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## FINANCIAL STATEMENTS 2009/10

### 1 SUMMARY

- 1.1 This report presents in the appendix the audited Financial Statements for 2009/10 for approval. These replace the draft Financial Statements that were approved by Council on 29 June 2010, when delegation for re-approval was given to this Committee.
- 1.2 The external auditors, PKF, have now completed their audit of the Statements, and there are some changes to the accounts, which mean that the accounts need to be re-approved. PKF's report on the audit, detailing the changes to the accounts is presented as a separate item to this meeting.
- 1.3 These amendments have only affected figures that are capital related and do not impact on General Fund balances, therefore the figure of £2.174m that was reported to Council as the level of General Fund balances has not changed.

### 2 MEMBER QUESTIONS

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

### 3 SIGNING AND APPROVAL

- 3.1 The Accounts and Audit Regulations require that, following approval by 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 There were no changes to the Annual Governance Statement.

### 5 FINANCIAL STATEMENTS

- 5.1 Of the changes made to the accounts, a number of these were presentational, ie, note numbers, rounding errors, or simply an item shown in the incorrect place. These are not detailed here but will be referred to in the external auditors' report to this meeting. There were two main issues that are considered significant enough to warrant re-approval
- 5.2 The first relates to the Collection Fund amendments arising from a difference in interpretation of the accounting treatment changes introduced this year.

- 5.3 Amendments were made to both the Income and Expenditure Account (I&E) and the Cash Flow Statement. The I&E amendment of £70,000 is reversed later in the Financial Statements. The Cash Flow required an adjustment for Housing Benefit that had been incorrectly included. The impact of this is a change to the figure for Council Tax Receipts and a change to Movement in Liquid resources to represent the movement of funds to other precepting bodies. In addition a note to the Cash Flow has been re-stated.
- 5.4 The second issue relates to fixed assets. The spreadsheet used to calculate depreciation and revaluation figures was found to be incorrect and therefore fixed assets were over stated. This has impacted on the face of the balance sheet.
- 5.5 The net impact of all changes that have been made to the accounts is that the net worth of the Council has decreased from £20.428m reported to Council in June, to £20.395m. Of this, the only change that affects reserves available for the Council to spend is in the Useable Capital Receipts reserve which holds funds available for capital expenditure. This has reduced by £24,000.

## **6 RISK IMPLICATIONS**

- 6.1 It is a statutory requirement to have the Financial Statements published by 30 September 2010.

## **7 RECOMMENDATION**

It is proposed that Audit Committee **RESOLVES**

That the Financial Statements be approved and signed by the Chairman.

Yvonne Woodward

Head of Finance

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## **Background Papers:-**

None.

For further information please contact Yvonne Woodward on:-

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If you would like this report in large print, braille or another language please contact 01702 546366.

**ROCHFORD DISTRICT COUNCIL**  
**FINANCIAL STATEMENTS 2009/2010**

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Further information about the accounts is available from:

The Head of Finance  
Council Offices  
South Street, Rochford  
Essex SS4 1BW  
[financialservices@rochford.gov.uk](mailto:financialservices@rochford.gov.uk)

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

It is our pleasure to introduce the Financial Statements for the year ending 31 March 2010.

During the year we have aimed to build on the many successes already achieved by the Council over the last few years.

We remain committed to improving all of our services to our residents and to improve the quality of life for all those who work, live or visit the District.

Our long term vision is set out in the Corporate Plan for Rochford District. We want to improve the quality of life for the people in our communities and play a full role in the sustainable growth and prosperity of our county. In particular, we wish to continue to utilise our role in Thames Gateway South Essex to promote the District as the green part of the sub region. To this end, there will continue to be improvements in the provision and upgrade of green space and enhancement of heritage and local facilities to improve opportunities for leisure and free time activities.

We will continue to improve access to meet the challenging needs and expectations of our communities and our emphasis will continue to be on quality and cost effectiveness while ensuring that Rochford District remains one of the safest places in the country with a fear of crime greatly reduced.

The last year continued to see the impact on the Council's income from the economic downturn. The Council continued to make savings and we met our savings target of £378,000 and were also able to put aside additional savings of £107,000 to invest in further improvements in our IT infrastructure. At the same time, we have continued to maintain good performance in a number of key areas and have seen improvements. We will continue to drive down costs as we prepare for the future cuts in public spending which will be announced in October 2010.

We hope you find the contents of this document useful and informative. We would welcome and comments you may have to help us improve it in future years; otherwise we look forward to another challenging and successful year.



**Cllr Terry Cutmore  
Leader**



**Paul Warren  
Chief Executive**

Signed: \_\_\_\_\_ Signed: \_\_\_\_\_

## **EXPLANATORY FOREWORD**

In order to assist readers of this lengthy document, there is a glossary on page 58, which explains the technical accounting terms used in the Financial Statements. If the Council has missed any, please let us know at the address at the end of this introduction.

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

In September 2007, the Council underwent a Large Scale Voluntary Transfer (LSVT) of its council dwellings and 2008/9 was the last year that a Housing Revenue Account (HRA) was produced. The balance on the HRA was transferred into the General Fund on 1 April 2009.

The Council continues to need to have a financial structure in place to ensure that service delivery is maximised despite the financial pressures it faces. These Financial Statements contain not only the information in respect of 2009/10 but also, by identifying the Earmarked Reserves and General Fund balances, they demonstrate how the Council is laying the foundation for future service delivery.

Overall, for 2009/10, the Council has delivered against forecasts on the General Fund. There was a net contribution from the balances of £1.365m, compared to a forecast contribution of £1.363m. The General Fund balance as at 31 March 2010 is £2.174m, compared to a revised forecast of £2.172m.

The Council undertook capital investment of £1.14m. This was funded by the proceeds from the sale of assets, grants made available by the Government in respect of housing and other grants.

The main areas of capital expenditure in 2009/10 were grants to private residents for disabled adaptations to their homes, and improvements to the District's open spaces and playspaces.

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

The Council are part of the Local Government Pension Scheme. For 2009/10, the pension scheme liabilities shown in the balance sheet have increased by £5.839m. Bullet point 7 in the Accounting Policies on page 11 of the accounts gives a break down of the areas included within the liability.

The Council produces an Annual Report each year which gives a summary on financial performance and also outlines how the Council has delivered against its priorities for the year. The Report will be available on the website or on request, details are at the bottom of this section.

The Financial Statements are split into the following areas:

- ⇒ Statement of Accounting Policies. These show the basis upon which the accounts are compiled.
- ⇒ The Income and Expenditure Account (I&E). This records all day to day expenditure and income for all the Council services accounted for in accordance with UK GAAP. This combines the General Fund and Housing Revenue Account.

- ⇒ Statement of the Movement on the General Fund Balance. This reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the General Fund Balance. It reflects the difference between accounting for the Council's activities in accordance with UK GAAP and what statute allows and requires to be funded by Council Tax payers.
- ⇒ Statement of Total Recognised Gains and Losses. This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.
- ⇒ The Balance Sheet and supporting notes. This shows the assets and liabilities of the Council as at 31 March 2010.
- ⇒ Cash Flow Statement. This shows the movements of cash for the year.
- ⇒ The Collection Fund. This records the total movement relating to Council Tax and National Non-Domestic Rates.

Changes from the previous year's accounting policies adopted in these Financial Statements can be found in note 1 on page 10.

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

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

Yvonne Woodward  
Head of Finance  
Rochford District Council  
South Street  
Rochford  
Essex SS4 1BW

Or email: [financialservices@rochford.gov.uk](mailto:financialservices@rochford.gov.uk)

Or Telephone: 01702 318029

**General Fund – Net Expenditure Compared to Budget**

|  | Original Estimate<br>£000s | Revised Estimate<br>£000s | Actual Exp/(Inc)<br>£000s | Variance Rev - Act<br>£000s |
|--|----------------------------|---------------------------|---------------------------|-----------------------------|
| Central Services   | 3,501                      | 3,343                     | 3,024                     | 319                         |
| Non Distributed Costs  | 771                        | 868                       | 118                       | 750                         |
| Cultural, Environmental & Planning Services                      | 10,090                     | 9,915                     | 8,991                     | 924                         |
| Highways, Roads & Transport Services                             | 524                        | 437                       | 360                       | 77                          |
| Housing Services   | 1,638                      | 1,328                     | 1,409                     | (81)                        |
| <b>Net Costs of Services</b>                                     | 16,524                     | 15,891                    | 13,902                    | 1,989                       |
| RHA Service Level Agreement                                      | (91)                       | -                         | -                         | -                           |
| Staffing Strategy Savings  | (387)                      | (89)                      | -                         | (89)                        |
| Target Efficiency Savings  | (680)                      | (181)                     | -                         | (181)                       |
| Reversal of Capital Charges                                      | (1,935)                    | (2,231)                   | (2,108)                   | (123)                       |
| Reversal of Government Grants Deferred                           | -                          | -                         | 315                       | (315)                       |
| FRS 17 Retirement Benefits                                       | -                          | -                         | 914                       | (914)                       |
| Minimum Revenue Provision  | 44                         | -                         | -                         | -                           |
| <b>Total</b>   | 13,475                     | 13,390                    | 13,023                    | 367                         |
| Interest Received  | (339)                      | (254)                     | (209)                     | (45)                        |
| External Interest Paid   | -                          | -                         | -                         | -                           |
| Contribution To/(From) Reserves                                  | -                          | -                         | 381                       | (381)                       |
| <b>General Fund Expenditure</b>                                  | 13,136                     | 13,136                    | 13,195                    | (59)                        |
| Parish Precepts  | 938                        | 938                       | 938                       | -                           |
| <b>Net Expenditure</b>   | 14,074                     | 14,074                    | 14,133                    | (59)                        |
| Contribution To/(From) General Fund Balances                     | (1,846)                    | (1,846)                   | (1,905)                   | 59                          |
| <b>Amount to be met by Government Grant and Local Tax Payers</b> | 12,228                     | 12,228                    | 12,228                    |                             |

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



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<br/>£000s</b> | <b>Gross Income<br/>£000s</b> | <b>Net Expenditure<br/>£000s</b> |
|---|------------------------------------|-------------------------------|----------------------------------|
| Central Services                            | 8,839                              | (5,815)                       | 3,024                            |
| Un-apportionable Central Overheads          | 209                                | (91)                          | 118                              |
| Cultural, Environmental & Planning Services | 11,598                             | (2,607)                       | 8,991                            |
| Highways, Roads & Transport Services        | 1,666                              | (1,306)                       | 360                              |
| Housing Services                            | 17,090                             | (15,681)                      | 1,409                            |
| HRA   |                                    |                               |                                  |
|   | 39,402                             | (25,500)                      | 13,902                           |

| <b>Central Services - Corporate &amp; Democratic Core</b> |       |       |       |
|---|-------|-------|-------|
| Corporate Management                                      | 1,170 | (271) | 899   |
| Democratic Representation                                 | 1,400 | (39)  | 1,361 |
|   | 2,570 | (310) | 2,260 |

| <b>Central Services - Other Operating Income &amp; Expenditure</b> | <b>Gross Expenditure<br/>£000s</b> | <b>Gross Income<br/>£000s</b> | <b>Net Expenditure<br/>£000s</b> |
|--|------------------------------------|-------------------------------|----------------------------------|
| Other Operating Income & Expenditure                               | -                                  | (157)                         | (157)                            |
|  | 0                                  | (157)                         | (157)                            |

| <b>Central Services - Non Distributed Costs</b> | <b>Gross Expenditure<br/>£000s</b> | <b>Gross Income<br/>£000s</b> | <b>Net Expenditure<br/>£000s</b> |
|---|------------------------------------|-------------------------------|----------------------------------|
| Non Distributed Costs                           | (6)                                | 18                            | 12                               |
| Central Support Costs                           | 215                                | (109)                         | 106                              |
|   | 209                                | (91)                          | 118                              |

| <b>Central Services to the Public</b> | Gross Expenditure<br>£000s | Gross Income<br>£000s | Net Expenditure<br>£000s |
|---------------------------------------|----------------------------|-----------------------|--------------------------|
| Council Tax                           | 780                        | (118)                 | 662                      |
| Business Rate Account                 | 86                         | (113)                 | (27)                     |
| Council Tax Benefits                  | 4,934                      | (4,991)               | (57)                     |
| Conducting Elections                  | 112                        | -                     | 112                      |
| Registration of Electors              | 113                        | (2)                   | 111                      |
| Emergency Planning & Health & Safety  | 83                         | -                     | 83                       |
| Local Land Charges                    | 161                        | (124)                 | 37                       |
|                                       | 6,269                      | (5,348)               | 921                      |

| <b>Cultural, Environmental &amp; Planning<br/>Culture &amp; Related Services</b> | Gross Expenditure<br>£000s | Gross Income<br>£000s | Net Expenditure<br>£000s |
|--|----------------------------|-----------------------|--------------------------|
| Culture & Heritage   | 301                        | (7)                   | 294                      |
| Leisure Premises   | 1,751                      | (38)                  | 1,713                    |
| Woodlands  | 109                        | (38)                  | 71                       |
| Maintenance of Grounds Holding Account   | 151                        | (156)                 | (5)                      |
| Parks & Open Spaces  | 893                        | (17)                  | 876                      |
| Sports Development & Promotion   | 186                        | (61)                  | 125                      |
| Leisure Client Account   | 114                        | (123)                 | (9)                      |
|  | 3,505                      | (440)                 | 3,065                    |

| <b>Cultural, Environmental &amp; Planning<br/>Planning &amp; Development</b> | Gross Expenditure<br>£000s | Gross Income<br>£000s | Net Expenditure<br>£000s |
|--|----------------------------|-----------------------|--------------------------|
| Building Control Client Account  | 120                        | -                     | 120                      |
| Building Control Fee Account   | 269                        | (214)                 | 55                       |
| Development Control  | 1,221                      | (420)                 | 801                      |
| Planning Policy  | 398                        | (17)                  | 381                      |
| Corporate Policy   | 220                        | -                     | 220                      |
| Environmental Initiatives  | 20                         | -                     | 20                       |
| Economic Development   | 374                        | 4                     | 378                      |
| Community Development  | 312                        | (143)                 | 169                      |
|  | 2,934                      | (790)                 | 2,144                    |

| <b>Cultural, Environmental &amp; Planning<br/>Environmental Services</b> | Gross<br>Expenditure<br>£000s | Gross<br>Income<br>£000s | Net<br>Expenditure<br>£000s |
|--|-------------------------------|--------------------------|-----------------------------|
| Cemeteries & Churchyards - Open  | 155                           | (117)                    | 38                          |
| Cemeteries & Churchyards - Closed  | 58                            | -                        | 58                          |
| Environmental Health   | 732                           | (15)                     | 717                         |
| Licensing  | 186                           | (57)                     | 129                         |
| Public Health  | 49                            | (1)                      | 48                          |
| Public Conveniences  | 100                           | -                        | 100                         |
| Hackney Carriage   | 75                            | (91)                     | (16)                        |
| Coast Protection   | 2                             | -                        | 2                           |
| Street Cleansing   | 781                           | (59)                     | 722                         |
| Waste Collection   | 2,506                         | (104)                    | 2,402                       |
| Waste Disposal<br>Depot  | 528<br>(13)                   | (934)<br>1               | (406)<br>(12)               |
|  | 5,159                         | (1,377)                  | 3,782                       |

| <b>Highways, Roads &amp; Transport</b> | Gross<br>Expenditure<br>£000s | Gross<br>Income<br>£000s | Net<br>Expenditure<br>£000s |
|--|-------------------------------|--------------------------|-----------------------------|
| Highways/Roads (Routine)               | 126                           | (33)                     | 93                          |
| On Street Parking                      | (4)                           | (20)                     | (24)                        |
| Off Street Parking                     | 519                           | (1,032)                  | (513)                       |
| Public Transport                       | 1,025                         | (221)                    | 804                         |
|  | 1,666                         | (1,306)                  | 360                         |

| <b>Housing Services</b>            | Gross<br>Expenditure<br>£000s | Gross<br>Income<br>£000s | Net<br>Expenditure<br>£000s |
|------------------------------------|-------------------------------|--------------------------|-----------------------------|
| Housing Strategy                   | 153                           | -                        | 153                         |
| Private Sector Housing Renewal     | 262                           | (85)                     | 177                         |
| Housing Advice                     | 319                           | -                        | 319                         |
| Registered Social Landlord Liaison | 217                           | -                        | 217                         |
| Homelessness                       | 255                           | (164)                    | 91                          |
| Housing Benefit Payments           | 14,796                        | (14,882)                 | (86)                        |
| Housing Benefit Administration     | 787                           | (543)                    | 244                         |
| Revenues Investigation Section     | 301                           | (7)                      | 294                         |
|                                    | 17,090                        | 15,681                   | 1,409                       |

| <b>Apportioned Overheads</b>              | <b>Gross Expenditure<br/>£000s</b> | <b>Gross Income<br/>£000s</b> | <b>Net Expenditure<br/>£000s</b> |
|---|------------------------------------|-------------------------------|----------------------------------|
| Central Services - Telephones & Reception | (1)                                | -                             | (1)                              |
| Central Services - Postal & Office        | -                                  | -                             | -                                |
| Central Services - Filing                 | -                                  | -                             | -                                |
| Central Services - Document Production    | 1                                  | (1)                           | -                                |
| Office Accommodation - Rochford           | (41)                               | -                             | (41)                             |
| Office Accommodation - Rayleigh           | 18                                 | (18)                          | -                                |
| Financial Services                        | 9                                  | (9)                           | -                                |
| Human Resources                           | -                                  | -                             | -                                |
| Property Maintenance                      | 25                                 | (25)                          | -                                |
| Works Account                             | -                                  | -                             | -                                |
| Cashiers                                  | -                                  | -                             | -                                |
| Computer Services                         | 171                                | (43)                          | 128                              |
| Legal Services                            | 32                                 | (12)                          | 20                               |
| Audit & Process Review                    | -                                  | -                             | -                                |
|   | 214                                | (108)                         | 106                              |

The cost of Apportioned Overheads are charged to the other cost centres so that the net cost of the Apportioned Overheads is zero. The figures showing above reflect contributions to and from Earmarked Reserves made from Apportioned Overheads.

## **STATEMENT OF ACCOUNTING POLICIES**

The Financial Statements have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2009: a Statement of Recommended Practice, (2009 SORP)*, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA/LASAAC), and also with guidance notes issued by CIPFA on the application of accounting standards.

### **1. Changes in Accounting Policies.**

Under the 2009 SORP, the Council has adopted the new requirements for preparing the Collection Fund. The Council acts as an agent in that it collects and distributes Council Tax income on behalf of the major preceptors and itself. From 2009/10, the Council Tax income included in the Income and Expenditure account will be the Council's share of the accrued income for the year. The Balance Sheet will now show the debtor/creditor position between the Council and the major preceptors. Further information is included in the notes to the Collection Fund on page 43.

There have also been changes to the way that the Council accounts for National Non-Domestic Rates (NNDR), which it collects on behalf of central government. From 2009/10, the NNDR creditors and debtors, including the provision for doubtful debts, are not included separately in the Council's Balance Sheet but are now consolidated into a net debtor/creditor to central government.

### **2. Accruals for Income and Expenditure**

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

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

Where income and expenditure have been recognised in the Income and Expenditure Account, but cash has not been received or paid, a debtor or creditor is raised for the relevant amount in the balance sheet.

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

### **3. Revenue Expenditure Funded from Capital.**

Capital Expenditure, which does not give rise to a tangible fixed asset or where the economic benefit of the asset cannot be controlled by the Council, is classified as revenue expenditure funded from capital. These sums are written out of the accounts in the year they are incurred.

4. Allocation of Central Administration Costs.

Costs of management and administration are allocated to the specific services to which they relate. Most relevant expenses were apportioned on the basis of staffing numbers. Office Accommodation and Central Support Services were allocated according to estimated usage. The exception to this is that Non Distributed Costs are not recharged.

The requirement to show costs gross of movement to reserves leaves residual balances on some administration cost centres, therefore these are disclosed under non distributed costs.

5. Government Grants.

Grants and subsidies receivable are credited to the appropriate revenue accounts and all known items due as at 31 March 2010 are accrued.

Where the acquisition of a fixed asset is financed in part by a government grant, the amount of the grant is credited initially to the Government Grants Deferred Account. Amounts are released from this account into service expenditure over the useful life of the asset, to match the depreciation charged on the asset to which it relates. The grants are first accrued and then credited to income in the same period in which the related expenditure was charged.

6. Capital Receipts.

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

7. Pensions.

Local Government Pension Scheme (LGPS)

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

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

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

Liabilities are discounted to their value at current prices using a discount rate of 5.6% calculated as a weighted average of “spot yields” on AA rated corporate bonds that reflect the duration of the pension liabilities.

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

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

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

Statutory provisions limit the amount chargeable to council tax for pensions to the sums certified by the actuary as employer contributions for the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at year-end.

#### Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of decision to make the award and accounted for using the same policies as are applied to the LGPS.

#### 8. Intangible Assets

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

#### 9. Fixed Assets

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

Land and buildings are re-valued at least every five years. The majority of buildings are included at valuations provided by Savills Land and Property Limited (Members of the Royal Institute of Chartered Surveyors) as at April 2009.

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

- Operational assets have been included in the Balance Sheet at the lower of open market value for existing use or depreciated replacement cost.

- Non-operational assets have been included at open market value or construction costs.
- Community Assets are recorded at a valuation based on Historic Cost.
- Car parks are valued on the basis of existing use value.

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

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

#### 9.1 Depreciation

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

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

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

Car parks. In line with the SORP, land is not depreciated. The value of the surfacing and fencing is not significant and therefore does not need to be depreciated.

#### 10. Financial Instruments

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.

#### 11. Reserves.

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

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

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

Housing Reserve

Projects Reserve



Corporate Reserve

IT Strategy

Repairs and Maintenance Reserve

12. VAT

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

**INCOME AND EXPENDITURE ACCOUNT 2009/10**

| <b>2008/09</b>    |  | <b>2009/10</b>     |               |                   |
|-------------------|--|--------------------|---------------|-------------------|
| <b>Net</b>        |  | <b>Gross</b>       | <b>Gross</b>  | <b>Net</b>        |
| <b>Expenditur</b> |  | <b>Expenditure</b> | <b>Income</b> | <b>Expenditur</b> |
| <b>e</b>          |  |                    |               | <b>e</b>          |
| <b>Restated</b>   |  |                    |               |                   |
| <b>(Note 2)</b>   |  |                    |               |                   |
| <b>£000s</b>      |  | <b>£000s</b>       | <b>£000s</b>  | <b>£000s</b>      |
| 804               | Central Services   | 6,269              | (5,505)       | 764               |
| 236               | Non Distributed Costs  | 209                | (91)          | 118               |
|                   | Cultural, Environmental, regulatory  |                    |               |                   |
| 9,478             | & Planning Services  | 11,598             | (2,607)       | 8,991             |
| 296               | Highways & Transport Services  | 1,666              | (1,306)       | 360               |
| 1,874             | Other Housing Services   | 17,090             | (15,681)      | 1,409             |
| 2,450             | Corporate and Democratic Core  | 2,570              | (310)         | 2,260             |
| (1,201)           | Housing Revenue Account  | -                  | -             | -                 |
| 13,937            | <i>NET COST OF SERVICES</i>  | 39,402             | (25,500)      | 13,902            |
| (23)              | (Gain) or Loss on Disposal of Fixed Assets                                 |                    |               | -                 |
| 971               | Precepts of Local Precepting Authorities                                   |                    |               | 938               |
| -                 | Interest Payable and Similar Charges                                       |                    |               | -                 |
| (744)             | Interest and Investment Income   |                    |               | (209)             |
| (488)             | Other Income   |                    |               | (741)             |
| 3                 | Contribution of Housing Capital Receipts to<br>Government Pool             |                    |               | 7                 |
| 962               | Pensions Interest Cost and Expected Return on Pensions Assets<br>(Note 28) |                    |               | 1,349             |
| 14,618            | <i>NET OPERATING EXPENDITURE</i>   |                    |               | 15,246            |
| (6,860)           | Demand from the Collection Fund  |                    |               | (7,098)           |
| (5)               | Transfers from the Collection Fund   |                    |               | (51)              |
| (978)             | Revenue Support Grant  |                    |               | (1,001)           |
| (4,307)           | Contribution from Non-Domestic Rate Pool                                   |                    |               | (4,073)           |
| 2,468             | <i>DEFICIT FOR THE YEAR</i>  |                    |               | 3,023             |

**STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE**

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

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

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

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

|  | <b>2008/09</b><br>(Restated<br>Note 2)<br><b>£000s</b> | <b>2009/10</b><br><br><b>£000s</b> |
|--|--|------------------------------------|
| (Surplus)/Deficit for the year on the Income and Expenditure   | 2,468  | 3,023                              |
| Net additional amount required by statute and non proper practice to be credited to the General Fund Balance for the year (Note 7) | (1,330)  | (4,388)                            |
| <b>Increase/Decrease in General Fund Balance for the Year</b>  | <b>1,138</b>   | <b>(1,365)</b>                     |
| General Fund Balance brought forward   | (1,947)  | (809)                              |
| <b>General Fund Balance carried forward</b>  | <b>(809)</b>   | <b>(2,174)</b>                     |

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

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

| <b>2008/09</b>  |  | <b>2009/10</b> |
|-----------------|--|----------------|
| <b>Restated</b> |  |                |
| <b>(Note 2)</b> |  |                |
| <b>£000s</b>    |  | <b>£000s</b>   |
| 2,468           | Deficit in Year on I&E Account                               | 3,023          |
| (1,528)         | Surplus Arising on Revaluation on Fixed Assets               | (1,819)        |
| (1,258)         | Actuarial (Gain) /Losses on Pension Fund Assets /Liabilities | 5,404          |
| -               | Any other (Gains) and Losses                                 | (41)           |
| <u>(318)</u>    | Total Recognised (Gains) and Losses for the Year             | <u>6,567</u>   |
| <u>(318)</u>    | <b>Movement on Balance Sheet</b>                             | <u>6,567</u>   |

**BALANCE SHEET AS AT 31 MARCH 2010**

| 2008/09<br>£000s     |   | NOTE | 2009/10<br>£000s | 2009/10<br>£000s |
|----------------------|---|------|------------------|------------------|
| Restated<br>(Note 2) |   |      |                  |                  |
| 204                  | Intangible Assets                           | 15   |                  | 253              |
|                      | Operational Assets                          | 10   |                  |                  |
| 35,013               | - Other Land and Buildings                  |      |                  | 35,752           |
| 1,327                | - Vehicles, Plant, Furniture &<br>Equipment |      |                  | 1,179            |
| 1,332                | - Community Assets                          |      |                  | 1,587            |
|                      | Non Operational Assets                      |      |                  |                  |
| 105                  | - Surplus Assets Held for Disposal          |      |                  | 105              |
| 37,981               |   |      |                  | 38,876           |
| 47                   | Long Term Debtors                           |      |                  | 39               |
| 38,028               | Total Long Term Assets                      |      |                  | 38,915           |
|                      | Current Assets:                             |      |                  |                  |
| 2,025                | - Debtors                                   | 16   | 4,260            |                  |
| 9,568                | - Investments                               | 25   | 4,824            |                  |
| 650                  | - Cash and Bank                             |      | 869              | 9,953            |
| 50,271               |   |      |                  | 48,868           |
|                      | Current Liabilities:                        |      |                  |                  |
| (3,087)              | - Creditors                                 | 17   | (2,275)          | (2,275)          |
| 47,184               | Total Assets less Current Liabilities       |      |                  | 46,593           |
| (1,933)              | Government Grants Deferred                  |      | (2,082)          |                  |
| (819)                | Long Term Preceptor Creditor                |      | (808)            |                  |
| (17,470)             | Pensions Liability Account                  | 28   | (23,309)         |                  |
| 26,962               | Total Assets less Liabilities               | 18   |                  | (26,199)         |
| 30,747               | Capital Adjustment Account                  |      |                  | 30,000           |
| 4,871                | Revaluation Reserve                         |      |                  | 6,564            |
| 2,590                | Usable Capital Receipts Reserve             |      |                  | 2,454            |
| 57                   | Deferred Credits                            |      |                  | 49               |
| 1,883                | Earmarked Reserves                          | 20   |                  | 2,264            |
| 809                  | General Fund Balance                        |      |                  | 2,174            |
| (17,470)             | Pensions Reserve                            | 28   |                  | (23,309)         |
| 3,270                | Housing Revenue Account Balance             | 21   |                  |                  |
| 205                  | Collection Fund Adjustment Account          |      |                  | 198              |
| 26,962               | Total Net Worth                             | 18   |                  | 20,394           |

I certify that the accounts present a true and fair view of the financial position of the Council as at 31 March 2010 and the income and expenditure for the year then ended. These financial statements replace the unaudited financial statements authorised at the meeting of Council on 29 June 2010.

Date: 29 September 2010

Mrs Y E Woodward CPFA  
Head of Finance



## NOTES TO THE CORE STATEMENTS

### 1. Acquired or Discontinued Operations and Outstanding Liabilities

The Council has not acquired or discontinued any operations during the year. Note 22 on page 32 gives details of a contingent liability in relation to the closure of the Council's Housing Revenue Account, following the transfer of the Council's housing stock in September 2007.

### 2. Restatement of 2008/09 comparative figures

The changes to the accounting treatment of Council Tax and National Non-Domestic Rates have resulted in the following amendments to the accounts.

|  | 2008/09<br>Original<br>£000s | Movements<br>£000s | 2008/09<br>Restated<br>£000s |
|--|------------------------------|--------------------|------------------------------|
| <b>Income &amp; Expenditure Account</b>                            |                              |                    |                              |
| Collection Fund transfer for the (surplus)/deficit                 | (73)                         | 68                 | (5)                          |
| Deficit for the year   | 2,400                        | 68                 | 2,468                        |
| <b>Statement of the movement on the General Fund balance</b>       |                              |                    |                              |
| <b>General Fund balance brought forward</b>                        | 2,400                        | 68                 | 2,468                        |
| Additional reconciling item for Collection Fund Adjustment account | (1,262)                      | (68)               | 1,194                        |
| <b>General Fund balance carried forward</b>                        | (809)                        | -                  | (809)                        |
| <b>Balance Sheet</b>   |                              |                    |                              |
| Debtors  | 2,593                        | (568)              | 2,025                        |
| Creditors  | (3,656)                      | 569                | (3,087)                      |
| Long Term Preceptor Creditor                                       | -                            | (819)              | (819)                        |
| Collection Fund  | 1,023                        | (818)              | 205                          |
| <b>Total net worth</b>   | <b>27,780</b>                | <b>(818)</b>       | <b>26,962</b>                |
| <b>Statement of Total Recognised Gains and Losses</b>              |                              |                    |                              |
| Any Other (Gains) and Losses                                       | 370                          | (443)              | (73)                         |

### 3. Pooled Budgets

The Council does not operate any formal pooled budget arrangements. However, the Council is part of the Local Area Agreement (LAA). This sets out arrangements between Essex County Council (ECC) and Rochford District Council concerning funding streams designated for use by Rochford District Council and pooled as part of the Essex Local Area Agreement. Under LAA guidance, issued by what is now Communities and Local Government (CLG), ECC is the accountable body for these pooled funds. ECC, as accountable body, have to ensure the efficient and effective use of grant monies and needs to have assurance that funding is being

used appropriately in line with relevant LAA outcomes. The Council will then use each element of grant money to support the achievement of relevant outcomes set out in the Essex LAA.

The Purpose of LAA is:

- To form an agreement between the county's 13 Local Strategic Partnerships and the community and voluntary sector, to achieve 14 outcomes that are regarded as being key to making Essex a better place to live and work.
- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement.
- To improve the effectiveness and efficiency of public services in Essex by pooling and aligning funding streams.

The area of funding that Rochford was granted monies were:

- Reduce Crime, the harm caused by illegal drugs and reassure the public, reducing the fear of crime. Build respect in communities and reduce anti-social behaviour.

Funding amounts were:

- Safer & stronger communities: £95,800 for Rochford District Council.
- Performance Reward Grant: £149,625 for Rochford Local Strategic Partnership

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

4. 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:

|                                  | 2008/09<br>£000s | 2009/10<br>£000s |
|----------------------------------|------------------|------------------|
| Basic Allowance                  | 164              | 165              |
| Special Responsibility Allowance | 118              | 124              |
| Travel & Subsistence             | 5                | 7                |
| <b>TOTAL</b>                     | <b>287</b>       | <b>296</b>       |

The amounts paid to each Member are shown below. All Members received a basic allowance of £4,250 plus the following allowances:

|                      | <b>Special Allowances</b> | <b>Travel, Subsistence &amp; Childcare</b> | <b>TOTAL (includes basic allowance)</b> |
|----------------------|---------------------------|--|---|
|                      | £                         | £  | £                                       |
| Cllr Mrs P Aves      | 368                       | 33   | 4,651                                   |
| Cllr C I Black       | 2,125                     |  | 6,375                                   |
| Cllr Mrs R Brown     |                           |  | 4,250                                   |
| Cllr Mrs L A Butcher | 8,500                     |  | 12,750                                  |



|                                      | <b>Special Allowances</b> | <b>Travel, Subsistence &amp; Childcare</b> | <b>TOTAL (includes basic allowance)</b> |
|--------------------------------------|---------------------------|--|---|
|                                      | £                         | £  | £                                       |
| Cllr P A Capon                       | 807                       | 198  | 5,255                                   |
| Cllr Mrs T J Capon                   | 8,500                     | 442  | 13,192                                  |
| Cllr M R Carter                      | 57                        |  | 4,307                                   |
| Cllr J P Cottis                      | 425                       |  | 4,675                                   |
| Cllr Mrs L M Cox                     | 425                       |  | 4,675                                   |
| Cllr T G Cutmore (Leader)            | 21,250                    | 1,696                                      | 27,196                                  |
| Cllr Mrs J Dilnutt                   |                           |  | 4,250                                   |
| Cllr K A Gibbs                       | 2,493                     |  | 6,743                                   |
| Cllr Mrs H L A Glynn                 | 2,125                     | 321  | 6,696                                   |
| Cllr T E Goodwin                     | 286                       |  | 4,536                                   |
| Cllr K J Gordon                      | 8,557                     | 95   | 12,902                                  |
| Cllr J E Grey                        | 1,839                     | 29   | 6,118                                   |
| Cllr K J Hudson                      | 8,500                     | 564  | 13,314                                  |
| Cllr A J Humphries (Chairman)        | 10,682                    |  | 14,932                                  |
| Cllr T Livings                       |                           | 75   | 4,325                                   |
| Cllr Mrs G A Lucas-Gill              |                           | 319  | 4,569                                   |
| Cllr C Lumley                        |                           |  | 4,250                                   |
| Cllr Mrs J R Lumley                  | 3,125                     | 33   | 7,408                                   |
| Cllr M Maddocks                      | 368                       | 187  | 4,805                                   |
| Cllr J R F Mason                     |                           | 505  | 4,755                                   |
| Cllr D Merrick                       | 793                       | 180  | 5,223                                   |
| Cllr Mrs J A Mockford                | 1,896                     |  | 6,146                                   |
| Cllr R A Oatham                      |                           | 147  | 4,397                                   |
| Cllr J Pullen                        | 2,125                     |  | 6,375                                   |
| Cllr P R Robinson                    | 425                       |  | 4,675                                   |
| Cllr C G Seagers                     | 1,839                     |  | 6,089                                   |
| Cllr S Smith                         | 2,422                     |  | 6,672                                   |
| Cllr D G Stansby                     | 2,656                     | 119  | 7,025                                   |
| Cllr M Starke                        | 8,500                     | 816  | 13,566                                  |
| Cllr M J Steptoe                     | 342                       | 473  | 5,065                                   |
| Cllr J Thomass                       | 286                       | 59   | 4,595                                   |
| Cllr Mrs M J Webster (Deputy Leader) | 13,118                    |  | 17,368                                  |
| Cllr P F A Webster                   | 8,500                     | 29   | 12,779                                  |
| Cllr Mrs C A Weston                  | 343                       |  | 4,593                                   |
| Cllr Mrs B J Wilkins                 |                           | 287  | 4,537                                   |

## 5. Officers' Emoluments

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

| Salary Band<br>£  | Number of employees |         |
|-------------------|---------------------|---------|
|                   | 2008/9              | 2009/10 |
| 50,000 - 54,999   | 2                   | 2       |
| 55,000 - 59,999   | -                   | 1       |
| 65,000 - 69,999   | 5                   | 1       |
| 70,000 - 74,999   | 1                   | 5       |
| 90,000 - 94,999   | 2                   | 1       |
| 95,000 - 99,999   | -                   | 1       |
| 115,000 - 119,999 | 1                   | 1       |

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

| Job title                                | Salary includes fees & allowances<br>£ | Expense allowance<br>£ | Benefits in kind (eg car allowance)<br>£ | Total remuneration excluding pension contributions<br>£ | Pension contribution<br>£ | Total remuneration including pension contributions 2009/10<br>£ | Total remuneration including pension contributions 2008/09<br>£ |
|--|--|------------------------|--|---|---------------------------|---|---|
| Chief Executive                          | 116,826                                | 349                    | 1,293                                    | 118,468   | 14,474                    | 132,942   | 132,216   |
| Corporate Director (Internal Services)   | 93,352                                 | 376                    | 1,186                                    | 94,914  | 11,811                    | 106,725   | 106,290   |
| Corporate Director (External Services)   | 91,294                                 | 259                    | 1,226                                    | 92,779  | 11,308                    | 104,087   | 101,562   |
| Head of Finance                          | 68,699                                 | 242                    | 1,228                                    | 70,169  | 8,519                     | 78,688  | 76,896  |
| Head of Community Services               | 67,137                                 | 165                    | 1,171                                    | 68,473  | 8,325                     | 76,798  | 75,051  |
| Head of Information & Customer Services  | 68,699                                 | 419                    | 1,173                                    | 70,291  | 8,519                     | 78,810  | 76,876  |
| Head of Legal, Estates & Member Services | 70,148                                 | 434                    | 1,246                                    | 71,828  | 8,686                     | 80,514  | 78,640  |
| Head of Environmental Services           | 68,699                                 | 344                    | 1,250                                    | 70,293  | 8,519                     | 78,812  | 76,853  |
| Head of Planning & Transportation        | 68,797                                 | 618                    | 1,265                                    | 70,680  | 8,519                     | 79,199  | 75,799  |
| <b>TOTAL</b>                             | <b>715,651</b>                         | <b>3,206</b>           | <b>11,038</b>                            | <b>727,895</b>  | <b>88,680</b>             | <b>816,575</b>  | <b>800,183</b>  |

The Council does not pay bonuses. For 2008/09 and 2009/10, there were no payments for compensation for loss of office in relation to the above posts. The Chief Executive's salary for 2008/9 includes £7,695 fee for acting as the Returning Officer for the district council elections in May 2008. There were no district council elections in 2009/10.

## 6. Related Parties

The Council is required to disclose details of material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. 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.

Central Government has effective control over the general operations of the Council as it is responsible for setting the statutory framework within which the Council operates, provides the majority of its funding and prescribes the terms of many of the Council's transactions, for example, housing benefits. Details of transactions with government departments are set out in a note to the Cash Flow Statement.

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

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

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

Note 28 details transactions incurred by the Council in relation to Retirement Benefits. These transactions occur between this Council and Essex County Council.

There were no other related party transactions requiring disclosure.

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

| 2008/09<br>£000s<br>Restated<br>(Note 2) |  | 2009/10<br>£000s |
|--|--|------------------|
| (1,947)                                  | General Fund Balance Brought Forward   | (809)            |
| 2,468                                    | Income and Expenditure Surplus / (Deficit)   | 3,023            |
|  | <b>Amounts included in the Income and Expenditure Accounts but required by statute to be excluded when determining the Movement on the General Fund</b>        |                  |
| (1,498)                                  | Depreciation and Impairment of Fixed Assets  | (1,520)          |
| (237)                                    | Amortisation of Intangible Assets  | (69)             |
| 319                                      | Government Grants Deferred Amortisation  | 315              |
| (834)                                    | Revenue Expenditure Funded from Capital Under Statute  | (518)            |
| 23                                       | Net Gain / Loss on Fixed Assets  | 0                |
| (425)                                    | Amount by which Pension Costs are different to Contributions   | (435)            |
| -  | LSVT Notional Receipt for Debt Repayment   |                  |
| 488                                      | Unattached Capital Receipts  | 741              |
|  | <b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining Movement on the General Fund Balance</b> |                  |
| 44                                       | Minimum Revenue Provision for Capital Financing  | 0                |
| (68)                                     | Collection Fund Statutory Adjustment   | (6)              |
| 8  | Capital Expenditure charged to General Fund  |                  |
| (3)                                      | Transfer from Usable Capital Receipts equal to amount payable into Housing Capital Receipts Pool   | (7)              |
|  | <b>Transfers to or from the General Fund Balance required to be taken into account when determining the movement on the General fund</b>                       |                  |
| 1,201                                    | Housing Revenue Account Balance  | (3,270)          |
| (348)                                    | Net Transfer to or (from) Earmarked Reserves   | 381              |
| -  | Financial Instrument Adjustments   |                  |
| 1,138                                    | Movement on General Fund Balance   | (1,365)          |
| <u>(809)</u>                             | <b>General Fund Balance Carried Forward</b>  | <u>(2,174)</u>   |

8. Audit Costs

The following fees relate to Audit and Inspection works to the Council for 2009/10:

|   | 2008/09<br>£000s | 2009/10<br>£000s |
|---|------------------|------------------|
| Fees paid to PKF for External Audit Services                      | 123              | 123              |
| Fees paid to Audit Commission for Statutory Inspection            | 22               | 9                |
| Fees paid to PKF for Certification of Grant Claims and Returns    | 35               | 29               |
| Fees paid to Audit Commission for other Services Provided         | 2                | 10               |
| Fees paid to PKF for Data Quality check on Performance Indicators | 4                | -                |
| <b>Total</b>  | <b>186</b>       | <b>171</b>       |

9. General Government Grants

|                                      | 2008/09<br>£000s | 2009/10<br>£000s |
|--------------------------------------|------------------|------------------|
| Revenue Support Grant                | 599              | 940              |
| Area Based Grant                     | 23               | 23               |
| Local Area Business Growth Incentive | 356              | 38               |
| <b>Total</b>                         | <b>978</b>       | <b>1,001</b>     |

10. Summary of Capital Expenditure and Fixed Asset Disposals

|   | Operational                |                                 |                           |                           | Non-operational                           | Total          |
|---|----------------------------|---------------------------------|---------------------------|---------------------------|---|----------------|
|   | Intangible Assets<br>£000s | Other Land & Buildings<br>£000s | Community Assets<br>£000s | Vehicles & Plant<br>£000s | Surplus assets Held for Disposal<br>£000s | £000s          |
| <b>Balance at 1 April 2009</b>                      | 639                        | 36,333                          | 1,332                     | 1,400                     | 105                                       | 39,809         |
| Acquisitions  | 78                         | 185                             | 255                       | 107                       | -   | 625            |
| Disposals   | -                          | -                               | -                         | -                         | -   | -              |
| Revaluation   | -                          | 501                             | -                         | -                         | -   | 501            |
| Impairment of fixed assets                          | -                          | (4)                             | -                         | -                         | -   | (4)            |
| <b>Gross book value as 1 April 2010</b>             | <b>717</b>                 | <b>37,015</b>                   | <b>1,587</b>              | <b>1,507</b>              | <b>105</b>                                | <b>40,931</b>  |
| <b>Depreciation</b>                                 |                            |                                 |                           |                           |   |                |
| Accumulated depreciation                            | -                          | (1,320)                         | -                         | (74)                      | -   | (1,394)        |
| Accumulated amortisations                           | (435)                      | -                               | -                         | -                         | -   | (435)          |
| Depreciation for year                               | (69)                       | (1,261)                         | -                         | (254)                     | -   | (1,584)        |
| Depreciation written back on disposal & revaluation | 40                         | 1,318                           | -                         | -                         | -   | 1,358          |
| <b>Balance at 31 March 2009</b>                     | <b>(464)</b>               | <b>(1,263)</b>                  | <b>-</b>                  | <b>(328)</b>              | <b>-</b>                                  | <b>(2,055)</b> |
| <b>Net book value of assets at 31st March 2010</b>  | <b>253</b>                 | <b>35,752</b>                   | <b>1,587</b>              | <b>1,179</b>              | <b>105</b>                                | <b>38,876</b>  |
| This balance is made up of:                         |                            |                                 |                           |                           |   |                |
| Gross book value                                    | 639                        | 36,333                          | 1,332                     | 1,400                     | 105                                       | 39,809         |
| Movement  | 78                         | 682                             | 255                       | 107                       | -   | 1,122          |
| Accumulated depreciation                            | (464)                      | (1,263)                         | -                         | (328)                     | -   | (2,055)        |
|   | <b>253</b>                 | <b>35,752</b>                   | <b>1,587</b>              | <b>1,179</b>              | <b>105</b>                                | <b>38,876</b>  |

Capital Expenditure and Financing comprised:

|  | 2008/09<br>£000's | 2009/10<br>£000's |
|--|-------------------|-------------------|
| <b>Capital Investment</b>              |                   |                   |
| Intangible Assets                      | 35                | 78                |
| Operational Assets                     |                   |                   |
| Other Land & Buildings                 | 16                | 185               |
| Vehicles, Plant, Equipment & Furniture | 1,233             | 107               |
| Community Assets                       | 782               | 255               |
| Revenue expenditure funded by capital  | 834               | 516               |
| <b>Total Capital Expenditure</b>       | <b>2,900</b>      | <b>1,141</b>      |
| <b>Financed by:</b>                    |                   |                   |
| Useable Capital Receipts               | 1,950             | 877               |
| Sundry Creditor Reversals              | 8                 | -                 |
| Government Grants                      | 766               | 264               |
| Contribution from Revenue & Reserves   | 176               | -                 |
| <b>Total Financing</b>                 | <b>2,900</b>      | <b>1,141</b>      |

11. Movements of Revenue Expenditure Funded from Capital

Capital Expenditure, which does not give rise to a Tangible Fixed Asset, is classified as a Revenue Expenditure Funded from Capital and charged to the individual revenue service accounts. These sums are reversed out in the Statement on the Movement on the General Fund Balance. In 2009/10, these totalled £516,000 (£814,000 in 2008/09).

|                               | <b>2009/10<br/>£000s</b> |
|-------------------------------|--------------------------|
| Pavilion refurbishments       | 30                       |
| District boundary signs       | 4                        |
| Playspaces                    | 102                      |
| Big Lottery play equipment    | 9                        |
| Parks & open spaces programme | 41                       |
| Thames Gateway PSR            | 18                       |
| Private sector renewal grants | 113                      |
| Disabled grants               | 199                      |
|                               | <b>516</b>               |

12. Commitments Under Capital Contracts

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

13. Information on Assets Held

The following table categorises the assets held by the Council as at 31 March 2010:

| Category                     | Number<br>as at<br>31 March<br>2009 | Number<br>as at<br>31 March<br>2010 |
|------------------------------|-------------------------------------|-------------------------------------|
| Operational Buildings:       |                                     |                                     |
| Administrative Buildings     | 3                                   | 3                                   |
| Leisure Buildings            | 7                                   | 7                                   |
| Public Conveniences          | 7                                   | 7                                   |
| Open Spaces (Buildings)      | 10                                  | 10                                  |
| Cemeteries (Buildings)       | 1                                   | 1                                   |
| Car Parks                    | 11                                  | 11                                  |
| Miscellaneous Buildings      | 5                                   | 5                                   |
| Vehicles                     | 11                                  | 11                                  |
| Community Assets:            |                                     |                                     |
| Open Spaces (Land)           | 10                                  | 10                                  |
| Non Operational:             |                                     |                                     |
| Asset Surplus to Requirement | 1                                   | 1                                   |

14. Valuation Information

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

Due to this the current value would be that shown in Note 10.

15. Intangible Fixed Assets

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

Movement in Intangible Fixed Assets:

|                                  | 2009/10<br>£000s |
|----------------------------------|------------------|
| Purchase Software Licences       |                  |
| Accumulated Cost                 | 639              |
| Amortisations to 1 April 2009    | (435)            |
| Balance at 1 April 2009          | 204              |
| Expenditure in year              | 118              |
| Amortisation written off in year | (69)             |
| <b>Balance at 31 March 2010</b>  | <b>253</b>       |

16. Debtors Comprise:

|                                | 2008/09<br>£000s | 2009/10<br>£000s |
|--------------------------------|------------------|------------------|
| Rechargeable Works in Progress | 35               | 29               |
| Government Departments         | 83               | 2,865            |
| Other Local Authorities        | 518              | -                |
| Mortgages                      | 10               | 9                |
| Sundry Debtors                 | 992              | 1,349            |
| Trade Debtors                  | 809              | 523              |
| Council Tax                    | 126              | 129              |
| National Non Domestic Rates    | 13               | 13               |
|                                | 2,586            | 4,917            |
| Provision For Bad Debts        | (561)            | (657)            |
| <b>Total</b>                   | <b>2,025</b>     | <b>4,260</b>     |



17. Creditors Comprise:

|                         | 2008/09<br>£000s | 2009/10<br>£000s |
|-------------------------|------------------|------------------|
| Government Departments  | 233              | 1                |
| Other Local Authorities | 352              | 358              |
| Council Taxpayers       | 65               | 68               |
| Sundry Creditors        | 64               | 88               |
| Trade Creditors         | 2,373            | 1,760            |
| <b>Total</b>            | <b>3,087</b>     | <b>2,275</b>     |

18. Analysis of Net Assets Employed

The net assets employed represent the local taxpayers 'equity' in the Council and are £20.39m as at 31 March 2010, an increase of £6.53m compared to 31 March 2009. The Statement of recognised gains and losses shows the breakdown of this change in net worth.

19. Long Term Borrowing

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

20. Earmarked Reserves

| <b>Earmarked Reserves</b> | <b>Balance at<br/>31 March 2009<br/>£000s</b> | <b>Movement<br/>in the Year<br/>£000s</b> | <b>Balance at<br/>31 March 2010<br/>£000s</b> |
|---------------------------|---|---|---|
| Corporate                 | 419   | 126                                       | 545   |
| Housing                   | 128   | 39  | 167   |
| IT Strategy               | 313   | (63)                                      | 250   |
| Projects                  | 868   | 284                                       | 1,152   |
| Repairs & Maintenance     | 130   | 20  | 150   |
| West Street               | 25  | (25)                                      | -   |
| <b>Total</b>              | <b>1,883</b>                                  | <b>381</b>                                | <b>2,264</b>                                  |

Reserves

| Reserve                       | Balance<br>1 April<br>2009<br>£000s<br>Restated | Revenue<br>Movement<br>in Year | Transfer<br>to/from<br>Other<br>Reserves | Balance<br>31 March<br>2010<br>£000s | Purpose of<br>Reserve   |
|-------------------------------|---|--------------------------------|--|--------------------------------------|---|
| Capital Adjustment Account    | 30,747  | (1,747)                        | 1,000                                    | 30,000                               | Store of capital resources set aside to meet past expenditure                     |
| Useable Capital Receipts      | 2,590   | 733                            | (869)                                    | 2,454                                | Proceeds of fixed assets sales available to meet future capital investment        |
| Revaluation Reserve           | 4,871   | 1,816                          | (123)                                    | 6,564                                | Record all Revaluation Transactions for Assets                                    |
| Pensions Reserve              | (17,470)  | (5,839)                        |  | (23,309)                             | Balancing account to allow inclusion of Pension Liability in the Balance Sheet    |
| Housing Revenue Account (HRA) | 3,270   | -                              | (3,270)                                  | -                                    | HRA was closed and balance transferred to General Fund                            |
| General Fund                  | 809   | (1,905)                        | 3,270                                    | 2,174                                | Resources available to meet future running costs for non-housing services         |
| Collection Fund               | 205   | (7)                            |  | 198                                  | Balance of Council Tax and NNDR received for redistribution to precepting bodies. |
| Deferred Credits              | 57  |                                | (8)                                      | 49                                   | Resources relating to Fixed Assets not yet received.                              |
| Earmarked Reserves            | 1,883   | 381                            | 0  | 2,264                                | Resources ring fenced to meet specific objectives.                                |
| <b>Total</b>                  | <b>26,962</b>                                   | <b>(6,568)</b>                 | <b>0</b>                                 | <b>20,394</b>                        |   |

21. Housing Revenue Account

On 24 September 2007 the Council transferred the remaining 1,739 housing properties to Rochford Housing Association. The Council received permission from the Secretary of State to close its HRA with effect from 1 April 2009. Any transactions after this date will be recorded in the General Fund. Following the transfer, the Council is still entitled to a share of receipts from right to buy sales, these and other unattached capital receipts from the Housing Association are shown in the Income and Expenditure Account as Other Income. The closing balance in the HRA of £3.27m was transferred into the General Fund on 1 April 2009.

## 22. Contingent Liabilities

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

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

There is a conflict between the Environmental Information Regulations and the Local Land Charge Fee Regulations over the application of charges for some information provided as part of the land search. The issue remains unresolved and, at the time of preparing the accounts, it is not known whether any of the charges previously levied may have to be refunded. It is not possible to quantify any costs which might have to be met from the Council's General Fund balance.

There are no contingent assets to disclose.

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

The Chancellor of the Exchequer announced in his emergency Budget on 22nd June 2010 that the consumer price index rather than the retail price index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. The effect of this change is estimated to reduce the value of FRS17 liabilities and will be determined in future actuarial valuations.

In determining if an event requires disclosure, consideration has been given to events occurring up until 31 August 2010. The Chief Finance Officer gives authorisation for the accounts to be issued.

## 24. Trust Funds

The Council administers three small Trust Funds. These are the Dutch Cottage Trust, King George Playing Field Trust, and the Finchfield Trust. King Georges does not have any transactions for disclosure for 2009/10. The current estimate of outturn for the other two trusts is shown below.

| Trust         | Income<br>£000s | Expenditure<br>£000s | Assets<br>£000s | Liabilities<br>£000s |
|---------------|-----------------|----------------------|-----------------|----------------------|
| Dutch Cottage | 5               | 3                    | 123             | -                    |
| Finchfield    | 54              | 26                   | 860             | -                    |

25. Financial Instrument Balances

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

|                   | Current                |                        |
|-------------------|------------------------|------------------------|
|                   | 31 March 2009<br>£000s | 31 March 2010<br>£000s |
| Total Investments | 9,568                  | 4,824                  |

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

|            | Carrying Amount<br>£000s | Fair Value<br>£000s |
|------------|--------------------------|---------------------|
| Investment | 4,824                    | 4,840               |

The Council was debt free in 2009/10.

The Council's Financial Instruments are also made up of Loans and Receivables which are made up of trade debtors and trade creditors, the balances of these are shown in notes 16 & 17 of the accounts respectively.

26. Financial Instrument Gains/Losses

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

|                                      | 2008/09        | Financial Liabilities                   | Financial Assets                  | 2009/10        |
|--------------------------------------|----------------|---|-----------------------------------|----------------|
|                                      | Total<br>£000s | measured at<br>amortised costs<br>£000s | Loans and<br>Receivables<br>£000s | Total<br>£000s |
| Interest Payable and Similar Charges | -              | -                                       | -                                 | -              |
| Interest and Investment Income       | 744            | -                                       | 209                               | 209            |
| Net Gain/(Loss) for the Year         | 744            | -                                       | 209                               | 209            |

## 27. Financial Instruments – Nature and Extent of Risks

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

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

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

### Credit Risk

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

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

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

|   | <b>Amount at<br/>31 March 2010</b> | <b>Historical<br/>Experience of<br/>Default</b> | <b>Historical<br/>Experience<br/>Adjusted for<br/>Market<br/>Conditions at<br/>31 March 2010</b> | <b>Estimated<br/>Maximum<br/>Exposure to<br/>Default and<br/>Uncollectability</b> |
|---|------------------------------------|---|--|---|
|   | <b>£000s</b>                       | <b>%</b>  | <b>%</b>   | <b>£000s</b>  |
| Deposits with<br>Banks and<br>Financial<br>Institutions | 4,824                              | -   | -  | -   |
| Customers   | 523                                | 3.5   | 2  | 10  |
|   |                                    |   | <b>Total</b>   | <b>10</b>   |

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

| <b>Age of Debt</b>            | <b>2008/09<br/>£000s</b> | <b>2009/10<br/>£000s</b> |
|-------------------------------|--------------------------|--------------------------|
| Less than 43 days             | 536                      | 52                       |
| 43 - 63 days                  | 11                       | 2                        |
| 64 - 84 days                  | 2                        | 3                        |
| Greater than 84 days          | 134                      | 115                      |
| <b>Total</b>                  | <b>683</b>               | <b>172</b>               |
| Not Yet Due                   | 126                      | 351                      |
| Estimated Exposure to Default | 28<br>(3.5%)             | 10<br>(2%)               |

### Liquidity Risk

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

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

### Market Risk

#### Interest Rate Risk

All investments held in the Balance Sheet are short term fixed rate investments. Therefore there is no interest rate risk unless Interest rates were to increase, which would cause a fall in the fair value of the asset. As all investments are less than one year, this risk is minimal.

#### Price Risk

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

#### Foreign Exchange Risk

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

## 28. Retirement Benefits

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

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

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pension. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

|  | <b>2008/09</b><br><b>£000s</b> | <b>2009/10</b><br><b>£000s</b> |
|--|--------------------------------|--------------------------------|
| <i>Net Cost of Service:</i>  |                                |                                |
| ▪ Current Service Cost   | (960)                          | (642)                          |
| ▪ Past Service Costs / Curtailments  | (49)                           | (21)                           |
| <i>Net operating expenditure:</i>  |                                |                                |
| ▪ Interest on Pension Scheme Liabilities                                   | (2,915)                        | (2,892)                        |
| ▪ Expected Return on Assets in the Pension Scheme                          | 1,953                          | 1,543                          |
| <i>Statement of Movement in General Fund Balance:</i>                      |                                |                                |
| ▪ Movement on Pensions Reserve   | 425                            | 435                            |
| <i>Actual Amount Charged Against Council Tax for Pensions in the Year:</i> |                                |                                |
| ▪ Employer's Contributions Payable to Scheme                               | 1,546                          | 1,577                          |

In addition to the recognised gains and losses included in the Income and Expenditure Account, an unrecognised actuarial gain of £5.228m (net gain of £1.275m in 2008/09 as restated) was included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £15.7m.

#### Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of Present Value of the Scheme Liabilities:

|                            | <b>31 March</b><br><b>2009</b><br><b>£000s</b> | <b>31 March</b><br><b>2010</b><br><b>£000s</b> |
|----------------------------|--|--|
| 1 April                    | (47,968)                                       | (40,993)                                       |
| Current Service Cost       | (960)  | (642)  |
| Interest Cost              | (2,915)  | (2,892)  |
| Member Contributions       | (360)  | (373)  |
| Actuarial Gains & (Losses) | 9,583  | (12,191)                                       |
| Settlements                | -  | -  |
| Benefits Paid              | 1,676  | 1,532  |
| Past Service Costs         | (49)   | (21)   |
| 31 March                   | (40,993)                                       | (55,580)                                       |

## Reconciliation of Fair Value of Scheme Assets:

|                            | <b>31 March<br/>2009<br/>£000s</b> | <b>31 March<br/>2010<br/>£000s</b> |
|----------------------------|------------------------------------|------------------------------------|
| 1 April                    | 29,666                             | 23,523                             |
| Expected Rate of Return    | 1,953                              | 1,543                              |
| Actuarial Gains and Losses | (8,326)                            | 6,787                              |
| Settlements                | -                                  |                                    |
| Employer Contributions     | 1,546                              | 1,577                              |
| Member Contributions       | 360                                | 373                                |
| Benefits Paid              | (1,676)                            | (1,532)                            |
| 31 March                   | 23,523                             | 32,271                             |

Scheme History

|                              | <b>2005/06<br/>£000s</b> | <b>2006/07<br/>£000s<br/>As restated</b> | <b>2007/08<br/>£000s<br/>As restated</b> | <b>2008/09<br/>£000s</b> | <b>2009/10<br/>£000s</b> |
|------------------------------|--------------------------|--|--|--------------------------|--------------------------|
| Present Value of Liabilities | (44,401)                 | (44,363)                                 | (47,968)                                 | (40,993)                 | (55,580)                 |
| Fair Value of Assets         | 29,357                   | 31,639                                   | 29,666                                   | 23,523                   | 32,271                   |
| Surplus/(Deficit) in Scheme  | (15,044)                 | (12,724)                                 | (18,302)                                 | (17,470)                 | (23,309)                 |

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

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £23.3m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

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

The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2011 is £1,432,509 based on original salary estimates.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis by Mercer Human Resource Consulting Ltd (actuaries to the Fund) based on an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc derived from the full actuarial valuation carried out as at 1 April 2007.



The expected return on scheme assets is determined by considering the return for 11 months to 28 February 2010, multiplied by the benchmark return for March 2010 less an allowance for expenses. The return and benchmark return were supplied by the funds administrators.

The actual return on scheme assets was a gain in the year of £8.33m (2008/09 £6.37m loss)

The principal assumptions used by the actuary have been:

|   | 2008/09                       | 2009/10   |
|---|-------------------------------|-----------|
| <b>Long-term Expected Rate of Return on Assets in the Scheme:</b> |                               |           |
| Equity Investments  | 7.5%                          | 7.5%      |
| Bonds   | 4.0%                          | 4.5%      |
| Other Bonds   | 6.0%                          | 5.2%      |
| Property  | 6.5%                          | 6.5%      |
| Cash/Liquidity  | 0.5%                          | 0.5%      |
| Other   | 7.5%                          | 7.5%      |
|   |                               |           |
| <b>Mortality Assumptions:</b>                                     | <b>Male / Female in Years</b> |           |
| Longevity at 65 for Current Pensioners:                           | 22.0 / 24.9                   | 22.1/25.0 |
| Longevity at 65 for Future Pensioners:                            | 23.1 / 25.9                   | 23.1/25.9 |
|   |                               |           |
| <b>Financial Assumptions:</b>                                     |                               |           |
| Rate of Inflation   | 3.3%                          | 3.3%      |
| Rate of Increase in Salaries                                      | 4.8%                          | 4.8%      |
| Rate of Increase in Pensions                                      | 3.3%                          | 3.3%      |
| Rate for Discounting Scheme Liabilities                           | 7.1%                          | 5.6%      |
| Proportion of Employees Opting to take a Commuted Lump Sum        | 50%                           | 50%       |

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

|                  | 31 March<br>2009<br>% | 31 March<br>2010<br>% |
|------------------|-----------------------|-----------------------|
| Equities         | 74.5                  | 67.5                  |
| Government Bonds | 8.7                   | 7.9                   |
| Other bonds      | 5.3                   | 10                    |
| Property         | 9.8                   | 9.3                   |
| Cash/Liquidity   | 1.7                   | 5.3                   |
|                  | 100                   | 100                   |

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/2010, can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

|  | <b>2005/06</b> | <b>2006/07</b>   | <b>2007/08</b>   | <b>2008/09</b> | <b>2009/10</b> |
|--|----------------|------------------|------------------|----------------|----------------|
|  | %              | As Restated<br>% | As Restated<br>% | %              | %              |
| Differences Between the Expected and Actual Return on Assets | 15.6           | 1.1              | 11.6             | 35.4           | 21.5           |
| Experience Gains and Losses on Liabilities                   | (3.6)          | 0                | 0.2              | 0              | 0              |

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

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

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

|  | 2008/09<br>£000s | 2009/10<br>£000s |
|--|------------------|------------------|
| Movement on Revenue Balances:            |                  |                  |
| Income and Expenditure deficit           | 2,468            | 3,023            |
| Non cash adjustments per Note 7          | (1,330)          | (4,388)          |
| Housing Revenue Account                  | (1,201)          | 3,270            |
| Collection fund                          | 370              | 6                |
|  | 307              | 1,911            |
| Adjustment for Non Cash Transactions     |                  |                  |
| Miscellaneous                            | (781)            | (436)            |
| Capital Creditors                        | 481              | (143)            |
| Minimum Revenue Provision                | (44)             | -                |
| Revenue Contribution to Capital          | (176)            | -                |
|  | (213)            | 1,332            |
| Movement on Funds and Balances           |                  |                  |
| Increase/ ( Decrease ) in Debtors        | 795              | 2,238            |
| (Increase) / Decrease in Creditors       | 242              | 825              |
| (increase ) / Decrease in Provisions     | 528              | (381)            |
|  | 1,352            | 4,014            |
| Other Items in the Cash Flow Statement   |                  |                  |
| Payments to the Capital Receipts Pool    | 3                | 7                |
| Interest Paid                            | -                | -                |
| Interest Received                        | 744              | 209              |
| Other Liquid Resources (Collection Fund) | (3,442)          | (4,615)          |
| Net Cash Flow from Revenue Activities    | (1,343)          | (385)            |

30. Movement in Borrowing

The Council became debt free in 2007/8 and there have been no borrowings since.

31. Net (Increase) / Decrease in Cash

|                                   | 2008/09<br>£000s | 2009/10<br>£000's |
|-----------------------------------|------------------|-------------------|
| Cash & Bank                       | (121)            | 219               |
| Bank Overdraft                    | -                | -                 |
| Net (Increase) / Decrease in Cash | 121              | (219)             |

32. Temporary Investments

|  | 2008/09<br>£000s | 2009/10<br>£000s |
|--|------------------|------------------|
| Temporary Investments B/fwd                    | 12,350           | 9,568            |
| Temporary Investments C/fwd                    | 9,568            | 4,824            |
| Increase / (Decrease) in Temporary Investments | (2,782)          | (4,744)          |

### 33. Summary of Government Grants

|                                | <b>2008/09<br/>£000s</b> | <b>2009/10<br/>£000s</b> |
|--------------------------------|--------------------------|--------------------------|
| Housing Benefits               | (16,451)                 | (19,324)                 |
| NDR support from national pool | (4,307)                  | (4,074)                  |
| Revenue Support Grant          | (600)                    | (940)                    |
| Other Government Grants        | (379)                    | (60)                     |
| <b>Total</b>                   | <b>(21,737)</b>          | <b>(24,398)</b>          |

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

**THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT****FOR THE YEAR ENDED 31 MARCH 2010**

| <b>2008/09<br/>£000s</b> |   | NOTE     | <b>2009/10<br/>£000s</b> |
|--------------------------|---|----------|--------------------------|
| As restated              |   |          |                          |
|                          | <i>INCOME:</i>  |          |                          |
| (40,980)                 | Income from Council Tax                                       | 1        | (41,856)                 |
|                          | Transfers from the General Fund:                              |          |                          |
| (4,486)                  | - Council Tax Benefits  |          | (4,934)                  |
| (45,466)                 |   |          | (46,790)                 |
| (14,172)                 | Income Collectable from Business Ratepayers                   | 2        | (13,761)                 |
| (59,638)                 | <b>TOTAL INCOME</b>   |          | <b>(60,551)</b>          |
|                          | <i>EXPENDITURE:</i>   |          |                          |
|                          | Precepts and Demands:   |          |                          |
| 32,784                   | - Essex County Council  |          | 33,301                   |
| 3,828                    | - Essex Police Authority                                      |          | 4,005                    |
| 1,951                    | - Essex Fire Authority  |          | 2,018                    |
| 6,860                    | - Rochford District & Parish Councils                         |          | 7,098                    |
|                          | Business Rates:   |          |                          |
| 13,998                   | - Payments to Pool  |          | 13,638                   |
| 88                       | - Cost of Collection Allowance                                |          | 89                       |
| 59,509                   |   |          | 60,149                   |
| 108                      | Movement on Provisions for Uncollectable Amounts <sup>4</sup> |          | 76                       |
|                          | Distribution of Previous Year's Estimated Surplus             |          |                          |
| 351                      | Essex County Council  |          | 270                      |
| 21                       | Essex Fire Authority  |          | 32                       |
| 41                       | Essex Police Authority  |          | 16                       |
| 73                       | Rochford District Council                                     |          | 57                       |
| 60,103                   | <b>TOTAL EXPENDITURE</b>                                      |          | <b>60,600</b>            |
|                          | Movement on Fund Balance                                      |          |                          |
| (1,806)                  | Surplus Brought Forward                                       |          | (1,341)                  |
| 465                      | (Surplus)/Deficit for the Year                                |          | 49                       |
| (1,341)                  | <b>SURPLUS CARRIED FORWARD</b>                                | <b>3</b> | <b>(1,292)</b>           |

## **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 (£197.28 in 2009/10), was added to the basic amount due to the parish and the total was multiplied by the specified proportion to give an individual amount due. Precepts in respect of Essex County Council, Essex Police Authority and Essex Fire Authority were added to this figure.

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

NNDR is organised on a national basis. The Government specified an amount of 48.5p in the £ of rateable value for 2009/10 (46.2p in the £ for 2008/09) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a national formula.

The total non-domestic rateable value at 31 March 2010 was £34m, this is same rateable value as in 2008/09.

### 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 2010. The Collection Fund total on the balance is just the share attributable to Rochford District Council.

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

|                                    | 2008/09<br>£000s | 2009/10<br>£000s |
|------------------------------------|------------------|------------------|
| <b>Balance per Collection Fund</b> | <b>1,341</b>     | <b>1,292</b>     |
| Redistribution due to:             |                  |                  |
| Essex County Council               | (270)            | (243)            |
| Essex Police Authority             | (32)             | (29)             |
| Essex Fire Authority               | (16)             | (15)             |
| Balances attributable to:          |                  |                  |
| Essex County Council               | (693)            | (682)            |
| Essex Police Authority             | (83)             | (83)             |
| Essex Fire Authority               | (42)             | (42)             |
| <b>Balance Sheet 31 March</b>      | <b>205</b>       | <b>198</b>       |

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

|                               | 2008/09<br>£000s | 2009/10<br>£000s |
|-------------------------------|------------------|------------------|
| Redistribution of surplus     | 57               | 52               |
| Share of Balance              | 148              | 146              |
| <b>Balance Sheet 31 March</b> | <b>205</b>       | <b>198</b>       |

#### 4. Uncollectable Debts.

Uncollectable debts of £31,213 for Council Tax (£38,368 2008/09) and £145,345 for Non-Domestic Rates (£31,822 for 2008/09) were written off in 2009/10.

5. Calculation of the Council Tax 2009/10

The Council Tax for Rochford residents for 2009/10 for an average Band D property was as follows:

|                           | BAND D<br>£     |
|---------------------------|-----------------|
| Parish/Town Councils      | 30.05           |
| Rochford District Council | 197.28          |
| Essex County Council      | 1,066.50        |
| Essex Fire Authority      | 64.62           |
| Essex Policy Authority    | 128.25          |
| <b>Total</b>              | <b>1,486.70</b> |

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 below.

| Tax Band                            | Estimated Properties after adjustments | Proportion of charge | Band D Equivalent Properties |
|-------------------------------------|--|----------------------|------------------------------|
| A                                   | 1,026                                  | 6/9                  | 684                          |
| B                                   | 2,865                                  | 7/9                  | 2,228                        |
| C                                   | 10,334                                 | 8/9                  | 9,186                        |
| D                                   | 9,447                                  | 9/9                  | 9,447                        |
| E                                   | 4,522                                  | 11/9                 | 5,527                        |
| F                                   | 2,016                                  | 13/9                 | 2,912                        |
| G                                   | 1,047                                  | 15/9                 | 1,745                        |
| H                                   | 67                                     | 18/9                 | 134                          |
| <b>Total</b>                        |  |                      | <b>31,862</b>                |
| Less Adjustment for Collection Rate |  |                      | 98%                          |
| <b>Total Council Tax Base</b>       |  |                      | <b>31,225</b>                |



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

The Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For the year 2009/10, the responsible officer was the Head of Finance (formally known as the Head of Finance, Audit & Performance Management)

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

**The Head of Finance's Responsibilities**

The Head of Finance is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom: a Statement of Recommended Practice (the SORP). Where necessary, she has to make judgements and estimates and these must be both reasonable and prudent.

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

**Opinion**

The Statement of Accounts gives a true and fair view of the financial position of Rochford District Council at 31 March 2010, and its income and expenditure for the year then ended.

Signed: .....  
Head of Finance

**The Chairman's Approval**

I confirm that these accounts were approved by the Audit Committee at its meeting on 29 September 2010.

Signed: .....  
Chairman of the Audit Committee

Date: 29 September 2010

## **ANNUAL GOVERNANCE STATEMENT FOR 2009/10**

### **SCOPE OF RESPONSIBILITY**

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

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

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE<sup>1</sup> Framework Delivering Good Governance in Local Government.

This Statement explains how the Council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

### **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

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

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

This statement is in respect of the governance framework in place at Rochford District Council for the year ended 31 March 2010 and up to the date of approval of the Statement of Accounts for 2009/10.

### **THE GOVERNANCE FRAMEWORK**

The key elements of the systems and processes that comprise the Council's governance arrangements, as set out in the Code of Corporate Governance are:-

- Corporate Plan, which sets out the Council's visions and priorities.

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<sup>1</sup> CIPFA = Chartered Institute of Public Finance Accountants  
SOLACE – Society of Local Authority Chief Executives

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

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

## **REVIEW OF EFFECTIVENESS**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of managers within the Council who have responsibility for the development and maintenance of the governance environment, the Audit and Performance Manager's annual report, and also by reports from the external auditors (PKF) and other review agencies and inspectorates.

In practice, the review of effectiveness is an ongoing process throughout the year and includes the activities and mechanisms set out below:-

- The Council's five year MTFS is reviewed, updated and rolled forward each year. The financial plan coincides with this strategy and is managed in the same way. The Council has agreed a two year savings target to reduce overall expenditure by £1.5m by 2012/13. The MTFS sets out the possible financial risks, their possible impact on the Council and actions in place to mitigate them. The main areas of risk are managed through maintaining a level of general fund balances. All the services of the Council rely on resources, which are approved within the strategy.

- Performance management is embedded within the Council by ensuring that there is a systematic approach to deciding and communicating what needs to be done by having clear aims, priorities and targets. The divisional plans provide the detail of the actions required as well as the performance measures used to ensure compliance. All divisional plans are monitored and reported on as is the Corporate Plan, with key performance information being presented to a senior officer Performance Assessment Board, the Executive and Portfolio Holders.
- The Council operates a Standards Committee, which is responsible for ensuring high standards are maintained by Councillors and co-opted Members. The Committee has produced and updated an action plan for 'Promoting Higher Standards' and is monitoring its implementation.
- The Review Committee undertakes the overview and scrutiny role and assists the Council and the Executive in the development of its budget and policy framework by in-depth analysis of policy issues. It conducts research and consultation to inform the analysis of policy issues and develop possible options. It considers and implements mechanisms to encourage and enhance community participation in the development of policy options. A plan of work is determined by the Review Committee and reported to the Executive. In 2009/10 this included a look at the Local Strategic Partnership and also the Crime and Disorder Reduction Partnership.
- The role of the Audit Committee has been reviewed by CIPFA who has produced 'Practical Guidance for Local Authorities on the role of the Audit Committee' and a detailed toolkit which includes an extensive self-assessment checklist.

The self-assessment process helps define the understanding of the Audit Committee's role and assesses the effectiveness of the Committee's work in contributing to good governance arrangements. The high level of compliance with the self assessment confirms this. The Audit Committee agreed its purpose and its work plan for 2010/11.

- Consultation across the District, both as a Council and as part of a wider group of public sector partners is an important aspect of delivering community focused services. The Council carries out regular consultation surveys and events throughout the year on a range of issues.

Activities undertaken during the year to review and strengthen the Council's governance framework are set out below against the six core governance principles included in the Council's Code of Corporate Governance.

#### **1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area**

The Rochford Core Strategy sets out a vision for the district in five years and in twenty five years based on the spatial development principles detailed in the plan. The Core Strategy has been the subject of extensive public consultation and must be prepared in accordance with the relevant Government legislation. The Core Strategy is supported by an extensive evidence base, including a sustainability appraisal and strategic environment assessment.

Other key documents that have been reviewed and agreed by Members are the Sustainable Community Strategy for 2009-2021, the Corporate Plan 2010-2015 and the Workforce Development Plan.

The Partnership Guidance has been updated and a rolling review of the Local Strategic Partnership (LSP) covering governance and guidance arrangements has been initiated.

The Performance Management Framework system is embedded within the Council with regular reporting to Members and Senior Managers. A new software system has been purchased during 2009/10 ready for use in 2010/11.

The comments, compliments and complaints system within the Council is monitored and reported on a quarterly basis. Mystery shopping of Council services in partnership with four other Essex Authorities continues and these results and information from 'Govmetric' our customer feedback system are also regularly reviewed.

Value for money reviews have been carried out over the course of the year with notable results in a reduction of the costs of our IT contract and Legal Services participating in a partnership for sharing work. The Council is exceeding its target for both cashable and non cashable savings.

Our Business Process Re-engineering programme was extended in 2009 to streamline processes or identify other efficiencies in areas as diverse as Financial Services, Human Resources (Recruitment) and processing of Disabled Facilities Grants. The programme is continuing with Homelessness Services and Planning (Section 106 agreements) to be examined in 2010.

Absence management controls continue to be effective, delivering a sector leading performance of just 5.9 days sickness absence per FTE per year which also compares favourably with the private sector.

## **2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles**

Standards of conduct and personal behaviour expected of members and staff, and the working relationship between members and staff are defined and communicated through codes of conduct and the Member and Officer Protocol. These are defined within the Constitution along with the roles and responsibilities of the Committees and their Chairs. The Council also has an equality and diversity policy which has been backed by staff training and development.

The Council maintains an effective and independently chaired Standards Committee, consisting of Councillors and Independent Members.

Both councillors and senior officers need to make declarations of interest and register any gifts or hospitality. A reminder was sent out to all staff in December 2009. Key partnerships are reviewed within the Council and by the Review Committee on a planned rotational basis.

## **3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

Roles and Responsibilities are set out in the Council's Constitution, which includes Member and Officer Protocols.

The Council ensures relevant information is disseminated where appropriate, by publishing minutes of meetings on the internet, using the Rochford District Matters publication and the media especially during the difficult period of bad weather.

Internally a number of avenues of communication are used including; a Staff Sounding Board, an alert system on the Intranet and regular Team Meetings which use a Core Brief to ensure consistency of communication on corporate issues such as the Constitution.

All the IT policies have been updated in line with the stringent requirements of the Government's Code of Connection. They have been communicated throughout the Council by the Core Brief and through the Council's new e-learning system.

The 'My Performance Review' process has been reviewed and revised for this year and includes objectives and measures to support the Council's achievements and values. The training and development arrangements are in place.

Having gained a level 3 "Good" grading against the Equality Standard for Local Government in 2008, the Council continued to develop its response to Equality and Diversity issues, achieving the level 4 "Working towards excellence" grading in June 2009 and is seeking to be rated as level 5 "Excellent" in 2011.

An extensive induction process is in place for new staff which provides information on such things as conditions of service, office procedures, staff responsibilities, security issues, organisational structure and the principal activities and objectives of the Council.

#### **4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

The Audit Committee undertook a self assessment using the detailed toolkit designed by CIPFA. There was a very high level of compliance which is being monitored through the Audit Committee on an annual basis.

The Audit Committee considers the Governance arrangements, external auditors' work, internal audit work and the effective development and operation of risk management strategies and registers. This work includes reviewing our data quality and anti-fraud and corruption arrangements.

The Overview and Scrutiny Committee, which is titled the Review Committee, discharges the functions conferred by S21 of the Local Government Act 2000 or regulations under section 32 of the Local Government Act 2000. An Annual Report is reported to the Executive on the work undertaken by the Review Committee.

The Council operates a Standards Committee which considers any complaints or issues around Members conduct. It has reviewed the 'Promoting Higher Standards' document which came from the Audit Commission's definition of a Standards Committee that is performing well, the debate at the 2008 Assembly of Standards Committee on "higher standards" and those activities carried out by other Authorities judged to be performing well. Member Services operates clear timeframes for agendas, reports and minutes of all Council meetings. The documents are held on the publicly available Committee System (CMIS) except those that are deemed private and confidential.

#### **5. Developing the capacity and capabilities of Members and Officers to be effective**

Members complete a training need assessment questionnaire annually which forms the basis of the Training Programme reported to the Standards Committee in April. To also help Members identify their training needs, 'role profiles' including the skills and knowledge needed for all members' roles have been identified.

The Council is working towards the implementation of the Charter for Elected Member Development with an action plan that is being monitored by the Charter Implementation Group.

The Workforce Development Plan has been reviewed and approved by the Council and considers various issues including succession planning.

The Strategic Improvement Plan for the Council sets out the actions required to strengthen the internal processes and mechanisms for delivering the Corporate Plan and continuous improvements in service delivery.

## **6. Engaging with local people and other stakeholders to ensure robust public accountability**

The Council has a consultation programme and is committed to effective consultation and engagement with our communities. Consultation activities are regularly assessed to ensure that they reach all sectors of the community and that they contribute to service improvement and represent value for money.

The Council operates a Customer Access & Consultation Group which over the course of the year has worked on developing the Consultation plan, being involved in the proposals for a new reception area and introducing and monitoring the new Govmetric system which is used for recording customer views.

The Council participated in the 2008 Place Survey and has now purchased some software to help further analyse the results on a geographical basis. Planning for the 2010 Place survey is underway.

Information Days are being held in different parts of the District and will be focusing on different groups as part of the work for the Local Strategic Partnership (LSP). The first day was for over 50's in Hullbridge and was well attended.

Road Shows, Focus Groups and surveys are all used to obtain the public's views and opinions on different proposals from the Council.

The Area Committees, covering the East, West and Central parts of the District, which are also attended by partners such as Essex Highways, Essex Police and the NHS, provide a good opportunity for the public to present their questions and become more informed on the issues affecting their areas.

The Council has policies and procedures in place to ensure that staff and trade unions are fully involved in decision making affecting their employment.

Recent Essex Tracker Survey results confirm that the Council continues to be amongst those with a high customer satisfaction as seen in the 2008 Place Survey.

### **Internal Audit**

The Internal Audit Service undertakes a risk based programme of audits each year to provide the Council with assurance on the adequacy of its system of internal control. The work of Internal Audit is reviewed by Senior Management, the Audit Committee and External Audit and is followed up by internal audit surveys, which have all come back with good results. External Audit has been able to place reliance on their work. The Audit Committee has reviewed the Internal Audit self assessment which has a high level of compliance.

### **Role of the Chief Financial Officer**

The CIPFA has issued a Statement on the Role of the Chief Financial Officer in Local Government which sets out the governance requirements which should be in place and

recommends that organisations report on their compliance with this Statement and the implications of any areas of non-compliance. The Head of Finance, as the Chief Financial Officer, has assessed the arrangements in place against the governance requirements in the Statement. The only area of non-compliance is against the requirement that the Chief Financial Officer should report directly to the Chief Executive. In 2009/10, the Head of Finance reported to the Corporate Director (Internal Services). However she was on the Senior Management Team, had access to the Chief Executive if necessary and was actively involved in, and able to bring influence to bear on, all material business decisions.

### **External Audit**

The Council is subject to an annual programme of external audits and statutory inspections with reports made on the Council governance, performance and accounting arrangements. The key outcomes from this activity are; the Comprehensive Area Assessment, which includes an assessment of the Council's overall performance, its Use of Resources, and an Annual Governance Report on the Council's Accounts and internal control / governance arrangements. These are brought together in an Annual Audit Letter which highlights key points and the last assessment, covering the 2008/09 financial year, recognised that the Council had successfully achieved a score of 3 – "Performing Well" in its overall Use of Resources and Managing Performance.

The action plan arising from the Use of Resources assessment has been incorporated into the Strategic Improvement Plan's update for 2010/11.

Risks identified by External Audit included; the need to update our Procurement Strategy, more frequent reporting of Corporate Risk to the Audit Committee, fully testing our Business Continuity plans, and improving the link between Corporate/Divisional Planning and the Workforce Development Plan. All these items are now part of our Strategic Improvement Plan for 2010/11.

### **SIGNIFICANT GOVERNANCE ISSUES**

During the course of the year the Council's monitoring processes, review of effectiveness and outcomes from the work of external audit have identified a number of opportunities to improve and strengthen the Council's governance arrangements.

The recommendations or opportunities arising from the work of the external auditors as previously mentioned and included in the Annual Audit and Inspection Letter and Use of Resources Judgement will be progressed and monitored through the Strategic Improvement Plan.

Other governance issues identified via the Audit Committee's work during the year including matters arising from the work of Internal Audit will be progressed and monitored by the Audit Committee during 2010/11 which will include an annual review of risk management and key financial areas.

Developing the succession planning process for key managers has been recognised within the revised Workforce Development Plan as an area for development. This includes an action plan with progress monitored by the Human Resources Section via Senior Management Team.

In the current economic climate and with the knowledge that the Government will be looking at ways to reduce public spending, the Council has recognised that there is a very significant risk of real cuts in future Government grant funding. The situation has been monitored regularly since the credit crunch in 2008 but until the Spending Review for 2011/12 onwards is announced and Government grant funding confirmed, the Council recognises that it works in an environment of financial uncertainty and is preparing plans to meet any final situation.



During the closure of the 2008/09 accounts there were some issues with the accounting for fixed assets which were reported to the Audit Committee. Action has been taken to ensure that these issues do not arise again, including redesigning the Fixed Asset Register, training for the relevant officers and adding further checks to the processes.

| ISSUE FROM 2008/09  | ACTION COMPLETED  |
|---|---|
| The Governance arrangements around Partnerships are an ongoing issue for the Council to consider. The Strategic Improvement Plan includes an objective on how to move forward with reviewing partnerships. <b>COMPLETED</b> | The Strategy and Partnership Management Team received reports on the audited partnerships and the revised partnership framework which will continue to be used with the LSP partnerships. |

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

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

Signed: ..... Date: .....  
 Leader of the Council

## **Independent auditors' report to the Members of Rochford District Council**

### **Opinion on the financial statements**

We have audited the accounting statements and related notes of Rochford District Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Rochford District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### **Respective responsibilities of the Head of Finance and auditors**

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

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

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

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

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

### **Basis of audit opinion**

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

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

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

#### Opinion

In our opinion the financial statements present a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

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

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

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

#### ***Auditors' Responsibilities***

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

#### ***Conclusion***

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, we are satisfied that, in all significant respects, Rochford District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.

## **Certificate**

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

### **Richard Bint**

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

29 September 2010

## **GLOSSARY OF TERMS**

### Accrual

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

### Agency Services

Rochford District Council provide services on behalf of Essex County Council (the agents), for which we receive reimbursement.

### Asset

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

### Benefits

Council Tax Benefit – assistance provided to adults with no or low incomes to help them pay their Council Tax bill. The cost is funded by Government subsidy of £4.5m.

Housing Benefit – an allowance to persons with no or low incomes to meet the whole or part of their rent. Benefit paid to private sector landlords on behalf of residents is known as rent allowances. Part of the cost of benefits and of running the service is funded by Government subsidy of £11.7m.

### Billing Authority

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

### Business Rates

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

### Capital Expenditure

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

### Capital Adjustment Account (CAA)

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

### Capital Programme

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

### Capital Receipts

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

### Central Support Costs

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

### Chartered Institute of Public Finance and Accountancy (CIPFA)

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

### Collection Fund

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

### Community Assets

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

### Contingent Liability

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

### Council Tax

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

### Council Tax Base

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

### Creditors

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

### Debtors

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

### Deferred Liabilities

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

### Depreciation

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

### Derogation

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

### Fees and Charges

Charges made to the public for Council services and facilities.

### Financial Year

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

### GAAP

See definition for UK GAAP

### General Fund

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

### Housing Revenue Account (HRA)

Expenditure and income arising from the provision of Council housing is recorded in this account.

### Intangible Assets

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

### Liability

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

### Local Government Pension Scheme (LGPS)

The majority of council officers belong to this scheme.

### Large Scale Voluntary Transfer (LSVT)

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

### Non Distributed Costs

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

### Post Balance Sheet Events

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

### Precept

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

### Provision

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

### Public Works Loan Board (PWLB)

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

### Rochford Housing Association (RHA)

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

### Reserves

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



### Responsible Officer

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

### Revenue Support Grant

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

### Statement of Recommended Practice (SORP)

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

### Support Services

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

### Tangible Fixed Assets

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

### United Kingdom Generally Accepted Accounting Principles (UK GAAP)

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

### Un-apportionable Overheads

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

### Work in Progress

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