
FINANCIAL STATEMENTS 2017/18

1 SUMMARY

- 1.1 This report presents the audited 2017/18 financial statements for approval by the Audit Committee.
- 1.2 The external auditors, Ernst & Young, have now substantially completed their audit of the 2017/18 financial statements and, subject to concluding the outstanding matters listed in their report, have confirmed that they expect to issue an unqualified audit opinion before the statutory deadline of 31 July 2018. They also have no matters to report on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. Their report on the audit is presented as an appendix to this item.
- 1.3 2017/18 is the first year the Council has worked to the earlier statutory deadline of 30th June for closing the accounts. In previous years the draft accounts were required to be prepared by 31st July and the audited version agreed by 30th September. The shorter deadlines have been challenging; however, officers and EY's external audit team have worked effectively together to ensure that the Council could comply with its statutory obligations.
- 1.4 The Authority agrees a Medium Term Financial Strategy (MTFS) each year in February in order to produce a balanced budget, which maintains a suitable level of balances. The forecast for general fund balances as at 31 March 2018 presented to Council as part of the 2018/19 MTFS in February 2018 was estimated at £884,000 (10% of the net revenue budget). Following closure of the accounts the final level of General Fund balance for 2017/18 is £989,000; this equates to 11% of the 2018/19 net revenue budget.

2 MEMBER QUESTIONS

- 2.1 The financial statements are lengthy and complex. Therefore, although Members can ask questions at the Audit Committee meeting, it is requested that if Members wish to raise specific questions, they contact the Section 151 Officer or Head of Finance directly (details at the end of this report) prior to the meeting to ensure a timely response can be provided.

3 SIGNING AND APPROVAL

- 3.1 The Authority is required by the Accounts and Audit Regulations of 2015 to prepare an annual Statement of Accounts. The financial statements must be signed as true and fair by the Section 151 Officer before 31 May and then Member approval must be given to the audited statement to allow publication by 31 July. The Authority has given delegation for that approval to the Audit Committee. Following approval by the Committee, the financial statements should be signed and dated by the Chairman presiding over that Committee. This will be arranged after this meeting.

4 ANNUAL GOVERNANCE STATEMENT

- 4.1 The draft Annual Governance Statement (AGS) was considered in detail by the Audit Committee on 22 May 2018. As a result of discussions between officers and the external auditors some changes have been made to the AGS which are reflected in the final version published within the Annual Financial Report. The final version of the AGS has been signed by the Managing Director and Leader of the Council prior to publication.

5 MAJOR JUDGMENTS MADE

- 5.1 In the preparation of the accounts, the Section 151 Officer is required to make judgments and estimates in some cases. The types of judgment made include asset life and depreciation methods. The main estimate relates to the Housing Benefit subsidy claim, which is a material item in the Council's accounts, as the figures are based on the draft end of year subsidy claim. The final claim will be submitted by the end of November 2018, and is subject to separate external audit review. Other key areas of estimation are set out in Note 6 to the financial statements.

6 CHANGES TO ACCOUNTING POLICIES

- 6.1 The financial statements are prepared in accordance with CIPFA's annual Code of Practice on Local Authority Accounting in the United Kingdom (which is based on International Financial Reporting Standards as adapted for Local Authorities). The Code also gives guidance on the wording to be used in the notes to the accounts and the layout of the financial statements.
- 6.2 There have been two changes to accounting policies in 2017/18 which are summarised below:
- 1) **Grants:** The policy for the treatment of any un-ringfenced grants received by the Council in 2017/18 is to recognise them as they are received; this brings it into line with the CIPFA code. This is a change from 2016/17 when the policy was to recognise grants in the period to which the grant relates. The grants policy has also been expanded to include more detail on the treatment of capital grants in the council's accounts.
 - 2) **Property, Plant & Equipment:** The 2016/17 policy was to revalue all major operational assets annually. In line with the CIPFA code the 2017/18 policy has been revised to state that all land and buildings will be re-valued at least every five years, unless evidence suggests that this would lead to a significant difference between the true valuation and the balance sheet value, in which case valuations will be carried out more frequently as required. If there is evidence to suggest that there has been a general uplift in a particular class of assets a percentage uplift may be applied across all assets in that class, without undertaking individual revaluations of each asset.

7 RISK IMPLICATIONS

- 7.1 The preparation of the financial statements is a major piece of work that involves a significant amount of officer time across the Authority. Officers therefore prepare a detailed plan of work in conjunction with the external auditors, to ensure that all tasks can be completed by the required deadlines. This is monitored closely throughout the period of accounts preparation and audit to ensure the statutory deadlines are adhered to.
- 7.2 As set out in the external auditors report, the most significant risk is that financial statements as a whole are not free of material misstatements that could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements, whether caused by fraud or error. The objective of external audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement and to issue an auditor's report that includes their opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit will always detect a material misstatement when it exists.

8 LEGAL IMPLICATIONS

- 8.1 It is a statutory requirement for the financial statements to be signed by the Chief Financial Officer (Section 151), by 31 May. The draft Financial Statements and Balance Sheet were signed and presented for audit on 31 May 2018. On conclusion of audit, the financial statements must be published by 31 July 2018.

9 EQUALITY AND DIVERSITY IMPLICATIONS

- 9.1 An Equality Impact Assessment has been completed and found there to be no impacts (either positive or negative) on protected groups as defined under the Equality Act 2010.

10 RECOMMENDATION

- 10.1 It is proposed that the Committee **RESOLVES**
- (1) That the financial statements be approved and signed by the Chairman of the Audit Committee.
 - (2) That the movement in general fund balances be noted.



Naomi Lucas

Section 151 Officer

Background Papers:-

None.

For further information please contact Naomi Lucas (Section 151 Officer) on:-

Phone: 01702 318102 Ext 3517

Email: naomi.lucas@rochford.gov.uk

Or Matthew Petley (Head of Finance) on:-

Phone: 01702 318029 Ext 3102

Email: matthew.petley@rochford.gov.uk

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

**Rochford District
Council:
Annual Financial
Report 2017/18**

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1 Introduction



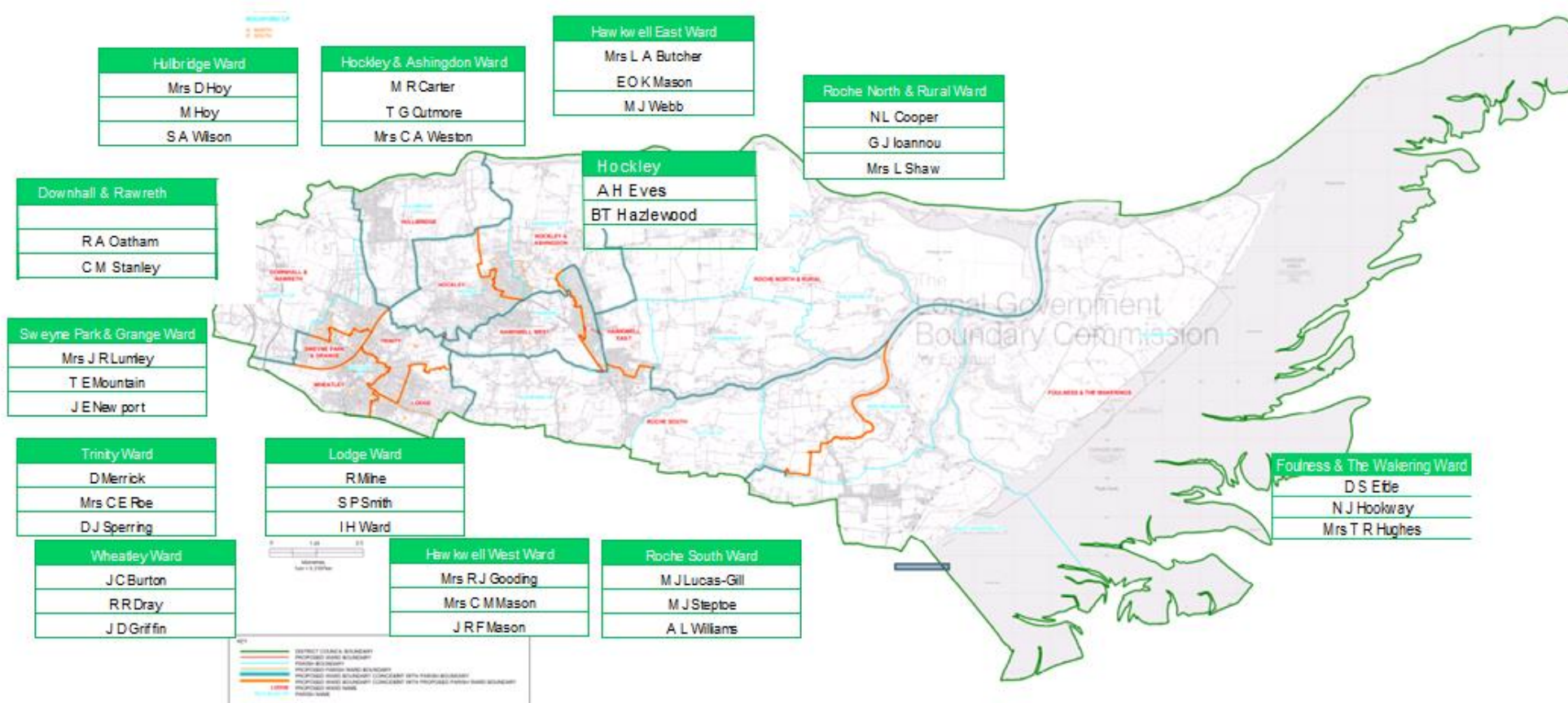
Local Government in Essex is largely structured into what is commonly termed a 'three-tier' structure, with responsibilities and service provision shared between District, Parish and County Councils.

For the District of Rochford, Essex County Council, Rochford District Council and the Town and Parish Councils work together with other partners to provide a large range of services to the public.













The functions of Rochford District Council include:-

- **Commercial Services:** Leisure, Asset Management, Procurement, Emergency Planning, Health and Safety.
- **Community and Housing Services:** Environmental Health, Community Safety, Housing, Safeguarding, Partnerships
- **Planning and Regeneration Services:** Development Management, Planning Policy, Planning Enforcement, Building Control, Economic Development
- **Financial Services:** Finance including Accountancy, Payroll, Performance, Payments and Income, Revenues and Benefits
- **Legal Services:** Legal, Licensing, Elections, Information
- **Environmental Services:** Open Spaces, Street scene, Car Parks/Transport, Waste & Recycling, Cemeteries
- **Democratic Services:** Civics, Member Services, Audit, Overview & Scrutiny
- **Transformation:** Transformation, Support Services, Customer Services, Leadership Support Team, ICT

2 Our Councillors (At 31st March 2018)



3 Rochford by numbers

	Over £400,000 spent on housing adaptations increasing residents independence		Significant reduction in households in temporary accomodation
Recycling rate 63%		0.02% missed bins vs total collected	
	98.7% Council Tax collection rate		449 planning applications approved
			
	Rochford Business Network support for over 1000 local businesses		662,903 individual visits to Leisure facilities
Exciting new developments under consideration		Balanced budget set for 2018/19	



4 Key Highlights and Successes

Rochford secured funding from Active Essex to build capacity in the network and deliver the Flying Start project through the School Sport Partnership

Popular Wild Woods Day 2017, sponsored by Fusion Lifestyle. Over 4,000 visitors attended the family fun day in Hockley Woods. £9,400 in sponsorship and external funding secured

Successful Rochford and Castle Point Sports Awards 2017 delivered fully funded through sponsorship

Eight Family Theatre performances were held, funded through ticket sales and Fusion Lifestyle

61 Weddings held at Rayleigh Windmill

Crucial Crew event held for over 850 year 6 pupils



276 food businesses were made safer

73 private dwellings made healthier and safer to live in, with 143 severe housing hazards removed

The Council has continued to develop a strategic plan for its capital assets

Institution of Occupational Safety and Health (IOSH) accredited training was delivered to across the Council to Members, the leadership team and departmental managers.



Recycling Statistics released by DEFRA placed Rochford second in the league out of more than 350 local authorities across England, with a recycling rate of 63.9% per cent.

The District has consistently been in the top three LAs for recycling over the past eight years and has topped the table on two separate occasions.

RDC has approved a balanced budget for 2018/19, against a backdrop of significant funding reductions from central government and other pressures

Through careful budgeting by the council's officers, we were able to continue our traditional free parking on the four Saturdays in the run up to Christmas in all Rochford Council run car parks across the district

C£700,000 of costs avoided to the wider public sector as a result of private housing service work e.g. falls prevention through hazard removal



5 The Business Plan

BUSINESS PLAN 2016 2020

OUR PRIORITIES

“Our residents will be at the heart of everything we do”

We will enable our staff to meet future challenges by working in a business-like way;

We will enable our communities to help deliver services which they consider to be specifically important to them;

We will create opportunities to maximise income to continue delivering services;

We will help this District become renowned as a leading regional centre in the science, medical and technology sectors within the next 10-20 years;

We will support new and existing businesses;

We will make the most of our coastal areas.

BECOME FINANCIALLY SELF-SUFFICIENT

- We will set up a trading arm and increase our traded services to generate investment income and make us more 'self sufficient';
- We will pursue large scale commercial projects to generate income;
- We will ensure our commercial activity will, where possible, have social benefits;
- We will use local businesses and resources whenever possible whilst ensuring Best Value;
- We will review our services so that we provide more of what is important to our residents.

EARLY INTERVENTION

- We will use early intervention to manage demand on our services;
- We will endeavour to help to provide good quality homes for all of our residents by bringing, for example, more empty properties back into use;
- We will promote the safeguarding of our young and vulnerable residents;
- We will work closely with those partners who will help us achieve our aims, especially those whose focus is on early intervention and prevention.

MAXIMISE OUR ASSETS

- We will ensure that all of our assets are fully utilised to maximise income whilst ensuring social purpose.

ENABLE COMMUNITIES

- We will engage with all parts of our communities, including Parish Councils, businesses and our residents, to encourage the most efficient way to provide services and to help create full employment, including more apprenticeships.

To achieve these priorities we will create a culture in the Council that is: focussed on real outcomes, not process; proactive; flexible; able to make decisions promptly; business-like; empathetic; willing to take risks whilst maintaining appropriate safeguards.

How we will achieve our priorities: a number of detailed delivery plans will emerge from this business plan; these will set out how we will achieve the objectives set out in this plan.

6 Corporate Targets and Performance Summary

The Corporate Performance Indicators are set against a basket of measures across the Council's range of services.

The Performance and Risk team create a monthly dashboard for all members to review performance.

The Performance indicators are regularly reviewed to best align to the business plan priorities as set out in section 5.

The Key Performance indicators and associated targets are shown below for the 2017/18 year end

Where the target is shown as "N/A" this is because the way the indicator is calculated has changed from prior years or the indicator was reported for the first time this year. An appropriate target will be set for the following financial year following review of current year performance.

Rochford District Council – Narrative Report 2017/18

Becoming Financially Self Sufficient			
Description	Target	2017/18 Year End	2016/17 Year End
% Council Tax Collected (cum)	N/A	98.7%	98.8%
% NNDR Collected (cum)	N/A	99.2%	98.9%
% Overpayments recovered vs. debt	30.5%	23.2%	23.2%
% Invoices paid in 30 days	98.0%	94.0%	96.1%

Early Intervention			
Description	Target	2017/18 Year End	2016/17 Year End
Households in Temporary Accommodation	20	32	42
Number of Homeless Preventions (Q)	17	209	141
Homeless Prevention Savings (Q)	£10,000	£189,700	
Number of Food Businesses made safer (Q)	115	276	385
Out of Work Benefit Claimants	N/A	455	465
Average number of days to process new benefit claims	21	18.8	26.3
Average number of days to process benefit claims changes in circumstances	12	18.9	16.4

Maximise Our Assets			
Description	Target	2017/18 Year End	2016/17 Year End
% Planning Enforcement in time	60.0%	72.7%	51.5%
New Planning Enforcement Cases	N/A	166	204
Planning Enforcement Closed Cases	18	180	215
The number of work days lost to the Local Authority due to sickness	3	9	6
Number of Employees: FTE	N/A	151	157

Enable Communities			
Description	Target	2017/18 Year End	2016/17 Year End
Residual waste Kg per household	35	29	28
% waste recycled or composted	66.0%	62.9%	64.6%
% Missed Bins vs. total collected	0.0%	0.0%	0.0%
% Major Planning Apps. in 13 wks	75.0%	60.0%	85.7%
% Major Planning Apps. within extension of time	75.0%	81.8%	100.0%
% Remaining Planning Apps. in 8 wks	75.0%	80.1%	78.7%
% Remaining Planning Apps. within extension of time	75.0%	82.8%	78.2%
% Planning Appeals allowed	30.0%	30.4%	5.6%
Number in Rochford Business Network	N/A	N/A	N/A

7 Corporate Risk Register

Corporate Risks	Potential Impacts												Residual Likelihood	Residual Impact	Residual Risk	
	Safeguarding	Reputational Damage	Service Disruption	Impaired Performance	Ineffective partnerships	Health and Safety	Staff Morale	Missed Opportunities	Financial costs/losses	Asset loss or damage	Contract breaches	Ineffective leadership				External Intervention
1 – We fail to deliver the objectives of the Council's Business Plan in terms of measurable outcomes.		✓	✓	✓			✓	✓	✓			✓	✓	2	3	M
2 – There is a failure to safeguard children and adults with care and support needs from abuse and/or neglect in line with the Council's legal responsibilities.	✓	✓					✓						✓	2	4	M
3a – There is a serious Food, Environmental or other incident for which the Council is culpable/liable.		✓	✓			✓			✓	✓			✓	2	4	M
3b – There is a serious Health and Safety incident for which the Council is culpable/liable (including Flood risks).		✓	✓										✓	3	4	H
4 – We fail to respond to, or provide, relevant services in the event of an incident or disaster.		✓	✓										✓	3	3	M
5 – Council held data is lost, disclosed or misused to detriment of individuals or organisations as result of inadequate protection.		✓	✓	✓					✓		✓		✓	3	3	M
7 – Failure to engage with stakeholders to understand and communicate what the Council should be trying to achieve.		✓			✓		✓	✓	✓			✓		2	3	M
8 – Failure to innovate and develop new ways of meeting customer needs and expectations.		✓	✓	✓			✓	✓				✓	✓	2	3	M
9 – Failure to produce and meet a balanced budget and MTFs that allow for the successful delivery of the priorities contained in the Business Plan or to adequately plan, fund and monitor the Council's Capital Programme.		✓		✓			✓	✓	✓		✓	✓	✓	3	4	H
10 – Inability to recruit, retain, develop and manage appropriately skilled staff to deliver the Council's priority outcomes.	✓	✓	✓	✓			✓		✓					4	4	H
11 – Failure to enter into and manage effective partnerships for the delivery of services and outcomes.		✓	✓	✓	✓						✓			3	3	M
12 – The Council could fail to provide consistent Value for Money (VFM) across all services or obtain VFM in its procurement.		✓	✓	✓					✓		✓			2	3	M
13 – Failure to ensure good governance of the Council's activities and delivery of its priority outcomes.		✓					✓			✓		✓	✓	2	3	M
14 – Failure to ensure Rochford's ICT Estate supports achievement of Business Objectives.		✓	✓	✓			✓	✓	✓		✓			4	3	M
15 – The Council fails to ensure compliance with the General Data Protection Regulations (GDPR) and is unable to demonstrate consistent application of information standards, controls and statutory compliance.		✓					✓		✓					3	4	H

8 2017/18 Financial Summary

8.1 Revenue Position

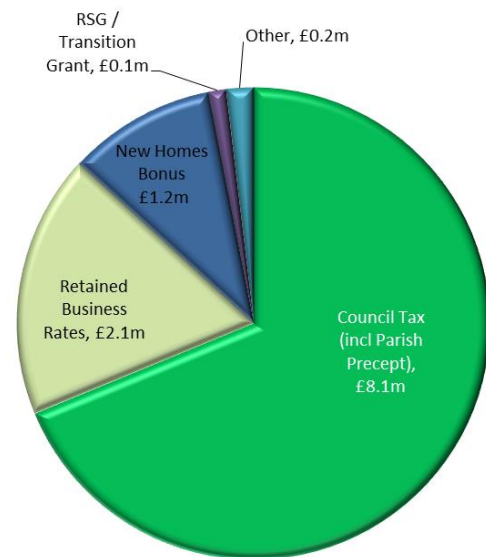
The Financial Summary below provides a simplified view of the full Statement of Accounts which is largely prescribed by accounting standards that apply to all local authorities. An unaudited version of the full Statement of Accounts is available on the website, and a full audited version can be requested from August onwards from the Finance team at RDC.

The funding position clearly shows that the Council is becoming more self-sufficient financially, with less reliance on central government, meaning local decision making is at the heart of everything it does.

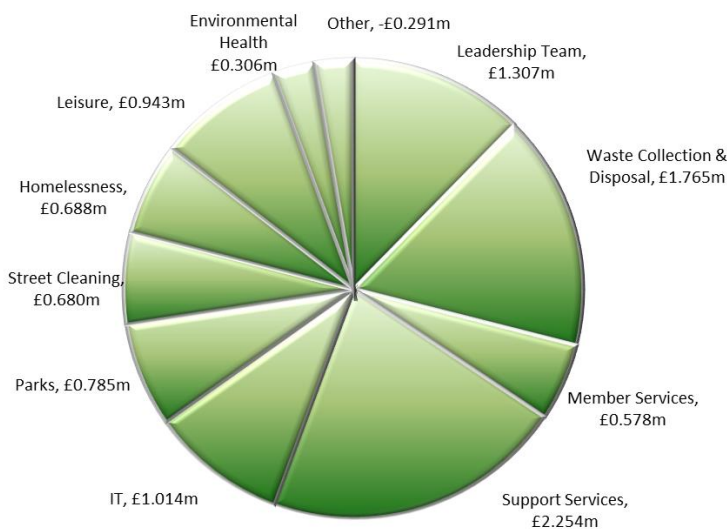
The Council has collected 98.7% and 99.2% of the Council Tax and Business Rates due respectively for the year, which has been achieved through our continuing partnerships with residents, businesses and the precepting authorities.

During 2017/18 RDC has continued with its ambitious plans to become financially self-sustaining against the challenges of rapidly reducing government funding and other pressures.

**2017/18 Sources of funding
£m**



2017/18 Spend by major type £m



These challenges have been met through strong leadership and resilience, which combined with good financial stewardship mean that RDC has reduced underlying expenditure compared to the prior year, whilst also continuing to drive forward strategic plans to optimise our assets and deliver long term transformational change

The reduction in spend has been delivered through careful management of the limited resources available, and by focussing on the Business Plan throughout the organisation, ensuring each pound of public money is maximised.

Rochford District Council – Narrative Report 2017/18

The Council set an original 2017/18 budget of £8.7m for its net cost of services, excluding a planned contribution to reserves. This budget was revised to £9.6m during the year, against which there was with a final outturn position of £8.5m, as set out in the table below.

	2017/18 Original Budget	2017/18 Revised Budget	2017/18 Final Outturn
	£m	£m	£m
Gross Expenditure	10.1	11.0	9.9
Reversal of Parish Precept	(1.4)	(1.4)	(1.4)
Total Service Expenditure	8.7	9.6	8.5
Contribution to /(from) Specific Reserves	1.1	0.3	2.6
Net Expenditure for Budget Purposes	9.9	9.9	11.1
Revenue Support Grant	(0.0)	(0.0)	(0.0)
Retained Business Rates	(1.8)	(1.8)	(3.0)
Incentivised Funding (New Homes Bonus)	(1.2)	(1.2)	(1.2)
Collection Fund Adjustments	(0.1)	(0.1)	(0.1)
New Transition Grant	(0.1)	(0.1)	(0.1)
Rochford's Element of Council Tax Requirement	(6.7)	(6.7)	(6.7)
Council Tax Base	30,855	30,855	30,855
TOTAL COUNCIL TAX (BAND D EQUIVALENT IN £)	217.21	217.21	217.21

A more detailed breakdown of the position by portfolio is shown below. The final position has altered from the version presented in the Council's provisional outturn report due to some changes agreed with External Audit during their scrutiny of the accounts. Reconciliation to the figures presented in the accounts is included within the Expenditure and Funding Analysis table within the Statement of Accounts.

Portfolio	Final budget 2017/18	Actual 2017/18	Variance Underspend/ (Overspend)	Carry Forward into 2018/19	Underlying Variance
Leader	1,635,435	1,470,470	164,965	37,235	127,730
Finance	1,167,780	786,430	381,350	65,858	315,492
Enterprise	330,462	519,490	(189,028)	21,111	(210,139)
Planning	518,470	106,960	411,510	213,373	198,137
Environment	2,678,510	2,666,950	11,560	-	11,560
Governance	1,481,038	1,183,230	297,808	103,796	194,012
Community	1,788,160	1,742,430	45,730	133,862	(88,132)
Total	9,599,855	8,475,960	1,123,895	575,234	548,661

The main items that make up the favourable variance of £548,661 are:

Leader:

- Salary savings mainly due to vacant posts of £79,000

- A saving of £37,000 was achieved in relation to the elections budget as there were no District elections held during 2017/18.

Finance:

- Salary savings mainly due to vacant posts of £50,000
- The authority originally budgeted for a revenue contribution to support the capital programme of £300,000. However the authority receives a percentage from the sale of any ex Housing stock as a capital receipt and in 2017/18 this income equated to £402,249. This enabled the 2017/18 capital programme to be fully funded without the need for a revenue contribution which created a favourable variance against the revenue budget.

Enterprise:

- Salaries overspend of £55,000
- Income received from pay & display charges was below budget by c£54,000. This was driven by adverse weather conditions during February and March.
- Following the completion of the scrutiny of accounts by External Audit, it was agreed to charge £102,000 of IT migration costs to the revenue budget rather than capitalising, due to the nature of the cost incurred.

Planning:

- Salary savings mainly due to vacant posts of £11,000
- The remaining variance is mainly due to increased fee income from Planning and Building Control applications.

Environment:

- Salary savings mainly due to vacant posts of £17,000
- C£60,000 due to an underspend on the Material Recycling Facility gate fees. The fees charged are variable depending on market conditions which mean accurate forecasting against this budget is difficult.
- The original budget for recycling collection included a saving for ceasing weekly collection of recycling bins at flats. This saving concept was not implemented in 2017/18 resulting in an adverse variance of c£73,000.

Governance:

- Salary savings mainly due to vacant posts of £187,000
- Income received from the Electoral Commission meant that the elections budget for 2017/18 was not fully required, resulting in an underspend of c£58,000.
- Income from local land charges is adverse compared to budget by c£50,000.

- Housing Benefit Payments has a £272,000 adverse variance due to timing differences between 2017/18 budget setting and the submission of Housing Benefit Subsidy claim figures, which were completed in August 2016.
- Council Tax Sharing - c£251,000 additional share-back income from the council tax sharing agreement due to additional council tax collected in-year.

Community:

- Salary savings mainly due to vacant posts of £47,000
- Following the completion of the scrutiny of the accounts by the External Auditor, it was agreed that £183,428 of Housing grant should be shown as a net service cost under this Portfolio.

8.2 Capital Position

Capital expenditure forms an important part of the Council's provision of services. In line with our revenue budget setting process, an original Capital Programme was agreed by Council in February 2017 to deliver projects that met the key priorities of the Council and to make best use of the available funding. This totalled £1.0m for 2017/18.

The final Capital Programme for 2017/18 totalling £1.9m included some additional projects that were approved during the year, as well as carry forward of budget for projects agreed in 2015/16 and an updated Disabled Facilities Grant allocation from Essex County Council. The following table shows the final budget and associated spend by project:

Rochford District Council – Narrative Report 2017/18

Scheme	2017/18	2017/18	Variance	Variance of which is		
	Final Budget	Outturn		Overspend	Underspend	Carry Forward
	£	£				
Healthy & Safety Management Software	6,500	6,945	445	445		
IT Migration Project	642,848	327,455	(315,393)		(102,000)	(213,393)
Wheelie Bins	50,400	39,148	(11,252)			(11,252)
Vehicle Replacement	3,950	13,200	9,250	9,250		
Refurbishment of Public Conveniences	330,000	94,923	(235,077)			(235,077)
Cemeteries	19,300	13,536	(5,764)			(5,764)
Car Park Resurface Rolling Programme	41,400		(41,400)			(41,400)
Cherry orchard Car Park Works	18,350	8,895				0
Cherry Orchard Country Park Exp	17,480	17,480	0			
Play Spaces*	29,000	54,378	25,378	25,378		
Parks and Open Spaces Programme	19,600	12,096	(7,504)			(7,504)
Pavilion Refurbishments	37,500		(37,500)			(37,500)
Condition Survey	10,000		(10,000)			(10,000)
Rochford Offices	40,100	17,718	(22,382)			(22,382)
Rayleigh Offices	21,000	14,537	(6,463)			(6,463)
Windmill	8,500	12,155	3,655	3,655		
Health & Safety Adaptions	24,000	4,656	(19,344)			(19,344)
Disabled Facilities Grants	525,000	539,513	14,513	14,513		
Homeless Solution - temporary accomodation	15,000	15,063	63	63		
Housing Renewal Grant	40,000	(418)	(40,418)		(40,418)	
Capital Programme Total	1,899,928	1,191,279	(699,194)	53,304	(142,418)	(610,079)

*There was an external grant of £37,500 which contributed to play space expenditure.

Of the projects not fully completed in 2017/18 there is a request to carry forward budget of £631,656 which mainly relates to the IT migration project and the refurbishment of the public conveniences. This will allow the completion of 2017/18 agreed projects in the 2018/19 financial year. Once agreed these ongoing projects will be added to the original 2018/19 capital programme agreed by Members in the Medium Term Financial Strategy in February 2018.

8.3 Reserves Position

The Council will continue to face difficult financial times for the foreseeable future, given ongoing cuts to government funding, inflationary pressures and increasing demand. However the Council has a credible track record of delivery on which to weather such challenge.

The Council holds reserves and contingencies to help mitigate against future risks and uncertainties, as well as to support specific projects and grant funded work.

There are three major categories of reserves – earmarked, carried forward budget and grant funding. It also holds an amount in its general balance which allows the Council to deal with unexpected events or costs at short notice.

Rochford District Council – Narrative Report 2017/18

Earmarked Reserves	Opening balance 2017/18	Transferred Out	Transferred In	Closing balance 2017/18
Devolution/Essex 2050	(31,309)	-	(89,981)	(121,290)
Thames Gateway Growth Contribution	(17,500)	12,500	-	(5,000)
Insurance Reserve	(33,364)	-	-	(33,364)
Internal Audit	(13,550)	5,015	(50,000)	(58,535)
Contractor Provision	(73,431)	-	-	(73,431)
IT Reserve	(323,907)	80,488	(21,111)	(264,530)
Transformation	(467,359)	110,852	(200,000)	(556,507)
Pension	(1,626,300)	-	(65,858)	(1,692,158)
Legal	(201,088)	84,385	(218,148)	(334,851)
Contamination	(10,000)	-	-	(10,000)
Elections	(20,000)	800	(100,000)	(119,200)
Housing Reserve	(7,868)	-	(255,161)	(263,029)
Hard / Soft Infrastructure	(1,262,095)	326,185	(1,181,000)	(2,116,909)
Business Rates Smoothing Reserve	-	-	(1,214,000)	(1,214,000)
Total Earmarked Reserve	(4,087,770)	620,225	(3,395,259)	(6,862,804)
Carry Forwards from 2017/18				
Corporate	(268,533)	45,764	(230,368)	(453,137)
Project	(21,521)	21,645	(16,000)	(15,877)
IT	-	-	-	-
Housing	(1,500)	-	-	(1,500)
Total Carry forward	(291,554)	67,409	(246,368)	(470,514)
Grant Funded / Ring Fenced Reserve				
Corporate	(51,465)	8,230	(13,675)	(56,909)
Project	(470,373)	61,565	(46,600)	(455,409)
Housing	(60,221)	28,685	(158,312)	(189,848)
Total Grant Funded Reserve	(582,059)	98,480	(218,587)	(702,166)
General Fund Balance	(1,333,000)	344,000	-	(989,000)

The Council has built up reasonable levels of reserves so that it can continue to deliver services in the advent of financial shocks.

The continued provision of adequate reserves is essential. Without these, it may be necessary to take remedial urgent action in-year to mitigate challenges that arise, which could lead to longer term consequences.

8.4 Cashflow position

The Council does not currently undertake any external borrowing in order to manage the cash flow of its capital expenditure programme. It manages its cash flows through cash backed resources which have been set aside for longer term purposes (such as funds set

aside in reserves and balances), and working capital balances that can either be invested or temporarily utilised to defer the need for external borrowing.

The Treasury Management Strategy and progress against the Strategy is reported periodically to the Review Committee.

8.5 Pension Liability

The Council participates in the Local Government Pension Scheme (LGPS) which is administered by the Essex Pension Fund. The majority of Rochford District Council staff participate in the scheme. The net estimated pension liability for Rochford District Council is £31.7m as at 31st March 2018 compared with £34.4m as at 31st March 2017. Estimation of this liability is based on a number of actuarial assumptions including the discount rate used and projections of future salary increases, retirement age, longevity, interest rates, inflation as well as the expected returns on assets.

A firm of actuaries is engaged by the Essex Pension Fund, who carry out a full valuation every three years. The next actuarial valuation will be carried out as at 31 March 2019.

8.6 Write Offs and Arrears

In 2017/18 the following amounts were written off compared to 2016/17

Amounts Written Off	2016/17 £	2017/18 £
Council Tax	48,349	37,080
Business Rates	70,406	58,464
Housing Benefits	45,341	25,810

As at 31st March 2018 the level arrears has changed from the previous year as follows:

Total Arrears	2016/17 £	2017/18 £
Council Tax	1,571,789	1,577,019
Business Rates	302,395	508,891
Housing Benefits	1,436,575	1,537,147

Please note that arrears in respect of Council Tax and Business Rates above include amounts owed to Central Government and Precepting Authorities. The Debtors note to the Statement of Accounts reflects amounts owed purely to Rochford District Council.

8.7 Prior Period Adjustments

The 2017/18 published accounts include some Community land, including play spaces and recreation grounds, for the first time. These have been assessed by the Authority's valuer as having a value of £1.12m and have therefore been included in the accounts for material completeness. The corresponding 2016/17 information in these accounts has been restated to show the inclusion of this land.

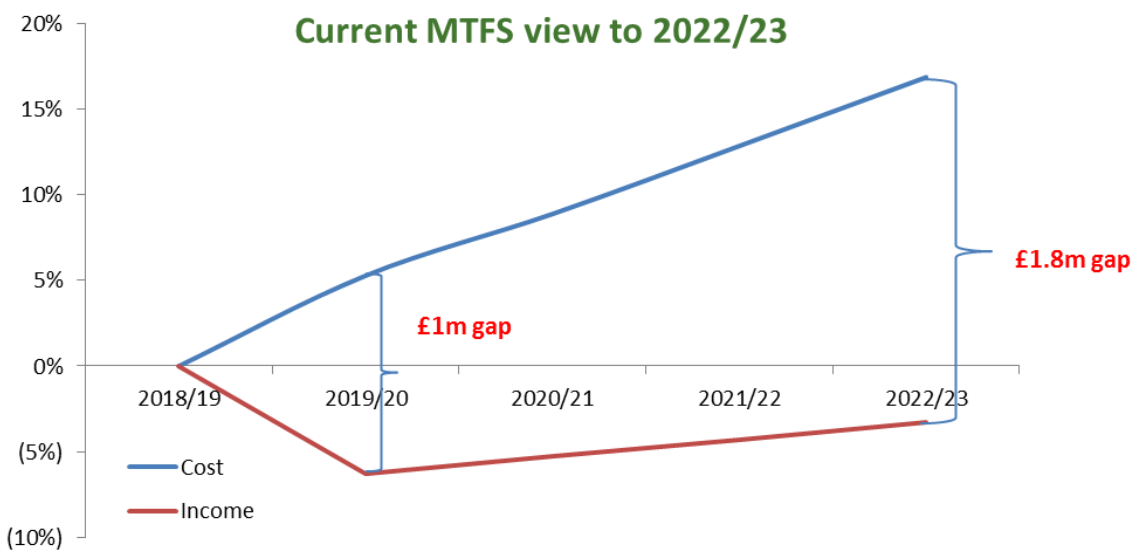
8.8 Interest in Subsidiaries

Green Gateway Trading Ltd (GGT) is a wholly owned subsidiary of the Council which was incorporated on 1st September 2016 and commenced trading in December 2016, providing grounds maintenance services. The company has successfully generated a small net profit after tax of £30,300 for 2017/18 (note these accounts are still subject to a separate external audit) as well as realising a significant cost saving for the Council in the contracted delivery of services.

The company is currently preparing a business plan to set out its strategy for future years trading. It is assumed that any surplus generated in the medium term will be reinvested in the company to support future growth. The Council as sole shareholder is therefore not currently anticipating any realisation of profit via dividend payouts in its budget. More details on GGT's financial position are provided within the Statement of Accounts and its financial statements have been consolidated into the Group Financial Statements on a line by line basis, after eliminating inter-company transactions.

9 Looking Ahead

The future financial position that Rochford District Council faces will be challenging as there is a projected difference between funding available and the expenditure of the organisation of around. **£1.8m by 2023**, illustrated by the graph below.



The forecast funding gap of £1.8 million is due to a combination of:

- Negative Revenue Support Grant adjustments (£0.6m)
- Growth in services through demographic changes and increased service need (homelessness); and
- Increasing inflationary pressures (such as the National Living Wage).

Rochford District Council is undertaking a programme of work to identify savings concepts which will help address this projected gap; however the situation remains very challenging.

The Council therefore needs to continue with its transformation ambition set out in its Business Plan.

Savings and income generation plans of £0.851m were approved in the 2018/19 budget agreed by Council in February 2018. Delivery of further measures to balance the budget from 2019/20 and beyond are being explored and will, to a certain extent, be enabled by the successful implementation of the plans set out for 2018/19. Currently the total future concepts identified equate to £1.0m which could potentially reduce the gap to £0.8m on current economic / funding estimates. The Council will therefore need to continue with its transformation ambition as set out in the Business Plan, to identify further savings in future years. It is intended that development of the investment strategy will underpin an investment delivery programme which will help to address the gap.

10 Statement of Accounts

The Council is required by statute to prepare a Statement of Accounts in accordance with proper practices in relation to accounts, defined to include the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (i.e. the CIPFA Code).

The Statement of Accounts for 2017/18 is presented on the Rochford District Council website.

The key aim of the Statement of Accounts is to provide a ‘true and fair’ view of the Council’s financial position at 31st March 2018 and of its income and expenditure for the 2017/18 financial year.

The Statement of Accounts forms an essential part of public accountability, reporting on the Council’s use of funds raised from the public and provided by central government and confirming the availability of balances and reserves for future use.

The presentation of the Statement of Accounts is largely defined by the CIPFA Code and other proper practices. Whilst this results in a common pattern of presentation across local authorities, it does mean that the presentation within the Statement of Accounts differs from the basis on which the Council takes operational financial decisions and the format in which it monitors its financial performance during the year.

The Statement of Accounts is centred upon the Financial Statements, with other information provided to aid interpretation and add further context on the financial performance of the Council during 2017/18.

The main Financial Statements are comprised of:

- **Comprehensive Income and Expenditure Statement** which presents information on resources generated and consumed during the year, based on generally accepted accounting practice;
- **Balance Sheet** which summarises the financial position of the Council at 31st March 2016 including the net assets it has available after settling its liabilities, and its reserves; and

- **Movement in Reserves Statement** which presents the financial resources available to the Council to support future service delivery and cope with unexpected events;
- **Cash Flow Statement** which shows the changes in cash and cash equivalents during 2017/18.

In addition to the main statements there are a number of supporting notes setting out more detail, including an **Expenditure and Funding Analysis** that shows how the Comprehensive Income and Expenditure Statement compares to the financial position reported in the Council's management accounts.

11 Annual Governance Statement

Rochford District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded, properly accounted for and is used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to continually review and improve the way in which its functions are exercised, while at the same time offering value for money and an effective and efficient service.

To meet this overall responsibility the Council has put in place proper arrangements for overseeing what is done (this is what is meant by governance), to ensure that its functions are carried out in the right way, in good time and in an open, honest and accountable way

The Chief Audit Executive provides assurance that the controls within the key financial systems remain adequately designed and operating satisfactorily. Similarly that the arrangements to request, receive and act upon officers and members declarations of interest and gifts and hospitality are designed adequately and operating satisfactorily.

The Full Annual Governance Statement can be found on the Rochford District Council website.

12 Conclusion

Through careful management and fiduciary care, Rochford District Council has been able to close its 2017/18 accounts showing a robust position, which will support the Council in meeting the financial challenges of 2018/19 and beyond. The projections for future year's finances indicate a significant gap between the Council's expected funding streams and its planned expenditure; therefore it is essential that the Council continues with its drive to transform itself and continue on its journey of becoming financially self-sufficient.

The draft Statement of Accounts presented on the Rochford District Council website is unaudited and may therefore be subject to change during the audit period. The final audited Statement of Accounts will be presented to Audit Committee for approval on 24th July 2018.

A handwritten signature in black ink that reads "Naomi Lucas". The signature is written in a cursive, flowing style.

Naomi Lucas

Section 151 Officer

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority’s Responsibilities

The Authority is required to:-

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For the year 2017/18, the responsible officer was the Section 151 Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve and publish a Statement of Accounts.

The Section 151 Officer’s Responsibilities

The Section 151 Officer is responsible for the preparation of the Authority’s Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing this Statement of Accounts, the Section 151 Officer has:

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

The Section 151 Officer has also:

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

Certificate

The post audit Statement of Accounts gives a true and fair view of the financial position of Rochford District Council at 31 March 2018, and its income and expenditure for the year then ended.

Signed:
Section 151 Officer

The Chairman’s Approval

I confirm that these accounts were approved by the Audit Committee at its meeting on

Signed:
Chairman of the Audit Committee

Date:

ANNUAL GOVERNANCE STATEMENT FOR 2017/18

1. What is Corporate Governance?

Rochford District Council (The Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded, properly accounted for and is used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 2000 to make arrangements to continually review and improve the way in which its functions are exercised, while at the same time offering value for money and an effective and efficient service. This Annual Governance Statement (AGS) covers the financial year 2017/18 (but extends to cover the period to the signing of the Statements of Accounts at the end of July 2018). This statement is an opportunity to demonstrate the level of compliance with the Local Code of Corporate Governance.

To meet this overall responsibility the Council is required to put in place proper arrangements for overseeing what is done (this is what is meant by governance), to ensure that its functions are carried out in the right way, in good time and in an open, honest and accountable way, including arrangements for the management of risk. These arrangements also include trading companies that are wholly owned subsidiaries of the Council. These are known as Group Arrangements.

The Council approved and adopted, in 2017, a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework. The Council acknowledges its responsibility for ensuring there is a sound system of governance, incorporating the system of internal control.

This Statement explains how the Council has complied with the Code and also meets the requirements of regulation 6(1) (b) of the Accounts and Audit Regulations 2015 on the completion of an Annual Governance Statement.

The governance framework comprises a range of systems, policies, procedures, culture and values by which the Council is directed and controlled and the methods by which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic aims, manage risks and to address issues that have a serious impact on the Council's finances, reputation or the delivery of efficient and effective services.

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

2. How has this Statement been prepared?

The Council has a duty to conduct at least an annual review of the effectiveness of its governance arrangements including the system for internal control. The Council considers its Internal Audit Service to be a key component of its governance framework.

The work of Internal Audit (specifically the Chief Audit Executive's Annual Report and Opinion), Service Assurance Statements completed by senior management, other subject specific reports from relevant senior management, external review agencies and our external auditor are taken into account in producing this Statement. Further to this, Internal Audit tracks and reports to the Audit Committee on whether recommendations made to improve the governance arrangements, risk management processes and systems of internal control are implemented effectively and promptly.

Whilst a number of assurances have been obtained to support the overall conclusion set out in this statement, it is important that the following specific assurances are considered:

1. Chief Financial Officer (Section 151)

The CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2016) demands that assurance is provided on a number of governance arrangements relating to the organisation including financial control, reporting, the approach to decision making, compliance with relevant codes and the influence of the CFO within the organisation. These have been considered within the context of this Statement and it has been established that the Council's arrangements conform to the CIPFA requirements and the Section 151 Officer has no significant concerns.

2. Monitoring Officer

The Monitoring Officer is required to report to the Council in any case where it appears that any proposal, decision or omission by the authority has given rise to or is likely to or would give rise to any contravention of any enactment, rule of law or code of practice or maladministration or injustice in accordance with Sections 5 and 5A of the Local Government and Housing Act 1989; (LGHA 89). These have been considered within the context of this statement and the Monitoring Officer has no significant concerns to report. The Monitoring Officer has, however, highlighted the need for improvements in terms of Procurement, and as such this issue has been specifically highlighted in the action plan.

3. Chief Audit Executive

In accordance with the Accounts and Audit Regulations 2015 and the Public Sector Internal Auditing Standards (PSIAS), the Chief Audit Executive for the Council, is required to provide an opinion on the overall adequacy and effectiveness of the Council's risk management, control, counter fraud and governance processes.

Chief Audit Executive Opinion 2017/18

The Chief Audit Executive is satisfied that sufficient work has been undertaken to draw a reasonable conclusion on the adequacy and effectiveness of the Council's arrangements. Based on the work performed during 2017/18 and other sources of assurance, the Chief Audit Executive can provide adequate assurance that the Council's risk management, internal control and governance processes, in operation during the year to 31 March 2018, generally accord with proper practice and are fundamentally sound, although there are opportunities to improve the arrangements to enhance the Council's governance framework.

The Chief Audit Executive's Annual Report for 2016/17 made reference to the fact that five audit reviews received a "Limited" assurance opinion: Business Rates, Contract Procedures, Contract Management (for a specific contract), Disabled Facilities Grants and Debtors. Action plans to improve controls arising from these limited assurance reviews were agreed and have been subject to review by Internal Audit during 2017/18.

The Chief Audit Executive's report for 2017/18 makes reference to the fact that four audit reviews received a "Limited" assurance opinion based on outcomes at time of testing:

- Environmental Health
 - Capacity / resource issues
 - Policies & procedures were not up to date
 - Risk register was not complete
 - IT system issues not supporting operations effectively
- Waste Collection Contract
 - Contract performance management not effective, including unclear contract requirements
 - No formal business continuity arrangements in place for this key contract
 - No mechanism to ensure contractor had up to date policies, procedures, insurances etc.
- Procurement
 - Aggregate spend to contractors / service providers can exceed values where formal contract arrangements should be implemented in line with Contract Procedures or EU Regulations
- Debtors
 - System administration of debtor system was not effective with users having access in excess of their requirements
 - Several incidences of incorrect application of VAT
 - Inaccurate or incomplete details of fees and charges
 - Inconsistent or minimal procedures for recovery of debts in some areas
 - Delays in raising invoices

Action plans for revised controls or procedures were agreed following these reviews and will be followed up in 2018/19.

An audit engagement was carried out at the end of 2016/17, reported in 2017/18, in respect of Green Gateway Trading (GM) Ltd., a wholly owned subsidiary company. This audit work concentrated on the roles and responsibilities of the Trading Company and the Council. There was significant officer and Member engagement at all stages of the set up, which followed guidance of legal consultants. Reports are periodically produced by the Company direct to the Investment Board which acts as the representatives of the Council as shareholder. There are regular meetings with PFH for Environment and with Environmental Services as contract commissioner. Council policies, such as Safeguarding and Health & Safety have been adopted by the Company to ensure their standards are at the same level as the Council.

A key area where Internal Audit has only undertaken limited non-technical work during 2017/18 is in relation to Information and Communication Technology. Much change has happened with the Council's ITC infrastructure during 2017/18 with partial migration to the Azure Cloud (Microsoft). The work undertaken was by way of a questionnaire that sought assurances from EduServ in respect of network security, safeguards in place to prevent cyber attacks (security bug fixes and patches applied as part of software updates) and backup arrangements, as well as discussions with Rochford based staff and use of other available information. No concerns were identified.

The opinion does not imply that Internal Audit has reviewed and commented on all other risks and assurances relating to the Council. It should be stated that it is not expected that all Council activities will be subject to internal audit coverage in any one year.

3. What are the Council's governance arrangements and how have we performed?

This Statement is set out in line with the seven core principles detailed within the Delivering Good Governance in Local Government Framework and many of the areas detailed apply to more than one principle.

Many of the key governance mechanisms have been in place for some time and. this Statement, therefore, describes them, together with key changes and developments within the Council's governance framework during 2017/18 and up to the date of approval of the Annual Financial Report.

Much progress has been made in dealing with the significant governance issues identified in the Statement for 2016/17 and this progress is detailed in Section 4 below.

Matters that remain outstanding from 2016/17 and significant governance issues identified from this 2017/18 statement for action in 2018/19, are detailed in Section 5. Action Plans have been agreed for the "Limited" assurance audit outcomes detailed in Section 2.

- **Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

The Council's **Constitution** sets out how the Council operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to residents. It clearly defines the roles, responsibilities and delegated powers of the following: -

The Executive

Review Committee

Investment Board

Leader of the Council

Chairman of the Council

Committees carrying out specific probity and regulatory functions: -

Development Committee,

Standards Committee

Audit Committee

Licensing Committee

Appeals Committee

Residents

Head of Paid Service

Monitoring Officer

Section 151 Officer

Other Chief Officers

The Constitution includes the key governance frameworks of the **Scheme of Delegation** and **Financial Regulations**.

The Constitution was updated after the restructure in 2015 to reflect new responsibilities and job titles etc. A full review of the Constitution is an ongoing piece of work. This will be reviewed annually once completed by the Monitoring Officer.

Also included in the Constitution are **Contract Procedure Rules** which were updated and approved by the Council in December 2015 and are also kept under review to ensure they keep pace with the changing financial environment. Measures are under way to embed the standards required in relevant policies into contracts and to shape contractor behaviours.

Staff and Members are bound by an **Officer Code of Conduct** and a **Member Code of Conduct** respectively. Elements of these are reviewed and updated annually. In addition, the Protocol on Member / Staff relations provides clarification on the working relationship between Officers and members to ensure that there is a high standard of personal conduct as well as reasonable standard of courtesy. Elements of these are reviewed to take on board any new issues which may arise.

New Staff and Member inductions outline the key requirements of the relevant Codes of Conduct, including requirements for declarations of interest and registers of gifts and hospitality. Declarations of interest appear to be up to date but little use is made of the gifts and hospitality register. There are a range of policies to set out the

Council's approach on key ethical and legal requirements. These include, but are not limited to, the **Corporate Equality Policy**, the **Safeguarding Policy**, the **Whistleblowing Policy** and the **Health and Safety Policy** etc.

Members of the Development and Appeals Committees and the Licensing Sub-committee undertake **mandatory training** as appropriate as well as induction and refresher training over the course of the year where necessary.

The Standards Committee is responsible for promoting and maintaining high standards of conduct by Councillors and co-opted Members and for Member Training. The Committee convened on four occasions during 2017/18, primarily engaged on learning and development matters. The Standards Sub-committee convened once to hear a matter in relation to a complaint made against a Member's Behaviour. The structure and full terms of reference for the Committee are detailed in Article 9 of the Constitution.

All reports to Council or Committees are required to consider:

- Risk implications
- Crime and disorder implications
- Environmental implications
- Resources
- Legal implications
- Parish implications
- Equality and diversity implications

Public Council or Committee agendas, reports and minutes are available on the Committee Management Information System on the Council's website

The Council is committed to being open and accountable and, as such, is determined to counter fraud, bribery and corruption, whether it is attempted against the Council from external sources or internally as detailed in the **Anti-fraud and Corruption Policy and Strategy**

The Council has a **whistleblowing** policy where staff may raise concerns that they may have in the workplace which could include bullying, illegal, improper or unethical conduct by Members, staff, partners or contractors.

▪ **Principle B: Ensuring openness and comprehensive stakeholder engagement**

The Council has clearly defined its vision, priorities and objectives, as articulated by the **Business Plan for 2016-2020**, which was developed and approved following a robust consultation process with residents, Members, Parish and Town Councils, local businesses, partner organisations and staff. With the development of the Council's Business Plan it was recognised that **partnership working** would be central to its delivery.

The Council continues to be a key partner in the **Castle Point & Rochford Local Strategic Partnership** and its sub-groups. The Council provides the secretariat function for the Local Health & Wellbeing Board and has devised a focused work

plan based on clear priorities to which all partners contribute. Public Health grant funding is also scrutinised by the Board. Each year the Community Safety Partnership must produce a Strategic Assessment, an analysis of community safety information and data across Rochford District and Castle Point, which in turn informs local priorities. The Partnership also funds local initiatives designed to support community safety.

A Partnership Toolkit was launched in May 2017 to assist officers to work in partnership in a more effective way. The Toolkit includes a self assessment tool designed to analyse the strengths and weaknesses of a particular partnership. In late 2017, 11 partnerships undertook the self-assessment. Only one was considered to be performing below an expected standard and this resulted in establishment of a review process to look at the partnership's effectiveness.

The Council operates several types of communication media to provide information to residents: Website, Facebook and Twitter. All of these provide residents with the ability to engage the Council and receive responses. These are in addition to traditional communication measures such as telephone and in writing. Residents can sign up to a "Tell Me More" facility to receive information on a range of Council services. Procedures are detailed on the Website to enable residents to make a complaint should services not be to expected standards

The Council is committed to consulting with residents, its service users, partners and other interested groups as part of providing effective services that meet the needs of the District. Whilst there is no formal consultation policy there is a guide, "Consultation Guide for Staff" (2016), to enable services to consider and carry out a meaningful consultation. There is a "Have Your Say" group that provides feedback to various Council operations that anyone can sign up to via the Website. Feedback for this group is provided in a periodic newsletter.

Resident engagement was sought about the budget setting for 2018/19 via a survey that was open for seven weeks, on line, via social media and was advertised at various public locations.

A significant consultation was carried out in respect of a proposed new "Local Plan: Issues & Options Document (and draft Sustainability Appraisal)" utilising website, email and post, supported by a series of local workshops through the District.

▪ **Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits**

The Business Plan for 2016-2020 provides clear focus to prioritise the Council's activity and resources to:

- Become financially self-sufficient
- Take early intervention
- Maximise assets

- Enable communities on the basis of “our residents will be at the heart of everything we do”.

The Council maintains a five-year rolling **Medium Term Financial Strategy** (MTFS). The latest (covering the period 2018/19 to 2022/23), including the 2018/19 annual **budget** and **capital strategy**, was presented to Council on 13 February 2018.

The above collectively demonstrate effective short and medium-term financial planning and effectively link financial and business planning to enable the Council to balance the delivery of quality services along with its priorities and aspirations and maximise the effectiveness of its assets.

The MTFS took account of the Council’s long-term financial sustainability and recognised the key risk, namely identifying a £1.8m funding gap by 2022. The MTFS then took account of various options through savings, income generation and investment concepts to mitigate this risk, as proposed by Officers and Members alike. The MTFS will be refreshed again in 2018/19, with more certainty and delivery plans built around said savings, income and investment concepts.

The organisation has **strong financial management** at the heart of everything it does. The budgets are devolved to Directors and Assistant Directors. Effective budget monitoring is achieved through monthly engagement with Finance through a Finance Business Partner model to ensure that each pound is accounted for correctly to maximise value for money, in both revenue and capital terms.

The organisation receives **regular reports on financial health** through quarterly Financial Management reports presented to the Council’s Executive, including three Treasury Management updates, monthly reviews of budgets and an annual MTFS refresh. These reports are open and transparent and provide an appropriate level of detail and insight, including the potential impact of historic actions on the future strategy.

The MTFS has identified a funding gap in future years, which will have to be tackled through savings, income generation and investment decisions over the coming months and years. Since 2015 the Council has employed the services of a named Essex County Council Head of Finance as its **Section 151 Officer**, to provide strategic finance direction, support the Finance Team and provide the organisation with a springboard through the MTFS to identify its financial strategy, linked to the Business Plan.

The agreement with Essex County Council for the provision of the Section 151 Officer continues until September 2018. Therefore, the Council will need to promptly identify and implement suitable arrangements after this date.

The Authority’s financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Addendum (2012) to “Delivering Good Governance in Local Government Framework” (CIPFA/SOLACE).

▪ **Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

Change projects and activity relating to commercial objectives were supported by the production and review of project plans, associated risk registers and project management techniques, including reporting through formal corporate governance routes. This was further complemented by the work of the Project Management Office (PMO) whose role was to offer general project management support and assistance to project teams. In January 2018 the PMO was refined to provide support and assistance to those projects which have the greatest financial and / or strategic impact for the Council and which are aligned to the Business Plan in terms of priority.

Each Assistant Director completed, as at year-end 2017/18, a **Service Assurance Statement**, a self-assessment as to compliance with key Council policies, controls and procedures. The questions in the statements were revised for 2017/18 to reflect changes in operational procedures, revised policies and procedures or emerging risks that may have future impact.

The Assistant Directors self-assessed that there was a high level of full or partial compliance with the required arrangements. Areas for improvement highlighted by these self-assessments were: -

- Effective progression towards General Data Protection Regulations compliance and related data management
- Health and Safety service area refinement
- Service area business continuity refinement, in particular in relation to contractors

The Housing Options Service has dedicated 'prevention' roles that focus on interventions that can be a combination of advisory, supportive and financial. These roles work with partners to ensure local residents threatened with homelessness are able to stay in their home, reducing the need for temporary accommodation.

Housing Options are part of two Essex-wide government funded trailblazer projects that provide housing related support and domestic abuse support; increasing capacity to manage the prevention work.

A Housing Options Prevention Fund Policy was agreed to enable continuing financial support for prevention work and the Housing Allocations Policy has been reviewed to further support the prevention agenda and those homeless customers who need a more settled home.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

A politically pro-rata Member **Investment Board** was established in 2015. It is a Committee of Full Council and makes decisions on investment / commercial matters

as well as providing oversight and robust governance of decisions related to the Council's commercial and investment objectives as identified in its Business Plan. Projects within the remit of the Investment Board are reported to the committee via the refreshed Project Management Office and Projects Dashboard. Projects within the remit of The Executive are reported in a similar fashion. A Capital Assets Investment Strategy is currently being developed, which will support all capital investment projects across the District.

In November 2017, a Strategic Director was recruited to boost and develop the Council's strategic vision and direction and its commercial capability.

During the year the review of the Council's Asset Register was continued with a view to supporting the "Maximise Our Assets" priority section within the Business Plan for 2016-2020.

The Council continued to participate in the **One Public Estate** initiative during 2017/18, working with government and other agencies on public property and land issues through sharing and collaboration.

During the year the Council has actively participated in the **SE2050** initiative, and signed-up, in principle, to an Association of South Essex Local Authorities (ASELA). The intention has been to describe a joint "place-based" vision for South Essex and to prepare a Joint Strategic Plan (JSP) setting out how sustainable growth can be delivered with the infrastructure required in the area. A Planning Delivery Grant of c£900k was awarded to ASELA by the government to contribute towards the preparation of the JSP.

A bid for additional resources was submitted to the government and an award of c£200,000 was made. This money will be used for enabling works to assist the Council in realising its ambitions as part of its Business Plan priority to "Maximise our Assets".

During 2017/18 the **People Plan**, was launched, supported by an updated appraisal system that focuses on continual performance management aligned with the objectives of the Business Plan. Work on these was underpinned by an externally hosted staff survey (a follow-up to a similar study in December 2016), which had an 87% staff engagement rate.

Another of the actions in the People Plan was to launch a Value Based Recruitment process; this was rolled out in February 2018 and supports the aim of embedding corporate values. A new job description template has also been rolled out which supports the corporate values.

There has been an improvement in staff engagement in terms of regular staff surveys, Director's blogs and internal communication emails. The volunteer 'Livewell' team have facilitated a range of supportive measures including mindfulness courses, men's Health session, stress awareness courses, mental health first aiders, health checks and staff focussed activities such as lunch time walks.

Principle F: Managing risks and performance through robust internal control and strong public financial management

The Council has a **Corporate Risk Management Policy and Framework** that is underpinned by a **Corporate Risk Register**. It is supported by **service area risk registers** with identified risks and the controls that mitigate those risks at both a strategic and operational level.

High-level projects and high risk contracts also have specific risk and controls records and this work will be expanded during 2018 as part of the Project Management Office function for high priority projects and with the Procurement Team for contracts.

A **review of the Corporate Risk Policy and Risk Register 2017/18** was undertaken by the Audit Committee in September 2017. The corporate risk register is reported to the Audit Committee every six months. From April 2017 a rolling review of corporate risks are considered by the Leadership Team on a quarterly basis.

The **Principal Performance Business Support Officer** provided an independent critical friend challenge of the **corporate and service risk registers** during 2017/18 to ensure they adequately identify and articulate the Council's significant risks and set out appropriate mitigating action.

The focus of risk management work in 2017/18 was to ensure that the Council was alert to, and had appropriate controls in place to manage, the revised nature of the risks it was facing in the light of internal and external circumstances. This included a review of contract management across the Authority and recognising the risks the Council faces in managing contracts, including financial resilience of contractors and ensuring contingency arrangements are considered in the event of failure of a contractor.

The **Corporate Business Continuity Plan** was revised in the first quarter of 2017 and associated website documents were updated. Work is ongoing in ensuring priorities for service areas are kept up to date through an annual review process.

The **Emergency Plan** was reviewed in the first quarter of 2017 and the web site and intranet documentation was updated. The Plan was activated for a number of small incidents relating to flooding and travellers. Essex wide procedures have been agreed for assisting people evacuated from their homes and joint training is to take place during 2018. Training has been given for staff in how they may assist the Council's emergency response and there is a programme of training for 2018 to develop existing emergency volunteers and encourage others to be involved.

Local authorities need to remain ever vigilant to the threat of fraud and through strong internal controls look to prevent such activity. That said not all fraud can be prevented and, therefore, appropriate arrangements need to be in place for identification of such activity. The National Fraud Initiative and Pan Essex Data Hub provide the means for the Council to identify potential fraud through data matching, followed by subsequent investigation and recovery where relevant.

Internal Audit work considers the risk of fraud in planning all individual audits and has supported Service departments as part of a wider more strategic approach to counter-fraud arrangements in risk identification and the development of controls to mitigate identified risks. For example, by improving the checking of staff before they are employed potential fraud may be prevented and reputational damage reduced.

The best fraud fighters are the staff and clients of local authorities. To ensure that they are supported to do the right thing a comprehensive anti-fraud culture needs to be maintained, including clear whistle-blowing arrangements. During 2016/17, the council identified a Counter Fraud champion to act as the pivotal person to drive an internal review of policies and procedures, with the task of planning and executing a full refresh of the Counter fraud arrangements within the Council, providing regular reporting to both the Leadership team and the Section 151 officer. This work is ongoing.

The Council has an embedded corporate **performance management process**. Performance indicators, with appropriate targets, are agreed at the start of each financial year and regularly reported to Senior Management and Members to provide clear visibility of performance and, where necessary, prompt required remedial action. The Leadership Team review data before publication to ensure its accuracy and that supporting commentaries are meaningful. The indicators and targets for 2018/19 are under development in conjunction with Assistant Directors.

Members are provided with a monthly Corporate Dashboard of key indicators that highlight performance issues, both data-based and financial. The Executive receives a detailed Finance and Performance report on a quarterly basis.

▪ **Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

The **agendas, minutes and decisions** of the Council, Executive and all Committees of the Council are publically available through the Committee Management Information System (CMIS), via the Council's website. These documents are clear and published promptly. Some reports are, particularly in the early stages of projects or proposals, commercially confidential and these may be restricted on CMIS.

All Committees have clearly defined roles, responsibilities and working protocols as expressed through the Constitution with specific terms of reference detailed on CMIS and on each published agenda.

The **Review Committee** provides an overview and scrutiny function for the Council. The Committee comprises 15 members enabling wide engagement and focus on a range of issues. An annual report on the work of the Review Committee in 2017/18 was presented to the Council on 24 April 2018, detailing what it had reviewed and outcomes

The Committee determines its own workplan and how it will be fulfilled. During 2017/18 the Committee considered a number of topics. It has a duty to scrutinise decisions made by the Executive

Throughout 2017/18 the Council had in place the statutorily required roles of Head of Paid Service, Chief Finance Officer (Section 151 Officer) and Monitoring Officer. The **Head of Paid Service** is the Managing Director. The **Monitoring Officer** is the Assistant Director for Legal Services.

Since April 2017 a **Chief Audit Executive** has been provided by Basildon Borough Council through a Memorandum of Understanding. The Council, therefore, meets the requirements of the CIPFA Statement of the role of the Head of Internal Audit and conformance with the Public Sector Internal Audit Standards for 2017/18.

During the year the Internal Audit Team had an External Quality Assessment, to measure conformance to those standards, carried out by a CIPFA assessor. The Team was assessed as Generally Conforming to the Standards, with minor recommendations / suggestions which will be actioned in 2018/19.

Safeguarding awareness continued during 2017/18, with established Safeguarding Link Officers, new domestic abuse and Child Sexual Exploitation champions and regular internal communications on topical issues. Awareness has resulted in the number of concerns increasing, where some have required referral to the Essex County Council's Local Authority Designated Officer for further consideration.

All staff undertook an e-learning module relating to the PREVENT scheme and all Teams have been visited by the Council's dedicated Safeguarding Support Officer to embed the message 'safeguarding is everyone's responsibility'

Following an internal audit of our Management of Occupational **Health and Safety** (H&S) during 2017/18, it is acknowledged that the Council has continued, and will continue, to make progress in relation to the implementation of improvements; it is working to enhance the safety culture throughout the organisation at all levels.

Significant work has continued in relation to occupational health and safety management.

In the last few months new Council Policies and procedures have been approved for:

- Asbestos Management
- Construction, Design and Management
- Personal Protective Equipment
- Young Persons at Work
- Stress Management
- Fatal Accident Protocol
- Hot work – Permit to Work system

IOSH Accredited 'Managing Safely' training courses have been run for key managers in January 2018. In addition, duty holder training for specific areas such as Asbestos, Legionella and Construction, Design and Management has been completed.

Work has taken place in relation to the procurement of new health and safety related contracts for fire safety and electrical testing and maintenance.

Officers will continue to work to develop all areas of the business in relation to health and safety in order to protect staff, visitors, residents and the organisation.

The Council was audited by the DVLA in January 2018 to ensure that only authorised access was made to the DVLA database to enable officers in Environmental Services to carry out their enforcement duties in respect of abandoned vehicles. A high level of compliance with DVLA regulations was acknowledged.

Due to the council having several systems operating on servers which are no longer supported by Microsoft, the Cabinet Office would not issue certification under the Public Sector Network (PSN) ICT security requirements for 2017/18. This was not a reflection of other aspects of the Council's ICT security which were all up to date.

New servers have been built in the Azure Cloud and full migration is due to be completed at the end of July 2018 at which time application for PSN accreditation will be re-submitted. The Council has kept the authority responsible for PSN apprised of the position throughout.

The Council's ICT network is managed by an external provider with some of the servers and systems already in the Cloud. Both the Cloud and the service provider hold accreditation to ISO 27001 for ICT security management

The Assistant Director – Democratic Services is the Council's **Senior Information Risk Owner (SIRO)**, with the Assistant Director, Legal Services assuming the role of the **Data Protection Officer (DPO)**.

The SIRO last reviewed information governance-related policies in 2015/16. Work has commenced in preparation for the introduction of **General Data Protection Regulations (GDPR)** including the development of Privacy Impact Assessments, which will be required for future project implementation or significant changes in data processing, and Privacy Notices to inform residents how their data is managed. To further improve arrangements, an **Information Management Toolkit** is being reviewed in line with the GDPR. Relevant staff received training in 2015/16 on the Data Protection Act (DPA) and the Freedom of Information Act. A revised e-learning module for all staff on data protection commenced roll-out in March 2018, as part of preparation for GDPR training. Information Asset Owners have been specified and relevant staff have been made aware of their responsibilities.

Appropriate measures are in place to report breaches in data protection to the Information Commissioner's Office.

In September 2017 the Council's external auditor, presented an **unqualified opinion on the financial statements** for the year ending 31 March 2017 in their report to the Audit Committee.

4. Dealing with last year’s key improvement areas

The following table sets out the matters arising from the 2016/17 annual review of governance and how they have been addressed in 2017/18.

The second table sets out those matters arising in 2017/18 and how these will be addressed in 2018/19.

MATTERS ARISING IN 2016/17	ACTION IN 2017/18
Migration of Council ICT to Azure Cloud	A revised approach for the migration was agreed by the Council on 31/5/2017. Movement of systems to new contractor was carried out during year as an interim phase to full migration.
Continued development of a Health & Safety Culture	The Health & Safety Action Plan continued to be delivered with further policies drafted and training delivered.
Ensuring financial resilience given planned future changes in Central Government funding. Ensuring effective processes to identify and then deliver required savings.	The Medium-Term Financial Strategy was reviewed and refreshed in 2017/18, which enabled a balanced budget to be set for 2018/19 despite significant financial pressures. A continued focus is needed on firming up the current plans to deliver savings, generate income and progress investment opportunities, as there remains a projected c£1m gap in 2019/20, rising to £1.8m in 2022/23 The 2018/19 Budget and MTFs continued the strategic financial review of the Council’s position, including scenarios around negative RSG and Council Tax, Business rates and New Homes Bonus funding.
Development of counter fraud activity	A Counter Fraud Champion was identified in 2016/17, and the started to review existing policies and undertake a full refresh of Counter Fraud within the Council. Prevention cases have increased (up to January 2018 x47 cases), resulting in £250,000 estimated prevention savings.

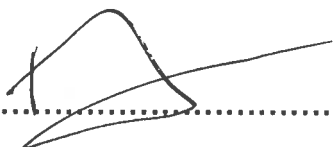
MATTERS ARISING IN 2016/17	ACTION IN 2017/18
Homeless budget arrangements	<p>The focus on early advice and support has resulted in less than 10% of total approaches actually having to make a homeless application.</p> <p>Two new temporary accommodation projects were completed; one in partnership with a local registered provider and one with a private developer, saving in excess of £100,000.</p>
Delivery of Business Plan	<p>In November 2017 a Strategic Director was recruited to boost and develop the Council’s strategic vision and direction and its commercial capability.</p> <p>In January 2018 the Project Management Office was refined to provide support and assistance to those projects which have the greatest financial and / or strategic impact for the Council and which are aligned to the Business Plan in terms of priority.</p> <p>The Investment Board continued to be closely involved in decision making in respect of project development</p>
Improving staff performance management and development processes	<p>A new appraisal system together with the People Plan was rolled out in 2017/18</p>

5. Governance areas to be developed in 2018/19

MATTERS ARISING IN 2017/18	ACTION FOR 2018/19
ICT Migration	<p>Migration project has been identified as a gold project. Project plan with payment milestones is in place and will be completed by end of July 2018.</p> <p>By that time all old version servers will have been updated and migrated and at that point the Council can submit an application for accreditation for compliance with the Public Sector Network ICT security requirements</p>
Implementation of General Data Protection Regulations	<p>An implementation plan is in place in accordance with the ICO guidance and recommendations. Work is ongoing to ensure compliance with the new regulations.</p>
<p>Ensuring financial resilience given planned future changes in Central Government funding.</p> <p>Ensuring effective processes to identify and then deliver required savings.</p>	<p>A continued focus is needed on firming up the current plans to deliver savings, generate income and progress investment opportunities, as there remains a projected c£1m gap in 2019/20, rising to £1.8m in 2022/23</p> <p>This will be reliant, to a large extent, on the Project Lead to identify savings and the Programme Management Office to track delivery of cashable benefits from key projects such as Transformation, Asset Maximisation and Homelessness in the lead up to the 2019/20 budget setting process, as well as cross-service peer review challenges to find further efficiencies within service areas.</p> <p>The future funding position will also continue to be closely monitored to ensure the latest intelligence is used in any financial planning.</p>
Delivery of Business Plan	<p>A Capital Assets Investment Strategy is under development. Key projects under the Plan will continue to be managed by project owners supported by the Project Management Office and overseen by the Investment Board</p>
Continued development of a Health & Safety Culture	<p>The Health and Safety Action Plan continues to be delivered. Further policies will be brought forward and training delivered.</p>

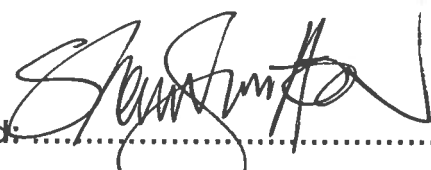
MATTERS ARISING IN 2017/18	ACTION FOR 2018/19
<p>Compliance with Homeless Reduction Act 2017</p> <p>New legislation coming into force 2018/19</p>	<p>Implementation of new homeless software to ensure compliance with new government returns and legislative processes, including new housing personalised plans.</p> <p>Implementation of new prevention and relief duties.</p> <p>Establish 'duty to refer' partnership pathways to Review Homeless Strategy.</p> <p>Continue to work to increase interim / settled housing supply with partners.</p>
<p>Compliance with Contract Procedure Rules (CPR)</p>	<p>An action plan has been introduced to avoid a future breach of the Council's Contract Procedure Rules (CPR) or EU Regulations, including the risk of not identifying aggregated spend over a course of smaller qualifying transactions and not formalising these into a EU compliant contract as required by the Council's CPR.</p> <p>A particular risk is noted in relation to long-term employment of agency staff.</p> <p>Measures will include;</p> <ul style="list-style-type: none"> • Urgent training for senior management and other relevant officers • The introduction of a control mechanism to centrally identify and manage total agency spend • Formal reporting and warning of any possible breaches that are about to occur or have occurred (investigate the use of the procurement system to help identify possible issues). • Terminating the current agency agreements which have led to the breach and undertaking an EU compliant process to put in place new arrangements to procure agency staff in future

We are satisfied that the above steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation.

Signed: 

Leader of the Council

Date: 24/7/2018

Signed: 

Managing Director

Date: 24/7/2018

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

Opinion

We have audited the financial statements of Rochford District Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Movement in Reserves Statement,
- Council and Group Cash Flow Statement,
- The related notes 1 to 30 to the Council and Group Accounts;
- Collection Fund and related notes 1 to 6.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Rochford District Council and Group as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Financial Report 2017/18, other than the financial statements and our auditor's report thereon. The Section 151 officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Rochford District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Section 151 Officer

As explained more fully in the Statement of the Section 151 Officer's Responsibilities set out on page 20, the Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Section 151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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 to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Rochford District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Rochford District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

Certificate

We certify that we have completed the audit of the accounts of Rochford District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Rochford District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Debbie Hanson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton

Date: 24 July 2018

The maintenance and integrity of Rochford District Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

ROCHFORD DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2017/18

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GUIDE TO THE FINANCIAL STATEMENTS

Authority's Published Accounts

The Statement of Accounts (comprising the primary financial statements and notes to the accounts) is part of a wider financial report (called the Annual Financial Report), which also includes the Annual Governance Statement, the Strategic Report and the Auditors Report, which is given at the conclusion of the audit. The responsible financial officer's true and fair certification in the Statement of Responsibilities covers the Financial Statements and notes as does the Auditor's report.

The Financial Statements within this document have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code), which defines proper accounting practices for local authorities. The Code requires that the core financial statements and notes be prepared consistently with International Financial Reporting Standards (IFRS) as adopted for use in local government. The Code is revised every year and the 2016/17 revision introduced the requirement that the Comprehensive Income and Expenditure Statement (CIES) reflect the way activity is reported internally. The Expenditure and Funding Analysis (EFA) was also introduced to reconcile segmental reports reported internally for decision making, with the segmental amounts reported in the CIES.

The accounts have been prepared on a going concern basis. This means that the Authority will continue to operate its services for the foreseeable future, usually considered to be for the duration of the Authority's planning period, which is for the next five years. This conclusion is based on the Authority's ability to accommodate major funding changes introduced by the Government, the level of reserves that the Authority holds and its successful track record of service delivery.

The Council's Auditor for 2017/18 is Ernst and Young

The Primary Financial Statements

In all Statements and some of the notes to the Statements it has been necessary to round some of the figures to ensure that all Statements agree to each other and, where applicable, figures equal the detailed notes. This is required due to the way in which the accounts are formulated. Figures will only have been increased or decreased by a maximum of £2,000, and therefore do not affect the interpretation of the accounts.

Comprehensive Income and Expenditure Statement (CIES)

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements, this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

For 2017/18, there is an overall reduction, after movements to Earmarked Reserves, in the General Fund balance of £344,007

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Authority as at 31 March 2018. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are useable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves, and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The Balance Sheet as at 31st March 2017 has been restated to take account of land assets the Authority historically held which have been recognised in the 31st March 2018 Balance Sheet for the first time. These consist of Community Assets.

As at 31 March 2018 the Authority has seen a net increase in its assets of £5.62m compared to the same time in the previous year. This comprises of increases in Non-Current Assets of £0.95m and Current Assets of £1.31m, a fall in the value of Current Liabilities of £0.78m and a decrease in the value of the pension liability of £2.78m.

Movement in Reserves Statement.

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

Cash Flow Statement

The Cash Flow Statement shows the movement in cash and cash equivalents of the Authority during the reporting period. Cash inflows are money received by the Authority and can be from various sources such as Council Tax and Business Rates, fees and charges and government grants. Cash outflows are the money paid out by the Authority, and include payments to suppliers and grants to third parties.

As at 31 March 2018, the Authority's cash balances had decreased by £0.14m since 31 March 2017.

The Collection Fund Income and Expenditure Account and Associated Notes

This Authority is a billing authority and this means that it bills and collects Council Tax and National Non Domestic Rates on behalf of other precepting authorities (e.g. the County Council) and Central Government. A statement of Income and Expenditure of the Collection Fund administered by Rochford District Council and the associated notes is reproduced after the notes to the Primary Financial Statements.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016/17					
Council (Restated)			Group		
Gross Exp. £000s	Gross Inc. £000s	Net Exp. £000s	Gross Exp. £000s	Gross Inc. £000s	Net Exp. £000s
1,510	(27)	1,483	1,510	(27)	1,483
749	(483)	266	749	(483)	266
1,862	(1,559)	303	1,862	(1,559)	303
913	(656)	256	913	(656)	257
4,909	(1,580)	3,330	4,821	(1,520)	3,301
21,022	(19,496)	1,525	21,022	(19,496)	1,526
3,251	(1,121)	2,130	3,251	(1,121)	2,130
<u>34,215</u>	<u>(24,922)</u>	<u>9,294</u>	<u>34,128</u>	<u>(24,862)</u>	<u>9,266</u>
		350			350
		909			908
		(11,688)			(11,687)
		<u>(1,135)</u>			<u>(1,163)</u>
					5
					<u>(1,158)</u>
		(4,769)			(4,769)
		-			-
		5,807			5,807
		<u>1,038</u>			<u>1,038</u>
		<u>(98)</u>			<u>(120)</u>

Continuing Operations

Leader	
Finance	
Enterprise	
Planning	
Environment	
Governance	
Community	
Cost of Services	
Other Operating Expenditure (Note 9)	
Financing and Investment Income and Expenditure (Note 10)	
Taxation and Non-Specific Grant Income (Note 11)	

(Surplus) or Deficit on Provision of Services

Taxation of Group Entities

Group (Surplus) or Deficit on Provision of Services

Surplus or deficit on revaluation of non current assets

Revaluation gains	
Revaluation losses (chargeable to revaluation reserve)	
Remeasurements of the net defined benefit liability/(assets) (Note 29)	

Other Comprehensive Income and Expenditure

Total Comprehensive Income and Expenditure

2017/18					
Council			Group		
Gross Exp. £000s	Gross Inc. £000s	Net Exp. £000s	Gross Exp. £000s	Gross Inc. £000s	Net Exp. £000s
1,545	(49)	1,496	1,545	(49)	1,496
941	(140)	801	941	(140)	801
2,112	(1,472)	641	2,048	(1,472)	577
1,056	(937)	119	1,120	(937)	183
4,831	(1,561)	3,269	4,716	(1,486)	3,230
19,854	(18,586)	1,269	19,854	(18,586)	1,269
3,748	(1,314)	2,434	3,748	(1,314)	2,434
<u>34,087</u>	<u>(24,058)</u>	<u>10,029</u>	<u>33,972</u>	<u>(23,983)</u>	<u>9,990</u>
		688			688
		877			875
		(11,720)			(11,718)
		<u>(126)</u>			<u>(165)</u>
					7
					<u>(158)</u>
		(1,702)			(1,702)
		22			22
		(3,812)			(3,812)
		<u>(5,492)</u>			<u>(5,492)</u>
		<u>(5,619)</u>			<u>(5,650)</u>

Balance Sheet as at 31 March 2018

31/03/2016 (Restated) Council £000s	31/03/2017 (Restated) Council £000s	Group £000s		31 March 2018 Council £000s	Group £000s
43,302	47,209	47,209	Property, Plant & Equipment (Note 12)	47,870	47,870
191	159	159	Intangible Assets (Note 14) Software	453	453
4	4	4	Long Term Debtors 4 Mortgages	3	3
43,497	47,372	47,372	Long Term Assets	48,326	48,326
2,576	3,224	3,237	Short Term Debtors (Note 16)	4,674	4,674
5,280	7,379	7,451	Cash and Cash Equivalents (Note 17)	7,238	7,316
7,856	10,603	10,688	Current Assets	11,912	11,990
(3,650) (129)	(2,984) (223)	(3,023) (223)	Short Term Creditors (Note 18) Provisions (Note 18)	(2,160) (266)	(2,187) (266)
(3,779)	(3,207)	(3,246)	Current Liabilities	(2,426)	(2,454)
(27,344)	(34,440)	(34,440)	Other Long Term Liabilities (Note 29) Net pensions liability	(31,662)	(31,662)
(48)	(48)	(48)	Capital Grants Receipts In Advance	(252)	(252)
(27,392)	(34,488)	(34,488)	Long Term Liabilities	(31,914)	(31,914)
20,182	20,280	20,326	Net Assets	25,897	25,948
5,262	8,326	8,372	Useable Reserves	11,084	11,135
14,920	11,954	11,954	Unuseable Reserves (Note 19)	14,813	14,813
20,182	20,280	20,326	Total Reserves	25,897	25,948

I certify that the accounts present a true and fair view of the financial position of the Authority as at 31 March 2018 and the income and expenditure for the year then ended.

Signed:



Section 151 Officer

Dated:

24th July 2018

Movement In Reserves Statement for year ending 31 March 2017 and 31 March 2018

	General Fund	Earmarked GF	Capital Receipts	Capital Grants	Total useable	Unuseable	Total Authority	Council's share of	Total
	Balance	Reserve	Reserve	Unapplied	Reserves	Reserves	Reserves	Subsidiary	Group
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	Reserves	Reserves
						(Note 19)		£000s	£000s
Balance at 31 March 2016 (Restated)	1,176	2,919	668	499	5,262	14,920	20,183		20,183
Movement in reserves during 2016/17									
Surplus or (Deficit) on provision of services	1,136				1,136		1,136	21	1,157
Other Comprehensive Income & Expenditure						(1,038)	(1,038)		(1,038)
Total Comprehensive Income & Expenditure	1,136	-	-	-	1,136	(1,038)	98	21	119
Adjustments between accounting & funding basis under regulations (Note 7b)	1,063		747	109	1,920	(1,919)	1		1
Net Increase/Decrease before transfers to Earmarked Reserves	2,199		747	109	3,055	(2,957)	98	21	119
Transfers to/from Earmarked Reserves (Note 8)	(2,042)	2,042					-		
Increase/(Decrease) Movement in Year	157	2,042	747	109	3,055	(2,957)	98	21	119
Balance at 31 March 2017 (Restated)	1,333	4,961	1,415	608	8,317	11,963	20,281	21	20,301
Movement in reserves during 2017/18									
Surplus or (Deficit) on provision of services	126				126		126	30	156
Other Comprehensive Income & Expenditure						5,492	5,492		5,492
Total Comprehensive Income & Expenditure	126	-	-	-	126	5,492	5,618	30	5,648
Adjustments between accounting & funding basis under regulations (Note 7b)	2,604		(64)	94	2,633	(2,634)	(0)		(0)
Net Increase/(Decrease) before transfers to Earmarked Reserves	2,730	-	(64)	94	2,759	2,858	5,618	30	5,648
Transfers to/from Earmarked Reserves (Note 8)	(3,074)	3,074					-		
Increase/(Decrease) Movement in Year	(344)	3,074	(64)	94	2,759	2,858	5,618	30	5,648
Balance at 31 March 2018 carried forward	989	8,035	1,351	702	11,076	14,821	25,899	51	25,950

Cash Flow Statement for year ending 31 March 2018

2016/17			2017/18	
Council	Group (Restated)		Council	Group
£000s	£000s		£000s	£000s
1,136	1,158	Net surplus or (deficit) on the provision of services	126	156
803	828	Adjust net surplus or deficit on the provision of services for non cash movements	1,480	1,456
(1,345)	(1,346)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(1,180)	(1,180)
<hr/>				
593	640	Net (Outflow)/ Inflow from Operating Activities (Note 20)	425	432
877	877	Investing Activities (Note 21)	732	732
629	654	Financing Activities (Note 21)	(1,298)	(1,298)
<hr/>				
<u>2,099</u>	<u>2,171</u>	<u>Net increase or (decrease) in cash and cash equivalents</u>	<u>(141)</u>	<u>(135)</u>
5,280	5,280	Cash and cash equivalents at the beginning of the reporting period	7,379	7,451
7,379	7,451	Cash and cash equivalents at the end of the reporting period	7,239	7,316

Notes to the Core Financial Statements

2. ACCOUNTING POLICIES

2.1 GENERAL PRINCIPLES

The Financial Statements summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by the International Financial Reporting Standards (IFRS).

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

2.2 ACCRUALS FOR INCOME AND EXPENDITURE

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

Where income and expenditure have been recognised in the Comprehensive Income and Expenditure Statement (CIES), 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.

2.3 PROVISIONS AND CONTINGENT ASSETS /LIABILITIES

Provisions are made where an event has taken place that gives the Authority an obligation that will probably require settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation, but where the timing of the transfer is uncertain.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, based on the best estimate at the balance sheet date of the likely settlement. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a settlement is required (or a lower settlement than estimated is made) the provision is reversed and credited back to the relevant service.

In the event that a possible liability (or asset) arises which may require settlement by a transfer of economic benefits, but the timing and amount of the transfer is uncertain and the obligation will only be confirmed by occurrence or otherwise of a future event, then this will not be recognised in the Balance Sheet, but will be shown in a note to the accounts as a contingent asset or liability

2.4 ACCOUNTING FOR COUNCIL TAX

While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out to the major preceptors. The amount credited to the General Fund under statute is the Council's demand for the year plus or minus the Council's share of the surplus or deficit on the Collection Fund for the previous year.

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to Council Tax shall be measured at the full amount receivable (net of any impairment losses) as the transactions are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Council from Council Tax payers belongs proportionately to the Council and the major preceptors. The difference between the amounts collected on behalf of the major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

2.5 ACCOUNTING FOR NON DOMESTIC RATES (NDR)

While the NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Authority's General Fund, or paid out to the precepting authorities and the Government. The amount credited to the General Fund under statute is the Authority's share of NDR for the year specified in the National Non Domestic Rates NNDR1 return.

The NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of the Collection Fund's accrued income for the year and is as set out in the NNDR3 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to NDR shall be measured at the full amount receivable (net of any impairment losses) as these transactions are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Authority from NDR payers belongs proportionately to the Billing Authority, the precepting authorities and Government. The difference between the amounts collected on behalf of the precepting authorities and Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

Provisions for NDR Appeals

The way that local government is funded was changed by the Government with effect from 1 April 2013 with the introduction of the Rates Retention Scheme. As part of the scheme, the Authority has to make a provision for the outcome of appeals against rating valuations; this is a risk that has been transferred to local authorities. Whilst it is difficult to accurately predict the outcome of appeals a provision is estimated based on past successful appeals and their monetary impact on collectable business rates.

2.6 CASH AND CASH EQUIVALENTS

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

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

2.7 CHARGES TO REVENUE FOR NON CURRENT ASSETS

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

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

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

2.8 EMPLOYEE BENEFITS

Benefits Payable During Employment

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

Termination Benefits

Termination benefits, are payable as a result of a decision by the Authority to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. These are charged on an accruals basis to the appropriate Service or where applicable to the Non Distributed Costs in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for the restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The Authority's policy on termination benefits does not involve additional pension contributions or enhancements for employees retiring early, other than what is required under Local Government Pension Regulations for employees that are made redundant after the age of 55 who are members of the scheme. For such employees made redundant, they shall receive the value of their pension on the date of redundancy without any actuarial reduction. This usually requires the Authority to pay a financial strain payment to the pension fund.

Post Employment Benefits

Local Government Pension Scheme (LGPS):

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

Liabilities in the scheme that are attributed to the Authority are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about e.g. mortality rates, employee turnover rates and projections of future earnings for current employees.

Liabilities are discounted to their value at current prices using a discount rate appropriate for the scheme, based on the indicative rate of return on AA rated corporate bonds that reflect the duration of the pension liabilities.

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

Actuarial gains and losses are recognised immediately in the Comprehensive Income and Expenditure Statement (CIES), in line with the Actuary's treatment, these are then reversed out to affect the net pension liability. Note 30 provides the details of the transactions that have been made in the CIES and the General Fund via the Movement in Reserves Statement during the year.

The change in net pension liability is analysed into the following components:

- Service Cost comprising:

- Current Service Cost - the increase in liabilities as a result of years of service earned this year - allocated in the CIES to the services for which the 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, e.g. benefits to a member such as added years. - debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs.

- Net Interest on the Defined Liability – comprising interest income on the assets and interest expenses on the liabilities, which are both calculated by applying the discount rate used to measure the defined benefit liability - charged to the Financing and Investment Income and Expenditure line of the CIES.

- Remeasurements comprising:

- the return on plan assets - excluding amounts included in net interest on the net defined benefit liability - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;

- actuarial gains and losses - changes to the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Contributions paid to the Pension Fund – cash paid as employers' contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

2.9 FINANCIAL INSTRUMENTS

Financial Assets

Financial assets are classified into two types:

- Loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market
- Available for sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments

The Authority only has loans and receivables.

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

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

2.10 GOVERNMENT GRANTS

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

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

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

Where conditions are not yet satisfied, monies are carried as creditors in the Balance Sheet. When they are satisfied, it is then credited to the relevant service area in the Comprehensive Income and Expenditure Statement if a specific revenue grant, or if it is a non-ringfenced revenue grant or a capital grant to Taxation and Non Specific Grant income.

As per the Code of Practice any unringfenced grant received by the Authority is recognised as it is received.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

2.11 INTANGIBLE ASSETS

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

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

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

2.12 LEASES

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

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

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

2.13 PROPERTY, PLANT & EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition or enhancement of Property, Plant & Equipment has been capitalised on an accruals basis in the Balance Sheet. Expenditure that maintains (repairs and maintenance) but does not enhance an asset is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to operate.

In line with the Code of Practice Land and buildings are re-valued at least every five years, unless evidence suggests that this would lead to a significant difference between the true valuation and the balance sheet value, in which case valuations are carried out more frequently as required. If there is evidence to suggest that there has been a general uplift in a particular class of assets a percentage uplift may be applied across all assets in that class, without undertaking individual revaluations of each asset. Valuations and market reviews are provided by Wilks Head & Eve LLP which is a member of the Royal Institute of Chartered Surveyors.

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

- Operational assets have been included in the Balance Sheet at market value for existing use or depreciated replacement cost for specialist properties.
- Community Assets are recorded at Historic Cost.
- Fee-charging car parks have been valued taking into account all costs attributable to the running of the car parks.

The Authority's fixed asset register also contains vehicles used to provide the services under the Waste Collection, Street Cleansing and Grounds Maintenance Contracts.

Following a revaluation, increases are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement (CIES) where they arise from the reversal of a loss previously charged to a service. Decreases in the valuation of individual assets are written back against the revaluation reserve for those assets, if the decrease exceeds the reserve the balance of the decrease is charged to the CIES.

Impairment

Where there is indication that an asset has been impaired during the course of the Financial Year an estimate is made of the amount of impairment and this is set against the revaluation reserve for that asset. If the reserve is insufficient the balance of the amount of the impairment is charged to the CIES.

Depreciation

Depreciation is charged to the Comprehensive Income and Expenditure Statement 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:

- 20-40 years for buildings
- 5-18 years for vehicles
- 5-10 years for furniture and equipment.

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

Componentisation

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

Disposals

Where a non-current asset is disposed of the profit or loss on disposal is reported against the appropriate service line in the CIES and the value of the asset is removed from the balance sheet. Any balance on the revaluation reserve is written off to the Capital Adjustment Account.

Generally there are statutory restrictions over the use of capital receipts. Sale proceeds other than the profit / loss on disposal are reserved for new capital investment or for the reduction in an authority's indebtedness.

Assets Held for Sale

If it is decided to sell an asset and it is highly likely that through actions already taken the sale will take place within a year the asset is reclassified as an Asset Held for Sale. Such assets are revalued before reclassification.

2.14 RESERVES

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

Certain reserves are kept to manage the accounting processes for non-current assets, council tax and business rates, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority.

2.15 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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

2.16 VAT

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

2.17 EXCEPTIONAL ITEMS

When items of income and expense are material and significant to an understanding of the Council's financial performance their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts.

2.18 PRIOR PERIOD ADJUSTMENTS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise e.g. on grounds of materiality) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Should any of the above instances arise, the appropriate disclosures will be made within the accounts.

3. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

The following are the accounting standards that have been issued but not yet adopted by the Authority as at the Balance Sheet date. Under the Code of Practice on Local Authority Accounting, disclosure of the impact of accounting standards issued but not adopted is required. Following a review of the relevant standards it has been determined that there would be no material changes to the accounts if these were to have been adopted. The applicable changes for 2018/19 are as follows:

1) IFRS 9 Financial Instruments - IFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities. There will be a single approach to classification and measurement, a new looking forward-looking "expected loss" impairment model and new disclosure requirements to which materiality will be applied. Gains and losses arising from changes in the fair value of some categories of investments will have to be recognised in the Authority's revenue accounts. This means that from 2018/19 changes in the fair value of certain investments could have a consequent impact on the General Fund. Previously any changes in the fair value of these investments were only recognised in the General Fund when the asset was sold. IFRS 9 has been adopted such that there is no requirement to provide financial information relating to its impact for the 2017/18 year in the 2017/18 accounts. For 2018/19 officers will assess any potential impact on relevant assets and liabilities held by the Council. Changes include classifying the Council's constant net asset Money Market Funds at amortised cost. Investments are with AA rated entities and the impact of this is not expected to be material.

2) IFRS 15 Revenue from Contracts with Customers - IFRS 15 introduces a new five stage model for assessing and recognising revenue from contracts with customers, as well as greater disclosure requirements. This will require local authorities to recognise revenue in such a way that it represents the transfer of promised goods/services to the service recipient for the consideration the authority expects to be entitled for those goods/services. The Council has reviewed its income from contracts and acknowledges that there may be an impact on the accounting for Planning and Building Control fees. Further work is to be undertaken to determine whether any impact will be material.

3) Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses - There is no impact expected on the Council's accounts for this amendment.

4) Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative. There are additional disclosure requirements only which have been added to IAS 7 to state the changes in liabilities arising from financial liabilities between those from cash flows and those from non-cash changes.

3A. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 2, the Authority has had to make certain judgments about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Depreciation is calculated based on the Useful Economic Life of an asset. When calculating these each year there is an assumption that there will not be major changes to the conditions of the assets or the market values.
- Each year Pension transactions are determined by the actuary. These are subject to triennial revaluations and accounting assumptions. The accounts are produced annually assuming that the assumptions used in that year will be in place going forward.
- New arrangements for the retention of business rates came into force on 1 April 2013 at which date the Authority assumed the liability for refunding ratepayers who successfully appeal against the rateable value of their properties. The Authority has made provision for potential successful appeals to 31 March 2018.

4. MATERIAL ITEMS OF INCOME AND EXPENDITURE

There are no material items of income or expenditure which are not disclosed within the CIES or its notes.

5. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Section 151 Officer on 31 May 2018. Events taking place after this date up until the date of Committee approval are reflected in the Financial Statements or notes. Where events take place before this date provided information about conditions existed at 31 March 2018, the figures in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information. There were no events after the Balance Sheet date to report.

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

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

The items in the Authority's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:-

Item	Uncertainties	Effect if Actual Results differ from Assumptions
Depreciation	The annual charge made is based on Useful Economic Lives (UEL), which are only an estimation of the period of time over which an asset will continue to be of economic benefit to the Authority.	If the UEL changes significantly, then there potentially could be a significant change to the charge to service expenditure. This item however is reversed out of General Fund Balances so wouldn't impact on the level of reserves. It is estimated that the annual depreciation charge for buildings would increase by £35000 for every year that useful lives had to be reduced.
Land and Building Valuations	Land and Building non-current assets are valued on a five year basis and so the potential exists for variations in value and changes in useful life.	A variation in the value of these assets will impact the Balance Sheet Property Plant and Equipment and Revaluation Reserves. A net book value variation of 1% equates to £421k.
Pensions Liability	Estimation of net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the authority with expert advice about the assumptions applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1.438m. However, the assumptions interact in complex ways. During 2017/18, the Authority's actuaries advised that the net pensions liability in Balance Sheet had decreased by £2.78m as a result of estimates being updated using the latest information. Details of Pensions Assets and Liabilities Recognised in the Balance Sheet are shown in Note 29.
Bad Debt Provision	The provision is based on a calculation of previous years' outstanding debts and is therefore based on historical information.	The amount of revenue recognised in the accounts will be incorrect and the level of assets recorded in the balance sheet will be incorrect. A movement in the level of the provision of 5% equates to approximately £122,000.
Business Rates Appeals Provision	The provision is based on past successful appeals and their monetary impact on collectable business rates. Provision for the reduction on ratable value are made for known appeals outstanding. The provision of £0.67m was based on historical trends of successful appeals of which RDC's share is £ 0.27m.	Any increase in the liability of this provision would be shared between Rochford DC, Government, Essex County and Fire Authority on the same basis as collectable funds get distributed. Rochford's share of the increase in liability will reduce funds available for the delivery of services. A 5% movement in the closing provision equates to approximately £13,000 for Rochford District Council.

Note 6a Prior Period Adjustments

The 2017-18 published accounts have included some Community land values for the first time. These include play spaces and recreation grounds which have been included in the accounts for material completeness. This property was valued by the Authority's valuer at £1.12m. This has led to the Council to include within its Balance Sheet a column for the position as at 31st March 2016 restated for this amendment. The position at 31st March 2017 is also restated. The opening balances in the MIRS have been restated. The notes restated for this amendment include Note 12 Property Plant and Equipment and Note 19 Reserves.

Note 7a - Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments between Funding and Accounting Basis 2017/18			
	Adjustments for Capital Purposes	Net change for the Pensions	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Leader	2	23	0	25
Finance	0	12	3	15
Enterprise	105	13	3	121
Planning	0	13	-1	12
Environment	592	8	3	603
Governance	37	36	13	85
Community	673	16	3	692
Net Cost of Services	1,409	121	23	1,553
Other income and expenditure from the Expenditure and Funding Analysis	(704)	910	842	1,048
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	705	1,031	866	2,601

Adjustments for Capital purposes:

- Depreciation, impairments and revaluation gains and losses are added in the service lines
- Capital grants, expenditure and receipts reserve movements are shown within Other Income and Expenditure

Net change for pension adjustments:

- Employer contributions made by the Council are reversed from the service lines and replaced with current and past service costs as per IAS19
- The net interest on the defined benefit liability is shown within Other Income and Expenditure

Other:

- Timing differences for Council tax and Business rate income and charges for unpaid staff absences

Adjustments between Funding and Accounting Basis
2016/17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Leader	2	72		74
Finance	-	37		37
Enterprise	110	35		145
Planning	-	42		42
Environment	534	23		557
Governance	49	97		146
Community	658	38		696
Net Cost of Services	1,353	344	-	1,697
Other income and expenditure from the Expenditure and Funding Analysis	(1,236)	945	(343)	(634)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	117	1,289	(343)	1,063

Adjustments for Capital purposes:

- Depreciation, impairments and revaluation gains and losses are added in the service lines
- Capital grants, expenditure and receipts reserve movements are shown within Other Income and Expenditure

Net change for pension adjustments:

- Employer contributions made by the Council are reversed from the service lines and replaced with current and past service costs as per IAS19
- The net interest on the defined benefit liability is shown within Other Income and Expenditure

Other:

- Timing differences for Council tax and Business rate income and charges for unpaid staff absences

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

2017/18	Useable Reserves			Movement in Unuseable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Adjustment Account:	£000s	£000s	£000s	£000s
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:				
Charges for depreciation of non current assets and amortisation of intangible assets.	(1,402)			1,402
Revaluation losses on Property, Plant and Equipment	(7)			7
Movements in market value of Investment Properties				
Impairment of non-current assets	-			
Capital grants and contributions applied	419			(419)
Movement in Donated Assets Account				
Revenue expenditure funded from capital under statute	(539)			539
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement				-
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:				
Capital Expenditure charged against the General Fund balances	-			-
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied and credited to the Comprehensive Income & Expenditure Statement	94		(94)	
Application of grants to capital financing transferred to the Capital Adjustment Account			-	
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	5	(5)		
Transfer of disposal value of investment property credited to Comprehensive Income & Expenditure Statement				-
Use of Capital Receipts Reserve to finance new capital expenditure		798		(798)
Contribution to the Capital Receipts Reserve for Unattached Capital Receipts	725	(725)		
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-		
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash		(3)		3
Adjustments primarily involving the Deferred Capital Receipts Reserve (England & Wales):				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement				
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(1,034)			1,034
Employer's pensions contributions and direct payments to pensioners payable in the year				
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which Council Tax & NNDR income credited to the Comprehensive Income & Expenditure Statement is different from Council Tax & NNDR income calculated for the year in accordance with statutory requirements	(842)			842
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(23)			23
Total Adjustments:	(2,604)	64	(94)	2,634

2016/17	Useable Reserves			Movement in Unuseable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Adjustment Account:	£000s	£000s	£000s	£000s
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:				
Charges for depreciation of non current assets and amortisation of intangible assets.	(1,369)			1,369
Revaluation losses on Property, Plant and Equipment	16			(16)
Movements in market value of Investment Properties				
Impairment of non-current assets				
Capital grants and contributions applied	375			(375)
Movement in Donated Assets Account				
Revenue expenditure funded from capital under statute	(413)			413
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	-			-
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:				
Capital Expenditure charged against the General Fund balances	150			(150)
Capital Expenditure charged against the General Fund balances				
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied and credited to the Comprehensive Income & Expenditure Statement	155		(155)	
Application of grants to capital financing transferred to the Capital Adjustment Account			46	(46)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement			-	
Transfer of disposal value of investment property credited to Comprehensive Income & Expenditure Statement				-
Use of Capital Receipts Reserve to finance new capital expenditure		226		(226)
Contribution to the Capital Receipts Reserve for Unattached Capital Receipts	970	(970)		
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1)	1		
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash		(4)		4
Adjustments primarily involving the Deferred Capital Receipts Reserve (England & Wales):				
part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement				
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(1,289)			1,289
Employer's pensions contributions and direct payments to pensioners payable in the year				
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which Council Tax & NNDR income credited to the Comprehensive Income & Expenditure Statement is different from Council Tax & NNDR income calculated for the year in accordance with statutory requirements	333			(333)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	10			(10)
Total Adjustments:	(1,063)	(747)	(109)	1,919

Note 7c Expenditure and Income Analysed By Nature

2017/18

Reconciliation to Subjective Analysis 2017/18	Total £000's
Fees, Charges & other service income	(6,287)
Interest and Investment income	(33)
Taxation and Non Specific Grant Income	(11,720)
Government grants and contributions	<u>(17,629)</u>
Total Income	<u>(35,670)</u>
Employee Expenses	7,671
Other service expenses	8,672
Housing Benefit	17,101
Support Service recharges	-
Gain on Disposal of Fixed Asset	(730)
Depreciation, amortisation and impairment	1,411
Precepts & Levies	1,419
Payments to Housing Capital Receipts Pool	-
Interest Payment	-
Total Expenditure	<u>35,544</u>
(Surplus) or deficit on the provision of services	<u>(126)</u>

2016/17

Reconciliation to Subjective Analysis 2016/17	Total £000's
Fees, Charges & other service income	(6,457)
Interest and Investment income	(36)
Taxation and Non Specific Grant Income	(11,689)
Government grants and contributions	<u>(18,465)</u>
Total Income	<u>(36,647)</u>
Employee Expenses	7,028
Other service expenses	8,345
Housing Benefit	18,429
Support Service recharges	-
Gain on Disposal of Fixed Asset	(970)
Depreciation, amortisation and impairment	1,359
Precepts & Levies	1,319
Payments to Housing Capital Receipts Pool	1
Interest Payment	-
Total Expenditure	<u>35,511</u>
(Surplus) or deficit on the provision of services	<u>(1,135)</u>

8. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2017/18

	Balance at 1 April 2016 £000s	Transfers Out 2016/17 £000s	Transfers In 2016/17 £000s	Balance at 31 March 2017 £000s	Transfer Out 2017/18 £000s	Transfer In 2017/18 £000s	Balance at 31 March 2018 £000s
General Fund:							
Corporate	1,370	(158)	1,043	2,255	(144)	978	3,089
Housing	121	(113)	61	69	(29)	413	454
IT Strategy	269	(17)	71	323	(80)	21	264
Projects	1,159	(277)	1,431	2,313	(533)	2,448	4,228
Repairs and Maintenance	-	-	-	-	-	-	-
Total	2,919	(565)	2,607	4,961	(786)	3,860	8,035

9. OTHER OPERATING EXPENDITURE

2016/17			2017/18	
£000s			£000s	
1,319	Parish council precepts		1,419	
1	Payments to the Government Housing Capital Receipts Pool		0	
(970)	(Gains) from other capital receipts		(730)	
349	Total		688	

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2016/17 (Restated)			2017/18	
Council	Group		Council	Group
£000s	£000s		£000s	£000s
945	945	Pensions - net interest on defined liability (Note 28)	910	910
(36)	(35)	Interest receivable and similar income	(33)	(34)
909	910	Total	877	876

11. TAXATION AND NON SPECIFIC GRANT INCOMES

2016/17			2017/18	
£000s			£000s	
(7,765)	Council tax income		(8,059)	
(1,710)	Non domestic rates income and expenditure		(2,120)	
(2,058)	Non-ring fenced government grants		(1,323)	
(155)	Capital grants and contributions		(218)	
(11,689)	Total		(11,720)	

12. PROPERTY, PLANT & EQUIPMENT

Movement in Balances

2017/18	Operational			
	Other Land & Buildings £000s	Community Asset £000s	Vehicles, Plant, Furniture & Equipment £000s	Total £000s
Balance at 1 April 2017	41,944	3,585	3,472	49,001
Adjustment for prior year				-
Additions	204	40	74	318
Disposals		-	(19)	(19)
Revaluation gain (Revaluation Reserve)	1,038	-		1,038
Revaluation loss (Revaluation Reserve)	(22)			(22)
Revaluation loss (CIES)	(75)		(94)	(169)
				-
Gross book value as 31 March 2018	43,090	3,625	3,433	50,148
Depreciation				
Accumulated depreciation	(977)	-	(836)	(1,813)
				-
Impairment losses	-			-
Depreciation for year	(801)		(560)	(1,362)
Depreciation written back on disposal & revaluation	769		102	871
Balance at 31 March 2018	(1,009)	-	(1,294)	(2,303)
				-
Net book value of assets at 31 March 2018	42,081	3,625	2,138	47,844
This balance is made up of:				
Gross book value	41,944	3,585	3,472	49,001
Movement	1,145	40	(39)	1,146
Accumulated depreciation	(1,009)	-	(1,294)	(2,303)
	42,081	3,625	2,138	47,844

Depreciation

The bases used in the calculation of depreciation are documented in Note 2 to these Statements.

Capital Commitments

At 31 March 2018, the Authority has committed to make £409k of capital expenditure through its purchase order system. Of this £174k is in respect of IT and £224k is in respect of Estates.

Regularity of Valuations

The Code of Practice on Local Authority Accounting specifies that for assets that are required to be carried at fair value, revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The Code requires that assets must be revalued every five years as a minimum, but must be revalued more regularly where a five-yearly valuation is insufficient to keep pace with material changes in fair value.

An external body, Wilks Head & Eve, members of the Royal Institute of Chartered Surveyors, carried out asset valuations on land and buildings due for revaluation within the five year cycle. The date of valuation was 31st December 2017. They also supplied the Authority with a Market Review of its properties as at 31st March 2018. The Market Review informed the Authority that buildings valued at Depreciated Replacement Cost (DRC) had increased in value. Rochford applied the percentage increases of 5% and 7% to leisure facilities / community centres and public conveniences respectively. Of the £35.919m of assets valued in this year £32.791m relates to this uplift of DRC properties.

The table below shows the total of the revaluations over the five year cycle. The basis for measurement is shown in the Accounting Policy note 2.13.

	Other Land & Buildings £000s	Community Assets £000s	Vehicles, Plant, Furniture & Equipment £000s	Total £000s
Carried at historical cost	262	2,589	3,432	6,284
Valued at current value as at:				
31 March 2018	34,883	1,036		35,919
31 March 2017	3,906			3,906
31 March 2016	2,364			2,364
31 March 2015	407			407
31 March 2014	1,268			1,268
Total Cost or Valuation	43,090	3,625	3,432	50,148

Comparative Figures for 2016/17 (Restated)	Operational			Total £000s
	Other Land & Buildings	Community Assets	Vehicles, Plant, Furniture & Equipment	
	£000s	£000s	£000s	
Balance at 1 April 2016	37,482	2,539	3,389	43,410
Adjustment for prior year	76	1,036		1,112
Additions	374	10	83	467
Disposals				-
Revaluation Gain (Revaluation Reserve)	4,012			4,012
Revaluation loss (Revaluation Reserve)	-			-
Revaluation loss (CI&E)	-			-
Gross book value as 31 March 2017	41,944	3,585	3,472	49,001
Depreciation				
Accumulated depreciation	(935)		(285)	(1,220)
Accumulated amortisations				-
Depreciation for year	(779)		(551)	(1,330)
Depreciation written back on disposal & revaluation	737		-	737
Balance at 31 March 2017	(977)	-	(836)	(1,813)
Net book value of assets at 31 March 2017	40,966	3,585	2,636	47,188
This balance is made up of:				
Gross book value	37,558	3,575	3,389	44,522
Movement	4,387	10	83	4,480
Accumulated depreciation	(977)	-	(836)	(1,813)
	40,966	3,585	2,636	47,188

The 2017-18 published accounts have included some Community land values for the first time. These include play spaces and recreation grounds which have been included in the accounts for material completeness. This property was valued by the Authority's valuer at £1.12m. The corresponding 2016-17 information in these accounts has been restated to show the inclusion of this land.

12a. LEASED PROPERTIES

Rochford District Council holds leases on several of its properties with local organisations such as Parish Councils, sports clubs and welfare associations. These are often for a peppercorn rent to reflect the benefit to the community.

The Authority also leases its Depot to the waste disposal contractor for a peppercorn rent. Also waste vehicles owned by the Council include an embedded lease arrangement whereby the waste disposal contractor will use them. These arrangements are due to continue for the duration of the waste contract which expires on 31st March 2022.

13. TRUST FUNDS

The Authority administers three small Trust Funds. These are Dutch Cottage Trust, King George Playing Field Trust, and the Finchfield Trust. The King Georges does not have any transactions for disclosure for 2017/18. The current outturn for the other two trusts are shown below. The Authority is the Custodian Trustees of the fixed assets and consequently these are not included on our Balance Sheet .

Trust	Income £000s	Expenditure £000s	Assets £000s	Liabilities £000s
Dutch Cottage	5	5	316	4
Finchfield	60	47	2,002	1

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

14. INTANGIBLE ASSETS

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

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

Movement in Intangible Fixed Assets:

	2016/17 £000s	2017/18 £000s
Purchased Software Licences		
Accumulated Cost	996	1,003
Amortisations to 1 April	(805)	(844)
Balance at 1 April	191	159
Expenditure in year	7	334
Amortisation written off in year	(39)	(40)
Balance at 31 March	159	453
Comprising		
Accumulated Cost	1,003	1,337
Amortisations to 31 March	(844)	(884)

15. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments, excluding statutory debtors and creditors, i.e. Council Tax and Business Rates.

	31 March 2017	31 March 2018
	£000s	£000s
Investments	-	-
Cash and Cash Equivalents	7,379	7,238
Debtors	2,184	2,143
Total Loans and Receivables	9,564	9,382
Short Term Financial Liabilities	(1,324)	(1,124)
Total Short Term Financial Liabilities carried at Amortised Cost	(1,324)	(1,124)

Fair Values of Assets and Liabilities

The investments held in the Balance Sheet are all under 365 days and are fixed interest; therefore the carrying amount is a reasonable approximation of the fair value.

Income, Expense, Gains and Losses

	Loans and Receivables 2016/17	Loans and Receivables 2017/18
	£000s	£000s
Interest Income from Loans and Receivables	36	33
Total Income in Surplus/Deficit on the provision of services	36	33
Net gain/(loss) for the year	36	33

NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Authority'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.
- liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments.
- market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates.

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

Credit Risk

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

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £7.238m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2018 that this was likely to happen.

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

	Amount at 31 March 2018 £000s	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2018	Estimated maximum exposure to default and uncollectability at 31 March 2018 £000s
	A	B	C	(A X C)
Deposits with Banks & Financial Institutions	7,238	-	-	-
Customers	452	2.91%	2.91%	13
			Total	13

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

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

	31 March 2017 £000s	31 March 2018 £000s
Less than 43 days	115	160
43-63 days	6	5
64-84 days	-	65
Greater than 84 days	52	161
Total	173	391

Amounts not yet due are £67,365 for 2017/18 (£20,421 for 2016/17)

Liquidity Risk

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

All trade and other payables are due to be paid in less than one year. The Authority remained debt free in 2017/18.

Market Risk

Interest Rate Risk

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

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

The Authority only undertake fixed rate investments therefore changes in interest rates during an investment, would not have affected the interest on these investments.

16. SHORT TERM DEBTORS COMPRISE:

	2016/17 Council £000s	2016/17 (Restated) Group £000s	2017/18 Council £000s	2017/18 Group £000s
Central Government bodies	401	401	1,269	1,269
NDR related - Government & Other Local Authorities	511	511	1,223	1,223
Other entities and Individuals	3,632	3,645	3,711	3,711
Less: Provision For Doubtful Debts	(1,319)	(1,319)	(1,529)	(1,529)
Total	3,224	3,237	4,674	4,674

17. CASH AND CASH EQUIVALENTS

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

31 March 2017				31 March 2018			
Council £000s	Group (Restated) £000s			Council £000s	Group £000s		
1	1	Cash held by the Authority		1	1		
7,378	7,450	Bank Current Accounts		7,237	7,315		
7,379	7,451	Total Cash and Cash Equivalents		7,238	7,316		

18A. SHORT TERM CREDITORS COMPRISE

	2016/17 Council £000s	2016/17 Group (Restated) £000s	2017/18 Council £000s	2017/18 Group £000s
Council Tax related - Other Local Authorities	(1,513)	(1,513)	(926)	(926)
Other Entities and Individuals	(1,471)	(1,509)	(1,234)	(1,261)
Total	(2,984)	(3,022)	(2,160)	(2,187)

18B. PROVISIONS - Business Rates

2016/17 £000		2017/18 £000
129	Balance at 1 April	223
94	Net movement for business rate appeals in year	43
223	Balance at 31 March	266

19. RESERVES

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

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

31 March 2017 (Restated)		31 March 2018
£000		£000
(17,534)	Revaluation Reserve	(19,064)
(1,112)	Reserve for Land not previously capitalised	(1,112)
(27,941)	Capital Adjustment Account	(27,354)
(5)	Deferred Capital Receipts Reserve	
34,440	Pensions Reserve	31,662
144	Collection Fund Adjustment Account	969
60	Accumulated Absences Account	83
<u>(11,948)</u>	Total Unuseable Reserves	<u>(14,813)</u>

Revaluation Reserve

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

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

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

2016/17		2017/18
£000s		£000s
<u>(12,982)</u>	Balance at 1 April	<u>(17,534)</u>
(4,771)	Upward revaluation of assets	(1,715)
-	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	<u>22</u>
<u>(4,771)</u>	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<u>(1,693)</u>
219	Difference between fair value depreciation and historical cost depreciation	163
-	Accumulated gains on assets sold or scrapped	<u>-</u>
<u>219</u>	Amount written off to the Capital Adjustment Account	<u>163</u>
<u>(17,534)</u>	Balance at 31 March	<u>(19,064)</u>

Capital Adjustment Account

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

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

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

2016/17		2017/18
£000s		£000s
<u>(28,707)</u>	Balance at 1 April	<u>(27,941)</u>
		-
1,330	Charges for depreciation and impairment of non-current assets	1,362
-	Revaluation losses on Property, Plant & Equipment	15
39	Amortisation of intangible assets	40
413	Revenue expenditure funded from capital under statute	539
-	Amounts of non-current assets written off on the disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	13
<u>(219)</u>	Adjusting amounts written out of the Revaluation Reserve	<u>(163)</u>
<u>1,563</u>	Net written out amount of the cost of non-current assets consumed in year	<u>1,805</u>
	<u>Capital financing applied in the year:</u>	
(226)	Use of the Capital Receipts Reserve to finance new capital expenditure	(798)
(375)	Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(356)
(46)	Application of grants to capital financing from the Capital Grants Unapplied Account	(63)
(150)	Capital expenditure charged against the General Fund balances	-
<u>(796)</u>		<u>(1,217)</u>
<u><u>(27,941)</u></u>	Balance at 31 March	<u><u>(27,354)</u></u>

Pensions Reserve

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

2016/17		2017/18
£000s		£000s
27,344	Balance at 1 April	34,440
	Actuarial gains or losses on pensions assets and liabilities	
5,807	Remeasurements of the net defined benefit liability	(3,812)
	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	
1,996		2,459
(707)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,425)
34,440	Balance at 31 March	31,662

Collection Fund Adjustment Account

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

2016/17		2017/18
£000s		£000s
477	Balance at 1 April	144
49	The authority's share of the Council Tax surplus/deficit on the fund at the preceeding year distributed in the year	68
(382)	Amount by which Council Tax & NDR income credited to the Comprehensive Income & Expenditure Statement is different from Council Tax & NDR income calculated for the year in accordance with statutory requirements	757
<u><u>144</u></u>	Balance at 31 March	<u><u>969</u></u>

20. CASH FLOW STATEMENT - OPERATING ACTIVITIES

Adjustments to the net surplus on the provision of services

Council		Group (Restated)			Council	Group
2016/17	2016/17	2016/17	2016/17		2017/18	2017/18
£000s	£000s	£000s	£000s		£000s	£000s
1,136	1,158			Net Surplus on the Provision of Services	126	156
				<i>Non Cash movements</i>		
1,330	1,330			Depreciation	1,362	1,362
0	0			Downward Valuations	15	15
39	39			Amortisation	40	40
(793)	(753)			Movement in Creditors	(288)	(306)
(5)	(6)			Movement in Interest Debtors	0	0
(1,152)	(1,167)			Movement in Debtors	(739)	(745)
94	94			Movement in Provisions	43	43
1,289	1,289			Pension Liability	1,034	1,034
0	0			Carrying amount of non current assets, held for sale or derecognised	13	13
802	826			TOTAL	1,480	1,456
				<i>Investing / Financing Activities</i>		
(375)	(375)			Capital Grants credited to the surplus on the Provision of Services	(450)	(450)
(970)	(970)			(Gains) from other capital receipts	(730)	(730)
(1,345)	(1,345)			TOTAL	(1,180)	(1,180)
593	640			Net (Outflow)/ Inflow from Operating Activities	425	432

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

Council		Group (Restated)			Council	Group
2016/17	2016/17	2016/17	2016/17		2017/18	2017/18
£000s	£000s	£000s	£000s		£000s	£000s
				Interest Received	(33)	(31)
(31)	(30)			Interest Paid	-	-
(31)	(30)			Total	(33)	(31)

21. CASHFLOW STATEMENT - INVESTING & FINANCING ACTIVITIES

The cash flows for investing activities include the following items:

2016/17 £000s		2017/18 £000s
(473)	Purchase of property, plant and equipment, investment property and intangible assets	(652)
5	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-
-	Proceeds from short-term and long-term investments*	-
1,345	Other receipts from investing activities	1,384
877	Net cash flows from investing activities	732

The cash flows for financing activities include the following items:

2016/17 £000s		2017/18 £000s
629	Council Tax and NNDR adjustments	(1,298)
-	Other receipts from financing activities	-
629	Net cash flows from financing activities	(1,298)

22. 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:

	2016/17 £000s	2017/18 £000s
Basic Allowance	169	163
Special Responsibility Allowance	119	119
Expenses	4	2
TOTAL	293	285

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

NAME	Basic Allowance £	Special Allowances £	Expenses £	Total including Basic Allowance £
C I BLACK	2,239	1,120	-	3,359
J BURTON	4,250	3,125	-	7,375
L BUTCHER	4,250	8,822	-	13,072
C CANNELL	857	-	-	857
I CASSAR	3,005	-	-	3,005
M CARTER	4,250	2,125	-	6,375
N L COOPER	4,250	-	-	4,250
T G CUTMORE	4,250	21,250	-	25,500
R DRAY	4,250	425	-	4,675
D S EFDE	4,250	-	110	4,360
A H EVES	4,250	-	-	4,250
J R GOODING	4,250	372	191	4,813
J GRIFFIN	4,250	425	-	4,675
B HAZELWOOD	4,250	322	-	4,572
N HOOKWAY	4,250	2,125	-	6,375
M HOY	4,250	-	-	4,250
D HOY	4,250	-	-	4,250
T R HUGHES	4,250	-	-	4,250
G J IOANNOU	4,250	8,500	142	12,892
M J LUCAS-GILL	4,250	425	178	4,853
J R LUMLEY	4,250	1,446	-	5,696
C MASON	4,250	-	-	4,250
E O K MASON	4,250	-	-	4,250
J R MASON	4,250	2,179	183	6,612
D MERRICK	4,250	2,501	-	6,751
R MILNE	4,250	-	-	4,250
T E MOUNTAIN	4,250	-	-	4,250
J E NEWPORT	4,250	726	150	5,126
R A OATHAM	4,250	-	12	4,262
C ROE	4,250	8,500	-	12,750
L SHAW	4,250	372	321	4,943
S SMITH	4,250	10,362	-	14,612
D SPERRING	4,250	8,925	-	13,175
C M STANLEY	4,250	-	-	4,250
M STEPTOE	4,250	12,750	602	17,602
I WARD	4,250	8,500	181	12,931
M WEBB	4,250	7,717	-	11,967
C A WESTON	4,250	3,724	42	8,016
A L WILLIAMS	4,250	2,235	300	6,785
S A WILSON	4,250	-	-	4,250
Total	163,352	118,973	2,412	284,737

23 OFFICERS' REMUNERATION

The number of employees including Senior Officers whose remunerations were £50,000 or more excluding pension contributions in bands of £5,000 is stated below. Salary bands include compensation for loss of office for Senior Officers. Due to non inclusion of pension contributions in this schedule, it's not directly comparable to the remuneration disclosures for Senior Officers below.

Salary Band	Number of employees	
	2016/17	2017/18
£		
50,000 - 54,999		
55,000 - 59,999	4	4
60,000 - 64,999	4	4
65,000 - 69,999		
70,000 - 74,999		
75,000 - 79,999	1	
80,000 - 84,999		
85,000 - 89,999		
90,000 - 94,999		
95,000 - 99,999		
100,000 - 104,999	1	
105,000 - 109,999		1
110,000 - 114,999		
115,000 - 119,999		
215,000 - 219,999		
240,000 - 244,999		

The following note sets out the remuneration disclosures for Senior Officers of the Council:

Financial Year 2017/18

Job title	Bonuses	Salary -includes fees & allowances	Expense allowance	Benefits in kind (e.g. car allowance)	Compensation for Loss of Office	Pension contribution	Total Remuneration including pension contributions
	£	£	£	£		£	£
Managing Director	-	107,921	7	-	-	17,591	125,519
Executive Director (left on 11-07-17)	-	21,257	63	-	-	3,465	24,784
Strategic Director (started on 30-11-17)		29,453				4,801	34,254
Assistant Director Commercial Services	172	63,519				9,786	73,476
Assistant Director Community and Housing Services		58,631				9,557	68,187
Assistant Director Environmental Services		60,339				9,835	70,174
Assistant Director Planning & Regeneration (started on 31/10/16)		58,361	73			9,671	68,105
Head of Finance	86	48,563	165			7,930	56,744
Assistant Director Democratic Services		58,631				9,557	68,187
Assistant Director Legal Services		58,631	36			9,557	68,223
Assistant Director Customer, Transformational Services		61,207	17			9,977	71,201
Section 151 Officer on secondment		60,000					60,000

In addition to the figures above, the Executive Director earned £7,526 as the Returning Officer for the County and General Elections and the Managing Director earned £357 as the Returning Officer for a District By-Election.

The number of exit packages with total cost per band and total cost of voluntary redundancies are set out in the table below. There were no redundancies in 2017/18 and no compulsory redundancies in 2016/17:

Exit package cost band (including special payments)	Number of voluntary redundancies		Total cost of exit packages in each band	
	2016/17	2017/18	2016/17	2017/18
				£
£0 - £20,000	2		16,357	
£20,001 - £40,000	2		64,676	
£40,001 - £60,000				
£60,001 - £80,000				
£80,001 - £100,000				
£100,001 - £150,000				
£150,001 - £200,000				
Total cost included in bandings and in the CIES	4	0	81,033	0

Financial Year 2016/17

Job title	Bonuses	Salary -includes fees & allowances	Expense allowance	Benefits in kind (e.g. car allowance)	Compensation for Loss of Office	Pension contribution	Total Remuneration including pension contributions
	£	£	£	£		£	£
Chief Executive (left on 26/06/16)		26,514	561	-	-	3,659	30,734
Managing Director	-	100,406	51	-	-	13,856	114,313
Executive Director	-	75,782	186	-	-	10,458	86,426
Assistant Director Commercial Services	-	62,517	-	-	-	8,627	71,144
Assistant Director Community and Housing Services	-	56,681	-	-	-	7,822	64,503
Assistant Director Environmental Services	-	59,290	-	-	-	8,182	67,472
Assistant Director Planning Services (left on 03/07/16)	-	14,101	28	-	-	1,946	16,075
Assistant Director Planning & Regeneration (started on 31/10/16)	-	24,060	108	-	-	3,320	27,488
Assistant Director Customer, Revenues & Benefit Services	517	60,485	-	-	-	8,418	69,420
Assistant Director Democratic Services	-	56,661	-	-	-	7,819	64,480
Assistant Director Legal Services	-	56,661	334	-	-	7,819	64,814
Assistant Director Transformational Services (left on 31/08/16)	-	23,146	24	-	40,000	3,194	66,364
Section 151 Officer on secondment	-	60,000	-	-	-	-	60,000

In addition to the figures above, the Chief Executive also received payment of £6,906 for his role as the Returning Officer for the district council elections.

24. EXTERNAL AUDIT COSTS

The following fees relate to the Audit of the Statement of Accounts and certification of grant claims for the Authority:

	2016/17 (Restated) £000's	2017/18 £000's
Fees paid for External Audit Services	57	49
Fees paid for Certification of Grant Claims and Returns*	12	8
Total	69	58

The 2016-17 expenditure has been restated to include additional fees charged in respect of the 2016-17 audits for additional work undertaken by Ernst & Young.

An additional £7,869 was charged in respect of the accounts audit and an additional £3,263 in respect of the certification of grant claims.

25. GRANT INCOME

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

	2016/17 £000's	2017/18 £000's
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	592	44
NDR entitlement	1,710	2,120
New Homes Bonus	1,371	1,185
Hockley Woods Play Equipment	-	38
IER Hardware Grant	-	-
Empty Homes Grant	26	1
Transition Grant	95	95
IEG Grant	-	-
Playbuilder Grant/Aiming High	-	-
Big Lottery Fund	-	-
Disabled Facilities Grant (unapplied)	-	94
S106 Grant	19	86
Recycling Reward Grant	-	-
Total	3,814	3,662
Credited to services		
Disabled Facilities Grant	375	356
LCTS related -New Burdens Grants*	-	-
NNDR - New Burdens Grants	1	12
LCTS Admin Set up Funding*	32	70
Housing Benefit Subsidy*	17,218	16,330
Housing Benefit Administration Subsidy	181	166
Individual Electoral Registration	0	0
Business Rates pool Admin Grant	86	84
Total	17,893	17,018

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

	2017/18 £000s
Capital Grants Receipts in Advance	
IEG Grant	2
IER H'ware fund- receipt in advance	11
DCLG Recycling reward grant	35
Land Release Funding	204
Total	252

26. RELATED PARTIES

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

UK Government - UK Government has effective control over the general operations of the Authority as it is responsible for setting the statutory framework within which the Authority operates, provides the majority of its funding and prescribes the terms of many of the Council's transactions, for example, housing benefits.

Members - Members of the Authority have direct control over the Authority's financial and operating policies. Several of the members are also members of neighbouring Parish / Town / County Councils with which Rochford District Council transacts. The total of members' allowances paid in 2016/17 is shown in Note 22. During the year Rochford District Council made grants to charitable / voluntary organisations some of which have members of the authority within their management or membership. Included within these grants was a payment of £15,000 to Rayleigh, Rochford and District Association for Voluntary Service, of which Councillor Lumley is a Director and Chairman of Trustees. All grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants.

Basildon Council - The Head of Internal Audit is an employee of Basildon Council who works part time for Rochford District Council as part of a Service Level Agreement

Essex County Council - The Section 151 Officer is an employee of Essex County Council, who works part time for Rochford District Council on secondment.

27. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2016/17	2017/18
	£000's	£000's
Opening Capital Financing Requirement	687	777
Capital Investment		
Property, Plant and Equipment		
Intangible Assets	7	334
Other Land & Buildings	374	204
Vehicles, Plant, Equipment & Furniture	83	74
Waste and street cleansing vehicles (embedded finance leases)	-	-
Community Assets	10	40
Investment Property		
Revenue expenditure funded by capital	413	539
Total Capital Expenditure	886	1,191
Financed by:		
Useable Capital Receipts	226	798
Government & Other Grants	420	393
Revenue Contributions	150	
Total Financing	796	1,191
Increase in underlying need to borrowing (unsupported by government financial	90	-
Increase/(Decrease) in Capital Financing Requirement	90	-

28. CAPITAL COMMITMENTS

At 31March 2018, the Authority has committed to make £409k of capital expenditure through its purchase order system. Of this £174k is in respect of IT and £224k is in respect of Estates.

Note 28a INTERESTS IN SUBSIDIARIES

Green Gateway Trading (GM) Ltd (the trading company) is a local authority trading company owned indirectly by Rochford District Council via a holding Company, Green Gateway Trading Ltd (the holding company), which is a wholly owned subsidiary of the Council. The trading company was incorporated on 1st September 2016 and commenced trading on 1st December 2016. The financial statements have been consolidated into the Group Financial Statements on a line by line basis, after eliminating inter-company transactions and balances as follows:

Long Term Assets

Elimination of the Council's investment in the holding company of £1 ordinary share.

Short Term Debtors and Creditors

Elimination of £nil short-term loan from the Council to the trading company (£25,000 2016-17).

Elimination of £3,870 unpaid invoices due to the trading company by the Council (£1,560 2016-17) and of £16,369 unpaid invoices due to the Council by the trading company (nil 2016-17).

Comprehensive Income and Expenditure

The Council purchased grounds maintenance services from the trading company totalling £421,686 (£144,769 in 2016-17). The Trading Company paid the Council £65,119 for administrative services (£21,667 in 2016-17). The Trading Company paid the Council £1,678 in loan interest (£1,218 in 2016-17). These transactions have been eliminated on consolidation of the Group Accounts.

As a holding company Green Gateway Trading Ltd has not undertaken any transactions other than the share purchased by the Council.

The trading company through its grounds maintenance work made a pre-tax profit of £37,407 (£26,486 in 2016-17). The summary accounts are as follows:

Green Gateway Trading (GM) Ltd	31 March 2018	31 March 2017
Statement of Profit or Loss	£	£
Sales	438,206	147,062
Cost of Sales	- 121,301	- 44,280
Gross Profit	<u>316,905</u>	<u>102,782</u>
Other Income	1,860	
Overheads		
Salaries	183,825	45,059
Vehicle and equipment hire	62,510	16,764
Other Costs	<u>35,023</u>	<u>14,473</u>
	<u>281,358</u>	<u>76,296</u>
Profit before tax	<u>37,407</u>	<u>26,486</u>
Corporation Tax	<u>7,107</u>	<u>5,297</u>
Profit after tax	<u>30,300</u>	<u>21,189</u>

Green Gateway Trading (GM) Ltd

	31 March 2018	31 March 2017
Balance Sheet		
Current Assets	£	£
Trade Receivables	1,228	2,536
Amounts owed by group undertakings	1	1
Other Debtors	220	
Prepayments	19,754	12,015
Cash in Bank	77,793	71,679
	<u>98,996</u>	<u>86,231</u>
Current Liabilities		
Trade Payables		17
Accruals	27,438	14,958
Other taxation and social security	20,068	25,066
Loan from Rochford District Council		25,000
	<u>47,506</u>	<u>65,041</u>
Total Assets	<u>51,490</u>	<u>21,190</u>
Financed by:		
Called up share capital	1	1
Profit and loss account	51,489	21,189
	<u>51,490</u>	<u>21,190</u>

Rochford District Council also has another wholly owned subsidiary via the holding company, which is Green Gateway Trading (Development) Ltd, which was incorporated on 10th August 2017. This company has not traded since its incorporation, the only transaction being the £1 share issue with the holding company Green Gateway Trading Ltd.

29. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The Authority participates in one post employment scheme, which is the Local Government Pension Scheme, administered by the Essex Pension Fund - this is a funded defined benefits scheme related to pay and service, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The Fund is reviewed on a triennial basis by the fund actuary. The last triennial actuarial valuation was at 31 March 2016 and was effective from 1 April 2017. The next valuation will be at 31 March 2019 and will be effective from 1 April 2020.

Risk associated with the Pension Scheme

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and performance of the equity investments held by the scheme. These are mitigated to certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies.

Transactions Relating to Post-employment Benefits

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

Local Government Pension Scheme	2016/17 £000's	2017/18 £000's
Comprehensive Income & Expenditure Statement		
<i>Cost of Services:</i>		
Service Cost	(985)	(1,528)
Past Service costs	(47)	-
Administration Expenses	(19)	(21)
<i>Financing and Investment Income and Expenditure:</i>		
Net Interest on the Defined Liability	(945)	(910)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(1,996)	(2,459)
<i>Other Post Employment Benefit Charged to Other Comprehensive Income & Expenditure:</i>		
Re-measurement of the net defined benefit liability comprising:		
Return on Plan Assets (Excluding Net Interest Cost)	7,129	2,331
Other Actuarial Gains /(Losses) on Assets	(42)	-
Change in Financial Assumptions	(13,576)	1,481
Change in Demographic Assumptions	1,781	-
Experience Gain/(Loss) on Defined Benefit Obligation	(1,099)	-
Remeasurements	(5,807)	3,812
Total Post Employment Benefit Charged To The Comprehensive Income & Expenditure Statement	(7,803)	1,353
Movement in Reserves Statement		
Reversal Of Net Charges Made To The Surplus Or Deficit On The Provision of Services For Post Employment Benefits In Accordance With The Code	1,289	1,034
Actual Amount Charged Against The General Fund Balance For Pensions In The Year		
Employers' Contributions Payable To Scheme	707	1,425

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	2016/17 £000's	2017/18 £000's
Present Value of the defined benefit obligation	84,560	84,019
Fair value of plan assets	51,867	54,001
Net liability	32,693	30,018
Other movements in the liability/ (asset)	1,747	1,644
Net liability arising from defined benefit obligation	34,440	31,662

Reconciliation of the movements in the Fair Value of Scheme Assets:

	2016/17 £000's	2017/18 £000's
Opening balance at 1 April	45,480	51,867
Interest on Assets	1,553	1,380
Remeasurement gain/loss:		
- Return on Plan Assets (Excluding Net Interest Cost)	7,129	2,331
- Other Actuarial Gains /(Losses) on Assets	(42)	-
Employers' Contributions Including Unfunded	707	1,425
Member Contributions	272	272
Benefits Paid including Unfunded	(3,213)	(3,253)
Administration Expenses	(19)	(21)
Closing balance at 31 March	51,867	54,001

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2016/17 £000's	2017/18 £000's
Opening balance at 1 April	(72,824)	(86,307)
Current Service Cost	(985)	(1,528)
Interest Cost	(2,498)	(2,290)
Member Contributions	(272)	(272)
Remeasurement gains and losses:		
- Actuarial Gains /Losses Arising from Change in Demographic Assumptions	1,781	-
- Actuarial Gains /Losses Arising from Change in Financial Assumptions	(13,576)	1,481
- Experience Gains & (Losses)	(1,099)	-
Actuarial Gains & (Losses)	-	-
Past Service Costs Including Curtailments	(47)	-
Curtailments		
Benefits Paid	3,070	3,118
Unfunded Pension Payments	143	135
Closing balance at 31 March	(86,307)	(85,663)

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

	31 March 2017 £000's	31 March 2017 %	31 March 2018 £000's	31 March 2018 %
Equities	35,427	68%	35,245	65%
Government Bonds	1,962	4%	3,592	7%
Other Bonds	2,108	4%	2,006	4%
Property	5,046	10%	5,122	9%
Cash/Liquidity	1,561	3%	1,857	3%
Alternative Assets	3,459	7%	3,989	7%
Other managed funds	2,304	4%	2,190	4%
	51,867	100%	54,001	100%

Basis for Estimating Assets and Liabilities

Assets and Liabilities have been assessed on an actuarial basis by Barnett Waddingham, actuaries to the Fund. To assess the value of the Employer's liabilities as at 31st March 2018, the value of the Employer's liabilities calculated for the funding valuation as at 31st March 2016 have been rolled forward, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cashflows to be paid into and from the Fund and placing a value on them. These cash flows included investment returns, contributions paid into the fund, pensions currently being paid to members of the Fund as well as pensions and lump sums that may be payable in future. Assumptions such as mortality rates and salary levels were built into the valuation.

Sensitivity Analysis of major assumptions

The sensitivity analysis shows the impact on the Council's obligations of changes in the major assumptions used by the actuary.

Adjustment to:	Change by:	Present Value of Total Obligation £000's	Projected Service Cost £000's
Discount rate	0.0%	85,663	1,484
	0.1%	84,225	1,448
	-0.1%	87,127	1,521
Long-term salary increase	0.0%	85,663	1,484
	0.1%	85,782	1,484
	-0.1%	85,545	1,484
Pension increases and deferred revaluation	0.0%	85,663	1,484
	0.1%	87,010	1,521
	-0.1%	84,338	1,448
Mortality age rating assumption	None	85,663	1,484
	+1 Year	89,036	1,531
	-1 Year	82,421	1,438

Further information can be found in the Essex Pension Fund Annual Report which is available upon request from:

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

30 CONTINGENT LIABILITIES

An environmental warranty was given to Rochford Housing Association as part of the Large Scale Voluntary Transfer making the Authority liable if a contaminated land site is found on a housing site. The limit of this liability is £10m and stands for 14 years from transfer (September 2007). There is a very low likelihood of a claim occurring.

**Collection Fund Income and Expenditure Account
for the year ended 31 March 2018**

Total 2016/17 £000's	Business Rates 2016/17 £000's	Council Tax 2016/17 £000's		Council Tax 2017/18 £000's	Business Rates 2017/18 £000's	Total 2017/18 £000's
£	£	£		£	£	£
Income						
(65,125)	(15,760)	(49,365)	Amounts Receivable (net of discounts and reliefs)	(51,300)	(14,409)	(65,709)
<u>Contributions Towards Previous Year's Surplus /(Deficit):</u>						
215	-	215	Essex County Council	302	-	302
29	-	29	Police & Crime Commissioner for Essex	40	-	40
13	-	13	Essex Fire Authority	18	-	18
49	-	49	Rochford District Council & Parish/Town Councils	68	-	68
307	-	307		428	-	428
(64,818)	(15,760)	(49,057)	Total Income	(50,871)	(14,409)	(65,280)
Expenditure						
<u>Precepts and shares:</u>						
8,062	8,062	-	Central Government	-	8,190	8,190
35,995	1,451	34,544	Essex County Council	35,906	1,474	37,380
4,643	-	4,643	Police & Crime Commissioner for Essex	4,846	-	4,846
2,227	161	2,066	Essex Fire Authority	2,130	164	2,295
14,215	6,449	7,766	Rochford District & Parish/Town Councils	8,070	6,552	14,622
65,143	16,123	49,020		50,952	16,380	67,332
3	3		Transitional Protection Payment		(333)	(333)
35	35		Renewable Energy		63	63
<u>Impairment of Debts/Appeals</u>						
119	70	48	Write-offs of Uncollectable Amounts	37	58	95
1	21	(21)	Increase/ (Decrease) in Bad Debt Provision	47	196	244
238	238	-	Increase/ (Decrease) in Provision for Appeals	-	109	109
358	330	27		84	363	447
86	86	-	Charge to General Fund for Allowable NDR Collection Costs	-	84	84
<u>Distribution of Previous Year's Estimated Surplus/ (Deficit):</u>						
(826)	(826)	-	Central Government	-	(9)	(9)
(149)	(149)	-	Essex County Council	-	(2)	(2)
(16)	(16)	-	Essex Fire Authority	-	-	-
(661)	(661)	-	Rochford District Council	-	(8)	(8)
(1,653)	(1,653)	-		-	(20)	(20)
63,971	14,924	49,048	Total Expenditure	51,037	16,537	67,573
(847)	(837)	(10)	Movement on Fund Balance	165	2,128	2,292
443	1,687	(1,244)	Opening Fund Balance (surplus)/deficit	(1,254)	850	(404)
(404)	850	(1,254)	Closing Fund Balance (surplus)/deficit	(1,089)	2,978	1,889
(847)	(837)	(10)	Movement on Fund Balance	165	2,128	2,293

NOTES TO THE COLLECTION FUND

1. Council Tax

Council Tax derives from charges raised according to the values of residential properties, which have been classified into eight valuation bands, using estimated 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Essex County Council and other preceptors and this Authority for the forthcoming year and dividing this by the Council Tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts). The basic amount of Council Tax for a Band D property for Rochford District (£217.17 in 2017/18), was added to the basic amount due to the parish/town councils and the total was multiplied by the specified proportion to give an individual amount due. Precepts in respect of Essex County Council, Essex Police Authority and Essex Fire Authority were added to this figure.

2. Non-Domestic Rates (NDR)

NDR is organised on a national basis. The Government specified an amount of 46.6p in the £ of rateable value for 2017/18 (48.4p in the £ for 2016/17) and, subject to the effects of transitional arrangements. Local businesses pay rates calculated by multiplying their rateable value by that amount. The Authority is responsible for collecting rates due from the ratepayers in its area. From April 2013, the Government has reformed the way in which local government is funded through the introduction of the business rates retention scheme. Under the new regulations, a baseline funding level is set by the Government, based on the NNDR1 return (Estimate by the Authority) completed in December. For 2017/18 the baseline was set at £1,622,879. The local authorities and fire and rescue authorities will now be able to benefit directly from supporting local business growth as they will be able to keep a share of any increases in business rates revenue.

The total non-domestic rateable value at present stands at £45.6m.

3. Collection Fund Balance

The Collection Fund balance represents previous years' surpluses. A proportion is redistributed to the precept demanding bodies, as shown in the Collection Fund Income and Expenditure Account. The balance carried forward for the Collection Fund does not tie directly into the Balance Sheet due to this redistribution of the surplus. The amounts included in the Collection Fund Surplus are included within the creditors figure on the balance sheet and the long term preceptor creditor figure, as at 31 March 2018. The Collection Fund total on the balance sheet is just the share attributable to Rochford District Council.

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

Total 2016/17 £000s	Business Rates 2016/17 £000s	Council Tax 2016/17 £000s	Collection Fund (CF) Attribution of (Surplus) / Deficit Carried Forward	Council Tax 2017/18 £000s	Business Rates 2017/18 £000s	Total 2017/18 £000s
			Balances attributable to:			
416	416		Central Government		1,074	1,074
(473)	75	(548)	Essex County Council	(522)	193	(329)
(74)		(74)	Police&Crime Commissioner, Essex	(72)		(72)
(25)	8	(33)	Essex Fire Authority	(30)	21	(10)
213	333	(120)	Rochford District Council	(115)	859	744
			Redistribution due to:			
10	10		Central Government		416	416
(336)	2	(339)	Essex County Council	(247)	75	(171)
(46)		(46)	Police & Crime Commissioner, Essex	(33)		(33)
(19)	0	(20)	Essex Fire Authority	(15)	8	(6)
(68)	8	(76)	Rochford District Council	(56)	333	277
(404)	851	(1,255)	Closing Collection Fund Balance (Surplus)/Deficit	(1,090)	2,979	1,889

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

Total 2016/17 £000s	Business Rates 2016/17 £000s	Council Tax 2016/17 £000s	Share of Collection Fund Balance	Council Tax 2017/18 £000s	Business Rates 2017/18 £000s	Total 2017/18 £000s
145	340	(196)	Rochford District Council	(171)	1,192	1,021
(549)	511	(1,059)	Preceptors & Central Government	(919)	1,787	868
(404)	851	(1,255)		(1,090)	2,979	1,889

4. Uncollectable Debts.

Uncollectable debts of £37,080 (£48,349 - 2016/17) for Council Tax and £58,464 (£70,406 - 2016/17) for Non-Domestic Rates were written off in 2017/18.

5. Appeals Provisions - Business Rates

Total £000s	Other Preceptors £000s	Billing Authority £000s	Share of Appeals Provisions	Billing Authority £000s	Other Preceptors £000s	Total £000s
2016/17	2016/17	2016/17		2017/18	2017/18	2017/18
320	191	129	Balance at 1 April	225	335	557
237	143	95	Net movement for business rate appeals in year	41	65	105
557	335	225	Balance at 31 March	266	400	666

6. Calculation of the Council Tax

The Council Tax for Rochford residents for 2017/18 for an average Band D property was as follows:

	BAND D
	£
Parish/Town Councils	44.39
Rochford District Council	217.17
Essex County Council - General	1,108.35
Essex County Council - Social Care	55.35
Essex Fire and Rescue Authority	69.03
Police & Crime Commissioner	157.05
Total	1,651.34

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

Tax Band	Estimated Properties after adjustments	Proportion of charge	Band D Equivalent Properties
A	786	6/9	524
B	2,290	7/9	1,781
C	9,595	8/9	8,529
D	9,253	1	9,253
E	4,487	11/9	5,484
F	2,226	13/9	3,216
G	1,218	15/9	2,030
H	68	18/9	137
Total			30,954
Adjustments for Band D Full Year Equivalents			467
			31,421
Less Adjustment for Collection Rate			98.30%
Total Council Tax Base			30,887.10

GLOSSARY OF TERMS

Accrual

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

Agency Services

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

Asset

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

Benefits

Local Council Tax Support (LCTS) – From 1 April 2013 LCTS replaced Council Tax Benefit. LCTS is an income-related discount to provide help to those with no or low incomes to pay their Council Tax.

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

Billing Authority

This refers to Rochford District Council, which is the responsible authority for the invoicing and collection of the Council Tax from all residential properties in the District. This is undertaken on behalf of Rochford District Council, Essex County Council, Essex Police Fire Crime Commissioner 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. The Government has reformed the way in which Local Government is funded. Under the new regulations, business rates collected gets divided between Government, Rochford District Council, County and Fire Authority.

Capital Expenditure

This generally relates to expenditure on non-current assets that will be of use or benefit to the Council in providing its services for more than one year e.g. Vehicles, structural repair to buildings, expenditure on Community Assets.

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.

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Code of Practice on Local Government Accounting

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

Collection Fund

The fund into which Council Tax and Business Rates are paid and the precepts of Essex County Council, Essex Police & Fire Crime Commissioner, 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 Rayleigh Windmill.

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.

Embedded Lease

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

Fair Value

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

Fees and Charges

Charges made to the public for Council services and facilities.

Financial Year

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

General Fund

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

IFRS

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

Intangible Assets

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

Liability

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

Local Government Pension Scheme (LGPS)

Council officers have the option of joining this scheme, the majority of Officers have joined.

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.

Property, Plant & Equipment

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

Provision

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

Reserves

A Council's accumulated surplus income in excess of expenditure. Available at the discretion of the Council to meet items of expenditure in future years. Earmarked reserves are set-aside for a specific purpose.

Responsible Officer

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

Revenue Support Grant

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

Rochford District
Council
Audit results report
Year ended 31 March 2018

16 July 2018



Private and Confidential

16 July 2018



Dear Audit Committee Members

We are pleased to attach our Audit Results Report. This report summarises our preliminary audit conclusion in relation to the audit of Rochford District Council for 2017/18.

We have substantially completed our audit of Rochford District Council for the year ended 31 March 2018.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at section 4 of this report, before the statutory deadline of 31 July 2018. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you on 24 July 2018.

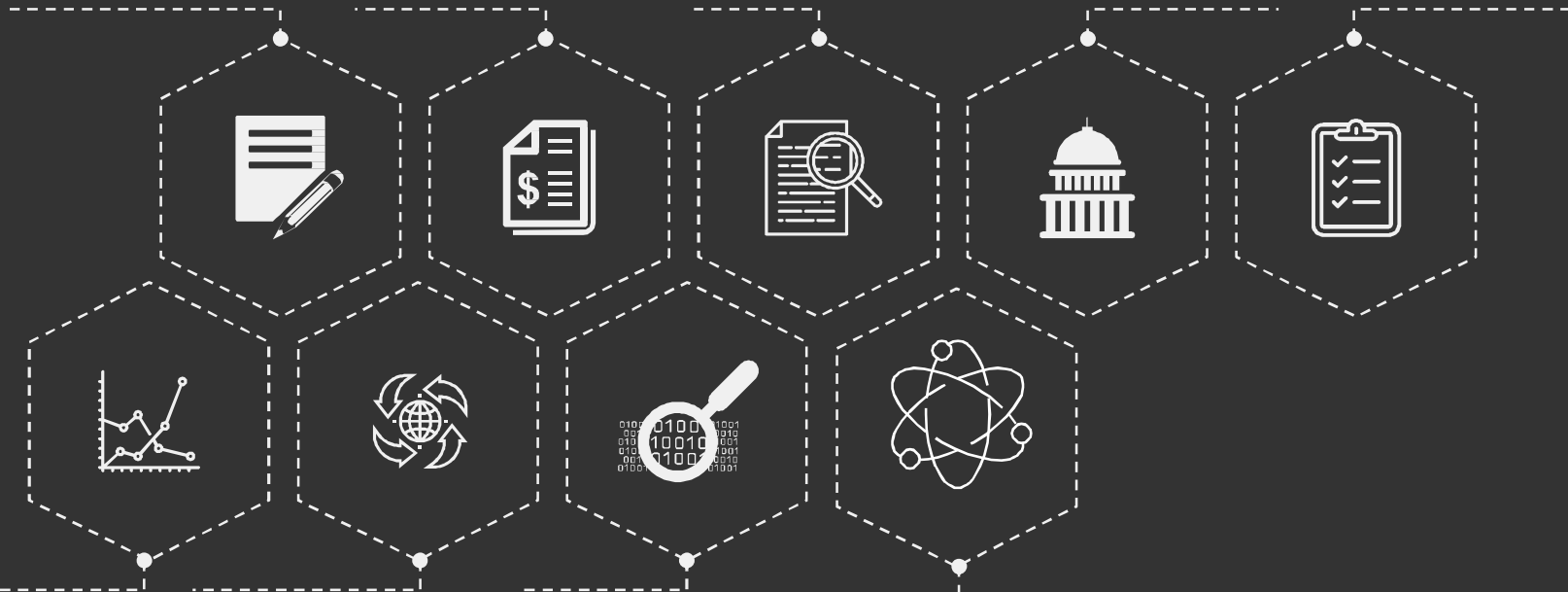
Yours faithfully

Debbie Hanson
Associate Partner

For and on behalf of Ernst & Young LLP
Encl

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of Rochford District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Rochford District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Rochford District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary

Executive Summary

Scope update

In our Audit Planning Report presented at the 16th January 2018 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this Plan. As discussed with you, we considered the achievement of savings needed over the medium term and Local Authority Trading Company – Green Gateway Trading Development Limited as part of our value for money conclusion as significant risks.

Materiality: In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £0.729 million. This level of materiality remains appropriate for the actual results for the financial year. The basis of our assessment has remained consistent with prior years at 2% of gross expenditure on provision of services. The threshold for reporting misstatements that have an effect on the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, and cash flow statement, is £0.036 million.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits.
- Related party transactions.

Status of the audit

We have substantially completed our audit of Rochford District Council's financial statements for the year ended 31st March 2018 and have performed the procedures outlined in our Audit Planning Report. Subject to satisfactory completion of the outstanding matters set out in Appendix B we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 4. However until work is complete, further amendments may arise.

We expect to issue the audit certificate at the same time as the audit opinion.

Audit differences

Unadjusted differences

We have not identified any unadjusted audit differences in the draft financial statements which management has chosen not to adjust.

Adjusted Differences

A number of misstatements that we have identified have been corrected. The main misstatements are as follows:

- The inclusion of a third balance sheet to record the inclusion of £1.1 million community assets owned by the Council and previously omitted from the accounts;
- The write back of £5.9 million community assets incorrectly valued at existing use when the correct valuation was historic cost;
- Incorrect capitalisation of expenditure of £102,000 relating to the migration of the Council's ICT systems to Microsoft. This reduces the balance on the General Fund by £0.102 million; and
- An understatement of the Council's pension assets by £1.055 million due to a material movement in the year end value of Pension Fund assets compared to the value initially estimated by the actuary in their IAS19 report.

We also highlight a number of misstatements in the disclosure notes. These have been corrected by management:

Other than the incorrect capitalisation of revenue spend of £0.102 million, none of the adjustment noted above impact on the general reserve of the Council

Further details of these differences can be found in Section 4 Audit Differences.

Executive Summary

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Rochford District Council's financial statements. This report sets out our observations and conclusions in relation to these issues. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues;
- You agree with the resolution of the issue; and
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

During the audit we made a number of observations and improvement recommendations in relation to:

- Procedures to identify and prevent potential breaches in European Tender Regulations; and
- The need to formally document the arrangements for the receipt of VAT monies from Sanctuary Housing Association as those arrangements apply to the Council.

We have summarised our observations in section 8 of this report.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified two significant risks concerning:

- Sustainable resource deployment: the Council's arrangements for the achievement of savings needed over the medium term given the financial challenges the Council faces over the next three to four years; and
- Taking informed decisions: the governance structure in place to manage the new company The Local Authority Trading Company - Green Gateway Trading Development Limited.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources, but have identified some areas for improvement which are outlined in section 5 of this report.



Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We requested amendments to include information about the governance arrangements for group activities and to include procurement as a significant governance issue.

We are in the process of performing the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We have no matters to report.

We have no other matters to report.

Independence

Please refer to Section 10 for our update on Independence.



02 Areas of Audit Focus



Areas of Audit Focus

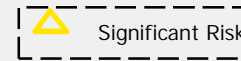
Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.



What judgements are we focused on?

We focused on aspects of the financial statements where management could inappropriately inflate income or understate expenditure, primarily:

- Journal entries;
- Material accounting estimates;
- Unusual transactions; and
- Correct classification of capital expenditure.

What are our conclusions?

We did not identify material weaknesses in controls or evidence of material management override.

Our testing of journals did not identify adjustments outside of the normal course of business. All journals tested have appropriate rationale.

We have not identified any instances of inappropriate judgements for estimates.

We did not identify any significant unusual items.

Our audit identified a capitalised sum of £102,000 in relation to the migration of the Council's ICT systems to Microsoft. Management could not evidence that these costs were directly attributable to bringing the new IT server into existence and therefore reclassified this as revenue. We extended our testing but found no further inappropriate classifications.

We identified no instances of error that were indicative of fraud.

What did we do?

- Enquired of management about risks of fraud and the controls in place to address those risks;
- Considered the oversight given by those charged with governance of management's processes over fraud by direct enquiry;
- Considered the effectiveness of management's controls designed to address the risk of fraud;
- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements.
- Reviewed accounting estimates for evidence of management bias. The most significant estimates in the financial statements relate to the net pension liability and property valuations;
- Evaluated the business rationale for any significant unusual transactions;
- Tested capital expenditure to verify that revenue costs had not been inappropriately capitalised; and
- Performed testing of revenue and expenditure near year end, to ensure it was accounted for in the correct period.



Areas of Audit Focus

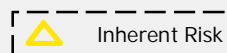
Other Areas of Audit Focus

Valuation of property, plant and equipment

What is the risk?

Property, plant and equipment (PPE) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and/or depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end PPE balances held in the balance sheet.

As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a higher inherent risk PPE may be under/overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying estimates. Therefore it is appropriate to recognise property valuation as inherent risk.



What judgements are we focused on?

We focused on the following:

- The adequacy of the scope of the work performed by the valuer including their professional capabilities
- The reasonableness of the underlying assumptions used by the Authority's expert valuer

What are our conclusions?

We are satisfied with the scope of the work performed by the value including their professional capabilities; We concluded that the underlying valuation assumptions are reasonable; We confirmed that the Council has valued all assets within a five year rolling programme. We did not find any significant changes to assets requiring a revaluation; Our indexation review of assets not revalued in year did not identify material variances; and We did not find any significant changes to economic lives as a result of the most recent valuation.

As set out in Section 5, the Council has amended the property, plant and equipment note in the Balance Sheet to include previously omitted community assets and to write back community assets which were inappropriately valued.

What did we do?

- Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample tested key asset information used by the valuers in performing their valuation.
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We also considered if there were any specific changes to assets that had occurred and that these had been communicated to the valuer.
- Reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated.
- Considered changes to useful economic lives as a result of the most recent valuation.
- Tested accounting entries had been correctly processed in the financial statements.



Areas of Audit Focus

Other Areas of Audit Focus

Pension liability valuation

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary. As with other councils, accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be a higher inherent risk.

What judgements are we focused on?

We focused on aspects of the pension liability which could have a material impact on the financial statements, primarily:

- significant changes in assumptions made by the actuary; and
- the assessments of the actuary undertaken by PWC and the EY actuarial team.

What did we do?

- Liaised with the auditors of the Essex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Rochford District Council;
- Assessing the conclusions drawn on the work of the actuary, Barnett Waddingham, by the Consulting Actuary, PWC, who are commissioned by the National Audit Office, as well as the conclusions of our own pensions specialists in relation to this work; and
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What are our conclusions?

We have reviewed the assessment of the pension fund actuary by PWC and EY pensions and have undertaken the required work to consider the assumptions made by the actuary.

The EY pension fund auditor identified a movement on the total fund assets between the estimated year end balance used by the actuary in their initial IAS19 report and the actual fund assets. The impact of this movement was an understatement of the Council's pension assets by £1.055 million. This amount is material and as a result the Council requested a revised IAS19 report from the actuary and has amended the accounts to reflect the updated figures. Details can be found in Section 4 Audit Differences.

We have not identified any issues with the accounting entries and disclosures made within the financial statements.



Areas of Audit Focus

Other Areas of Audit Focus

Business rates appeals provision

What is the risk?

The business rates appeals provision includes, not only current year claims up to 31 March 2018, but claims that relate to earlier periods and is subject to estimation.

As appeals are made to the Valuation Office, the Council may not be aware of the level of claims lodged. The Council may also find it difficult to obtain sufficient information to establish a reliable estimate.

The Council have changed their approach to calculating the provision in 2017/18 (previously relying on an expert) and we have therefore included the provision as a new area of risk

What judgements are we focused on?

We focused on aspects of the Business Rates Appeal which could have a material impact on the financial statements, primarily:

- The Council's estimation process, to ensure this is supported by appropriate evidence to support the provision; and
- The completeness of the provision.

What did we do?

Our approach focused on:

- Reviewing the Council's methodology underpinning the provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS 37;
- Ensuring the provision is supported by appropriate evidence and that the level of estimation uncertainty is adequately disclosed; and
- Reviewing the completeness of the provision.

What are our conclusions?

The value of the appeal is £0.666 million with Rochford's share being £0.266 million. The movement in year was £0.108 million.

We have reviewed the Council's methodology underpinning the calculation of the provision. We are satisfied that, in line with IAS 37, there was sufficient evidence that the appeals were the result of a past event, with a probable outflow of resources and a reliable estimate.

The appeals we tested had sufficient supporting evidence and the basis for the appeal was appropriately calculated.

We tested the completeness of the provision by obtaining a listing of appeals from Valuation Office website and checked this to the appeals listing used by the Council. Our testing found no omissions.



Areas of Audit Focus

Other Areas of Audit Focus

Accounting for Subsidiary – Green Gateway Trading Company

What is the risk?

In 2016/17, the Council established a wholly owned limited liability company – Green Gateway Trading Company to enable trading to take place for profit in respect of services for grounds maintenance.

2017/18 will be the first year that the Council will consolidate the trading company and present Group Accounts within the Council's financial statements.

The preparation of Group Accounts requires a new structure to the accounts with restatement of primary statements as well as new disclosure notes and the removal of intercompany balances.

What judgements are we focused on?

We focused on aspects of the pension liability which could have a material impact on the financial statements, primarily:

- The consolidation process to ensure that transactions were properly brought to account.

What are our conclusions?

We did not identify any errors from our direct testing of the transactions between the group.

We agreed with the approach to the consolidation and found no errors.

We agreed the accounting treatment and the appropriate elimination of intercompany balances.

The Council has made appropriate disclosures in relation to its group accounts.

What did we do?

- Direct testing of Green Gateway Trading Company transactions;
- Reviewing the consolidation workings for accuracy;
- Agreeing the accounting treatment of intercompany balances; and
- Reviewing the disclosures made in relation to Green Gateway Trading Company.



Areas of Audit Focus



Other matters

The applicable accounting framework for the Council's accounts is CIPFA's annual Code of Practice on Local Authority Accounting in the United Kingdom (which is IFRS based as adapted for Local Authorities). The 2018/19 Code will apply to accounting periods starting on or after 1 April 2018 but has not yet been published. The 2018/19 Code will determine how IFRS 15 Revenue from Customers with Contracts will be adopted by local government bodies.

The CIPFA/LASAAC Local Authority Accounting Code Board met on 6th June 2017. This Board is responsible for preparing, maintaining, developing and issuing the Code of Practice on Local Authority Accounting for the United Kingdom.

The minutes of this meeting corroborate our view that Local Authority income streams from contracts with customers are immaterial "income streams for local authorities [are] very substantially less material than income from taxation." (CIPFA/LASAAC Local Authority Code Board meeting - 6th June 2017 - para 11.5). Income from taxation and grants does not fall within the scope of IFRS 15 as it is not contractually based revenue from customers.

We do not expect that IFRS 15 will have a material impact on the Council's single entity financial statements as the majority of the Council's income streams are taxation or grant based. The Council should however keep this under review

The following income streams which are within the scope of IFRS 15 are immaterial to the Council:

- Ø fees and charges for services under statutory requirements – e.g. application fees for taxi licenses or planning fees;
- Ø sale of goods provided by the authority – e.g. retail sales at leisure centres, concessionary sale at local authority theatres; and
- Ø charges for services provided by a local authority – e.g. home care services, maintenance for council dwellings or transport fares.

Other accounting standards that will be relevant in 2018/19 and which could impact on the Council are:

- Ø IFRS 9 (financial instruments). Given the nature of the Council's financial assets, we believe that this unlikely to have a material impact on the financial statements. However the Council will need to keep this under review and consider the impact of any potential statutory override.
- Ø IFRS 16 (leases). This will require all leases to be recognised on the balance sheet. It has an effective date of 1 January 2019, and therefore the Council will be required to undertake analysis of its leases during 2018/19 to ensure appropriate recognition under the revised standard.



03 Audit Report



Draft audit report

Our opinion on the financial statements

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

Opinion

We have audited the financial statements of Rochford District Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Movement in Reserves Statement,
- Council and Group Cash Flow Statement,
- The related notes 1 to 30 to the Council and Group Accounts, including the Council's Expenditure and Funding Analysis;
- Collection Fund and related notes 1 to 6.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Rochford District Council and Group as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- § the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- § the Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Audit Report

Our opinion on the financial statements

Other information

The other information comprises the information included in the Annual Financial Report 2017/18, other than the financial statements and our auditor's report thereon. The Section 151 officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Rochford District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects



Audit Report

Our opinion on the financial statements

Responsibility of the Section 151 Officer

As explained more fully in the Statement of the Section 151 Officer's Responsibilities set out on page 20, the Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Section 151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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 to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Rochford District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Rochford District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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



Audit Report

Our opinion on the financial statements

Certificate

We certify that we have completed the audit of the accounts of Rochford District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Rochford District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Debbie Hanson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
Date: XX July 2018

The maintenance and integrity of Rochford District Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



04 Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We have included all known amounts greater than £0.036 million relating to Rochford District Council in our summary of misstatements. We highlight the following misstatements in the financial statements identified during the audit. These have been corrected by management:

1. Balance Sheet – Amendment to include previously omitted community asset valued at £1.1 million resulting in a prior year adjustment and inclusion of a third balance sheet as at 31 March 2016

In our 2016/17 Audit Results Report, we reported that management had not provided a disclosure note to provide a summary of land and buildings valuations by year require by the Code of Audit Practice. During 2017/18, the Council reviewed its land and building assets by checking a historic log of all the Council’s assets held by the Estates Department to the Fixed Asset Register. This exercise identified a number of community assets which the Council owned which had not been included in the fixed asset register and had therefore been omitted from the accounts. As no historic cost was available in relation to these assets, the Council’s valuers valued the assets at existing use resulting in a valuation of £1.1 million. As the assets are material, their omission is an error under IAS8 and the Council has made a prior period adjustment to correct this error. In bringing the assets into the accounts initially, the Council incorrectly included the gain on revaluation in both the 2016/17 and 2017/18 comprehensive and income account. The Council has subsequently amended the financial statements by bringing the assets into the accounts using a third balance sheet as at 31 March 2016 and restating comparatives and impacted notes in accordance with International Auditing Standard 8.

2. Balance Sheet – incorrect valuation of community assets resulting in overstatement of £5.9 million

The Council incorrectly requested the valuation of a number of community assets at expected use value, which resulted in an increase in their value of £5.9 million. The CIPFA LASAAC Code of Practice on Local Authority Accounting and the Council’s accounting policies indicate that community assets should be valued at historic cost. The Council have therefore reversed the £5.9 million gain on revaluation from Note 12 Property, Plant and Equipment (PPE) with consequent reductions for PPE in the Balance Sheet and Revaluation Reserve.

3. Comprehensive Income and Expenditure Account – Inappropriate capitalisation of revenue expenditure

The Council had included as capital expenditure a sum of £102,000 relating to the migration of the Council’s ICT systems to Microsoft. This sum reflects the dual running costs of the closing of the Capita IT contract and the starting of the new Eduserve IT contract. The Council had capitalised the difference between what was paid in this period and the cost of the monthly Eduserve contract as dual running costs. The Council could not evidence that the costs were directly attributable to bringing the new IT server into existence as required by the Code of Practice. The Council has therefore re-classified the sum as revenue expenditure. This reduces the balance on the General Fund by £102,000. We extended our testing but found no further inappropriate classifications.



Audit Differences (continued)

Summary of adjusted differences

4. Amendment to the Cash Flow Note

The Council has adjusted for omitting applied and unapplied Disabled Facilities Grants to the value of £0.450 million as set out in Note 25 from the Cash Flow Statement.

5. Pension Adjustments

The Council is an admitted body within the Essex Pension Fund. The Council is reliant upon the Pension Fund's Actuary to provide it with the relevant information in relation to the Council's share of assets and liabilities of the Pension Fund (through an IAS19 report) for inclusion within its financial statements.

The Actuary, within their IAS19 report (dated April 2018) estimated the Pension Fund asset value as at the 31 March 2018 and the Council used the estimated figure within its draft financial statements. Our audit procedures in relation to pension disclosures include obtaining appropriate assurances from the Essex Pension Fund auditor regarding the information provided to the Actuary as well as the year end position on the Pension Fund. These procedures, identified that the actual asset valuation for the Essex Pension Fund at the 31 March 2018 was £111 million less than the Actuary's estimate. We estimated that the Authority's share of this decrease was £0.921 million.

Given that the difference is above our materiality level (£0.728 million) we asked the Council to liaise with the Pension Fund Actuary. The Pension Fund Actuary has, in light of the significance of the identified difference in asset valuations, updated the IAS 19 report that it provided to the Council, taking into account the actual year end asset valuations. The updated Actuary IAS 19 report reflected the impact of the asset valuation change on all of the IAS19 figures reported by the Council. The Council has adjusted the financial statements using the revised figures from the updated IAS 19 report. This has resulted in a movement on the Council's share of the assets of £1.055 million. This adjustment is a result of a timing difference between an estimate made by the Actuary, and more up to date information that has become available since the time of their initial report. The Council correctly used the information provided within the original IAS 19 report within its draft financial statements, and has updated its accounts to reflect more accurate information that has been made available.

6. Disclosure Adjustments

We highlight the following misstatements in the disclosure notes identified during the audit. These have been corrected by management:

- Expenditure and Funding Analysis (EFA): There were several internal inconsistencies within the Expenditure and Funding Analysis, the Comprehensive Income and Expenditure Account (CIES) and the note to the EFA. The Council has amended:
 - The CIES for both Enterprise and Planning to reflect the sums in the EFA;
 - The adjustments column in the EFA to agree with the Note to the EFA; and
 - Note 7(a) to the EFA to correct an error in the calculation of the Other Income and Expenditure figure, which should be £0.704 million and not £0,887 million.
- Provisions: The note had not been updated from the 2016/17 financial statements. The Council has now updated both the 2016/17 and 2017/18 figures to show the correct position.



05

Value for Money Risks





Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

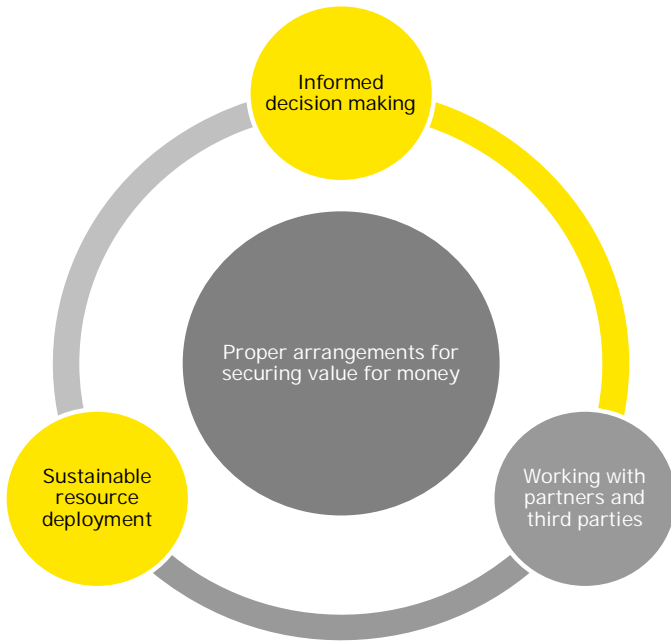
For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- § Take informed decisions;
- § Deploy resources in a sustainable manner; and
- § Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.



Overall conclusion

We identified two significant risks around these arrangements. The tables below present our findings in response to the risk in our Audit Planning Report and any other significant weaknesses or issues we want to bring to your attention.

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p>Achievement of Savings Needed over the Medium Term</p> <p>The Council faces significant financial challenges over the next three to four years, with a forecasted underlying budget gap of £2.1 million by 2021/22.</p> <p>Given the scale of the savings needed, there is a risk that savings plans to bridge this gap are not robust and/or achievable.</p>	<p>§ Deploy resources in a sustainable manner;</p>	<p>We have undertaken the procedures as set out in our Audit Plan, through our review of the Council’s Medium Term Financial Plan (MTFP), performance reports and savings plans. We set out our observations below including some recommendations.</p> <p>Savings and income generation plans</p> <p>Rochford has a record of achieving savings plans, reporting achievement of £0.628 million against its planned £0.689 million target for 2017/18. The ability of the Council to close the budget gap in the MTFP is dependent on the delivery of:</p> <ul style="list-style-type: none"> § £0.851 million savings in 2018/19; and § £1.2 million cumulative savings plans to 31 March 2023. <p>The Council has identified the savings needed to bridge the gap for 2018/19, but has yet to risk assess these for their delivery. In addition, there are as yet no business cases for the longer range savings for 2020/21 and 2021/22. The achievement of these plans would still leave a gap of £0.783 million at 31 March 2023 for which the Council has yet no plans.</p> <p>At present that the Council has sufficient levels of reserves and is forecasting that it will maintain its general fund balance at £0.9 million with earmarked reserves set at £8 million at 31 March 2018. This is shown in the subsequent chart.</p> <p>To further strengthen arrangements, we recommend that the Council:</p> <ul style="list-style-type: none"> § Risk assesses savings for 2018/19, and monitor and report delivery against each plan on a monthly basis, given that the savings for 2018/19 represent 44% of the plans to 2020/23; § Develops risk assessed business plans to determine whether the concepts for savings in 2020/21 (£650,000) and 2021/22 (£370,000) are viable; and § Develops plans to mitigate against slippage on savings schemes, given that there is still a gap of £0.780 million at 31 March 2022, assuming all current savings plans deliver as planned.



Value for Money Risks

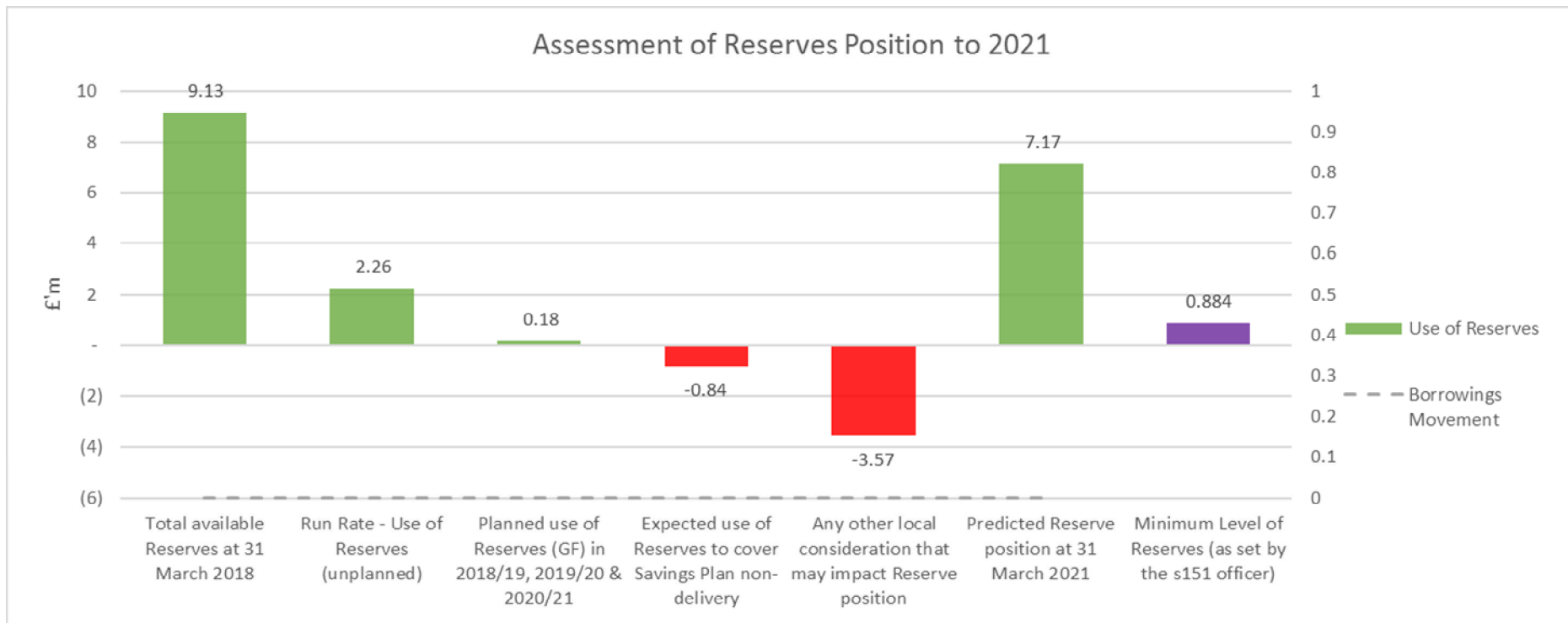
We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
Achievement of Savings Needed over the Medium Term - Continued	§ Deploy resources in a sustainable manner;	<p>Assumptions used in medium term planning;</p> <p>The process for setting the Council’s budget is sound and the MTFP identifies the key assumptions expected to underpin the 2018/19 budget. However, it only provides an indication of the budget gap over five years and does not explain the options facing Members in deciding council tax levels.</p> <p>We recommend for transparency to the public that the MTFP:</p> <ul style="list-style-type: none"> § Profiles the base budget, growth items, planned use of reserves and savings plans over three to five years show how the budget gap is derived; and § Includes a sensitivity analysis of the impact on the MTFP of different options for council tax. <p>Performance reporting</p> <p>The Council’s reported performance against its performance targets has deteriorated in 2017/18 10 (41%) of indicators below target and a further 5 (21%) with no target.</p> <p>We recommend that the Council’s improves its reporting of its indicators to:</p> <ul style="list-style-type: none"> § Explain in Performance Reports and the Narrative Report the reasons targets have not been achieved targets; and § Seek to set targets for all performance measures



Our Assessment

In our assessment we considered:

- The Council's level of savings requirement to balance the General Fund budget in each of the next 3 years;
- The Council's planned use of reserves to support the General Fund budget in each of the next 3 years;
- the Council's history of delivering savings plans and therefore the potential to call upon reserves to make up a shortfall in future savings plan delivery;
- the Council's history of over or under spending on the General Fund budget, and the impact this trajectory would have on the use of General Fund reserves; and
- reliance upon Council Tax sharing and Recycling Scheme income which has not been confirmed post 2018/19, upon which the MTFS is reliant.

The Council has no planned use of borrowing over the same time frame.

As a result of our assessment, we are satisfied that the Council's General Fund reserve balance at the 31 March 2021 will remain above the Council's approved minimum level.

7.130



Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p>Local Authority Trading Company – Green Gateway Trading Development Limited</p> <p>In July 2017, the Council established Green Gateway Trading Development Ltd as part of the Local Authority Trading Company with the intention that it should be used to derive income through property development.</p> <p>The aim is to enhance the economic wellbeing of the District and provide an income stream to help the Council to be less dependent upon Government funding.</p> <p>As a new arrangement there may be risks relating to the governance arrangements for the company.</p> <p>Our approach has focused on the governance structure in place to establish and manage the new company</p>	<p>§ Take informed decisions</p>	<p>We completed our assessment as outlined in our Audit Plan.</p> <p>Our review of the arrangements found that in making the initial decision to establish the Company the Council had:</p> <ul style="list-style-type: none"> § Established the Company with regard to the Council’s strategic aim of become financially self-sufficient; § Specified the appropriate powers by which to establish the Company; § Considered “teckal” requirements of company ownership and concluded that normal procurement procedures are to apply as the company is not providing a service to the Council; § Provided a detailed options appraisal and financial projections over a six year period proceed with reference to a risk assessment; and § Indicated that it would take appropriate advice regarding structural, operational, governance and taxation issues, <p>In November 2017, as part of its due diligence work, the Council, took external advice on the financial viability of both potential projects which the Green Gateway Trading Development Limited would oversee. The advice concluded that elements of the financial assumptions within both projects had been optimistic and as such some of the projects were not financially viable. As a result, in January 2018, officers moved to preparing an overarching Investment Strategy to include a full reassessment of all the schemes, including the current development plans and the financial assumptions underpinning them to determine whether alternative options should be considered if the current plans are not deemed viable. In March 2018, members decided not to proceed with one of the projects and have placed the Company on hold. The Council is to amend the other projects and progress this outside of the Company at present.</p>

Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p>Local Authority Trading Company – Green Gateway Trading Development Limited</p> <p>Continued.</p>	<p>§ Take informed decisions</p>	<p>We extended our review of the governance arrangements to consider the impact of not seeking financial advice before or shortly after the initiation of the projects. We noted that:</p> <ul style="list-style-type: none"> § The Council committed £0.5 million to the project, and although a proportion of these costs would have been incurred as part of the development of the Council’s Asset Strategy, some were related to elements of the project which are now not being progressed; and § Savings of £369,000 to 31 March 2022 had been included in the February 2017 Medium Term Financial Plan before the schemes had been subject to an independent financial review. Once these were removed there was an increase in the budget gap. <p>We therefore recommend that the Council should:</p> <ul style="list-style-type: none"> § Establish guidance for the project management of complex capital projects, particularly the timeframes for obtaining specialist external advice to minimise potential abortive costs; § Clarify the evaluation process so that the reasons for the differences in scores are explicitly clear; § Ensure the risk register covers the financial viability of the chosen option, the robustness of the assumptions and the deliverability of the necessary financial returns. § Ensure the Treasury Management Strategy and financial projections show the relevant prudential indicators and impact on the minimum revenue provision; § Request clear recommendations from advisors, particularly as regards taxation ; and § Document the Council’s review of the guidance to show how the Council has taken that guidance fully into account in its decision-making.



06 Other reporting issues



Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Annual Financial Report 2017/18 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Annual Financial Report 2017/18 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements. We requested amendments to include information about the governance arrangements for group activities and to include procurement as a significant governance issue.

We have also reviewed the Narrative Statement and requested amendments to include comparative information from 2016/17 in respect of performance indicators. The Council has not included commentary on significant changes between years as required by the Code of Practice.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

As the Authority falls below the £500 million threshold for review as per the NAO's group instructions, we are not reporting any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits.

We have no significant matters to report in relation to the above. We do however have some matters to report relating to issues arising during the audit, and one issue which we also reported in 2015/16. These are outlined on the subsequent pages.

Other reporting issues



Other matters

Issues encountered during the audit

We planned to complete our audit work within a three week period ending on 29 June 2018. This did not prove possible due to the following matters arising:

- During the audit the Council put through significant amendments to the financial statements for:
 - the accounting treatment for bringing the omitted community assets to account which required a prior year adjustment as extended disclosure; and
 - the removal of community assets valued at existing use rather than historic cost as required by the Code of Practice.
- Our audit identified the following errors which required correction during the audit:
 - incorrect capitalisation of revenue expenditure to the value of £102,000;
 - Amendments to the Cash Flow Statement for the omission of the Disabled facilities Grant of £450,000;
 - amendments to the Expenditure and Funding Analysis; and
 - Updating the Provisions note, which the Council had not updated since 2016/17.
- We had to extend audit procedures as regards our value for money conclusion with regards to:
 - The Local Authority Trading Company – Green Gateway Trading Development Limited following receipt of external advice into the financial viability of proposed income generating capital projects; and
 - The Council's procurement arrangements following receipt of Internal Audit reports in mid June after the Head of Internal Audit opinion had been issued in May 2017.
- We also incurred extra work as a result a change of approach to preparing the Collection Fund, which involved a complex accounting model. Our audit had to assess the impact of potential errors in 2016/17 of an overstatement of creditors £0.393 million and a overstatement of debtors by £0.363 million, concluding that they were below materiality and no prior period adjustment was required.
- We also:
 - Sought internal guidance in respect of accounting for the capital financing reserve and the minimum revenue provision;
 - Sought internal guidance to confirm that the Council's Local Authority Trading Company – Green Gateway (garden maintenance) required an external audit;
 - Reviewed the VAT arrangements between Sanctuary Housing association and the Council for whom a debt is due of £351,992; and
 - Considered a variance between the Council's General Ledger and the underlying Debtors Ledger of £54,788.

As a result of the above matters arising the audit work has taken longer than anticipated and we will seek to agree an additional fee with management and PSAA.

Other reporting issues



Other matters

Minimum revenue position reported in the previous year

In our 2015/16 Audit Results Report we reported that:

In previous years, the Council has not set aside sums to fund a Minimum Revenue Provision (MRP). An MRP is required in order to set aside a provision for the repayment of debt to finance the capital programme. The calculation is based on the opening balancing position on the Capital Financing Requirement (CFR). Based on the current figure the sum is not material.

However, as our audit indicated that there may be errors in the calculation of the CFR, we have asked management during 2016/17, to:

- Ø *Review the calculations for the CFR back to 2004 if necessary;*
- Ø *Review whether funding has been correctly applied in those years;*
- Ø *Establish what CFR should be; and*
- Ø *If required set out an MRP policy and start setting aside a provision from 2016/17.*

The Council has responded to this recommendation during 2017/18 and has undertaken a review of the records it holds related to the CFR. Unfortunately the Council has not been able to access records going back as far as 2004, but based on information that is available, has calculated a CFR opening balance of £0.773 million at 1 April 2017. The figure in the draft accounts is £0.687 million. The Council are to amend the accounts to this revised figure.

The Authority has also confirmed the following in relation to this issue:

- Ø They believe the underlying CFR relates to an historic amount outstanding when the Council transferred their Housing Stock over to the Rochford Housing Association in 2007;
- Ø The Council is not able to access detailed records for this period and is therefore unable to determine whether MRP should be charged in relation to this;
- Ø Rochford does not have any new external borrowing and is therefore is not currently changing a minimum revenue provision.

On the basis of the above we have concluded that any potentially omitted minimum revenue provision would be below our reporting threshold for any individual year; and the potential cumulative under provision would not be material.

We have therefore accepted the Authority's position not to charge MRP.



07

Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We do, however, wish to report the following areas where improvements could be made to the operation or design of controls within the Authority to reduce the risk of error.

Procurement

In their report on procurement issued in June 2018, Internal Audit reported on five contracts, which had not complied with the Council's contract tendering procedures noting that there was a risk of breach of European Union tendering limits. We followed up the report, and the Council confirmed that such a breach had occurred for one contract. We noted that in comparison to Council spend, the contract sum is not material. The Council has appropriately included reference to the breach as a significant risk within the Annual Governance Statement. Management are also preparing a report to the Leadership Team to prevent such a breach re-occurring. Internal Audit will also review procurement as part of their 2018/19 Audit Plan.

Internal audit

We recommend that Internal Audit:

- Ø Complete all key audit work by the date the Head of Internal Audit issues the audit opinion. Debtors and Procurement audits were not issued by May 2018 when the accounts were produced. As a result, Members and auditors have insufficient time to assess the impact of major findings in advance of the preparation of the accounts and annual governance statement; and
- Ø Put in place plans in place to resource and deliver Information Control and Technology audit coverage during 2018/19

We made similar recommendations in the previous year

VAT Arrangements with Sanctuary Housing

Sanctuary Housing complete specific reinvestment works on the properties transferred as part of the housing stock in 2017. Sanctuary Housing then claim the money from HMRC and, following an external audit of the sums claimed, pay the Council a share of the VAT monies. As at 31 March 2018, Sanctuary Housing Group owe the Council £351,992. Management report that this is in line with an agreement dating from 2007 but are unable to produce the agreement. The Council have provided general guidance as regards the legality of such schemes. However, we have recommend that the Council revisits the scheme, updates its supporting documentation to demonstrate how the scheme applies to the Council and Sanctuary Housing Association and confirms the arrangement with HMRC.

Assessment of Control Environment

Financial controls

Imbalance between the general ledger and the underlying debtors sub-ledger

During our audit, we noted a variance between the Council's General Ledger and the underlying Debtors Ledger of £54,788. The Council consider that the sub ledger includes postings to 2018/19 that should not be in the report. This arose due the date the report was run as 31st March 2018 was a Saturday. The Council has reduced the variance by looking through the Debtors sub ledger and removing items but given the time required and value of the sums involved have not progressed this further. The Council has been prudent in recording the lower sum from the General Ledger in its financial statements. We recommend that all reports supporting the financial statements are run at year end and retained to ensure sub-ledgers reconcile to the general ledger.

Earlier deadline for the production of the Financial Statements

The Council has responded well to the requirement to publish draft financial statements by the end of May 2018, publishing its accounts on 31st May 2018.

Officers are critically assessing the closedown process in preparation for 2018/19 to achieve greater efficiencies and a smoother process. We will work with officers to identify further areas that could be prepared in advance of year-end. Based on the findings in the current year audit, one potential action which may facilitate a more efficient accounts production process and audit would be for officers to have greater capacity in the period between the end of the financial year and the publication of the draft financial statements to enable a greater degree of secondary checking and review of transactions posted.



08 Data Analytics



Use of Data Analytics in the Audit

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2017/18, our use of these analysers in the Authority's audit included testing journal entries to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all LG financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.



Journal Entry Data Insights

The graphic outlined below summarises the LG journal population for 2017/18. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.

EY Helix - GLASS: Journal Entry Data Insights - 18 Rochford District Council-GL Analyser-P1-P12 -

Facts and Figures

Number of Journals Posted:
12,606

Average Number of Journals Posted per Day:
29

Average Number of Lines per Journal:
3

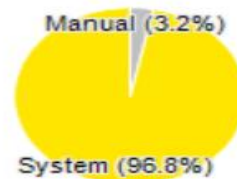
Operational Efficiencies

Manual Journals Posted at weekend:
94

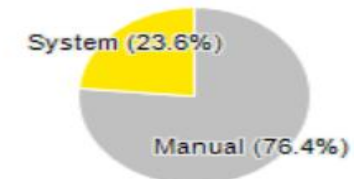
Manual journals where gross amount is < £5:
13

Journal lines with zero value:
3,613

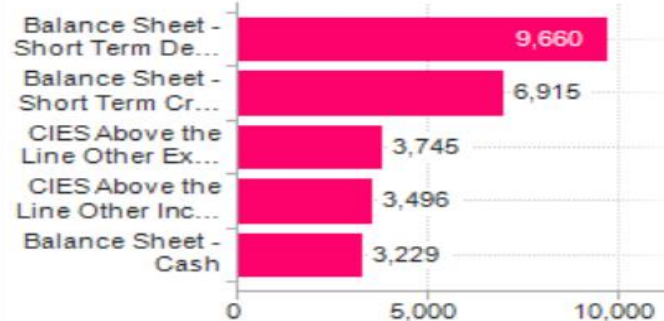
Manual v System by Volume



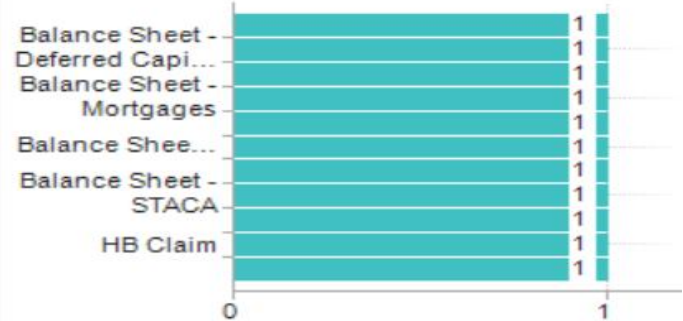
Manual v System by Value



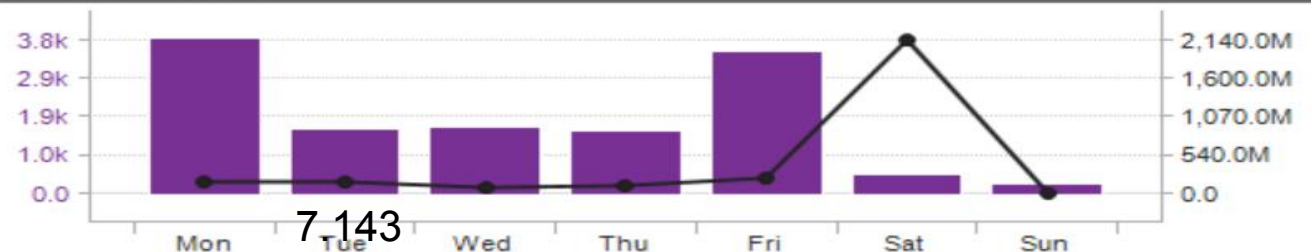
Top Five Activity Accounts



Bottom Five Activity Accounts



Days of the Week





9

Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 26 January 2018.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this when we meet with you on 24 July 2018.

We confirm we have not undertaken any non-audit work outside the PSAA Code requirements.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1st April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Independence



Fee Analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

	Final Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£'s	£'s	£'s
Total Audit Fee – Code work	See Note 1	47,657	55,526
Grant Claims	See Note 2	8,184	11,783
Total Fees	To Be Confirmed	55,841	67,309

Note 1:

Our 2017/18 Audit Plan indicated the areas where a scale fee variation increase would arise from changes in the scope of the audit these being:

- The reduction in Performance Materiality from 75% of gross expenditure to 50% results from the extent and nature of errors reported in the 2016/17 financial statements.
- The preparation of Group Accounts for the first time;
- The change in estimation process for calculating the Business Rates Appeals Provision, which will now be calculated within the Finance Team rather than through a management expert; and
- The governance risks relevant to the creation of Green Gateway Trading Development Ltd as part of Local Authority Trading Company arrangements with the intention that it should be used to derive income through property development.

In addition, at section 6, Other reporting matters, we have highlighted extra work undertaken during the audit which will result in an extra fee.

At this stage, we are unable to quantify the quantum of the extra work. We will discuss the additional fee with management, which is then subject to approval by the Public Sector Audit Appointments Ltd.

We will confirm our final fees following the completion of our work and report this within our Annual Audit Letter.

Note 2:

We have not yet completed our certification of the housing subsidy claim and therefore cannot verify the final fee for this work. We will report this in our report on claims certification later in the year







10 Appendices

Appendix A

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the audit and standards committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report January 2018
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report January 2018
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit results report Audit results report July 2018

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	<p>Audit results report June 2018</p> <p>No conditions or events were identified, either individually or together to raise any doubt about Rochford District Council's ability to continue for the 12 months from the date of our report.</p>
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	<p>Audit results report July 2018</p>
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	<p>Audit results report July 2018</p>
Fraud	<ul style="list-style-type: none"> • Enquiries of the audit and standards committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit and Standards Committee responsibility. 	<p>Audit results report July 2018</p>





Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Authority 	Audit results report July 2018
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit planning report January 2018 Audit results report July 2018

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit results report July 2018 We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Audit results report July 2018 We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	Audit results report July 2018




Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Group Audits	<ul style="list-style-type: none"> • An overview of the type of work to be performed on the financial information of the components • An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components • Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work • Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted • Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	Audit results report July 2018
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> • Written representations we are requesting from management and/or those charged with governance 	Audit results report July 2018
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> • Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report July 2018
Auditors report	<ul style="list-style-type: none"> • Any circumstances identified that affect the form and content of our auditor's report 	Audit results report July 2018
Fee Reporting	<ul style="list-style-type: none"> • Breakdown of fee information when the audit planning report is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work 	Audit planning report January 2018 Audit results report July 2018
Certification work	<ul style="list-style-type: none"> • Summary of certification work 	Certification Report To Follow - December 2018

Appendix B

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Annual Report and accounts	<ul style="list-style-type: none"> Review of your proposed prior period adjustments for community assets not previously included in the accounts by our Professional Practices Department; Revisiting the impact of amendments on the primary statements for the changes the Council has made to Property, Plant and Equipment during the audit; and Review of the final version of the financial statements; 	EY and management
Management representation letter	Receipt of signed management representation letter	Management and audit committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management
Final Audit Partner and Manager review Completion of work on minor disclosure notes; and Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission	Final partner and manager review of audit work Audit of disclosure notes Notification to the National Audit Office that Rochford District Council is below the threshold.	EY EY EY

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead] [Date]

Ernst & Young
400 Capability Green
Luton
LU1 3LU

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Rochford District Council ("the Group and Council") for the year ended 31 March 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Rochford District Council as of 31 March 2018 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in order to obtain a true and fair view of the Group and Council financial statements in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 for the Group and Council that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

Management representation letter

Management Rep Letter

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
1. All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.
 2. We have made available to you all minutes of the meetings of the Council, and committees for the Cabinet and Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 24 July 2018.
 3. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.
 4. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
 5. We have disclosed to you, and the Group and Council have complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

Management representation letter

Management Rep Letter

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and confirm there are no guarantees that we have given to third parties.

E. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

F. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

I. Reserves

1. We have properly recorded or disclosed in the Council's financial statements the useable and unusable reserves.

I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet(s).
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the Council's financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no line of credit arrangements.

J. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the Council's financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in Council's financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:
 - § Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the Council's financial statements or as a basis for recording a loss contingency.

Management representation letter

Management Rep Letter

K. Purchase and sales Commitments and Sales Terms

1. Losses arising from purchase and sales commitments have been properly recorded and adequately disclosed in the Council's financial statements.
2. At the year end, the Council had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have an adverse effect upon the Council (e.g., contracts or purchase agreements above market price; repurchase or other agreements not in the ordinary course of business; material commitments for the purchase of property, plant and equipment; significant foreign exchange commitments; open balances on letters of credit; purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices; losses from fulfilment of, or inability to fulfil, sales commitments, etc.).

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the measurement and valuation of Property and the Pension Fund and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Council's financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Estimates (pensions, property plant and equipment valuations)

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We confirm that the significant assumptions used in making the estimates for property, plant and equipment and pension liabilities appropriately reflect our intent and ability to carry out providing services on behalf of the entity.
3. We confirm that the disclosures made in the Council's financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Council's financial statements due to subsequent events.

N. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Management representation letter

Management Rep Letter

O. Prior Period Adjustment- Valuation of Property Plant and Equipment

1. We confirm we have amended the 2017/18 financial statements, including 2016/17 comparatives and balance sheet at 13 March 2016 to reflect the community assets owned by the Council.
2. We have restated the comparative amounts correctly to reflect the above matters in the Balance Sheet and the Movement in Reserves Statement as well as the related notes for Property Plant and Equipment and related notes. We confirm that all required amendments have been correctly reflected in the financial statements.
3. We have included the appropriate note disclosure of these restatements in the current year's financial statements.

Yours faithfully,

Naomi Lucas, section 151 Officer, Rochford District Council

Lesley Butcher, Chair of the Audit Committee

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