COMPARED TO BUDGET

The General Fund balance at the end of 2008/09 was £809k after £348k was transferred from earmarked reserves. This compares to the estimated balance in the revised Budget Strategy of £687k. The Council has an objective to achieve a balanced budget over its 5 year budget strategy. A full report on movements against budgets was reported to Audit Committee on 10 June 2009.

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.

Summary	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Central Services	8,488	(5,234)	3,254
Un-apportionable Central Overheads	448	(212)	236
Cultural, Environmental & Planning Services	11,496	(2,018)	9,478
Highways, Roads & Transport Services	1,806	(1,510)	296
Housing Services	15,154	(13,280)	1,874
HRA	0	(1,201)	(1,201)
	37,392	(23,455)	13,937

Central Services - Corporate & Democratic Core	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Corporate Management	1,105	(67)	1,038
Democratic Representation	1,451	(39)	1,412
	2,556	(106)	2,450

Central Services - Other Operating Income & Expenditure	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Other Operating Income & Expenditure	-	(266)	(266)
	-	(266)	(266)

Central Services - Non Distributed Costs	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Non Distributed Costs	46	0	46
Central Support Costs	402	(212)	190
	448	(212)	236

Central Services to the Public	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Council Tax	809	(127)	682
Business Rate Account	92	(102)	(10)
Council Tax Benefits	4,486	(4,535)	(49)
Conducting Elections	174	-	174
Registration of Electors	122	(2)	120
Emergency Planning & Health & Safety	101	-	101
Local Land Charges	148	(96)	52
Community Services Client Account	-	-	-
	5,932	(4,862)	1,070

Cultural, Environmental & Planning Culture & Related Services	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Culture & Heritage	156	(5)	151
Leisure Premises	1,866	(41)	1,825
Woodlands	185	(40)	145
Maintenance of Grounds Holding Account	149	(154)	(5)
Management of Rec. Grounds & Open Spaces	964	(14)	950
Sports Development & Promotion	213	(114)	99
Leisure Client Account	143	(195)	(52)
	3,676	(563)	3,113

Cultural, Environmental & Planning Planning & Development	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Building Control Client Account	126	(1)	125
Building Control Fee Account	282	(198)	84
Development Control	1,297	(209)	1,088
Planning Policy	298	(2)	296
Corporate Policy	221	-	221
Environmental Initiatives	20	-	20
Economic Development	275	-	275
Community Development	345	(107)	238
Planning Administration	-	-	-
	2,864	(517)	2,347

Cultural, Environmental & Planning Environmental Services	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Cemeteries & Churchyards - Open	117	(123)	(6)
Cemeteries & Churchyards - Closed	74	-	74
Environmental Health	873	(17)	856
Licensing	129	(59)	70
Public Health	44	-	44
Public Conveniences	161	-	161
Hackney Carriage	73	(93)	(20)
Coast Protection	2	-	2
Street Cleansing	609	(29)	580
Waste Collection	2,497	(7)	2,490
Waste Disposal Depot	381 (4)	(610) -	(229) (4)
	4,956	(938)	4,018

Highways, Roads & Transport	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Highways/Roads (Routine)	119	(33)	86
On Street Parking	112	(165)	(53)
Off Street Parking	557	(1,097)	(540)
Public Transport	1,018	(215)	803
	1,806	(1,510)	296

Housing Services	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Housing Strategy	182	-	182
Private Sector Housing Renewal	546	(287)	259
Housing Advice	373	-	373
Registered Social Landlord Liaison	269	-	269
Homelessness	242	(131)	111
Housing Benefit Payments	12,325	(12,394)	(69)
Housing Benefit Administration	842	(463)	379
Revenues Investigation Section	375	(5)	370
Housing Revenue Account	-	(1,201)	(1,201)
	15,154	(14,481)	673

Apportioned Overheads	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Central Services - Telephones & Reception	(23)	-	(23)
Central Services - Postal & Office	-	-	-
Central Services - Filing	-	-	-
Central Services - Document Production	-	-	-
Office Accommodation - Rochford	20	-	20
Office Accommodation - Rayleigh	(4)	(12)	(16)
Financial Services	6	(6)	-
Human Resources	17	7	24
Property Maintenance	19	(19)	-
Works Account	-	-	-
Cashiers	9	(9)	-
Computer Services	318	(132)	186
Legal Services	40	(41)	(1)
Audit & Process Review	-	-	-
	402	(212)	190

STATEMENT OF ACCOUNTING POLICIES

The Financial Statements have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2008: a Statement of Recommended Practice, (2008 SORP)*, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA/LASAAC), and also with guidance notes issued by CIPFA on the application of accounting standards.

1. Changes in Accounting Policies.

Following the transfer of the Council's housing stock, there has been a significant reduction in the Council's capital expenditure. Therefore the policy has been amended to remove a de minimis on the level of expenditure to be classed as capital, and instead this will be reviewed for individual types of expenditure.

Under the 2008 SORP the Council has adopted the amendment to FRS 17, Retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than midmarket value. The effect of this change is that the value of scheme liability at 31 March 2007 has been restated from £18.273m to £18.302m, a decrease of £29k.

The Council has changed its depreciation policy for car parks as from 1 April 2007 to no longer charge depreciation, on the basis that any such depreciation would be immaterial annually and cumulatively. This change has been made on the basis that depreciation should not be charged on land (in accordance with Financial Reporting Standard 15) and the value of the non land element of the car parks is nominal.. The impact of this change in policy is not material and no prior period adjustment has been made.

2. Accruals for Income and Expenditure

The revenue accounts of the Council are maintained on an accruals basis in accordance with the SORP. This means that sums due to or from the Council 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.

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.

Where income and expenditure have been recognised in the Income and Expenditure Account, 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.

3. Revenue Expenditure Funded from Capital.

Capital Expenditure, which does not give rise to a tangible fixed asset or where the economic benefit of the asset cannot be controlled by the Council, is classified as revenue expenditure funded from capital. 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. The exception to this is that Non Distributed Costs are not recharged.

5. Government Grants.

Grants and subsidies receivable are credited to the appropriate revenue accounts and all known items due as at 31 March 2009 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. Amounts are released from this account into service expenditure over the useful life of the asset, to match the depreciation charged on the asset to which it relates. The grants are first accrued and then credited to income in the same period in which the related expenditure was charged.

6. 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).

7. Pensions.

Local Government Pension Scheme (LGPS)

The Council is a member of the LGPS which is a defined benefit scheme administered on behalf of the Council by Essex County Council.

The LGPS is a defined benefit scheme based on length of service and final salary.

Liabilities in the scheme that are attributed to the Council 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 projected earnings for current employees.

Liabilities are discounted to their value at current prices using a discount rate of 7.1% 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 are attributed to the Council are included in the balance sheet at their fair value, using either current bid price, professional estimate or market value for property.

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 – debited or credited to the Statement of Total Recognised Gains and Losses.
- 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 Statement of Movement on the General Fund Balance this means that 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 Council 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.

8. Intangible Assets

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).

9. Fixed Assets

Expenditure on the acquisition or enhancement of fixed assets has been capitalised on an accruals basis in the balance sheet.

Land and buildings are re-valued at least every five years. 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 2008.

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

- 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 or construction costs.
- Community Assets are recorded at a valuation based on Historic Cost.
- Car parks are valued on the basis of existing use value from 1 April 2008, prior to this, car parks were valued at open market value. The valuation policy and methodology have been changed in order to achieve greater compliance with the SORP. This change in policy has resulted in the value of some car parks increasing while others decreased in value on 1 April 2008. As the net effect is not material, no prior period adjustment has been made.

Further details of the Council's fixed assets can be found in Notes 12-18 to the Core Financial Statements.

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

9.1 Depreciation

Depreciation is charged to the General Fund 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:

- 20-30 years for buildings,
- 5-18 years for vehicles and
- 5-10 years for furniture and equipment.

Non-Operational Assets - In accordance with SORP "Surplus assets held for sale are not exempted from depreciation under FRS 15". The Council has only one asset in this category and the depreciation charged on this asset is on a straight line basis over its useful economic life of 30 years.

The Council has changed its depreciation policy for car parks. In line with the SORP, land is not depreciated. The value of the surfacing and fencing is not significant and therefore does not need to be depreciated. (See Note 1 on page 12).

10. Financial Instruments

All investments are short term (<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.

11. Reserves.

The system of capital accounting requires the maintenance of the following reserves in the Balance Sheet, these do not represent useable resources for the Council:-

- I. The Revaluation Reserve, which represents principally the balance of the surpluses or deficits arising on the revaluation of fixed assets.
- II. 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.

In addition, the Council has earmarked reserves that are set aside for specific policy purposes.

Building Control Account

Housing Reserve

Projects Reserve

Corporate Reserve

IT Strategy

Repairs and Maintenance Reserve

12. 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 from it.

INCOME AND EXPENDITURE ACCOUNT 2008/09

2007/08 Net Expenditure Restated (Note 33) £000s		Gross Expenditure £000s	2008/09 Gross Income £000s	Net Expenditure £000s
672	Central Services	5,932	(5,128)	804
(675)	Non Distributed Costs	448	(212)	236
7,131	Cultural, Environmental, regulatory & Planning Services	11,496	(2,018)	9,478
344	Highways & Transport Services	1,806	(1,510)	296
1,520	Other Housing Services	15,154	(13,280)	1,874
1,767	Corporate and Democratic Core	2,556	(106)	2,450
93,970	Housing Revenue Account	-	(1,201)	(1,201)
104,729	<i>NET COST OF SERVICES</i>	37,392	(23,455)	13,937
14	(Gain) or Loss on Disposal of Fixed Assets			(23)
897	Precepts of Local Precepting Authorities			971
607	Interest Payable and Similar Charges			-
(869)	Interest and Investment Income			(744)
(232)	Other Income			(488)
275	Contribution of Housing Capital Receipts to Government Pool			3
291	Pensions Interest Cost and Expected Return on Pensions Assets (Note 32)			962
105,712	<i>NET OPERATING EXPENDITURE</i>			14,618
(6,428)	Council Tax			(6,860)
(71)	Collection Fund Transfer for the (Surplus)/Deficit			(73)
(684)	General Government Grants (Note 11)			(978)
(4,074)	Contribution from Non-Domestic Rate Pool			(4,307)
94,455	<i>DEFICIT FOR THE YEAR</i>			2,400

STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months and accounted for in accordance with UK GAAP as set out in the SORP. However, the Council is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital expenditure is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than Council Tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the Council Tax that is raised for the year, taking into account the use of reserves built up in the past and contribution to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2007/08 £000s Restated (Note 33)		2008/09 £000s
94,455	Deficit for the year on the Income and Expenditure Account	2,400
	Net Additional Amount required by Statute and non-statutory proper practices to be debited or credited to the General Fund balance for the year	
(94,623)	Note 9	(1,262)
	(Increase)/Decrease in General Fund Balance for the year	1,138
(1,779)	General Fund Balance brought forward	(1,947)
<u>(1,947)</u>	General Fund Balance carried forward	<u>(809)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This Statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2007/2008 £000s Restated (Note 33)		2008/09 £000s
94,455	Deficit in Year on I&E Account	2,400
(3,178)	Surplus Arising on Revaluation on Fixed Assets	(1,528)
6,463	Actuarial (Gain) /Losses on Pension Fund Assets	(1,258)
(98)	/Liabilities	370
<u>97,642</u>	Any other (Gains) and Losses	<u>370</u>
	Total Recognised (Gains) and Losses for the Year	<u>(16)</u>
<u>97,642</u>	Movement on Balance Sheet	<u>(16)</u>

BALANCE SHEET AS AT 31 MARCH 2009

2007/08			2008/09	2008/09
£000s		NOTE	£000s	£000s
Restated (Note 33)				
406	Intangible Assets	18		204
	Operational Assets	12		
34,780	- Other Land and Buildings			35,013
134	- Vehicles, Plant, Furniture & Equipment			1,327
550	- Community Assets			1,332
	Non Operational Assets			
250	- Surplus Assets Held for Disposal			105
36,120				37,981
53	Long Term Debtors			47
36,173	Total Long Term Assets			38,028
	Current Assets:			
1,798	- Debtors	19	2,593	
12,635	- Investments		9,568	
771	- Cash and Bank		650	12,811
51,377				50,839
	Current Liabilities:			
(3,898)	- Creditors	20	(3,656)	(3,656)
47,479	Total Assets less Current Liabilities			47,183
(1,413)	Government Grants Deferred		(1,933)	
(18,302)	Pensions Liability Account		(17,470)	(19,403)
27,764	Total Assets less Liabilities	23		27,780
31,372	Capital Adjustment Account			30,747
2,785	Revaluation Reserve			4,871
4,016	Usable Capital Receipts Reserve			2,590
73	Deferred Credits			57
2,355	Earmarked Reserves			1,883
56	Redundancy & Financial Strain Reserve			-
1,947	General Fund Balance			809
(18,302)	Pensions Reserve			(17,470)
2,069	Housing Revenue Account Balance			3,270
1,393	Collection Fund			1,023
27,764	Total Net Worth			27,780

I certify that the accounts present fairly the financial position of the Council as at 31 March 2009 and the income and expenditure for the year then ended.

Date: 30 June 2009

Mrs Y E Woodward CPFA
Head of Finance, Audit & Performance Management

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

2007/08 £000s	Notes	2008/09 £000s	2008/09 £000s
As restated			
<u>Revenue Activities</u>			
Cash Outflow			
7,205		7,513	
922		-	
37,715		39,947	
13,757		13,961	
9,353		16,552	
275		3	
13,293		9,763	87,739
82,520			
<u>Cash Inflows</u>			
(3,016)		-	
(39,774)		(41,558)	
(13,117)		(14,214)	
(4,074)	39	(4,307)	
(684)	39	(600)	
(368)	39	(379)	
(15,708)	39	(16,451)	
-		(1,201)	
(6,961)		(6,930)	(85,640)
(1,182)	34		2,099
<u>Returns on Investments and Servicing of Finance</u>			
563		-	
(584)		(744)	(744)
<u>Capital Activities - Cash Outflows</u>			
Capital Expenditure			
371		1,879	
215		492	2,371
<u>Cash Inflows</u>			
(513)		(510)	
-		(313)	(823)
(1,130)			2,903
<u>Management of Liquid Resources</u>			
4,000	37	(2,782)	
<u>Financing</u>			
219	35	-	

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(3,300)	New Loans Raised	35	-	(2,782)
<u>(211)</u>	Net (Increase) / Decrease in Cash	36		<u>121</u>

NOTES TO THE CORE STATEMENTS

1. Acquired or Discontinued Operations and Outstanding Liabilities

The Council has not acquired or discontinued any operations during the year. Note 24 on page 33 gives details of a contingent liability in relation to the closure of the Council's Housing Revenue Account on 31 March 2008, following the transfer of the Council's housing stock in September 2007.

2. Publicity

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

	2007/2008 £000s	2008/2009 £000s
Town Planning	15	14
General Administration	84	67
Community Liaison	35	43
Highways Roads and Transportation	1	1
Housing Services	2	1
Environmental Services	-	7
Housing Revenue Account	2	-
Total	139	133

3. 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. The recovery of 90% of costs rather than recovery of full costs is a derogation from the principle of full cost recovery, and is allowed under the Building Control (Local Authority Charges) Regulations 1998 limit.

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.

Building Control Account

Non Chargeable	Chargeable	Total		Non Chargeable	Chargeable	Total
2007/08 £000s	2007/08 £000s	2007/08 £000s		2008/09 £000s	2008/09 £000s	2008/09 £000s
			<u>Expenditure</u>			
65	214	279	Employee Expenses	121	181	302
3	12	15	Transport	6	9	15
2	5	7	Supplies and Services	3	4	7
28	93	121	Central & Support Service Charges	45	66	111
98	324	422	TOTAL EXPENDITURE	175	260	435
			<u>Income</u>			
-	-	-	Contribution from Reserve Building Regulation Charges		(198)	(198)
-	(265)	(265)	Miscellaneous Income	(35)		(35)
(34)	-	(34)	TOTAL INCOME	(35)	(198)	(233)
64	59	123	(Surplus) / Deficit for Year	140	62	202
	27		With 90% Derogation		36	

The Building Control Account was set up in 2002/03 and each year, where applicable, the surplus is required to be ring fenced in a reserve. There is a deficit in the account at the end of the three-year period ending 2008/09 of £78,000. This takes into account the 90% derogation limit in the years that the Council has qualified.

4. Pooled Budgets

The Council does not operate any pooled budget arrangements. However, the Council is part of the Local Area Agreement (LAA). This sets out arrangements between Essex County Council (ECC) and Rochford District Council concerning funding streams designated for use by Rochford District Council and pooled as part of the Essex Local Area Agreement. Under LAA guidance, issued by what is now Communities and Local Government (CLG), ECC is the accountable body for these pooled funds. ECC, as accountable body, have to ensure the efficient and effective use of grant monies and needs to have assurance that funding is being used appropriately in line with relevant LAA outcomes. The Council will then use each element of grant money to support the achievement of relevant outcomes set out in the Essex LAA.

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 LAA Partners are:

- Local government bodies – All Essex Local Authorities.
- Community protection bodies – Essex Fire & Rescue Service, Essex Police.
- Health bodies – All Essex PCTs, all Essex NHS Trusts, Strategic Health Authority.
- Learning bodies – Essex Learning & Skills Council, Essex Southend & Thurrock Connexions, National Probation Service, Sport England, Haven Gateway, Thames Gateway, University of Essex, Drug & Alcohol Action Team, Youth Offending Service.
- Other bodies – Essex Council for Voluntary Youth Services, Essex, Suffolk, Thurrock Infrastructure Consortium, Families in Focus, Interlock, Essex Development and Regeneration Agency, Ixion Holdings.

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.

Funding amounts were:

- Crime Reduction: £102,300 for Rochford District Council.

The total amount for the scheme was £1,612,246 split over all member authorities.

5. Agency Income and Expenditure

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

	2007/08 £000s	2008/09 £000s
Street Cleansing	1	1
Verge Maintenance	34	33
Total Expenditure	35	34

6. 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:

	2007/08 £000s	2008/09 £000s
Basic Allowance	155	164
Special Responsibility Allowance	70	118
Travel & Subsistence	8	5
Total	233	287

Further information on the amounts paid to individual Members can be obtained by writing to the Head of Finance, Audit & Performance Management at the address at the front of this report or on the Council's website at www.rochford.gov.uk.

7. Officers' Emoluments

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

Remuneration Band	Number of Employees	
	2007/08	2008/09
£50,000 - £59,999	1	2
£60,000 - £69,999	6	5
£70,000 - £79,999	-	1
£80,000 - £89,999	1	-
£90,000 - £99,999	1	2
£100,000 - £109,999	-	-
£110,000 - £119,999	1	1

The change in total numbers relates to pay increases pushing an additional employee into the specified bandings. Additionally a senior post had been vacant for a substantial period prior to 2008/09, therefore there were no payments for inclusion in the table for this post in 2007/08.

The movements between bands are due to pay increases.

8. Related Parties

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 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 there were no transactions to be disclosed with regard to Member or Officer relationships.

The Council has received a number of grants in the year from Central Government, details of these can be found in Note 39 to the Core Statements.

The Council also collects money on behalf of other precepting bodies; these are Essex County Council, Essex Police Authority and Essex Fire Authority. Details of these can be found in the Collection Fund.

Note 32 details transactions incurred by the Council in relation to Retirement Benefits. These transactions occur between this Council and Essex County Council.

There were no other related party transactions requiring disclosure.

9. Breakdown of Reconciling Items in the Statement of Movement on the General Fund Balances

2007/08 £000s Restated (Note 33)		2008/09 £000s
(1,779)	General Fund Balance Brought Forward	(1,947)
94,455	Income and Expenditure Surplus / (Deficit)	2,400
	Amounts included in the Income and Expenditure Accounts but required by statute to be excluded when determining the Movement on the General Fund	
(109,020)	Depreciation and Impairment of Fixed Assets	(1,735)
155	Government Grants Deferred Amortisation	319
(499)	Revenue Expenditure Funded from Capital Under Statute	(834)
(14)	Net Gain / Loss on Fixed Assets	23
885	Amount by which Pension Costs are different to Contributions	(425)
13,225	LSVT Notional Receipt for Debt Repayment	-
232	Unattached Capital Receipts	488
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining Movement on the General Fund Balance	
21	Minimum Revenue Provision for Capital Financing	44
316	Capital Expenditure charged to General Fund	8
(275)	Transfer from Usable Capital Receipts equal to amount payable into Housing Capital Receipts Pool	(3)
	Transfers to or from the General Fund Balance required to be taken into account when determining the movement on the General fund	
191	Housing Revenue Account Balance	1,201
204	Net Transfer to or (from) Earmarked Reserves	(348)
(44)	Financial Instrument Adjustments	-
(168)	Movement on General Fund Balance	1,138
<u>(1,947)</u>	General Fund Balance Carried Forward	<u>(809)</u>

10. Audit Costs

The following fees relate to Audit and Inspection works to the Council for 2008/09:

	2007/08 £	2008/09 £
Fees paid to PKF for External Audit Services	124,900	122,750
Fees paid to Audit Commission for Statutory Inspection	25,608	21,661
Fees paid to PKF for Certification of Grant Claims and Returns	35,000	35,632
Fees paid to Audit Commission for other Services Provided	1,338	1,600
Fees paid to PKF for Data Quality check on Performance Indicators	-	4,055
Total	186,846	185,698

11. General Government Grants

	2007/08 £000s	2008/09 £000s
Revenue Support Grant	684	599
Area Based Grant	-	23
Local Area Business Growth Incentive	-	356
Total	684	978

12. Summary of Capital Expenditure and Fixed Asset Disposals

	Operational Assets			Non Operational	Total £000s
	Other Land & Buildings £000s	Vehicles, Plant Furniture and Equipment £000s	Community Assets £000s	Surplus Assets Held for Disposals £000s	
Cost or Valuation					
At 1 April 2008	36,055	167	550	250	37,022
Additions	16	1,233	782	-	2,031
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
Revaluations	503	-	-	-	503
At 31 March 2009	36,574	1,400	1,332	250	39,556
Depreciation and Impairments					
At 1 April 2008	(1,275)	(33)	-	-	(1,308)
Charge for 2008/09	(1,320)	(40)	-	(8)	(1,368)
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
Impairment	(241)	-	-	(137)	(378)
Revaluations	1,275	-	-	-	1,275
At 31 March 2009	(1,561)	(73)	-	(145)	(1,779)
Balance Sheet					
Amounts at 31 March 2009	35,013	1,327	1,332	105	37,777
Balance Sheet					
Amount at 1 April 2008	34,780	134	550	250	35,714

All assets are 100 % owned by the Council.

Capital Expenditure Comprised:

	2007/08 £000s	2008/09 £000s
Housing Investment Programme:		
Major Repairs and Improvements	273	-
Other Services:		
Improvement Grants	317	350
Information Technology	103	35
Vehicle, Plants and Equipment	73	1,233
Improvements to Operational Assets	113	231
Leisure Facilities including Open Spaces & Playspaces	87	829
Town & Village Improvements	-	4
Car Parks	-	42
West Street	-	176
	966	2,900
Less: Items Classified as Revenue Expenditure Funded from Capital	(499)	(834)
Additions to Capital Assets	467	2,066

The additions for 2008/09 relate to £2,032k Tangible Assets (Note 12), and £35k Intangible Assets (Note 18).

Capital Expenditure was Financed by:

	2007/08 £000s	2008/09 £000s
Capital Receipts Applied	305	1,950
Sundry Creditor Reversals	42	8
Increase in Capital Financing Requirement	-	-
Grant	208	766
Major Repairs Reserve	273	-
Contribution from Revenue and Reserves	138	176
Total	966	2,900

13. Movements of Revenue Expenditure Funded from Capital

Capital Expenditure, which does not give rise to a Tangible Fixed Asset, is classified as a Revenue Expenditure Funded from Capital and charged to the individual revenue service accounts. These sums are reversed out in the Statement on the Movement on the General Fund Balance. In 2008/09, these totalled £834,050

14. Commitments Under Capital Contracts

There are no capital commitments under capital contracts at the year end.

15. Information on Assets Held

The following table categorises the assets held by the Council as at 31 March 2009:

Category	Number as at 31 March 2008	Number as at 31 March 2009
Operational Buildings:		
Administrative Buildings	3	3
Leisure Buildings	7	7
Public Conveniences	7	7
Open Spaces (Buildings)	10	10
Cemeteries (Buildings)	1	1
Car Parks	11	11
Miscellaneous Buildings	5	5
Vehicles	10	11
Community Assets:		
Open Spaces (Land)	10	10
Non Operational:		
Asset Surplus to Requirement	1	1

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16. Valuation Information

An external body, Savills Land and Property Ltd, 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 each year, all operational assets are subject to a desk top review, and therefore all have some form of revaluation each year. There are also material assets, i.e. Leisure Centres, that are fully revalued annually.

Due to this the current value would be that shown in Note 12.

17. Changes in Depreciation Methods

The Council has changed its depreciation policy for car parks. In line with the SORP, land is not depreciated. The value of the surfacing and fencing is not significant and therefore does not need to be depreciated. (See Note 1 on page 14).

18. Intangible Fixed Assets

This relates to the purchase of software licences. The cost of Intangible Assets is written off to the service revenue account over a period of 5 years.

Movement in Intangible Fixed Assets:

Purchase Software Licences	2008/09 £000s
Accumulated Cost	604
Amortisations to 1 April 2008	(198)
Balance at 1 April 2008	406
Expenditure in year	35
Written off to Revenue in year	(237)
Balance at 31 March 2009	204

19. Debtors Comprise:

	2007/08 £000s	2008/09 £000s
Rechargeable Works in Progress	163	35
Government Departments	124	83
Other Local Authorities	80	518
Mortgages	13	10
Sundry Debtors	1,054	1,510
Trade Debtors	263	291
Council Tax	780	823
National Non Domestic Rates	286	492
	2,763	3,762
Provision For Bad Debts	(965)	(1,169)
Total	1,798	2,593

20. Creditors Comprise:

	2007/08 £000s	2008/09 £000s
Government Departments	410	358
Other Local Authorities	413	318
Leaseholders (RHA)	48	-
NNDR Payers	124	120
Council Taxpayers	340	423
Sundry Creditors	2,563	2,437
Total	3,898	3,656

21. Analysis of Net Assets Employed

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

	31 March 2008 £000s Restated	31 March 2009 £000s
General Fund	27,813	27,780
Housing Revenue Account	(49)	-
Total Equity	27,764	27,780

22. Long Term Borrowing

The Council repaid all its long term borrowing in 2007/08 and have not taken on any new debt.

23. Earmarked Reserves

Earmarked Reserves	Balance at 31 March 2008	Movement in the Year	Balance at 31 March 2009
	£000s	£000s	£000s
Corporate	594	(175)	419
Housing	161	(33)	128
IT Strategy	250	63	313
Projects	1,026	(158)	868
Repairs & Maintenance	131	(1)	130
West Street	193	(168)	25
Total	2,355	(472)	1,883

Reserves

Reserve	Balance 1 April 2008 £000s Restated	Revenue Movement in Year	Transfer to/from Other Reserves	Balance 31 March 2009 £000s	Purpose of Reserve
Capital Adjustment Account	31,372	(2,929)	2,304	30,747	Store of capital resources set aside to meet past expenditure
Useable Capital Receipts	4,016	508	(1,934)	2,590	Proceeds of fixed assets sales available to meet future capital investment
Revaluation Reserve	2,785	2,260	(174)	4,871	Record all Revaluation Transactions for Assets
Redundancy and Financial Strain Reserve	56	(56)	-	-	Reserve to meet financial demands.
Pensions Reserve	(18,302)	832	-	(17,470)	Balancing account to allow inclusion of Pension Liability in the Balance Sheet
Housing Revenue Account	2,069	1,201	-	3,270	Resources available to meet future running costs for Council Houses
General Fund	1,947	(1,138)	-	809	Resources available to meet future running costs for non-housing services
Collection Fund	1,393	(370)	-	1,023	Balance of Council Tax and NNDR received for redistribution to precepting bodies.
Deferred Credits	73	-	(16)	57	Resources relating to Fixed Assets not yet received.
Earmarked Reserves	2,355	(292)	(180)	1,883	Resources ring fenced to meet specific objectives.
Total	27,764	(16)	-	27,780	

24. Contingent Liabilities

The Council is part of the Essex wide travel scheme administered by ECC. The scheme provides free travel to persons over 60 years of age in the county of Essex. Under the scheme, the bus operators are reimbursed in accordance with a formula that aims to compensate for the extra cost of providing free travel in the county. A bus operator has challenged the basis of how the Department of Transport decided appeals against the scheme in previous years and has sought a judicial review to clarify this. Should the judicial review find in favour of the bus operator, this could significantly increase the cost of the Essex scheme and this Council would bear a share of this additional cost. It is not possible to quantify this cost at present should it arise and any additional costs would be met from the Council's General Fund balance which is currently adequate.

An environmental warranty was given to Rochford Housing Association as part of the LSVT 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.

Within the accounts approximately £75,000 of payments to a contractor were withheld under contract arrangements. These are now being challenged but at the time of preparing the accounts it is not known whether these will need to be repaid and, if they are, whether this would have to be the full amount. This will be resolved in 2009/10.

25. Contingent Asset

The Council currently charges VAT on car parking fees and pays this over to HM Revenue and Customs. The Council has lodged a number of claims with HM Revenue & Customs for a refund of VAT but this is subject to an ongoing legal challenge. The Council is also claiming for compound interest on a refund already received in relation to VAT on penalty charge notices. The amount of any payment to the Council will depend on the outcome of the legal case and HM Revenue and Customs' method for calculating interest.

26. Authorisation of Accounts for Issue and Events after the Balance Sheet Date

There have been no events post balance sheet date that affect the figures within these statements.

In determining if an event requires disclosure, consideration has been given to events occurring up until 30 June 2009.

The Chief Finance Officer gives authorisation for the accounts to be issued.

27. Trust Funds

The Council administers three small Trust Funds. These are the Dutch Cottage Trust, King George Playing Field Trust, and the Finchfield Trust. King Georges does not have any transactions for disclosure for 2008/09. The current estimate of outturn for the other two trusts is shown below.

Trust	Income £000s	Expenditure £000s	Assets £000s	Liabilities £000s
Dutch Cottage	3	3	115	-
Finchfield	49	27	773	5

28. Financial Instrument Balances

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

	Current	
	31 March 2008 £000s	31 March 2009 £000s
Total Investments	12,635	9,568

There are no long term investments over 365 days and all investments are fixed rate interest. The Council redeemed all debt in 2007/08 so there are no borrowings in the Balance Sheet.

29. Financial Instrument Gains/Losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

	2007/08	Financial Liabilities	Financial Assets	2008/09
	Total £000s	Liabilities measured at amortised costs £000s	Loans and Receivables £000s	Total £000s
Interest Payable and Similar Charges	(564)	-	-	-
Interest and Investment Income	869	-	744	744
Net Gain/(Loss) for the Year	305	-	744	744

30. Fair Value of Assets Carried at Amortised Cost.

The investments held in the balance sheet are all under 364 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.

	Carrying Amount £000s	Fair Value £000s
Investment	9,568	9,660

31. Financial Instruments – Nature and Extent of Risks

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

- credit risk – the possibility that other parties might fail to pay amounts due to the authority, this could be customers, or financial institutions who due to market conditions are unable to repay investments.
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- market risk – the possibility that financial loss might arise for the Council as a result of changes in interest rates.

The Council's overall risk management programme seeks to minimise potential adverse effects on the resources available to fund services due to the unpredictability of the financial market. Risk management is carried out by the accountancy team in line with policies approved by the Council in the annual Treasury Management Strategy.

Credit Risk

Deposits are only made to institutions who meet the criteria agreed in the Treasury Management Strategy. This is based on the Fitch and Moody rating system. There is also a maximum limit set of deposits that can be held by an institution at any one time, this is dependent on the institution type and length of time of the deposit.

Customer balances relate to customers of Council provided Services who owe the Council money. The credit risk for these is managed using a bad debt provision to account for non-collection of some debt. This provision is recalculated annually based on previous collection rates and levels and age of debt.

The following table summarises the Council's potential maximum exposure to credit risk based on experience in the last five years.

	Amount at 31 March 2009 £000s	Historical Experience of Default %	Historical Experience Adjusted for Market Conditions at 31 March 2009.	Estimated Maximum Exposure to Default and Uncollectability. £000s
Deposits with Banks and Financial Institutions	9,568	-	-	-
Customers	809	2.9	3.5	28
			Total	28

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

	2007/08	2008/09
Age of Debt	£000s	£000s
Less than 43 days	75	536
43 - 63 days	30	11
64 - 84 days	-	2
Greater than 84 days	137	134
Total	242	683
Not Yet Due	101	126
Estimated Exposure to Default	8 (2.4%)	28 (3.5%)

Liquidity Risk

At the Balance Sheet date, the Council does not hold any Borrowings, therefore there is no associated liquidity risk.

The Council has a sound cash flow management system that ensures that cash is available as needed. Should the Council have such demands that they are unable to pay suppliers due to cashflow restrictions, then the Council has access to the Public Work Loans Board, in order to be able to borrow to meet the creditor demand.

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 Interest rates were to increase, which would cause a fall in the fair value of the asset. As all investments are less than one year, this risk is minimal.

Price Risk

The Council has no interest in shares or quoted securities, therefore there is no price risk.

Foreign Exchange Risk

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

32. Retirement Benefits

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

The Council participates in the Local Government Pension Scheme (LGPS), administered by Essex County Council – this is a funded defined benefit final salary scheme, meaning that the Council 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 in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	2007/2008 £000s	2008/09 £000s
<i>Net Cost of Service:</i>		
▪ Current Service Cost	(839)	(960)
▪ Past Service Costs / Curtailments	563	(49)
<i>Net operating expenditure:</i>		
▪ Interest on Pension Scheme Liabilities	(2,336)	(2,915)
▪ Expected Return on Assets in the Pension Scheme	2,045	1,953
<i>Statement of Movement in General Fund Balance:</i>		
▪ Movement on Pensions Reserve	(886)	425
<i>Actual Amount Charged Against Council Tax for Pensions in the Year:</i>		
▪ Employer's Contributions Payable to Scheme	1,451	1,546

In addition to the recognised gains and losses included in the Income and Expenditure Account, an unrecognised actuarial gain of £1,257,000 (net loss of £6,463,000 in 2007/08 as restated) was included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £10,299,000

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of Present Value of the Scheme Liabilities:

	31 March 2008 £000s	31 March 2009 £000s
1 April	(44,363)	(47,968)
Current Service Cost	(839)	(960)
Interest Cost	(2,336)	(2,915)
Member Contributions	(314)	(360)
Actuarial Gains & (Losses)	(3,015)	9,583
Settlements	1,629	-
Benefits Paid	1,568	1,676
Past Service Costs	(298)	(49)
31 March	(47,968)	(40,993)

Reconciliation of Fair Value of Scheme Assets:

	31 March 2008 As restated £000s	31 March 2009 £000s
1 April	31,639	29,666
Expected Rate of Return	2,045	1,953
Actuarial Gains and Losses	(3,448)	(8,326)
Settlements	(767)	-
Employer Contributions	1,451	1,546
Member Contributions	314	360
Benefits Paid	(1,568)	(1,676)
31 March	29,666	23,523

Scheme History

	2004/05 £000s	2005/06 £000s	2006/07 £000s As restated	2007/08 £000s As restated	2008/09 £000s
Present Value of Liabilities	(38,376)	(44,401)	(44,363)	(47,968)	(40,993)
Fair Value of Assets	23,027	29,357	31,639	29,666	23,523
Surplus/(Deficit) in Scheme	(15,349)	(15,044)	(12,724)	(18,302)	(17,470)

The Council has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS17 (as revised).

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £17.47m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary

The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2010 is £1,460,127 based on original salary estimates.

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 2007.

The expected return on scheme assets is determined by considering the return for 11 months to 28 February 2009, multiplied by the benchmark return for March 2009 less an allowance for expenses. The return and benchmark return were supplied by the funds administrators.

The actual return on scheme assets was a loss in the year of £6,373,000 (2007/08 £1,276,000)

The principal assumptions used by the actuary have been:

	2007/2008	2008/2009
Long-term Expected Rate of Return on Assets in the Scheme:		
Equity Investments	7.5%	7.5%
Bonds	4.6%	4.0%
Other Bonds	6.1%	6.0%
Property	6.5%	6.5%
Cash/Liquidity	5.25%	0.5%
Other	7.5%	7.5%
Mortality Assumptions:	Male / Female in Years	
Longevity at 65 for Current Pensioners:	22.0 / 24.8	22.0 / 24.9
Longevity at 65 for Future Pensioners:	23.1 / 25.9	23.1 / 25.9
Financial Assumptions:		
Rate of Inflation	3.6%	3.3%
Rate of Increase in Salaries	5.1%	4.8%
Rate of Increase in Pensions	3.6%	3.3%
Rate for Discounting Scheme Liabilities	6.1%	7.1%
Proportion of Employees Opting to take a Commuted Lump Sum	50%	50%

The LGPS's assets consist of the following categories, by proportion of the total assets held:

	31 March 2008	31 March 2009
	%	%
Equities	70.2	74.5
Government Bonds	9.4	8.7
Other bonds	6.6	5.3
Property	10.7	9.8
Cash/Liquidity	3.1	1.7
	100	100

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/2009, can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009:

	2004/05	2005/06	2006/07 As Restated	2007/08 As Restated	2008/09
	%	%	%	%	%
Differences Between the Expected and Actual Return on Assets	4.6	15.6	1.1	11.6	35.4
Experience Gains and Losses on Liabilities	0.3	(3.6)	0	0.2	0

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

33. Restatement of Income and Expenditure Account and Pensions Liability Account and Reserve.

The Pension Fund has had its liabilities restated following a change in FRS 17 on the bases used to value quoted securities.

Below is how this has affected the accounts:

	2007/08 Original £000s	Movement £000s	2007/08 Restated £000s
Income and Expenditure Account			
Non Distributed Costs	(674)	(1)	(675)
Net Cost of Service	104,730	(1)	104,729
Pension Interest Cost	289	2	291
Net Operating Expenditure	105,711	1	105,712
Deficit for the Year	94,454	1	94,455
Statement of Movement on General Fund Balances			
General Fund Balance Brought Forward	94,454	1	94,455
Amt by which Pension Costs Different to Contributions	886	(1)	885
General Fund Balance Carried Forward	(1,947)	0	(1,947)
Balance Sheet			
Pension Liability Account *	(18,273)	(29)	(18,302)
Total Assets less Liabilities *	27,793	(29)	27,764
Pension Reserve *	(18,273)	(29)	(18,302)
Total Net Worth *	27,793	(29)	27,764
Statement of Total Recognised Gains and Losses			
Deficit on I&E	94,454	1	94,455
Actuarial Gain/Loss on Pension Fund Assets/Liabilities	6,467	(4)	6,463
Total Recognised Gains/Losses for the Year	97,645	(3)	97,642

* £32k of the movement relates to restatement of the 2006/07 assets and liabilities which affected the opening balances of these lines.

34. Reconciliation of Surplus/Deficit on the Income and Expenditure Account to the Revenue Activities Net Cash Flow

	2007/08 £000s	2008/09 £000s
(Surplus)/Deficit on:		
General fund	(169)	1,138
Housing Revenue Account	(191)	(1,201)
Collection fund	(23)	370
	(383)	307
Adjustment for Non Cash Transactions		
Miscellaneous	944	(781)
Capital Creditors	(431)	481
Minimum Revenue Provision	(21)	(44)
Revenue Contribution to Capital	(725)	(176)
	(616)	(213)
Movement on Funds and Balances		
Increase/ (Decrease) in Debtors	(313)	795
(Increase) / Decrease in Creditors	(102)	242
(increase) / Decrease in Provisions	(447)	528
	(1,478)	1,352
Other Items in the Cash Flow Statement		
Payments to the Capital Receipts Pool	275	3
Interest Paid	(563)	-
Interest Received	584	744
Net Cash Flow from Revenue Activities	(1,182)	2,099

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35. Movement in Borrowing

	2007/08 £000s	2008/09 £000s
Long term Borrowing B/fwd	9,789	-
Repaid by DCLG During Year	(13,089)	-
New Borrowing	3,300	-
Classified as Short Term Borrowing	-	-
Long Term Borrowing C/fwd	-	-
Temporary Borrowing B/fwd	357	-
Repaid During Year	(219)	-
Repaid by DCLG During Year	(138)	-
Classified as Short Term Borrowing	-	-
Temporary Borrowing C/fwd	-	-
Total Increase / (Decrease) in Borrowing	(10,146)	-

36. Net (Increase) / Decrease in Cash

	2007/08 £000s	2008/09 £000's
Cash & Bank	(24)	(121)
Bank Overdraft	235	-
Net (Increase) / Decrease in Cash	(211)	121

37. Temporary Investments

	2007/08 £000s	2008/09 £000s
Temporary Investments B/fwd	8,350	12,350
Temporary Investments C/fwd	12,350	9,568
Increase / (Decrease) in Temporary Investments	4,000	(2,782)

38. Cash Flow Statement

There have been no changes to policy that affect the cash flow statement.

39. Summary of Government Grants

	2007/08 £000s	2008/09 £000s
Housing Benefits	(15,708)	(16,451)
NNDR support from national pool	(4,074)	(4,307)
Revenue Support Grant	(684)	(600)
Other Government Grants	(368)	(379)
Total	(20,466)	(21,737)

Other Government Grants are the Local Area Business Growth Incentive Grant and an Area Based Grant, both of which are grants that can be used for any purpose.

THE HOUSING REVENUE ACCOUNT YEAR ENDED 31 MARCH 2009

2007/08 £000s		Notes	2008/09 £000s
1,548	Supervision and Management General		-
524	Repairs and Maintenance		-
107,502	Impairment		-
41	Debt Management Expenses		-
598	Depreciation	3	-
<u>110,213</u>			
(2,935)	Dwelling Rents		-
(73)	Non Dwelling Rents		-
(22)	Income from Service Charges		-
(100)	Allocation of Fees for Major Repairs		-
(24)	Reduced Provision for Bad or Doubtful Debts		-
912	Housing Revenue Account Subsidy Receivable	6	(1,201)
(869)	LSVT Receipt from Housing Association		-
<u>(13,225)</u>	LSVT Receipt for Repayment of Debt		-
93,877	NET COST OF SERVICE		
59	HRA Share of Corporate and Democratic Core Costs		-
35	HRA Share of Non-Distributed Costs		-
<u>93,971</u>	Net Cost for HRA		<u>(1,201)</u>
22	(Gain) or Loss on Sale of HRA Fixed Asset		-
464	Interest Payable		-
<u>(19)</u>	Investment Income		-
<u>94,438</u>	(SURPLUS)/DEFICIT FOR THE YEAR		<u>(1,201)</u>

Statement of the Movement on the Housing Revenue Account Balance

2007/08 £000s			2008/09 £000s
94,438	(Surplus)/Deficit for the Year on the HRA I&E Account		(1,201)
<u>(94,628)</u>	Net Additional Amount Required by Statute to be Debited /(Credited) to the HRA Balance for the Year	Note 2	<u>-</u>
(190)	(Increase) / Decrease in the Housing Revenue Account Balance	Note 6	(1,201)
<u>(1,878)</u>	Housing Revenue Account Surplus Brought Forward		<u>(2,068)</u>
<u>(2,068)</u>	Housing Revenue Account Surplus Carried Forward		<u>(3,269)</u>

NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)1. Large Scale Voluntary Transfer (LSVT)

On 24 September 2007 the Council transferred the remaining 1,739 housing properties to Rochford Housing Association. Therefore the transactions going through the HRA in this financial year relate only to sundry debtors and creditors for the previous period and subsidy adjustments.

The Council have received permission from the Secretary of State to close its HRA with effect from the 31 March 2009. Any transactions after this date will be recorded in the General Fund. (These should be minimal).

Following the transfer, the Council is still entitled to a share of receipts from right to buy sales, these and other unattached capital receipts from the Housing Association are shown in the Income and Expenditure Account as other income.

2. Statement of Movement on the HRA Balance

2007/08 £000s		2008/09 £000s
	Items Included in the HRA I&E but Excluded from Movement in HRA Balance	
13,225	LSVT Notional Receipt	-
(107,530)	Difference Between any other item if I&E Determined in Accordance the SORP and Determined in Accordance with Statutory HRA Requirements	-
(22)	Gain or Loss on Sale of HRA Fixed Assets	-
(11)	Net Charges made for Retirement Benefits in Accordance with FRS17	-
	Items not Included in the HRA I&E but Included in the Movement in HRA Balances for the Year	
(11)	Transfer to/(from) MRR	-
(279)	Transfer to/(from) Earmarked Reserves	-
-	Employers Contribution Payable to the Pension Fund and Retirement Benefits Payable Direct to Pensioners	-
<u>(94,628)</u>	Net Additional Amount Required by Statute to be Debited or (Credited) to the HRA Balance for the Year	<u>-</u>

3. Capital Expenditure and Capital Charges (Depreciation and Revenue Expenditure Funded from Capital)

All properties were transferred to Rochford Housing Association in September 2007, there are no other assets within the HRA and therefore there are no capital expenditure or charges relating to the HRA.

4. Arrears

Due to LSVT there are no arrears remaining relating to HRA tenants.

5. Bad Debts

Due to LSVT, the bad debt provision was reduced to zero in the previous financial year and there has not been a requirement to amend this for 2008/09.

6. Subsidies

	2007/08 £000s	2008/09 £000s
Management & Maintenance	(2,403)	-
Debt Management	(41)	-
Interest	(1,254)	-
Interest on Receipts	8	7
Rent Element	5,742	-
Major Repairs Allowance	(1,174)	-
Rental Constraint Allowance	-	-
Admissible Allowance	-	-
Prior Year Adjustments	34	(1,208)
Total	912	(1,201)

7. PWLB Premium and Discounts

These relate to the early repayment of debt in 2002/03, which incurred a premium of £89,556 and a discount of £13,141, which were being applied to the Housing Revenue Account over a period of 10 years. As part of the LSVT, this debt was extinguished.

	2007/08 £000s	2008/09 £000s
Balance B/fwd	44	-
Repayment Through LSVT	(44)	-
Discount	-	-
Premium	-	-
Balance C/fwd	-	-

8. Major Repairs Allowance and Reserve

The Major Repairs Reserve provides 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 2007/08 the reserve was utilised for the repair, improvement and conversion of existing property. Due to LSVT this reserve was not required after September 2007.

Major Repairs Reserve	2007/08 £000s	2008/09 £000s
Balance B/fwd	73	-
Income	(587)	-
Expenditure	514	-
Balance C/fwd	-	-

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9. Capital Receipts Arising from the Housing Revenue Account were as Follows:

	2007/08 £000s	2008/09 £000s
Sale of Dwellings	593	-
Repayment of Mortgages	16	-
Total	609	-

THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT**FOR THE YEAR ENDED 31 MARCH 2009**

2007/08 £000s		2008/09 £000s
As restated		
	NOTE	
	<i>INCOME:</i>	
(39,169)	Income from Council Tax	1 (40,980)
	Transfers from the General Fund:	
(4,187)	- Council Tax Benefits	(4,486)
<u>(43,356)</u>		<u>(45,466)</u>
(12,925)	Income Collectable from Business Ratepayers	2 (14,172)
<u>(56,281)</u>	TOTAL INCOME	<u>(59,638)</u>
	<i>EXPENDITURE:</i>	
	Precepts and Demands:	
30,973	- Essex County Council	32,784
3,593	- Essex Police Authority	3,828
1,849	- Essex Fire Authority	1,951
6,428	- Rochford District & Parish Councils	6,860
	Business Rates:	
12,805	- Payments to Pool	13,998
85	- Cost of Collection Allowance	88
<u>55,733</u>		<u>59,509</u>
41	Movement on Provisions for Uncollectable Amounts	108
	Distribution of Previous Year's Estimated Surplus	
342	Essex County Council	351
21	Essex Fire Authority	21
40	Essex Police Authority	41
71	Rochford District Council	73
<u>56,248</u>	TOTAL EXPENDITURE	<u>60,103</u>
	Movement on Fund Balance	
(1,773)	Surplus Brought Forward	(1,806)
(33)	(Surplus)/Deficit for the Year	4 465
<u>(1,806)</u>	SURPLUS CARRIED FORWARD	<u>(1,341)</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 (£188.01 in 2008/09), 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 46.2p in the £ of rateable value for 2008/09 (44.4p in the £ for 2007/08) 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 2009 was £34m, this is same rateable value as in 2007/08 of £34m.

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 surplus distribution due in 2009/10 is included within the creditors figure on the balance sheet as at 31 March 2009 for payment in 2009/10. The redistribution due to Rochford District Council for 2009/10 is £56,547 (2008/09 £72,893) and is included in the balance sheet total.

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.

	2007/08 £000s	2008/09 £000s
Balance per Collection Fund	1,806	1,341
Redistribution due to:		
Essex County Council	351	270
Essex Police Authority	41	32
Essex Fire Authority	21	16
Balance per Balance Sheet 31 March	1,393	1,023
Attributable to:		
Essex County Council	953	698
Essex Police Authority	111	81
Essex Fire Authority	57	42
Rochford District Council	272	202
Total	1,393	1,023

4. Uncollectable Debts.

Uncollectable debts of £38,386 for Council Tax (£25,172 2007/08) and £31,822 for Non-Domestic Rates (£53,563 for 2007/08) were written off in 2008/09.

5. Calculation of the Council Tax base for 2008/09

Tax Band	Estimated Properties after adjustments	Proportion of charge	Band D Equivalent Properties
A	1,046	6/9	697
B	2,879	7/9	2,239
C	10,410	8/9	9,253
D	9,453	9/9	9,453
E	4,516	11/9	5,519
F	2,019	13/9	2,917
G	1,051	15/9	1,752
H	67	18/9	133
Total			31,963
			Less Adjustment for Collection Rate
			98%
Total Council Tax Base			31,324

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**The Council's Responsibilities**

The Council 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 2008/09, the responsible officer was the Head of Finance, Audit and Performance Management.

The Council is also required to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets. It is also required to approve and publish a Statement of Accounts.

The Head of Finance, Audit and Performance Management's Responsibilities

The Head of Finance, Audit and Performance Management 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: a Statement of Recommended Practice (the SORP). Where necessary, she has to make judgements and estimates and these must be both reasonable and prudent.

Proper and up to date accounting records were kept and reasonable steps taken 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 2009, and its income and expenditure for the year then ended.

Signed:
Head of Finance, Audit and
Performance Management

The Chairman's Approval

I confirm that these accounts were approved by the Council at its meeting on 30 June 2009.

Signed:
Chairman of the Council

Date: 30 June 2009

ANNUAL GOVERNANCE STATEMENT FOR 2008/09

Background

The Council is responsible for producing an Annual Governance Statement (AGS), which will be produced as part of the review framework for good governance and internal control with a strong emphasis on whether the Council is achieving its objectives. Any significant or material issues affecting the Council will be identified and stated within the AGS.

Introduction

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. It is through monitoring and review of the legislative requirements, governance principles and management processes within the Council that we are able to assess our compliance with internal control best practice and be assured of good governance arrangements.

The Purpose of the System of Internal Control

It is not possible to eliminate all risks that may impact on services such that the Council fails to achieve policies, aims and objectives. The system of internal control is designed to manage risk to an acceptable level; it can therefore only provide a reasonable and not an 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 the 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 assessed for the 2008/09 accounts has been in place since 1 April 2008 through to the date of approval of the Annual Report and Accounts.

The Governance Framework

The following represent the key elements of the governance framework within the Council:

- The Council's objectives for 2008/9 were established and set out in the Rochford District Community Strategy 2004-2009 and the Corporate Plan 2008-2013. Both of these plans have recently been updated for 2009/10 in the form of the Sustainable Community Strategy 2009-2021 and the Corporate Plan 2009-2013 and have been reviewed and approved by full Council.
- These plans are cascaded to individuals within the Council through Divisional Plans and individual Personal Development Review (PDR). Over the course of the year the Divisional Plan procedures have been reviewed and improved and include links into the operational Divisional Risk Registers and relevant performance measurement data. The PDR process has been re-launched for 2009/10 with improved paperwork based on feedback from managers and staff.
- The Council has a Medium Term Financial Strategy (MTFS) which is agreed and reviewed annually by Members. The MTFS sets out the Council's spending plans for the next 5 years and covers both revenue and capital. It is integrated into the medium term strategic and service plans.
- For the 2008/09 Municipal year, the Council moved to a stronger leadership model of governance, with a Leader appointed for a period of 4 years and an Executive of 8 Members, each with responsibility for specific portfolios. The Review Committee has the

authority to call-in the decisions of the Executive and recommends changes to decisions or policies.

- The Council's Constitution specifies the roles and responsibilities of Members and Officers; and the financial and procedural rules for the efficient and effective discharge of the Council's business.

Compliance with established policies, procedures, laws and regulations is achieved through:

- **Internal Audit** – The Council's internal audit team works to an approved annual audit plan and undertakes that work in accordance with the CIPFA Code of Practice for Internal Audit in the United Kingdom (revised 2006). Individual audit reports are produced for the relevant managers, with a summary for the Corporate Directors and Audit Committee. Internal Audit also provides an opinion on the effectiveness of internal control for the Council based on the scope of work defined. A detailed report has been presented to the Audit Committee with internal control being assessed as good for 2008/09. A self-assessment of the Internal Audit function is also undertaken and reported to Members, with an overall "good" assessment.
- **External Audit** – Recommendations and comments from the External Auditors' (PKF) reports are considered and discussed by senior managers with timely actions taken to address agreed recommendations. The reports and proposed actions are reported to the Audit Committee. The key reports are 'Those Charged with Governance', 'Annual Audit and Inspection Letter', 'Use of Resources and Data Quality' for 2007/08 which all show improvements.
- **Audit Committee** – The Audit Committee provides independent assurance of the adequacy of Internal Audit, internal controls, risk management and financial reporting. This is achieved through regular meetings whereby the work of Internal Audit is reviewed, the reports of the External Auditors are considered and the Corporate Risk Register is reviewed along with the working practices.
- **Financial Management** – A robust budgetary control system is in place and regular reports are produced for the Executive, Heads of Service, and budget holders. The system of internal controls for financial management is regularly reviewed and tested by Internal Audit. The Council achieved the targeted £780,000 budget savings for 2008/09.
- **Performance Management** – Monitoring of the achievement of the Council's objectives is undertaken through the Council's performance management framework. A performance data capture and reporting process provides a suite of reports to Directors and Senior Managers, and quarterly reports to the Executive, which are copied to all Members. The Council's Review Committee can apply further scrutiny to the reports and the underlying performance if required. A revised and updated performance management framework was agreed by the Portfolio Holder for Service Development and Improvement in January 2009 and has been circulated to Members.
- **Arrangements for Partnerships** - The Council has been recognised in external inspections as having effective partnerships arrangements in place. This includes a 5 year programme in place for reviewing its major partnerships and formal Partnership Guidance. The reviews consider the partnership's arrangements for governance, performance, risk and financial management and also consider whether the partnerships provide added value to the Council and residents. The results of the reviews are shared with all members of the partnership and are reported to the Audit Committee for consideration.

- **Risk Management** – The Council has a Corporate Risk Register which has been updated and reported to the Audit Committee. Service areas maintain their own operational risk registers which supplement the Corporate Risk Register and are linked to the Divisional Plans. The Council's Corporate Risk Group monitors and reviews the Corporate Risk Register and the operational Divisional Risk Registers. As part of the Comprehensive Performance Assessment (CPA) the Council's risk management was considered to be good and we continue to ensure that risks are reviewed and risk management is embedded in day to day operations.
- **Relationships** – Good co-operative relationships exist between the Council and its external auditors and inspectors and between Officers and Members.
- **Service Delivery by Trained and Experienced Staff** – The Council has a robust recruitment policy and procedures in place which are complemented by comprehensive Workforce Development Plan 2004-2009. The Council has retained its Investors in People status. Staff performance development reviews (PDR) take place at least annually with regular 1 to 1 meetings during the year, ensuring training and development is discussed regularly. An annual Corporate Training Plan is developed from these reviews.
- **Monitoring Officer** – The Corporate Director (Internal Services) is the Council's Monitoring Officer who oversees the compliance with laws and statutory obligations. The Monitoring Officer reports to Council and also advises the Council's Standards Committee on conduct issues.
- **Ethical Governance** - The Council's Ethical Framework is the set of rules and procedures, which set out the standards of behaviour that the Council expects of its Councillors and staff. It also deals with the way in which Councillors and employees should relate to one another. The Ethical Framework includes:
 - The Constitution
 - The Code of Conduct for Members
 - The Protocol for Member/Officer Relations
 - The Officers Code of Conduct
 - Other supporting Codes of Practice and Protocols

The Standards Committee deals with any complaints or issues concerning our Members. The Monitoring Office reviews the codes of conduct and reports to the Standards Committee.

- **Review Committee** – The Review Committee provides a review and scrutiny role on the decisions made by and performance of the Executive Board, other Committees and Council officers both in relation to individual decisions and over time the Council's policy objectives, performance targets and/or particular service areas. When devising the work-plan where relevant research, consultation and community involvement are encouraged. The Review Committee report annually to Council.
- **Anti-fraud and Corruption** – The Council has an anti-fraud and corruption policy, including a whistle-blowing policy, published on its intranet. The Council also has a dedicated Benefits Fraud Team and a "fraud hotline", available to both staff and members of the public, which allows individuals to report anonymously any suspected cases of fraud and corruption. The risks of fraud and corruption have been assessed within the risk registers.

- **Frontline Services** - Further progress on the Council's Access to Services Strategy, following the Audit Commission's review in 2007/08, includes the merger of the Council's two receptions and the move of the switchboard away from the reception area. This has enabled the Council to improve its frontline access to services, revise customer complaints and compliments arrangements, and develop staff whilst reviewing services through Business Process Re-engineering workshops.

Value for Money - The Council compares its costs to other authorities and uses this information to manage costs. Reviews of specific areas are undertaken and during 2008/09, these included the Handyman/Gardening for the Elderly service, postal services and the banking contract. A programme of further reviews is planned for the

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 is informed by the work of the internal auditors and the managers within the Council who have responsibility for the development and maintenance of the internal control environment, and also by reports made by the external auditors and other review agencies and inspectorates.

The Head of Finance, Audit and Performance Management is the Section 151 Officer and has responsibility for maintaining a sound system of internal control within the Council to support the proper management of finance and the achievement of the Corporate Financial Objectives and for reviewing their effectiveness. Internal Audit is a key mechanism for testing this effectiveness of these controls and reports are made regularly to the Audit Committee on the areas covered within the Annual Audit Plan. A self-assessment of the effectiveness of Internal Audit has been completed with an overall good level of compliance. The self-assessment did not include the Audit Committee. Internal Audit, working with our appointed external auditors, provides opinions on the adequacy and effectiveness of the system of internal financial control.

The Council was judged as "good" following its Comprehensive Performance Assessment (CPA) in 2008, a big improvement from being a "weak" authority. The Council's Strategic Improvement plan formulated in the light of the CPA Assessment, and approved by the Executive, is a key document in ensuring progress towards further improving the Council. The plan is monitored quarterly by the Council's Improvement Board.

The Council was assessed as "performing well" by the external auditors in our Use of Resources assessment for 2007/08. For 2008/09, a revised approach to the assessment of Use of Resources has been adopted as part of the move from CPA to CAA, with a greater focus on value for money and the achievement of planned outcomes. At the time of preparing this report, we had completed a Use of Resources Self Assessment and reviewed this at a workshop with our external auditors. The Council has not identified any significant weaknesses from this exercise. However, the new approach is recognised as a harder test and the final assessment result will be published in September 2009.

Corporate Governance arrangements are embedded within the Council with the Constitution being updated with revised Member and Officer Codes of Conduct. The Members' Code of Conduct – Complaints Procedure was reviewed and updated by the Standards Committee in October 2008. A new Committee Structure was brought into operation in May 2007 and was further revised in May 2008. The structure has been reviewed by the Council's Review Committee identifying recommendations for improvement. The Review Committee also concluded a review on Parish Liaison with no recommendations arising.

The Performance Management systems have developed and embedded over the year with regular reporting to Members on key performance indicators and an over-view from the Corporate Management Board. The introduction and development of the Divisional Planning process has improved the links between the Corporate Objectives and service objectives with further strengthening of the process planned for 2009/10. We are currently reviewing the potential of new software to further enhance and improve our performance reporting and monitoring abilities. Our Performance Management Framework and Risk Management Framework have been developed to complement each other within our business planning and performance monitoring cycles. Divisional plans for 2009/10 incorporate more explicit links between objectives, performance data and the relevant risk registers. The updated Corporate Risk Register was approved by the Audit Committee in December 2008 and continues to be managed and reviewed by the Corporate Risk Group.

The Council aims, through its Data Quality Strategy and action plans, to maintain and improve its ability to ensure that the data it uses to measure its performance is of the highest quality, consistent with the efficient and effective use of its resources. The Council's arrangements for assuring data quality are assessed for each financial year by external audit, who give an overall assessment of our data quality arrangements and produce a Data Quality Report stating their key findings, together with an action plan for the coming financial year to address any areas for improvement. The results for 2008/09 are not available yet but the external auditors' overall assessment of the Council's Data Quality for 2007/8 is that our arrangements were "consistently above minimum requirements and embedded" and so we were "performing well". A similar result is expected for 2008/09.

Managers have completed a self-assessment questionnaire that is designed to focus on the embedding of key policies and procedures such as performance management and risk management. The summarised results show no significant areas of weakness.

External Reviews, for example the Food Standards Agency, have been undertaken within service areas generating action plans that are monitored through internal management teams and regular reports to Members on the more significant areas.

The Audit Commission undertook an Access to Services review during March 2007 and gave the Council a rating of 'Fair, with uncertain prospects for improvement'. During 2007/08, with support of Tribal Consultants, the Council has been implementing an action plan to improve this service and this was recognised by the 2008 CPA. Our Equalities and Diversity performance is judged against the Local Government Equality Standard and has moved from a level 2 rating in 2007/8 to level 3 rating by mid 2008 and we have recently gained external validation of our self assessment at level 4 of the standard (Moving towards excellence).

Business Continuity Planning has moved forward with an agreed framework with which service areas can undertake impact analysis. A mobile IT emergency restoration facility is now included in the IT contract to provide 30 work stations in an articulated lorry for use at the Civic Suite or the Rochford Offices. The facility was successfully tested in December 2008.

The Audit & Performance Manager has submitted an audit opinion for 2008/09 stating that overall controls are good with no significant areas of weakness identified within the scope of their review.

SIGNIFICANT WEAKNESSES IDENTIFIED WITHIN 2007/08 AGS

Weakness within 2007/08 AGS	Action Taken in 2008/09
<p>The Council has strengthened the processes around the areas identified in the 2006/07 Statement of Internal Control. The biggest challenge is ensuring these processes and further requirements around Access to Services continue to be embedded within the organisation and are robust enough to ensure a continuous level of improvement and compliance.</p>	<p>The recommendations from the Access to Services report continue to be implemented through specific projects and the support of the Tribal Consultancy firm. The complaints procedure has been updated providing an opportunity for compliments and so has the website. The merger of the two Reception areas has taken place. The successful result from the CPA inspectors of a 'Good' authority is testament to the improvements made across the Council regarding the development and embedding of new improved procedures. No-longer considered a Significant Weakness.</p>
<p>The arrangements around Partnerships are becoming increasingly complex and demanding with regard to ensuring there are good governance arrangements. Even though the Council has made steps to ensure each Partnership is developed in line with an agreed framework the developing nature of arrangements and responsibilities means that it is too early to be able to give assurance on the robustness of this process.</p>	<p>Internal Audit has undertaken reviews of four key partnerships. The Corporate Policy and Partnership Unit are continuing to develop partnership arrangements</p>

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 the Council feels there are weaknesses are as follows:

ISSUE FOR 2008/09	ACTION
<p>The Governance arrangements around Partnerships are an ongoing issue for the Council to consider. The Strategic Improvement Plan includes an objective on how to move forward with reviewing partnerships.</p>	<p>The action is to develop a partnership Performance Management System that is simple to operate, transparent and accessible to partners, cost effective and effective in outcome delivery with key steps being:</p> <ol style="list-style-type: none"> 1. Formation of a partnership working group reporting to Strategy and Partnership Management Team. 2. Review current Rochford guidance with greater emphasis on partnerships adopting shared model of performance against the national hallmarks. 3. Review number and type of partnerships requiring Council involvement. 4. Present the revised guidance and performance management process to partners of the LSP

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

Signed: Date:
 Chief Executive

Signed: Date:
 Leader of the Council

Independent auditors' report to the Members of Rochford District Council

Opinion on the financial statements

We have audited the accounting statements and related notes of Rochford District Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Head of Finance, Audit and Performance Management and auditors

The Head of Finance, Audit and Performance Management responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the Statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the

accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

[signature] _____

[date] _____

David Eagles

Partner, for and on behalf of PKF (UK) LLP
Ipswich, UK

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Auditors' Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority 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 in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, we are satisfied that, in all significant respects, Rochford District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

[signature] _____

[date] _____

David Eagles

Partner, for and on behalf of PKF (UK) LLP
Ipswich, UK

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 Essex County Council (the agents), 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 of £4.5m.

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 of £11.7m.

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 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 Parish Councils, based on the number of residents in each authority.

Capital Expenditure

This generally relates to expenditure on fixed 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, 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.

Derogation

This refers to the partial relaxation of a legal requirement. An example is the requirement to recover the full cost of the building control service over a 3 year period. Where the costs of the service are below £450,000 or 65% of the charges are in relation to, for example, small domestic buildings, the requirement to recover full costs is said to be derogated and the requirement relaxed to a target of recovering 90% of the costs over the same period.

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.

GAAP

See definition for UK GAAP

General Fund

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

Housing Revenue Account (HRA)

Expenditure and income arising from the provision of Council housing is recorded in this account. For 2008-09 this only includes subsidy adjustments and post transfer amendments to account.

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.

Large Scale Voluntary Transfer (LSVT)

In September 2007 the council transferred its housing stock to Rochford Housing Association.

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.

Public Works Loan Board (PWLB)

A government agency that provides longer-term loans to local authorities, at interest rates marginally above the government's own borrowing rate.

Rochford Housing Association (RHA)

Housing Association that was set up following the voluntary transfer of the Council's housing stock in 2007.

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 Councils' 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.

Statement of Recommended Practice (SORP)

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.

Tangible Fixed Assets

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

United Kingdom Generally Accepted Accounting Principles (UK GAAP)

This is the body of regulation setting out how company accounts are prepared.

Un-apportionable Overheads

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

Work in Progress

The cost of work done on an uncompleted project at the end of the financial year, which we will recharge to individuals or it is the subject of an insurance claim.