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## **ROCHFORD DISTRICT COUNCIL**

### **STATEMENT OF ACCOUNTS 2003/2004**

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## **INTRODUCTION**

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

Although the Housing Revenue Account has had to draw down balances, the financing will improve from 2004/05 onwards following changes made by the Government in relation to Housing Subsidies. The Council will be looking at option appraisal in line with Government requirements.

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

A financial structure therefore needs to be in place to ensure that service delivery is maximised through the three key areas shown above. This financial statement contains not only the information in respect of 2003/2004, but also the building blocks for future service delivery.

## **EXPLANATORY FOREWORD**

Overall the Authority has improved its position against General Fund expenditure by £125,306 after contributing £331,217 to reserves. There was also a decrease in the balances within the Housing Revenue Account of £135,664.

The Authority has a five-year strategy in place for the management of the Revenue Budget. In 2003/04, this has been supported by drawing down from the Budget Strategy Reserve which has been fully utilised.

Information relating to the reserves held by the Authority can be found on pages 29 to 34.

The Authority is one of the top authorities in England with a Council Tax Collection rate of around 99%. The Authority's target for the Best Value Performance Indicator for Council Tax Collection was 99%. This, together with the receipt of Government grants, ensured the major funding of services.

This Statement of Accounts is split into the following areas:

- ⇒ The General Fund Revenue Account. This records all day to day expenditure and income for all the Council services other than Council housing.
- ⇒ Statement of Accounting Policies. These show the basis upon which the accounts are compiled.
- ⇒ The Consolidated Balance Sheet and supporting notes. This shows the assets and liabilities of the Council as at 31<sup>st</sup> March 2004.
- ⇒ The Housing Revenue Account. This shows the income and expenditure in relation to Council housing.
- ⇒ The Collection Fund. This records the total movement relating to Council Tax and National Non-Domestic Rates.
- ⇒ Cash Flow Statement. This shows the movement of cash for the year.

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

Here the Council undertook capital investment of £2.47m. This was funded by the proceeds from the sale of assets, grants made available by the Government in respect of Housing, approvals to spend issued by the Government, other grants or from revenue. Overall the Council repaid borrowing.

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

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

	Original Estimate £	Revised Estimate £	Actual Exp/(Inc) £	Variance Rev - Act £
Central Services	2,176,300	2,349,000	2,115,984	233,016
Un-apportionable Central Overheads	501,100	507,000	(44,759)	551,759
Cultural, Environmental & Planning Services	7,098,250	6,362,900	6,110,067	252,833
Highways, Roads & Transport Services	282,700	249,600	170,820	78,780
Housing Services	1,536,100	1,626,700	1,175,835	450,865
<b>Net Costs of Services</b>	11,594,450	11,095,200	9,527,947	1,567,253
Reversal of Asset Rentals and Depreciation	(2,013,900)	(1,696,300)	(1,792,155)	95,855
Reversal of Deferred Charges	(788,000)	(931,700)	(655,552)	(276,148)
FRS 17 Retirement Benefits	-	(87,200)	441,947	(529,147)
General Contingency Provision	10,000	10,000	-	10,000
Staffing Strategy Savings	(320,000)	(180,000)	-	(180,000)
<b>Total</b>	8,482,550	8,210,000	7,522,187	687,813
Interest Received	(326,500)	(340,000)	(459,757)	119,757
External Interest Paid	-	-	51,047	(51,047)
Contribution To/(From) Reserves	-	-	331,217	(331,217)
Contribution To/(From) General Fund Balances	37,350	323,400	748,706	(425,306)
Draw Down From Budget Strategy Reserve	-	-	-	-
<b>Net Expenditure</b>	8,193,400	8,193,400	8,193,400	-
Parish Precepts	758,834	758,834	758,834	-
<b>Amount to be met by Government Grant and Local Tax Payers</b>	8,952,234	8,952,234	8,952,234	-

## **NOTES TO NET EXPENDITURE COMPARED TO BUDGET**

1. The actual net expenditure on General Fund activities, before contributions to/from reserves, was an improvement of £756,523, which includes a contribution of £300,000 from the Budget Strategy Reserve, £113,340 profit sharing from our Leisure Contractor and a NNDR refund of £83,855.

The General Fund balance at the end of 2003/04 is £1,914,520. This compares to the estimated balance in the revised Budget Strategy of £1,789,213 and is in line with the Council's objective to achieve a balanced budget.

The following table demonstrates how the £756,523 has been applied within the accounts.

	£
Contribution to General Fund Balances	425,306
Increased Contribution to other Reserves	331,217
<b>Total</b>	<b>756,523</b>

Although this appears significant it has to be remembered that it is around 3% of gross expenditure of £23m. Put another way, on a household budget of say £1,500 per month it represents a variation of £45.

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

- Staffing – There were a number of staff vacancies during 2003/2004, which produced direct savings together with a slowdown in operational expenditure.
- Interest – Despite a difficult year for investment, net income was higher than estimated.
- Housing Benefits – Action has been taken to focus on income collection and grant approvals. This has resulted in additional income.
- Planning Income was higher than estimated.

Analysis of Revenue Expenditure.

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

<b>Summary</b>	<b>Gross Expenditure £</b>	<b>Gross Income £</b>	<b>Net Expenditure £</b>
Central Services	5,742,573	(3,626,590)	2,115,983
Non Distributed Costs	61,104	(105,863)	(44,759)
Cultural, Environmental & Planning Services	7,421,256	(1,313,090)	6,108,166
Highways, Roads & Transport Services	984,056	(813,236)	170,820
Housing Services	25,131,799	(18,896,482)	6,235,317
	39,340,789	(24,755,261)	14,585,528

<b>Central Services - Corporate &amp; Democratic Core</b>	<b>Gross Expenditure £</b>	<b>Gross Income £</b>	<b>Net Expenditure £</b>
Corporate Management	451,759	-	451,759
Democratic Representation	949,056	(31,963)	917,093
	1,400,815	(31,963)	1,368,852

<b>Central Services - Other Operating Income &amp; Expenditure</b>	<b>Gross Expenditure £</b>	<b>Gross Income £</b>	<b>Net Expenditure £</b>
Other Operating Income & Expenditure	-	(99,074)	(99,074)
	-	(99,074)	(99,074)

<b>Central Services - Non Distributed Costs</b>	<b>Gross Expenditure £</b>	<b>Gross Income £</b>	<b>Net Expenditure £</b>
Non Distributed Costs	(11,895)	(46,200)	(58,095)
Central Support Costs	72,999	(59,663)	13,336
	61,104	(105,863)	(44,759)

<b>Central Services to the Public</b>	Gross Expenditure £	Gross Income £	Net Expenditure £
Council Tax	599,273	(83,008)	516,265
Business Rate Account	223,694	(91,338)	132,356
Council Tax Benefits	3,118,642	(3,045,220)	73,422
Conducting Elections	108,314	(7,939)	100,375
Registration of Electors	84,877	(1,434)	83,443
Emergency Planning & Health & Safety	86,792	-	86,792
Local Land Charges	95,137	(266,614)	(171,477)
Revenues & Housing Management Account	25,029	-	25,029
	4,341,758	(3,495,553)	846,205

<b>Cultural,Environmental &amp; Planning Culture &amp; Related Services</b>	Gross Expenditure £	Gross Income £	Net Expenditure £
Culture & Heritage	42,129	-	42,129
Leisure Premises	1,531,839	(200,958)	1,330,881
Woodlands	113,140	(4,042)	109,098
Maintenance of Grounds Holding Account	-	-	-
Management of Rec. Grounds & Open Spaces	881,124	(13,280)	867,844
Sports Development & Promotion	112,222	(57,434)	54,788
Leisure Client Account	40,009	(44,088)	(4,079)
	2,720,463	(319,802)	2,400,661

<b>Cultural,Environmental &amp; Planning Planning &amp; Development</b>	Gross Expenditure £	Gross Income £	Net Expenditure £
Building Control Client Account	93,511	(94)	93,417
Building Control Fee Account	204,388	(218,376)	(13,988)
Development Control	809,789	(401,914)	407,875
Planning Policy	188,531	(13,760)	174,771
Corporate Policy	102,453	-	102,453
Environmental Initiatives	6,984	(11,702)	(4,718)
Economic Development	94,477	-	94,477
Community Development	261,048	(28,586)	232,462
Planning Administration	15,253	(15,253)	-
	1,776,434	(689,685)	1,086,749

<b>Cultural,Environmental &amp; Planning Environmental Services</b>	Gross Expenditure £	Gross Income £	Net Expenditure £
Cemeteries & Churchyards - Open	92,891	(73,070)	19,821
Cemeteries & Churchyards - Closed	60,273	(11,965)	48,308
Environmental Health	779,429	(29,669)	749,760
Public Health	98,997	-	98,997
Public Conveniences	88,635	-	88,635
Hackney Carriage	58,802	(68,957)	(10,155)
Coast Protection	1,650	-	1,650
Street Cleansing	487,014	(1,120)	485,894
Waste Collection	1,142,335	(2,897)	1,139,438
Waste Disposal	103,676	(96,099)	7,577
Health, Housing & Community Care Depot	(297) 10,954	- (19,825)	(297) (8,871)
	2,924,359	(303,602)	2,620,757

<b>Highways, Roads &amp; Transport</b>	Gross Expenditure £	Gross Income £	Net Expenditure £
Highways/Roads (Routine)	121,507	(29,862)	91,645
On Street Parking	49,907	(49,900)	7
Off Street Parking	547,013	(682,203)	(135,190)
Public Transport	265,630	(51,271)	214,359
	984,056	(813,236)	170,820

<b>Housing Services</b>	Gross Expenditure £	Gross Income £	Net Expenditure £
Housing Strategy	112,892	(3,648)	109,244
Private Sector Housing Renewal	444,741	-	444,741
Housing Advice	229,136	-	229,136
Registered Social Landlord Liaison	51,191	-	51,191
Homelessness	232,615	(124,881)	107,734
Housing Benefit Payments	5,660,372	(5,603,884)	56,488
Housing Benefit Administration	633,557	(503,936)	129,621
Revenues Investigation Section	97,071	(49,392)	47,679
Housing Revenue Account	17,670,224	(12,610,741)	5,059,483
	25,131,799	(18,896,482)	6,235,317

Income and Expenditure relating to Housing Revenue Account activities are contained on page 35.



### Consolidated Balance Sheet.

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

### Statement of Total Movements in Reserves.

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

The statement replaces the requirement for local authorities to show details of movements in capital reserves, including the fixed asset restatement reserve, the capital financing reserve and usable capital receipts, in the notes to the balance sheet.

### Housing Revenue Account.

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

### Collection Fund.

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

### Capital Expenditure and Financing.

Information relating to the Authority's capital expenditure and financing is set out in detail on page 22.

## **STATEMENT OF ACCOUNTING POLICIES**

The accounts have been prepared in accordance with the *2003 Code of Practice on Local Authority Accounting in the United Kingdom*, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with guidance notes issued by CIPFA on the application of accounting standards.

### Changes in Accounting Policies.

There were no changes to accounting policies.

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

The revenue accounts of the Authority are maintained on an accruals basis in accordance with the Code of Practice. This means that sums due to or from the Authority relating to the year are included whether or not the cash has actually been received or paid.

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

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

### Deferred Charges.

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

### Allocation of central administration costs.

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

### Stocks and work in progress.

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

### Government Grants.

Grants and subsidies receivable are credited to the appropriate revenue accounts and all known items due at 31 March 2004 are accrued.

Where the acquisition of a fixed asset is financed in part by a government grant, the amount of the grant is credited initially to the Deferred Grants Account (see Note 14 to the Consolidated Balance Sheet). Amounts are released from this account to the Asset Management Revenue Account over the useful life of the asset, to match the depreciation charged on the asset to which it relates. The grants are accrued and credited to income in the same period in which the related expenditure was charged.

### Capital receipts.

Capital receipts from the disposal of assets are allocated on a statutory basis between the proportion available for financing capital expenditure (useable) and that required to be set aside to repay debt (reserved).

In accordance with the Local Government & Housing Act 1989 (as amended), 75% of Housing Capital Receipts are set aside to repay debt. The remaining useable portion and General Fund Capital Receipts are shown in the Useable Capital Receipts Reserve in the Consolidated Balance Sheet.

### Pensions.

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

### Fixed Assets.

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

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

Land and buildings are re-valued at least every five years in accordance with the Royal Institute of Chartered Surveyors' *'Manual of Valuation Guidance Notes'*. The majority of buildings are included at valuations provided by Savills Land and Property Limited (Members of the Royal Institute of Chartered Surveyors) as at April 2004. Depreciation is provided on Council dwellings, buildings and equipment and vehicles. The de minimis level for the capitalisation of all assets is £5,000.

Asset Valuations are stated as originally provided by the valuer. No adjustment has been made between valuations. Valuations have not been adjusted to reflect the value of Capital works undertaken.

With effect from 2000/2001 the Authority is operating a rolling programme of valuations enabling adjustments to be made to all asset classes based upon professional valuation advice.

Further details of the Council's fixed assets can be found in Note 1 to the Consolidated Balance Sheet

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

### Council Dwellings

Properties have been valued on the basis of selecting a limited number of properties (Beacon properties) and applying the existing use value for social housing valuation to them (EUV-SH). These values are then applied to the total number of properties. FPD Savills Ltd carried out the valuations. The valuation date is 1st April 2004. The beacon valuation is £189m and the EUV-SH value £108m.

### Operational Assets

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

For 2003/04 the operational assets of the Authority are based on valuations obtained by FPD Savills Ltd. The valuations are as at 1<sup>st</sup> April 2004.

### Vehicles & Equipment

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

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

### Community Assets

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

### Non Operational Assets

This is a single property. The valuation is open market valuation undertaken by FPD Savills Ltd. The valuation date is 1<sup>st</sup> April 2004.

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

Asset rental charges are made to service revenue accounts at the minimum level required by the Accounting Code of Practice, based on depreciation (where applicable), plus a prescribed percentage (3.5% in 2003/04) of net current value of all fixed assets used in the provision of the service. No charges are made in respect of Community Assets.

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

### Redemption of Debt.

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

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

### Depreciation

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

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

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

### Investments.

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

### Reserves.

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

- I. The Fixed Asset Restatement Reserve, which represents principally the balance of the surpluses or deficits arising on the revaluation of fixed assets.
- II. The Capital Financing Reserve, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

In addition, the Authority has earmarked reserves that are set aside for specific policy purposes, as explained on page 33 and balances that represent resources set-aside for purposes such as general contingencies and cash flow management.

### Provisions.

The Authority sets aside provisions for specific future expenditure, which are likely, or certain, to be incurred. The Authority has reviewed all former provisions to ensure that those currently included within its accounts are in accordance with the criteria established within the Financial Reporting Standard (FRS 12), which became applicable to Local Authority accounts from 1999/2000.

### Interest Charges

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

**CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2004**

2002/2003 £		Gross Expenditure £	Gross Income £	Net Expenditure £
2,003,356	Central Services	5,742,573	(3,626,590)	2,115,983
6,231	Non Distributed Costs (Note 7)	61,104	(105,863)	(44,759)
5,887,963	Cultural, Environmental & Planning Services	7,421,256	(1,313,090)	6,108,166
241,365	Highways, Roads & Transport	984,056	(813,236)	170,820
8,279,847	Housing	25,131,799	(18,896,482)	6,235,317
<hr/> 16,418,763	<b>NET COST OF SERVICES</b>	<hr/> 39,340,788	<hr/> (24,755,261)	<hr/> 14,585,527
678,757	Precepts paid to Parish Councils			758,834
(7,437,592)	Transfer to/from Asset Management Rev Account (Note 7)			(4,854,259)
(496,057)	Interest and Investment Income			(482,757)
<hr/> 9,163,870	<b>NET OPERATING EXPENDITURE</b>			<hr/> 10,007,345
(41,130)	Surplus/(Deficit) transferred (from)/to HRA Balances			(135,664)
630,256	Contribution to/from specific revenue reserves			242,642
	Revenue Contribution to Capital Expenditure			31,900
346,000	Pensions Interest Cost and Expected Return on Pensions Assets (Note 7)			441,947
	Movement on Capital Financing Reserve			
267,492	- Provision for repayment of external loans			234,512
(883,240)	- Deferred charges			(655,552)
40,000	- Deferred Grants			80,000
(1,960,368)	- Depreciation			(2,043,603)
	<b>AMOUNT TO BE MET FROM GOVERNMENT</b>			
<hr/> 7,562,880	<b>GRANT AND LOCAL TAXPAYERS</b>			<hr/> 8,203,527
(4,625,069)	Precept Demanded from the Collection Fund			(5,092,649)
(30,991)	Collection Fund Transfer for the (Surplus)/Deficit			(32,520)
(169,545)	Revenue Support Grant			(1,082,761)
(3,329,852)	Contribution from Non-Domestic Rate Pool			(2,744,303)
<hr/> (592,577)	<b>(SURPLUS) / DEFICIT FOR THE YEAR</b>			<hr/> (748,706)
573,237	Balance at 1 April 2003			1,165,814
<hr/> 592,577	Surplus / (Deficit) for the Year			<hr/> 748,706
<hr/> <u>1,165,814</u>	Balance at 31 March 2004			<hr/> <u>1,914,520</u>

## **NOTES TO THE CONSOLIDATED REVENUE ACCOUNT**

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

Section 137 empowers a local authority, subject to limitations, to incur expenditure on activities for which it has no specific powers, but which it considers will bring direct benefit to the area, or any part of it or all or some of its inhabitants. This expenditure is limited to £1.90 per head of population, 78,489 for Rochford, which equates to £149,100. No expenditure was incurred during 2003/2004.

### 2. Publicity

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

	2002/2003 £	2003/2004 £
Town Planning:		
Advertising	11,000	12,283
Research and Publicity	1,085	1,117
Council Tax	2,217	1,298
General Administration	76,684	80,542
Community Liaison	27,766	31,891
Legal Services	1,343	420
Hackney Carriage	1,428	379
<b>Total</b>	<b>121,523</b>	<b>127,930</b>

### 3. Asset Management Revenue Account

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

Transactions during the year were as follows:

	2002/2003 £	2003/2004 £
<u>Capital charges</u>		
General Fund	(2,263,365)	(1,792,155)
Housing Revenue Account (Item 8)	(8,314,796)	(6,149,803)
External Interest on Loans	1,220,201	1,124,096
Transfer from Deferred Government Grants	(40,000)	(80,000)
Provision for Depreciation	1,960,368	2,043,603
<b>Credit to Consolidated Revenue Account</b>	<b>(7,437,592)</b>	<b>(4,854,259)</b>

#### 4 Agency Services

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

	2002/2003 £	2003/2004 £
Street Cleansing	1,120	1,120
Verge Maintenance	28,351	29,862
Total	29,471	30,982

#### 5. Employee Remuneration

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

2002/2003 Number of Employees	Remuneration Band	2003/2004 Number of Employees
1	£50,000 - £59,999	-
1	£60,000 - £69,999	2
1	£70,000 - £79,999	-
-	£80,000 - £89,999	1

#### 6. Members Allowances

The total amount paid during the year in respect of Members Allowances (basic allowance and special responsibility allowance) was £80,607 made up as follows:-

	2001/2002 £	2003/2004 £
Basic Allowance	52,196	65,087
Special Responsibility Allowance	8,964	10,996
Travel & Subsistence	4,777	4,524
Total	65,937	80,607

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



## 7. Pensions (FRS 17) (see also Page 27 - Note 16 to the Consolidated Balance Sheet)

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

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

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pension. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Consolidated Revenue Account after Net Operating Expenditure. The following transactions have been made in the Consolidated Revenue Account during the year:

	2002/2003 £'000	2003/2004 £'000
<i>Net Cost of Service:</i>		
▪ Current service cost	(558)	(579)
▪ Past service costs	-	-
<i>Net Operating Expenditure::</i>		
▪ (Gain) loss due to curtailments	10	(14)
<i>Analysis of amount credited to other finance income:</i>		
▪ Interest on pension scheme liabilities	(1,496)	(1,804)
▪ Expected return on assets in the pension scheme	1,432	1,254
<i>Amounts to be met from Government Grants and Local Taxation</i>		
▪ Movement on Pensions Reserve	1,516	2,154
<i>Actual Amount charged against council tax for pensions in the year:</i>		
▪ Employer's contributions payable to scheme	904	1,011

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

The FRS17 revenue adjustment for prior year (2002/03) shown in the Consolidated Revenue Account has not been included in individual services, but adjusted in the central Non Distributed Costs. This ensures that previously audited cost based performance indicators remain as agreed.

## 8. Related Party Transactions

The Council is required to disclose details of transactions with related parties. A related party transaction is the transfer of assets or liabilities or the performance of services by, or for another (related) party irrespective of whether a charge is made. Members of the Council and Chief Officers are required to disclose information about any material contact and other relationships between them or members of their family or household and the Council. This information is gathered by way of a personal return.

During the year, the following transactions arose:

Business Enterprise Agency – grant payment	£1,600
Information Station, 57 South Street, Rochford	
- payment of NNDR and utilities	£4,000

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

## 9. Building Control (Local Authority Charges) Regulations 1998 (SI 1998/3129)

This act came into force on 1<sup>st</sup> April 1999. The regulations require local authorities to prepare systems within which they will determine and recover charges for the performance of the prescribed building regulation control functions. Authorities will be required to either:

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

The first three-year period commenced on 1<sup>st</sup> April 1999 and ended on 31<sup>st</sup> March 2002, with a rolling programme after this. For 2002/03 net surplus was £12,796.

Summary of Account Activity	2003/2004 £
Service Expenditure	214,388
Fees – Deposit of Plans	(55,085)
Fees – First Inspection	(163,291)
Net Surplus	(3,988)

Net surplus totalling £10,000 has been credited to a reserve account.

#### 10. Disclosure of Audit Costs

In 2003/2004, the Council incurred the following fees relating to external audit and inspection:

	2002/2003 £	2003/2004 £
Fees paid to PKF for external audit services	70,000	76,000
Fees paid to Audit Commission for statutory inspection	15,950	15,786
Fees paid to PKF for certification of grant claims and returns	18,040	25,035
Fees payable to PKF for other services provided.	-	
Total	103,990	116,821

**CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2004**

2002/2003			2003/2004	2003/2004
£		NOTE	£	£
	Fixed Assets:	1		
	Operational Assets			
98,821,006	-Council Dwellings			109,565,106
21,279,104	-Other Land and Buildings			21,953,484
128,093	-Vehicles & Plant			109,419
418,041	-Furniture & Equipment			474,239
241,560	-Community Assets			295,444
160,000	Non Operational Assets			160,000
121,047,804				132,557,692
169,401	Long Term Debtors	2		197,167
121,217,205	Total Long Term Assets			132,754,859
	Current Assets:			
12,190	-Rechargeable Works in Progress		46,897	
1,390,697	-Debtors	3	2,008,485	
9,720,000	-Investments		11,510,000	
74,112	-Deferred Asset	16	66,471	
327,346	-Cash and Bank	4	738,154	14,370,007
132,741,550				147,124,866
	Current Liabilities:			
(356,863)	-Short Term Borrowing		(356,863)	
(2,611,517)	-Creditors	5	(3,330,224)	
(245,125)	-Bank Overdraft		(419,761)	(4,106,848)
129,528,045	Total Assets less Current Liabilities			143,018,018
(11,216,032)	Long Term Borrowing	6	(10,859,169)	
(146,153)	Deferred Credits		(126,364)	
(12,977,000)	Pensions Liability Account		(10,330,000)	
(8,732)	Other Provisions	7	(13,373)	(21,328,906)
105,180,127	Total Assets less Liabilities			121,689,112
		8		
100,200,494	Fixed Asset Restatement Reserve			112,106,187
10,888,246	Capital Financing Reserve			11,558,078
1,657,031	Usable Capital Receipts Reserve			1,810,542
291,071	Government Grants Deferred	14		455,853
1,565,390	Earmarked Reserves			2,268,204
79,477	Redundancy & Financial Strain Reserve			190,879
1,165,814	General Fund Balance			1,914,520
(12,977,000)	Pensions Reserve			(10,330,000)
500,000	Budget Strategy Reserve			-
827,580	Housing Revenue Account Balance			691,916
32,520	Collection Fund - District		8,529	
163,265	- Essex County		45,724	
16,514	- Police Authority		4,742	
769,725	- Unallocated Balance		963,938	1,022,933
105,180,127				121,689,112

**Signed:** .....**Date:** .....

.....

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

**NOTES TO THE CONSOLIDATED BALANCE SHEET**1. Fixed Assets

## (i) Capital expenditure comprised:

	2002/03 £	2003/04 £
Housing Investment Programme:		
Major repairs and improvements	843,229	1,303,126
Cash incentive scheme	44,000	23,000
Assistance to Housing Associations	300,000	-
Other Services:		
Improvement grants	123,357	380,924
Information Technology	210,612	214,248
Vehicle, Plants and Equipment	141,200	45,483
Mill Hall	40,257	157,296
Town Centre Improvements	350,809	-
Open Spaces & Playspaces	179,477	255,132
Other miscellaneous items	46,371	92,053
	2,279,312	2,471,262
Less Items Classified as Deferred Charges	(1,035,327)	(823,464)
Additions to Capital Assets	1,243,985	1,647,798

(ii) Deferred Charges

During the year £823,464 of Capital Expenditure not giving rise to a capital asset was incurred.

## (iii) Capital expenditure was financed as follows:

	2002/03 £	2003/04 £
Credit Approvals	324,000	508,000
Capital Receipts Applied	600,968	352,773
Grant	384,242	412,785
Major Repairs Reserve	887,229	1,165,804
Contribution from Revenue	82,873	31,900
Total	2,279,312	2,471,262

(iv) Movement of Fixed Assets

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

	Council Dwellings £	Operational Assets £	Vehicles £	IT/ Equipment £	Community Assets £	Non Operational £	Total £
Valuation at 31 March 2003	99,879,006	21,993,527	152,490	822,262	241,560	160,000	123,248,845
Accumulated Depreciation	(1,058,000)	(714,423)	(24,397)	(404,221)	-	-	(2,201,041)
Net Book Value 31/3/03	98,821,006	21,279,104	128,093	418,041	241,560	160,000	121,047,804
Movement in 2003/04							
Additions	1,158,214	211,852	605	223,243	53,884	-	1,647,798
Revaluation	13,450,615	1,245,744	-	-	-	-	14,696,359
Disposals	(2,790,666)	-	-	-	-	-	(2,790,666)
Gross Book Value	110,639,169	22,736,700	128,698	641,284	295,444	160,000	134,601,295
Depreciation in year	(1,074,063)	(783,216)	(19,279)	(167,045)	-	-	(2,043,603)
Net Book Value 31/3/04	109,565,106	21,953,484	109,419	474,239	295,444	160,000	132,557,692

(v) Information on Assets Held:

The following table categorises the assets held by the Authority as at 31st March 2004:

Category	As at 31 March 2003	As at 31 March 2004
Council Dwellings:		
Council Housing Stock	1,838	1,776
Garages	445	442
Shops	5	3
Operational Buildings:		
Administrative buildings	3	3
Leisure buildings	5	5
Public conveniences	7	7
Open spaces (buildings)	10	10
Cemeteries (buildings)	1	1
Car parks (spaces)	1,059	1,073
Miscellaneous buildings	4	4
Vehicles	16	16
Non Operational	1	1
Community Assets:		
Open spaces (land) (acres)	242	242

- (vi) During 2003/04, the Council agreed the demolition of the Public Conveniences at Old Ship Lane and the creation of additional parking spaces. The demolition took place during June/July 2004 and the Conveniences are still included in the figures above.
- (vii) The Council has entered into partnership arrangements with Essex County Council and the relevant local Parish Councils in respect of town/village centre improvements for Hockley, Rochford and Hullbridge. The total value of works is £350,000.
- (viii) During the year, following public consultation, the Council transferred 3 pieces of land and Hardwick House to Swan Housing Group for housing development.

2. Long Term debtors comprise:

	2002/2003 £	2003/2004 £
Mortgages	122,621	104,353
Loans to Outside Organisations	11,678	5,460
Staff Car Loans	2,092	-
Service Charges—Repair and Maintenance	33,010	87,355
Total	169,401	197,168



3. Other Debtors comprise:

	2002/2003 £	2003/2004 £
Government Departments	933,732	1,138,902
Staff Car Loans	3,343	2,601
Mortgages	25,833	22,623
Sundry Debtors	474,523	729,804
Council Tax Payers	463,368	547,864
National Non Domestic Rate payers	286,415	357,306
Rent payers	133,483	137,585
Provision for Bad Debts	(930,000)	(928,200)
Total	1,390,697	2,008,485

4. The cash and bank in hand balance is £738,154. This comprises £1,160 petty cash, £3,006 overdrawn Giro account balance and £740,000 premium account balances.

5. Creditors comprise:

	2002/2003 £	2002/2003 £
Government Departments	109,303	559,281
Other Local Authorities	56,579	2,029
Mortgages in advance	-	-
Leaseholders	13,284	47,637
Rent payers	72,838	82,239
NNDR payers	120,584	100,158
Council tax payers	276,181	383,628
Sundry Creditors	1,962,748	2,155,252
Total	2,611,517	3,330,224

6. Long-term borrowing comprises:

	2002/2003 £	2003/2004 £
Public Works Loans Board	11,216,032	10,859,169

By maturity, long-term borrowing comprises:

	2002/2003 £	2003/2004 £
Maturing within:		
1 - 2 years	356,863	356,863
2 - 5 years	1,070,588	1,070,588
5 - 10 years	8,988,581	8,631,718
10 + years	800,000	800,000
Total	11,216,032	10,859,169

The average interest rate on long-term borrowing at 31st March 2004 was 9.81%.

## 7. Transfer to/(from) Other Provisions during 2003/2004:

	2002/2003 £	2003/2004 £
Balance brought forward 1 April 2003	6,152	8,732
Net Movement	2,580	4,640
Balance carried forward 31 March 2004	8,732	13,372

Economic Development – This provision was set in up 1999/2000 to fund various economic development projects throughout the district.

## 8. Movements on Capital and Revenue Reserves are shown in the Statement of Movements in Reserves on page 29.

9. Provision for Credit Liabilities - Memorandum Account

	2002/2003 £	2003/2004 £
Balance brought forward 1 April 2003	3,307,500	1,675,638
Set aside from Capital Receipts	1,381,509	1,503,906
Provisions from Revenue	267,492	234,512
Repayment of external debt	(1,956,863)	(356,863)
Provision for repayment of debt	(1,000,000)	-
Financing of credit approvals	(324,000)	(508,000)
Balance carried forward 31 March 2004	1,675,638	2,549,193

## 10. The Council administers four small trust Funds. These are the Dutch Cottage Trust, King George Playing Field Trust, Crossroads Care Attendant Scheme (Rochford Branch) and the Finchfield Trust. These trusts have nil balances within the accounts of the Authority except for the Finchfield Trust which has a balance of £18,799 invested in the General Fund, for which it receives interest and Dutch Cottage Trust which has a balance of £2,617.

11. Analysis of Net Assets Employed

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

	2002/2003 £	2003/2004 £
General Fund	117,255,434	120,997,195
Housing Revenue Account	827,580	691,916
Total Equity	118,083,014	121,689,112

12. Contingent Liabilities

There are no material Contingent Liabilities requiring disclosure

13. Euro

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

14. Deferred Grants

The Authority received grants during the year towards capital and revenue expenditure:

	2002/2003 £	2003/2004 £
Balance brought forward 1 April 2003	-	(291,071)
Grants Received:		
Cherry Orchard Jubilee Country Park	(131,071)	(60,041)
E-Government	(200,000)	(200,000)
Applied		
Cherry Orchard Jubilee Country Park	-	15,259
E-Government	40,000	80,000
Balance carried forward 31 March 2004	(291,071)	(455,853)

15. Deferred Liability

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

16. Pensions

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

The underlying assets and liabilities for retirement benefits attributable to the authority as at 31 March 2004 are as follows:

	31/3/03 £'000	31/03/04 £'000
Estimated Liabilities in Scheme	(29,878)	(31,087)
Market Value of Assets	16,901	20,757
Net Asset / (Liability)	(12,977)	(10,330)

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £31m has a substantial impact on the net worth of the authority as recorded in the balance sheet, although there is still a positive overall balance. Statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy.

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

Liabilities have been assessed on an actuarial basis by Mercer Human Resource Consulting Ltd (actuaries to the fund) based on an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc derived from the full actuarial valuation carried out in March 2001.

The main assumptions used in the calculations have been:

	2002/2003	2003/2004
Rate of Inflation	2.5%	2.8%
Rate of increase in salaries	4.3%	4.6%
Rate of increase in pensions	2.5%	2.8%
Rate for discounting scheme liabilities	6.1%	6.3%

The market values of each main class of assets held by the fund as at 31<sup>st</sup> March 2004 and the expected rate of return for the ensuing year are set out in the following table:

	Fair Value £'000	Expected returns
Equities	14,322	7.5%
Government Bonds	1,806	4.7%
Other bonds	1,972	5.5%
Property	2,242	6.5%
Other	415	4.0%
Total	20,757	

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

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

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

**STATEMENT OF TOTAL MOVEMENTS IN RESERVES YEAR ENDED 31 MARCH 2004**

2002/03		2003/2004	2003/2004
£		£	£
	Surplus/(deficit) for the year:		
592,576	- General Fund	748,706	
(41,130)	- Housing Revenue Account	(135,664)	
235,634	- Collection Fund	40,910	
546,883	Add back Movements on specific Revenue Reserves	204,175	
1,333,963	<b>Total increase/(decrease) in revenue resources (Note 1)</b>		858,127
299,899	Increase/(decrease) in useable capital receipts	153,511	
	<b>Total increase/(decrease) in unapplied capital resources (Note 2)</b>		153,511
18,793,763	Gains/(losses) on revaluation of fixed assets	14,696,358	
	Impairment Losses on fixed assets due to general changes in prices		
	<b>Total increase/(decrease) In unrealised value of fixed assets (Note 3)</b>		14,696,358
(1,784,063)	<b>Value of disposed assets</b>		(2,790,666)
1,055,812	Capital receipts set aside	1,281,219	
(722,775)	Revenue Resources set aside	(611,387)	
291,071	Movement on Government Grants Deferred	164,782	
170,771	Movement on Major Repairs Reserve	110,041	
	<b>Total increase/(decrease) In amounts set aside to finance capital investment (Note 4)</b>		944,655
-	Increase/(decrease) on Pensions Reserve		2,647,000
19,438,441	<b>Total Recognised Gains and Losses</b>		16,508,984

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

	General Fund Balances £	HRA Balances £	Earmarked Revenue Reserves £	Budget Strategy Reserve £	Redundancy & Financial Strain Reserve £
Surplus/(Deficit) for 2003/04	(748,706)	135,664	-	-	-
Appropriations to/(from) Revenue	-	-	(702,814)	500,000	(111,402)
Balance brought forward 1 April 2003	(1,165,814)	(827,580)	(1,565,390)	(500,000)	(79,477)
Balance carried forward 31 March 2004	(1,914,519)	(691,916)	(2,268,204)	-	(190,879)

Of the £500,000 contributed from the Budget Strategy, £300,000 has been allocated to the General Fund and £200,000 has been allocated to a Pension Equalisation Reserve.

See Note 6 for a breakdown of the earmarked reserves.

**2 Movements in realised capital resources**

	Useable Capital Receipts £
Proceeds of Disposal	2,012,525
Amounts applied to finance new capital investment	(355,109)
Capital Receipts set aside	(1,503,905)
Total increase/(decrease) in realised capital resources	153,511
Balance brought forward 1 April 2003	1,657,031
<b>Balance carried forward 31 March 2004</b>	<b>1,810,542</b>

The Useable Capital Receipts Reserve can only be used to meet expenditure designated as expenditure for capital purposes – see Consolidated Balance Sheet Note 1 for more details about capital expenditure.

**3 Movements in Fixed Asset Restatement Reserve**

	Fixed Asset Restatement Reserve £
Gains/(Losses on revaluation of fixed assets	14,696,358
Impairment Losses on fixed assets due to general changes in prices	-
Total increase/(decrease) in unrealised capital resources	14,696,358
Amounts written off fixed asset balances for disposals	(2,790,666)
Total movement on reserve	11,905,692
Balance brought forward 1 April 2003	100,200,494
<b>Balance carried forward 31 March 2004</b>	<b>112,106,186</b>

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

#### 4 Movements in amounts set aside to finance capital investments

	Capital Financing Reserve £	Government Grants Deferred £	Total £
Capital receipts set aside:			
Reserved Receipts	1,503,906		
Useable Receipts applied	352,774		
Less Write down of Deferred Charges	(823,464)		
<b>Total capital receipts set aside</b>	1,033,216		1,033,216
Revenue Resources set aside:			
capital expenditure financed from revenue	1,445,707		
reconciling amount for provisions for loan repayment	(1,809,091)		
<b>Total revenue resources set aside</b>	(363,384)		(363,384)
Grants applied to capital investment		244,782	
Amounts credited to Asset Management Revenue Account		(80,000)	
<b>Movement on Government Grants Deferred</b>		164,782	164,782
Total increase/(decrease) in amounts set aside to finance capital investment			834,614
Total Movement on reserve	669,832	164,782	
Balance brought forward 1 April 2003	10,888,246	291,071	
<b>Balance carried forward 31 March 2004</b>	11,558,078	455,853	

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

#### 5 Pensions Reserve

The actuarial gains identified as movements on the Pensions Reserve in 2003/04, can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31<sup>st</sup> March 2004:

	£'000	%
Differences between the expected and actual return on assets	2,779	13.4%
Differences between the actuarial assumptions about liabilities and actual experience	-	-
Changes in the demographic and financial assumptions used to estimate liabilities	-	-
<b>Total</b>	2,779	
Comparative totals for 2002/03	(5,220)	

6 Earmarked Reserves

Earmarked Reserves	Balance at 1st April 2003 £	Movement in the Year £	Balance at 31st March 2004 £
Arts	14,898	(7,394)	7,504
S106 Agreements	-	21,000	21,000
Building Control	20,000	10,000	30,000
Chamber of Trade	9,480	-	9,480
Communities against drugs	13,800	(13,800)	-
Community Strategy	-	11,702	11,702
Community Transport Reserve	-	17,000	17,000
Comprehensive performance/best value	33,019	10,851	43,870
Contaminated Land	16,710	4,259	20,969
Council Tax Reserve	4,000	-	4,000
Crime & Disorder	102,352	11,139	113,491
Disability Playscheme Reserve	1,097	(1,097)	0
District Plan	4,500	1,658	6,158
Domestic Violence	1,430	(249)	1,181
Elections Reserve	-	5,000	5,000
Frail Elderly Survey	3,266	2,706	5,972
Housing Benefit Reserve	16,000	62,861	78,861
HRA - Medical Support	-	7,600	7,600
HRA - Software Reserve	60,000	(56,086)	3,914
HRA - Resource Accounting	36,642	(18,175)	18,467
HRA - Repairs & Maintenance	30,000	(30,000)	-
HRA - Training	-	8,084	8,084
Insurance	26,600	-	26,600
IT Strategy Reserve	53,856	(8,350)	45,506
Major Repairs ( HRA)	328,645	(111,041)	217,604
Microsoft Renewal	10,000	-	10,000
Mill Tower	8,000	-	8,000
Park Sports	500,000	-	500,000
Partnership Development Reserve	21,875	(20,193)	1,682
Pension Equalisation Reserve	-	400,000	400,000
Planning Appeals	38,899	-	38,899
Planning Delivery Grant	-	119,801	119,801
Priority Need Reserve	16,750	(12,250)	4,500
Public Health	8,200	(8,200)	-
Repairs & Maintenance	100,762	61,263	162,025
Sports & Art Projects Reserve	12,609	18,519	31,128
Stambridge Sewerage Treatment Reserve	-	10,000	10,000
Stock Condition Survey	3,000	(3,000)	-
Taxi Voucher Scheme	-	29,349	29,349
Town Centre Regeneration	50,000	6,000	56,000
Training Reserve	19,000	11,000	30,000
West Street Reserve	-	162,857	162,857
<b>Total</b>	<b>1,565,390</b>	<b>702,814</b>	<b>2,268,204</b>



Nature of substantial reserves, provisions and contingent liabilities.

- ⇒ Town Centre Regeneration Reserve – Originally established in 1994/95 to provide finance to facilitate the regeneration of Rayleigh Town Centre. Now expanded to encompass all Town Centres within the District. The major part of the reserve has been transferred to the Budget Strategy Reserve in 2002/03.
- ⇒ Crime and Disorder Reserve – This reserve was introduced in 1999/2000 to provide finance for various crime and disorder projects.
- ⇒ Repairs & Maintenance Reserve – This reserve was established in 2000/2001 to provide funds to cover the cost of building works at various Council owned buildings.
- ⇒ Planning Appeals Reserve – This reserve was established to provide funds to cover the cost of any successful planning appeal.
- ⇒ Planning Delivery Grant – During 2003/04 the Authority received grant funding towards improving planning services. This reserve holds the balance of grant.
- ⇒ Park Sports Centre Reserve – This reserve was established in 2001/02 to provide finance for the redevelopment of this site.
- ⇒ Major Repairs Reserve – This reserve was established in 2001/02 to provide funds to cover the cost of major repairs and improvements for Housing Revenue Account properties.
- ⇒ Community Transport Reserve – This reserve was established in 2003/04 to provide funds to develop community transport.
- ⇒ Building Control Reserve – This reserve was established in 2002/03 to provide funds to cover the costs of providing the Building Control function.
- ⇒ HRA Reserves – Reserves for Software and Resource Accounting were established in 2002/03 to identify and provide funds for these items. A reserve for training was set up in 2003/04 for training which could not take place as programmed.
- ⇒ IT Strategy Reserve – This reserve was established in 2002/03 to provide finance for IT developments.
- ⇒ Training Reserve – This reserve was established in 2002/03 to provide funds for future training needs.
- ⇒ Taxi Voucher Scheme Reserve – This reserve was established in 2003/04 to provide funds for future development of this service.
- ⇒ Sports & Arts Projects Reserve – This reserve was established in 2003/04 to provide funds for projects for disabled and the young.
- ⇒ Pension Equalisation Reserve – This reserve was established in 2003/04 to provide funds to meet future increased pension contributions to cover the deficit in pension liabilities. See Note 16 on page 27 for further information.

- ⇒ West Street Reserve – this reserve was established in 2003/04 to hold funds pending the outcome of Compulsory Purchase Order proceedings.
- ⇒ Housing Benefit Reserve – this reserve was established in 2002/03 to provide funds for the implementation of the Verification Framework, Tax Credits and Performance Standards

**THE HOUSING REVENUE ACCOUNT YEAR ENDED 31 MARCH 2004**

2002/2003 £		Notes	2003/2004 £
618,662	Supervision and Management General		665,568
678,204	Supervision and Management Special		655,950
400,000	Repairs Administration		461,452
1,072,142	Repairs		1,029,907
1,058,000	Major Repairs Allowance	2	1,054,763
1,058,000	Depreciation	14	1,074,063
152,087	Deferred Charges	15	167,912
	Revenue Contribution to Capital Outlay		30,000
<u>5,929,260</u>	Use of Capital	16	<u>3,834,779</u>
10,966,355			8,974,394
3,087,737	Rent Rebates		2,676,356
2,303	Amortised PWLB Premiums & Discounts	9	7,642
<u>37,248</u>	Debt Management expenses		<u>37,964</u>
14,093,643			11,696,356
(5,666,708)	Rents and Charges	5	(5,643,048)
(21,566)	Income from service charges		(26,275)
(100,000)	Allocation of Fees for Major Repairs		(100,000)
(2,523,187)	Subsidies	3	(1,976,476)
<u>5,782,182</u>	NET COST OF SERVICE		<u>3,950,557</u>
	Capital Charges		
(5,811,812)	Adjusting transfer from the Asset Management Revenue Account		(3,835,793)
(152,087)	Reversal of Deferred Charges	15	(167,912)
<u>(44,645)</u>	Pensions Costs		<u>(9,947)</u>
(226,362)	Investment Income		<u>(35,753)</u>
	NET OPERATING EXPENDITURE		(98,848)
	Appropriations		
<u>267,492</u>	Minimum Revenue Provision	13	<u>234,512</u>
<u>41,130</u>	(SURPLUS)/DEFICIT FOR THE YEAR		<u>135,664</u>
	Change in Balances		
868,710	Balance b/fwd		827,580
<u>827,580</u>	Balance c/fwd		<u>691,916</u>
<u>41,130</u>			<u>135,664</u>

## **NOTES TO THE HOUSING REVENUE ACCOUNT**

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

2. Major Repairs Allowance and Reserve

From 2001/2002 the accounts now include the Major Repairs allowance. This is a new basis of funding by the Government to provide for major repair, improvement and renovation to property. The funds are transferred to a Reserve Account. Any amounts not spent are carried forward to the programme for the following year. During 2003/2004 the reserve was utilised for the repair, improvement and conversion of existing property.

Major Repairs Reserve	2002/2003 £	2003/2004 £
Balance b/fwd	(157,874)	(328,645)
Income	(1,058,000)	(1,054,763)
Expenditure	887,229	1,165,804
Balance c/fwd	(328,645)	(217,604)

3. Subsidies

	2002/2003 £	2003/2004 £
Management & Maintenance	(1,634,570)	(1,693,680)
Minimum Revenue Provision	(270,272)	(245,500)
Debt Management	(37,592)	(37,960)
Interest	(1,283,926)	(1,214,220)
Interest on receipts	17,860	14,288
Rent element	4,823,772	4,915,832
Major Repairs Allowance	(1,058,294)	(1,054,760)
Housing Benefits grant	(3,069,000)	(2,676,350)
Prior year and adjustments	(11,165)	(6,729)
Total	(2,523,187)	(1,999,079)

4. The housing stock at 31st March 2004 comprised 1,776 dwellings. The average stock for the year was 1,807 dwellings.

Analysis of stock at 31st March 2004:

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

- Analysis by property type:

	1 Bed	2 Bed	3 Bed	4 Bed	Total
Flats	635	148	14	-	797
Houses/Bungalows	210	243	519	7	979
Total	845	391	533	7	1,776

- Analysis by date built:

	Pre 1919	1919-44	1945-64	After 1964	Total
Flats	10	2	96	689	797
Houses/Bungalows	13	164	513	289	979
Total	23	166	609	978	1,776

## 5. Rents

Rents	2002/2003 £	2003/2004 £
Gross Dwelling Rents	4,818,455	4,755,528
Gross Non-dwelling Rents	140,556	140,212
Gross Charges for Services	739,335	747,308
Total	5,698,346	5,643,048

6. The Provision for Bad Debts was raised from £80,000 to £95,300 during 2003/04.

## 7. Arrears.

Rent Arrears	2002/2003 £	2003/2004 £
Current Tenants	104,335	105,655
Former Tenants	29,148	31,930
Total	133,483	137,585

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

9. There are PWLB premiums of £86,857 and discounts of £12,745 applicable to the Housing Revenue Account, which will be amortised over 10 years.

10. The Balance Sheet value of Council Dwellings is £108m. This is the value based on existing use as social housing. The valuation for vacant possession is £189m. The basis of valuation can be found on page 12.

11. Housing Capital expenditure was financed as follows:

	2002/2003 £	2003/2004 £
Major Repairs Allowance	887,229	1,165,804
Revenue Contribution	-	30,000
Credit Approvals	-	130,322
Total	887,229	1,326,126

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

	2002/2003 £	2003/2004 £
Sale of Dwellings	1,875,625	2,053,418
Repayment of Mortgages	30,287	19,789
Total	1,905,912	2,073,207

13. The Housing Revenue Account includes interest on housing debt and a figure for the repayment of housing debt called the Minimum Revenue Provision. These two figures are calculated on the amount of debt outstanding on Housing Revenue Account assets. The interest on debt is calculated on the average debt of £10,921,549 at an interest rate of approximately 9.83% and the Minimum Revenue Provision at 2% of the opening value of debt of £11,725,600.

14. Depreciation

The Council has undertaken a review of depreciation for dwellings within the HRA using proper practices. The result has been compared with the Major Repairs Allowance (MRA). It is considered that the difference between the value for depreciation calculated and the MRA would not result in a material misstatement in the accounts, therefore the MRA has been used to represent the value for depreciation charge for HRA dwellings. The depreciation charge during the year for dwellings was £1,054,763.

15. Deferred Charges represent assets which are not shown on the Balance Sheet. During 2003/2004 a sum of £167,912 was incurred as a deferred charge.
16. The Housing Revenue Account now receives a charge equal to 3.5% of the assets employed. The revenue account shows that this cost is taken into account when looking at the net cost of the service but is adjusted as part of the capital charge adjustment. Therefore there is no effect on the actual balance carried forward in the accounts.

**THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2004**

2002/2003			2003/2004
£		NOTE	£
	<i>INCOME:</i>		
(28,067,534)	Income from Council Tax	1	(32,438,629)
	Transfers from the General Fund:		
<u>(2,564,551)</u>	- Council Tax Benefits		<u>(3,118,642)</u>
(30,632,085)			(35,557,271)
<u>(10,449,214)</u>	Income Collectable from Business Ratepayers	2	<u>(10,902,420)</u>
(41,081,299)			(46,459,691)
	<i>EXPENDITURE:</i>		
	Precepts and Demands:	3	
23,375,894	- Essex County Council		27,465,476
2,364,497	- Police Authority		2,848,159
4,656,060	- Rochford District & Parish Councils		5,125,226
	Business Rates:		
10,362,271	- Payments to Pool		10,933,315
<u>86,943</u>	- Cost of Collection Allowance		<u>83,905</u>
40,845,665			46,456,081
<u>-</u>	Movement on provisions for uncollectable amounts		<u>(37,300)</u>
<u>(235,634)</u>	Movement in Fund Balance		<u>(40,910)</u>

## **NOTES TO THE COLLECTION FUND**

### 1. Council Tax

Council tax derives from charges raised according to the values of residential properties, which have been classified into eight valuation bands, using estimated 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Essex County Council and other preceptors and this Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts). The basic amount of council tax for a Band D property for Rochford District (£142.29 in 2003/2004), was added to the basic amount due to the parish and the total was multiplied by the specified proportion to give an individual amount due. Precepts in respect of Essex County Council and Essex Police Authority were added to this figure.

### 2. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specified an amount of 44.4p in the £ of rateable value for 2003/2004 (43.7p in the £ for 2002/2003) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a national formula.

The total non-domestic rateable value at 31st March 2004 was £28.2m compared to the comparable rateable value in 2002/2003 of £28.7m

### 3. Precepts on the fund:

Essex County Council	£27,302,211
Essex Police	£2,831,645
Rochford District Council (Net)	£5,092,649

### 4. Uncollectable Debts.

Uncollectable debts of £24,953 for council tax and £23,838 for non-domestic rates were written off in 2003/2004.



5. Calculation of the Council Tax base for 2003/2004

Tax Band	Estimated Properties after discounts	Proportion of charge	Band D Equivalent Properties
A	1,033	6/9	688.78
B	2,548	7/9	1981.89
C	10,142	8/9	9014.90
D	9,323	9/9	9322.75
E	4,441	11/9	5427.43
F	1,919	13/9	2771.96
G	1,043	15/9	1738.49
H	67	18/9	133.00
Total			31,079.20
Less Adjustment for Collection Rate			98%
Total Council Tax Base			30,457.62

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2004**

<b>2002/03</b>	<b>Cash Outflow</b>	<b>Notes</b>	<b>2003/04</b>	<b>2003/04</b>
<b>£'000</b>			<b>£'000</b>	<b>£'000</b>
	<u>Revenue Activities</u>			
4,741	Cash paid to and on behalf of employees		5,162	
26,419	Precepts paid		31,072	
10,967	Non domestic rate payments to national Pool (net)		11,236	
4,844	Housing Benefits paid out		5,454	
10,038	Other operating cash payments		13,480	
<u>57,009</u>				66,404
	<u>Cash Inflows</u>			
(2,979)	Rents ( after rebates)		(3,123)	
(28,258)	Council Tax receipts		(32,788)	
(10,561)	Non domestic rate receipts		(11,225)	
(3,330)	Non domestic rate receipts from national pool		(2,744)	
(169)	Revenue Support Grant		(1,083)	
(7,053)	Housing Benefits grants		(7,873)	
	Other material Government grants			
(2,505)	Housing Subsidy		(2,351)	
<u>(5,872)</u>	Other operating income/cash receipts		<u>(7,292)</u>	
				(68,479)
<b>(3,718)</b>	<b>Net cashflow from Revenue activities</b>	<b>1</b>		<b>(2,075)</b>
	<u>Returns on Investments and servicing of Finance</u>			
1,297	Interest paid to other bodies		1,127	
<u>(492)</u>	Interest received		<u>(480)</u>	
				647
	<u>Capital Activities - cash outflows</u>			
	<u>Capital expenditure</u>			
1,244	Purchase of Fixed Assets		1,503	
	Purchase of long term investments			
1,035	Other capital cash payments			1,503
	<u>Cash inflows</u>			
(2,282)	Capital receipts		(2,392)	
<u>(69)</u>	Capital grants received		<u>(67)</u>	
	Other capital cash receipts			(2,459)
<b>(2,985)</b>	<b>Net Cashflow before financing</b>			<b>(2,383)</b>
	<u>Management of liquid Resources</u>			
394	Net increase(decrease) in short term deposits	<b>4</b>		1,790
	<u>Financing</u>			
1,957	Repayments of amounts borrowed	<b>2</b>	357	357
	New loans raised			
<b>(635)</b>	<b>Net (increase) / decrease in cash</b>	<b>3</b>		<b>(236)</b>

2002/03 £'000	Notes	2003/04 £'000	2003/04 £'000
<b>Note 1</b>			
<b>Reconciliation of Surplus/deficit on the income and expenditure account with the revenue activities net cash flow</b>			
(591) General fund		(790)	
41 Housing Revenue account		136	
(236) Collection fund		(41)	
			(695)
<b>Non cash</b>			
(267) MRP		(235)	
(359) Misc.		(132)	
Capital Creditors		(1,052)	
(927) RCCO		(1,543)	(2,962)
<b>Movement on funds and balances</b>			
(5) Increase/ ( decrease ) in stocks		34.71	
(339) Increase/ ( decrease ) in Debtors		617.79	
416 (Increase) / decrease in creditors		(718.71)	
(648) (increase ) / decrease in provisions		2,295	
			2,229
<b>Items classified in another classification in the cash flow statement</b>			
(1,297) Interest paid		(1,127)	
492 Interest received		480	(647)
(3,718) Net cash flow from revenue activities			(2,075)
<b>Note 2 - Movement in Borrowing</b>			
13,173 Long term Borrowing B/fwd		11,216	
( 1,600) Repaid During Year		-	
- New Borrowing		-	
( 357) Classified as short term borrowing		( 357)	
11,216 Long Term Borrowing c/fwd		10,859	( 357)
-			
357 Temporary Borrowing B/Fwd		357	
( 357) Net movement for the year		( 357)	
357 Classified as short term borrowing		357	
357 Temporary Borrowing C/fwd		357	-
<b>Total Increase(decrease) in Borrowing</b>			( 357)
292 Cash & Bank		411	
343 Bank Overdraft		( 175)	
635			236

2002/03 £'000	Notes	2003/04 £'000	2003/04 £'000
<b><u>Note 4 - Temporary Investments</u></b>			
9,326 Temporary Investments B/fwd		9,720	
9,720 Temporary Investments C/fwd		11,510	
<u>394</u>	<b>Increase in Temporary Investments</b>		<u><u>1,790</u></u>

**Note 5**

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

**Note 6 - Summary of Government Grants**

( 7,053) Housing Benefits	( 7,873)
( 2,505) Housing Subsidies	( 2,351)
( 3,330) NNDR support from national pool	( 2,744)
( 170) Revenue Support Grant	( 1,082)
<u>( 13,058)</u>	<u><u>( 14,050)</u></u>

## **STATEMENT ON INTERNAL FINANCIAL CONTROLS**

The Council is responsible for ensuring that its financial management is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. In discharging this accountability, members and senior officers are responsible for putting in place proper risk management processes, internal controls, delegations and accountability to ensure the proper stewardship of the resources at its disposal.

As the Corporate Director (Finance and External Services) and S 151 officer, I have responsibility for maintaining a system of sound internal controls and risk management processes within the Authority that support the proper management of finance and the achievement of the Corporate financial objectives, and for reviewing their effectiveness. The systems of internal controls are based on an ongoing process designed to identify the principal risks to the achievement of the financial and corporate objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve these objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

As Corporate Director (Finance and External Services) I have responsibility for reviewing the effectiveness of the system of internal control and risk management processes in relation to financial management. My review of the effectiveness of the system of internal controls has taken into account the following:

- ◆ Comprehensive budgeting process which integrates capital and revenue and takes place within a strategy approach
- ◆ Regular reviews of financial information
- ◆ Regular reviews of the systems and processes to deliver financial management
- ◆ Appropriate and trained staff handling delegated functions
- ◆ Formal risk assessment and evaluation
- ◆ Relevant self-assessments of key service areas within the department
- ◆ Relevant internal audit reports and results of follow ups regarding implementation of recommendations
- ◆ Outcomes from reviews of services by other bodies including, Inspectorates, external auditors etc
- ◆ Compliance with the Constitution

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

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

- ◆ Risk management needs to be further embedded in the Authority. This includes starting to report on the risk based analysis of budgets as agreed by members.
- ◆ Business continuity plans need to be improved to ensure maximum continuation of services following disruptive events
- ◆ Continuous training and development of new staff to ensure they can discharge the responsibilities of financial management
- ◆ Improvements to the documentation of processes and that new legislation is fully evaluated for the impact on processes and on the budget strategy.
- ◆ Improvements to the system for receiving and monitoring complaints in order to ensure that all complaints to the authority are monitored and followed up.

I propose to take steps to address the above matters in order to enhance the adequacy of the department's internal controls. I am satisfied that these steps will enhance the system of internal controls and will be monitoring to ensure their implementation and operation.

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

Date: .....

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

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

The Authority is required to:

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

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

The Corporate Director (Finance & External Services) is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice')

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

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

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

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

### **Opinion**

The statement of accounts presents fairly the financial position of Rochford District Council at 31st March 2004, and its income and expenditure for the year then ended.

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

Date: .....