

ROCHFORD DISTRICT COUNCIL**FINANCIAL STATEMENTS 2007/2008**

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Further information about the accounts is available from:

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

INTRODUCTION

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

The Authority underwent Large Scale Voluntary Transfer of all its Council Dwellings in the year, therefore this will be the last year that a Housing Revenue Account will be produced.

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

A financial structure therefore needs to be in place to ensure that service delivery is maximised through the three key areas shown above. This financial statement contains not only the information in respect of 2007/08, but also, by identifying earmarked reserve and General Fund balances, it demonstrates how the Authority is laying the foundation for future service delivery.

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 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 £4.2m.

Housing Benefit – an allowance to persons with no or low incomes to meet the whole or part of their rent. Benefit paid to Council tenants is known as rent rebate, 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 £10.8m.

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. 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.

Fees and Charges

Charges made to the public for Council services and facilities.

Financial Year

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

General Fund

The main revenue fund of the Council. Day to day spending on services is met from the Fund, excluding spending on Housing Stock, which is met from the Housing Revenue Account.

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.

Major Repairs Allowance (MRA)

MRA is an estimate of the depreciation charge relating to the Council's housing stock. An amount equivalent to this sum is received through Government Housing Subsidy to use for investment in and improvement of the housing stock.

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 that is likely to be incurred in the future, 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.

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 1992.

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 establishing how company accounts must be 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.

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

Welcome to the Rochford District Council Financial Statements for the year ending 31 March 2008.

The last year has been a year of good progress with performance in a number of key areas (for example benefits and planning) much improved. Membership at the Rayleigh Leisure Centre has continued to grow, the Windmill in Rayleigh has now hosted its first wedding and the transfer of out housing stock to Sanctuary Housing was completed successfully.

Let's look at what we have planned for the year ahead. We now have in place the new contracts around waste management & recycling, grounds maintenance and street cleansing. We are hoping that the new recycling arrangements will bring our recycling rates up to over 50%, something which our residents told us they are very keen to do. A key focus this year will be on progressing our major spatial planning document, the Local Development framework. That will identify where development should take place in the District up until 2021

We have allocated funds received from the Big Lottery to develop our play strategy and will be providing youth and mini football pitches around the Rayleigh Leisure Centre as well as providing teen shelters around the district.

The Cherry Orchard Jubilee Country Park continues to flourish and we are acquiring additional land, we are also continuing to work around extending Rochford cemetery and will be making the urban areas more attractive by planting additional trees.

Although customer satisfaction levels remain high we continue to focus on improving services in Planning, Housing/Council Tax Benefit, Recycling/Waste collection and Environmental Health.

The next 5 years will be a challenging time as we continue to build up our capacity through working with key partners, deliver Access to Services improvements, continue to develop our youth and older persons initiatives and progress our 'Green' offer.

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



Cllr Terry Cutmore
Leader



Paul Warren
Chief Executive

Signed: _____ Signed: _____

EXPLANATORY FOREWORD

Overall the Council has improved its position on the General Fund, with balances increasing by £168,000. There was a net contribution to General Fund Earmarked Reserves of £482,000.

The Council has a five-year strategy in place for the management of the Revenue Budget in order to meet its corporate objective of maintaining a balanced budget.

The Council has historically been one of the top authorities in England for its Council Tax Collection rate. The rate for 2007/08 has increased to 98.9%. This, together with the receipt of Government grants, ensured the major funding of services.

This Statement of Accounts is split into the following areas:

- ⇒ Statement of Accounting Policies. These show the basis upon which the accounts are compiled.
- ⇒ The Income and Expenditure Account (I&E). This records all day to day expenditure and income for all the Council services. This combines the General Fund and Housing Revenue Account..
- ⇒ Statement on Movement in General Fund Balance. This reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the General Fund balance.
- ⇒ 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 2008.
- ⇒ Cash Flow Statement. This shows the movement of cash for the year.
- ⇒ The Housing Revenue Account. This shows the income and expenditure in relation to Council housing.
- ⇒ Statement on Movement in the Housing Revenue Account Balance. This reconciliation statement summarises the difference between the outturn in the Housing Revenue Account Income and Expenditure Account and the Housing Revenue Account balance.
- ⇒ The Collection Fund. This records the total movement relating to Council Tax and National Non-Domestic Rates.

The Council undertook capital investment of £966k. This was funded by the proceeds from the sale of assets, grants made available by the Government in respect of Housing, other grants or from revenue.

The main areas of capital expenditure in 2007/8 were grants to private residents for disabled adaptations to their homes, and works on the council's Housing Stock before it transferred in September 2007.

Changes from the previous years accounting policies adopted in these accounts can be found in note 1 on page 18.

During 2007/08 the Council underwent a large scale voluntary transfer (LSVT) of its housing stock to Rochford Housing Association (RHA). This has enabled the Council's borrowing to be repaid. Therefore, as at 31 March 2008, the Council is debt free.

General Fund – Net Expenditure compared to Budget

	Original Estimate £000s	Revised Estimate £000s	Actual Exp/(Inc) £000s	Variance Rev - Act £000s
Central Services	2,787	2,859	2,439	420
Non Distributed Costs	741	866	(674)	1,540
Cultural, Environmental & Planning Services	8,804	7,919	7,131	788
Highways, Roads & Transport Services	441	429	344	85
Housing Services	1,796	1,539	1,520	19
Net Costs of Services	14,569	13,612	10,760	2,852
RHA Service Level Agreement	-	(212)	-	(212)
Revenue Contribution to Capital	-	-	316	(316)
General Contingency Provision	-	10	-	10
Staffing Strategy Savings	(250)	(200)	-	(200)
Target Efficiency Savings	(150)	(150)	-	(150)
Reversal of Capital Charges	(2,570)	(1,219)	(1,977)	758
Reversal of Government Grants Deferred	(338)	(624)	155	(779)
FRS 17 Retirement Benefits	-	-	1,186	(1,186)
Total	11,261	11,217	10,440	814
Interest Received	(550)	(776)	(851)	75
External Interest Paid	-	-	99	(99)
Minimum Revenue Provision			21	(21)
Contribution To/(From) Reserves	-	-	482	(517)
General Fund Expenditure	10,711	10,441	10,191	252
Parish Precepts	897	897	897	
Net Expenditure	11,608	11,338	11,088	252
Contribution To/(From) General Fund Balances	(352)	(82)	168	(252)
Amount to be met by Government Grant and Local Tax Payers	11,256	11,256	11,256	

NOTES TO NET EXPENDITURE COMPARED TO BUDGET

The General Fund balance at the end of 2008/2009 was £1.94m. This compares to the estimated balance in the revised Budget Strategy of £1.94m. The Council has an objective to achieve a balanced budget over its 5 year budget strategy.

A full report on movements against budgets was reported to Audit Committee on 5th June.

Analysis of Revenue Expenditure.

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

Summary	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Central Services	7,755	(5,316)	2,439
Un-apportionable Central Overheads	1,129	(1,803)	(674)
Cultural, Environmental & Planning Services	9,139	(2,008)	7,131
Highways, Roads & Transport Services	1,796	(1,452)	344
Housing Services	123,857	(28,367)	95,490
	143,677	(38,946)	104,730

Central Services - Corporate & Democratic Core	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Corporate Management	987	(411)	576
Democratic Representation	1,228	(37)	1,191
	2,215	(448)	1,767

Central Services - Other Operating Income & Expenditure	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Other Operating Income & Expenditure	-	(162)	(162)
	-	(162)	(162)

Central Services - Non Distributed Costs	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Non Distributed Costs	897	(1,695)	(798)
Central Support Costs	232	(108)	124
	1,129	(1,803)	(674)

Central Services to the Public	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Council Tax	756	(119)	637
Business Rate Account	88	(97)	(9)
Council Tax Benefits	4,188	(4,229)	(41)
Conducting Elections	155	-	155
Registration of Electors	113	(1)	112
Emergency Planning & Health & Safety	108	(3)	105
Local Land Charges	132	(230)	(98)
Community Services Client Account	-	(27)	(27)
	5,540	(4,706)	834

Cultural, Environmental & Planning Culture & Related Services	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Culture & Heritage	111	-	111
Leisure Premises	1,701	(29)	1,672
Woodlands	138	(76)	62
Maintenance of Grounds Holding Account	-	(22)	(22)
Management of Rec. Grounds & Open Spaces	748	(15)	733
Sports Development & Promotion	155	(48)	107
Leisure Client Account	74	(76)	(2)
	2,927	(266)	2,661

Cultural, Environmental & Planning Planning & Development	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Building Control Client Account	124	-	124
Building Control Fee Account	265	(265)	-
Development Control	1,138	(540)	598
Planning Policy	249	(19)	230
Corporate Policy	183	-	183
Environmental Initiatives	13	-	13
Economic Development	237	-	237
Community Development	250	(114)	136
Planning Administration	-	-	-
	2,459	(938)	1,521

Cultural, Environmental & Planning Environmental Services	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Cemeteries & Churchyards - Open	95	(116)	(21)
Cemeteries & Churchyards - Closed	55	-	55
Environmental Health	742	(58)	684
Licensing	122	(61)	61
Public Health	93	-	93
Public Conveniences	99	-	99
Hackney Carriage	68	(88)	(20)
Coast Protection	2	-	2
Street Cleansing	549	(2)	547
Waste Collection	1,608	(154)	1,454
Waste Disposal	317	(316)	1
Depot	3	(9)	(6)
	3,753	(804)	2,949

Highways, Roads & Transport	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Highways/Roads (Routine)	136	(34)	102
On Street Parking	100	(177)	(77)
Off Street Parking	507	(1,107)	(600)
Public Transport	1,053	(134)	919
	1,796	(1,452)	344

Housing Services	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Housing Strategy	104	-	104
Private Sector Housing Renewal	418	(151)	267
Housing Advice	352	-	352
Registered Social Landlord Liaison	166	(41)	125
Homelessness	68	(82)	(14)
Housing Benefit Payments	11,187	(11,173)	14
Housing Benefit Administration	852	(577)	275
Revenues Investigation Section	404	(7)	397
Housing Revenue Account	110,306	(16,336)	93,970
	123,857	(28,367)	95,490

Apportioned Overheads	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Central Services - Telephones & Reception	1	(1)	-
Central Services - Postal & Office	-	-	-
Central Services - Filing	-	-	-
Central Services - Document Production	1	(1)	-
Office Accommodation - Rochford	10	-	10
Office Accommodation - Rayleigh	24	(17)	7
Financial Services	7	(7)	-
Human Resources	(23)	-	(23)
Property Maintenance	24	(24)	-
Works Account	-	-	-
Cashiers	-	-	-
Computer Services	135	(6)	129
Legal Services	38	(38)	-
Audit & Process Review	14	(14)	-
	231	(108)	123

Income and Expenditure relating to Housing Revenue Account activities are contained on page 47.

STATEMENT OF ACCOUNTING POLICIES

The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2007: a Statement of Recommended Practice*, 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.

In 2007/08 the following changes to accounting policies have occurred following changes to the SORP:

Where interest is accrued at the year-end, i.e. on mortgages, this is added to the carrying value of the asset/liability in the accounts rather than included as a separate debtor or creditor.

A Financial Instrument Adjustment Account has been introduced to balance the requirements of the SORP for Council Tax payers benefit to statutory requirements.

The Fixed Asset Restatement Reserve and Capital Financing Account have been replaced with the Revaluation Reserve And Capital Adjustment Account. To enable this transition, 2007/08 has been classed as year zero so the opening balance on the Revaluation Reserve is £0.

2. Accruals for Income and Expenditure

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

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 a deferred charge. These sums are written out of the accounts in the year they are incurred.

4. Allocation of central administration costs.

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

estimated usage. The exception to this are Corporate & Democratic Core and Non Distributed Costs.

5. Government Grants.

Grants and subsidies receivable are credited to the appropriate revenue accounts and all known items due at 31 March 2008 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 accrued and 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). Before the LSVT, the reserved part of capital receipts from the sale of housing properties were required to be paid to the Government, this was 75% of the proceeds.

7. Pensions.

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

8. Intangible Assets

These are recorded in the balance sheet at historical cost, then the balance is 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 2007.

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.

The de minimis level for the capitalisation of all assets is £5,000.

Further details of the Council's fixed assets can be found in Notes 11-18 to the Core Financial Statements.

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

9.1 Depreciation

Depreciation is charged to the General Fund and Housing Revenue Account on all operational assets. Depreciation rates are determined according to the life expectancy of individual assets. Depreciation is not charged for Community Assets and Non Operational 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.

Car Parks are depreciated based on the costs of surfacing and fencing over a 7 year period. IT is amortised over 5 years.

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

10. Financial Instruments

All investments are short term (<365 days) fixed period cash deposits made in the United Kingdom and are shown at the cash value of the investment.

11. Reserves.

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

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

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

Building Control Account

Housing Reserve

Projects Reserve

Corporate Reserve

Repairs and Maintenance Reserve

12. Interest Charges

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

INCOME AND EXPENDITURE ACCOUNT 2007/08

2006/07 Net Expenditure £000s		Gross Expenditure £000s	2007/08 Gross Income £000s	Net Expenditure £000s
689	Central Services	5,540	(4,868)	672
84	Non Distributed Costs	1,129	(1,803)	(674)
7,472	Cultural, Environmental & Planning Services	9,139	(2,008)	7,131
202	Highways, Roads & Transport	1,796	(1,452)	344
1,641	Housing	13,551	(12,031)	1,520
1,352	Corporate and Democratic Core	2,215	(448)	1,767
(970)	Housing Revenue Account	110,306	(16,336)	93,970
10,471	NET COST OF SERVICES	143,676	(39,946)	104,730
19	Gain or loss on disposal of fixed assets			14
894	Precepts of Local Precepting Authorities			897
1,026	Interest payable and similar charges			607
(552)	Interest and Investment Income			(869)
-	Other Income			(232)
662	Contribution of housing capital receipts to Government Pool			275
395	Pensions Interest Cost and Expected Return on Pensions Assets (Note 31)			289
12,915	NET OPERATING EXPENDITURE			105,711
(6,142)	Precept Demanded from the Collection Fund			(6,428)
(46)	Collection Fund Transfer for the (Surplus)/Deficit			(71)
(714)	Revenue Support Grant			(684)
(3,697)	Contribution from Non-Domestic Rate Pool			(4,074)
2,316	(SURPLUS) / DEFICIT FOR THE YEAR			94,454

STATEMENT ON MOVEMENT IN 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. 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.

2006/07 £'000s		2007/08 £'000s
2,315	Surplus or deficit for the year on the Income and Expenditure Account	94,454
	Net Additional Amount required by Statute and non-statutory proper practices to be debited or credited to the	
(2,382)	General Fund balance for the year	(94,622)
(1,712)	General Fund balance brought forward	(1,778)
<u>(1,778)</u>	General Fund balance carried forward	<u>(1,947)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

2006/2007 £'000s		2007/2008 £'000s
2,315	Surplus in year on I&E account	94,454
(10,935)	Surplus arising on revaluation on fixed assets	(3,178)
(2,425)	Actuarial Gain /Losses on pension fund assets /liabilities	6,467
(86)	Any other gains and losses	(98)
<u>(11,131)</u>	Total recognised gains and losses for the year	<u>97,645</u>
<u>(11,131)</u>	Movement on balance sheet	<u>97,645</u>

BALANCE SHEET AS AT 31 MARCH 2008

2006/07			2007/08	2007/08
£000s		NOTE	£000s	£000s
501	Intangible Assets	17		406
	Operational Assets	11		
108,127	-Council Dwellings			(0)
33,228	-Other Land and Buildings			34,779
53	-Vehicles & Plant			55
60	-Furniture & Equipment			79
506	-Community Assets			550
	Non Operational Assets			
160	- Investment Assets			0
0	- Assets for Disposal			250
142,635				36,120
65	Long Term Debtors			53
142,700	Total Long Term Assets			36,173
	Current Assets:			
2,111	-Debtors	19	1,813	
8,350	-Investments		12,635	
44	-Deferred Asset		-	
795	-Cash and Bank		771	15,219
154,000				51,392
	Current Liabilities:			
(357)	-Short Term Borrowing		-	
(3,796)	-Creditors	20	(3,913)	
(235)	-Bank Overdraft		-	(3,913)
149,612	Total Assets less Current Liabilities			47,479
(9,789)	Long Term Borrowing	22	-	
(1,693)	Government Grants Deferred		(1,413)	
(12,692)	Pensions Liability Account		(18,273)	
				(19,686)
125,438	Total Assets less Liabilities			27,793
		23		
120,677	Fixed Asset Restatement Account			-
9,627	Capital Financing Account			31,372
-	Revaluation Reserve			2,785
754	Usable Capital Receipts Reserve			4,016
80	Deferred Credits			73
1,982	Earmarked Reserves			2,355
(73)	Major repairs Reserve			-
	Redundancy & Financial Strain Reserve			56
56				
1,779	General Fund Balance			1,947
(12,692)	Pensions Reserve			(18,273)
1,878	Housing Revenue Account Balance			2,069
1,370	Collection Fund			1,393
125,438	Total Net Worth			27,793

I certify that the accounts present fairly the financial position of the Council as at 31 March 2008 and the income and expenditure for the year then ended.

Date: 26 June 2008

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

2006/07		Note s	2007/08	2007/08
£000s			£000s	£000s
	Cash Outflow			
	<u>Revenue Activities</u>			
6,410	Cash paid to and on behalf of employees		7,205	
460	Housing Subsidy		922	
35,579	Precepts paid		37,715	
12,768	Non domestic rate payments to national Pool		13,757	
6,987	Housing Benefits paid out		9,353	
662	Payments to the Capital Pool		275	
14,472	Other operating cash payments		13,292	
77,338				82,519
	<u>Cash Inflows</u>			
(3,007)	Rents after rebates		(3,016)	
(37,620)	Council Tax receipts		(39,774)	
(12,925)	Non domestic rate receipts		(13,117)	
(3,697)	Non domestic rate receipts from national pool	37	(4,074)	
(744)	Revenue Support Grant	37	(684)	
(15,107)	Housing Benefits grants	37	(15,708)	
(6,075)	Other operating income/cash receipts		(7,329)	(83,702)
(1,837)	Net cashflow from Revenue activities	33		(1,183)
	<u>Returns on Investments and servicing of Finance</u>			
1,018	Interest paid to other bodies		563	
(551)	Interest received		(584)	(21)
	<u>Capital Activities - cash outflows</u>			
	Capital expenditure			
1,722	Purchase of Fixed Assets		371	
722	Other capital cash payments		215	586
	<u>Cash inflows</u>			
(913)	Capital receipts		(513)	
-	Capital grants received		-	(513)
161	Net Cashflow before financing			(1,131)
	<u>Management of liquid Resources</u>			
(466)	Net increase(decrease) in short term deposits	35	4,000	
	<u>Financing</u>			
357	Repayments of amounts borrowed	33	219	
-	New loans raised	33	(3,300)	919
52	Net (increase) / decrease in cash	34		(212)

NOTES TO THE CORE STATEMENTS

1. Acquired, discontinued operations and outstanding liabilities

The Council has not acquired or discontinued any operations during the year nor has it any outstanding liabilities in respect of discontinued operations.

2. Publicity

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

	2006/2007 £000s	2007/2008 £000s
Town Planning	15	15
General Administration	76	84
Community Liaison	34	35
Highways Roads and Transportation	0	1
Housing Services	0	2
Housing Revenue Account	17	2
Total	142	139

3. Building Control Trading Account

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

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

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

Building Control Account

Non Chargeable 2006/07 £000s	Chargeable 2006/07 £000s	Total 2006/07 £000s		Non Chargeable 2007/08 £000s	Chargeable 2007/08 £000s	Total 2007/08 £000s
			<u>Expenditure</u>			
116	181	297	Employee Expenses	65	214	279
6	10	16	Transport	3	12	15
2	3	5	Supplies and Services	2	5	7
38	59	97	Central & Support Service Charges	28	93	121
162	253	415	TOTAL EXPENDITURE	98	324	422
			<u>Income</u>			
-	-	-	Contribution from Reserve	-	-	-
-	(213)	(213)	Building Regulation Charges	-	(265)	(265)
(45)	-	(45)	Miscellaneous Income	(34)	-	(34)
(45)	(213)	(258)	TOTAL INCOME	(34)	(265)	(299)
117	40	157	(Surplus) / Deficit for Year	64	59	123

The Building Control Account was set up in 2002/03 and each year, where applicable, the surplus is required to be ring fenced in a reserve. There is a deficit in the account at the end of the three-year period ending 2007/08 of £127,000.

4. Local Area Agreement (LAA)

The Local Area Agreement 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 Local area Agreement guidance, issued by what is now Communities and Local Government (CLG), ECC is the accountable body for these pooled funds. Essex 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. Rochford will then use each element of grant money to support the achievement of relevant outcomes set out in the Essex LAA.

The Purpose of LAA is:

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

The LAA Partners are:

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

The areas of funding that Rochford were 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.
- Actively manage our environment.

Funding amounts were:

- Crime Reduction: £22,416 Capital, £79,615 Revenue.
- Manage Environment: £34,277 Capital, £34,277 Revenue.

5. Agency Income and Expenditure

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

	2006/07 £000's	2007/08 £000's
Street Cleansing	1	1
Verge Maintenance	32	34
Total expenditure	33	35

6. Members' Allowances

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

	2006/07 £000s	2007/08 £000s
Basic Allowance	148	155
Special Responsibility Allowance	39	67
Travel & Subsistence	5	8
Total	192	230

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

7. Officers' emoluments

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

Remuneration Band	Number of Employees	
	2006/07 Restated	2007/08
£50,000 - £59,999	2	1
£60,000 - £69,999	3	6
£70,000 - £79,999	1	
£80,000 - £89,999	1	1
£90,000 - £99,999	-	1
£100,000 - £109,999	1	-
£110,000 - £119,999	-	1

In 2007/08 regulations were clarified to say that Gross pay should not be netted for Employees Pension Contributions. In order to make this statement comparable to prior years, 2006/07's figures have been restated taking into account this clarification.

The change in total numbers relates to a new Head of Service where the post was vacant for a period, and a Head of Service who came into post part way through 2006/07 and therefore their remuneration did not fit into a band for that year.

8. Related Parties

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

During the year, the following transactions arose in respect of Councillor Lumley and the Head of Finance, Audit and Performance Management.

Grant payment to Wyvern Community Transport	£48,564.24
Grant payment to Rochford and Rayleigh Association of Voluntary Services	£6,000
Contribution towards cost of UNISON meetings	£100

The Council has received a number of grants in the year from Central Government, details of these can be found in Note 38 to the Core Statements.

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

Note 31 details transactions incurred by the Council in relation to Retirement Benefits. These transactions occur between the Authority and Essex County Council.

There were no other related party transactions requiring disclosure.

9. Audit Costs

The following fees relate to Audit and Inspection works to the Council for 2007/08:

	2006/2007	2007/2008
	£	£
Fees paid to PKF for external audit services	119,040	124,900
Fees paid to Audit Commission for statutory inspection	17,978	25,608
Fees paid to PKF for certification of grant claims and returns	35,000	35,000
Fees paid for other services provided.	550	1,338
Total	172,568	186,846

10. Breakdown of reconciling items in the Statement of Movement on the General Fund balances

2006/07 £'000s		2007/08 £'000s
(1,712)	General Fund Balance Brought Forward	(1,778)
2,315	Income and Expenditure surplus / (deficit)	94,454
	Amounts included in the income and expenditure accounts but required by statute to be excluded when determining the Movement on the General Fund	
(1,467)	Depreciation and Impairment of Fixed Assets	(109,020)
194	Government Grants Deferred amortisation matching depreciation and amortisation	155
(671)	Deferred Charges	(499)
(19)	Net gain / loss on fixed assets	(14)
(73)	Amt by which Pension Costs are different to Contributions	886
	LSVT Notional Receipt for Debt Repayment	13,225
-	Unattached Capital Receipts	232
	Amounts not included in the Income and Expenditure account but required to be included by statute when determining Movement on the General Fund Balance	
	Statutory Provision for the repayment of debt	21
0	Capital Expenditure charged to General Fund	316
	Transfer from Usable Capital Receipts equal to amount payable into Housing Capital Receipts Pool	(275)
	Transfers to or from the General Fund balance required to be taken into account when determining the movement on the General fund	
319	Surplus/Deficit from HRA	191
(3)	Net Transfer to or from earmarked reserves	204
0	Financial Instrument Adjustments	(44)
(67)	Movement on General Fund Balance	(168)
<u>(1,779)</u>	General Fund Balance C/F	<u>(1,947)</u>

11. Summary of Capital Expenditure and Fixed Asset Disposals

	Council Dwellings £000s	Operational Assets £000s	Vehicles £000s	IT/ Equipment £000s	Community Assets £000s	Non Operational Investment Property £000s	Available for sale £000s	Total £000s
Valuation at 31 March 2007	109,296	34,413	157	429	506	160	-	144,961
Accumulated Depreciation	(1,169)	(1,185)	(104)	(369)	-	-	-	(2,827)
Net Book Value 31 March 2007	108,127	33,228	53	60	506	160	-	142,134
Movement in 2007/08								
Additions	244	22	15	39	44	-	-	364
Revaluation	142	2,805	-	-	-	-	231	3,178
Impairments	(107,503)	-	-	-	-	-	-	(107,503)
Transfers	-	-	-	-	-	(160)	160	-
Disposals	(411)	-	-	-	-	-	(141)	(552)
Gross Book Value	599	36,055	68	99	550	-	250	37,621
Depreciation in year	(599)	(1,275)	(13)	(20)	-	-	-	(1,907)
Net Book Value 31 March 2008	-	34,780	55	79	550	-	250	35,714

Capital expenditure comprised:

	2006/07 £000s	2007/08 £000s
Housing Investment Programme:		
Major repairs and improvements	1,204	273
Cash incentive scheme	75	0
Other Services:		
Improvement grants	405	317
Information Technology	147	103
Vehicle, Plants and Equipment	35	73
Improvements to Operational Assets	151	113
Leisure Facilities including Open Spaces & Playspaces	672	87
	2,689	966
Less: Items Classified as Deferred Charges	(671)	(499)
Additions to Capital Assets	2,018	467

The additions for 2007/08 relate to £364k Tangible Assets (Note 11), and £103k Intangible Assets (Note 17).

Capital Expenditure was financed by

	2006/07 £000s	2007/08 £000s
Capital Receipts Applied	611	315
Sundry Creditor Reversals	-	48
Increase in Capital Financing Requirement	519	0
Grant	119	192
Major Repairs Reserve	1,278	273
Contribution from Revenue and Reserves	162	138
Total	2,689	966

12. Movements of deferred charges

Capital Expenditure, which does not give rise to a tangible fixed asset, is classified as a deferred charge and charged to the individual revenue service accounts. These sums are reversed out in the Statement of Movement to the General Fund Balance. In 2007/08, these totalled £498,974

13. Commitments under capital contracts

On 1 April 2008, the Council entered into a new recycling contract. This required capital outlay in 2008/09 of £1.1m for new waste receptacles.

14. Information on assets held

The following table categorises the assets held by the Council as at 31 March 2008:

Category	Number as at 31 March 2007	Number as at 31 March 2008
Council Dwellings:		
Council Housing Stock	1742	0
Garages	441	0
Operational Buildings:		
Administrative buildings	3	3
Leisure buildings	6	6
Public conveniences	7	7
Open spaces (buildings)	10	10
Cemeteries (buildings)	1	1
Car parks	11	11
Miscellaneous buildings	5	5
Vehicles	16	16
Non Operational	1	1
Community Assets:		
Open spaces (land) more detail	10	10

15. Valuation information

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. Savills Land and Property Ltd, Members of the Royal Institute of Chartered Surveyors carry out the valuations.

OPERATIONAL ASSETS	Council Dwellings £000s	Operational Assets £000s	Vehicles £000s	IT/ Equipment £000s	Community Assets £000s	Investment Property £000s	Total All Assets £000s
Valued at Historical Cost	109,296	34,413	157	429	506	160	144,961
Valued at Current Value in:							
2007/08	0	33,601	52	444	-	-	34,097
2006/07	108,127	33,601	52	444	-	-	142,224
2005/06	101,244	28,578	58	659	-	-	130,539
2004/05	108,445	23,381	76	638	368	-	132,908
2003/04	110,760	21,953	109	474	295	-	133,591
Total	537,872	175,527	504	3,088	1,169	160	718,320

16. Changes in depreciation methods

There are no material changes to depreciation methods for 2007/08, this includes changes to the useful economic life of any assets held by the Council.

17. 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:

	2006/07 £000s	2007/08 £000s
Original Cost	1,086	1,233
Amortisations to 1 April 2007	(512)	(732)
Balance at 1 April 2007	574	501
Expenditure in Year	147	103
Written off to revenue in year	(220)	(198)
Balance at 31 March 2008	501	406

18. Changes in amortisation method for intangible fixed assets

There have been no changes to the amortisation methods applied in the compilation of the accounts, this includes to the period over which amortisation is applied.

19. Debtors comprise:

	2006/07 £000s	2007/08 £000s
Rechargeable Works in Progress	173	163
Government Departments	432	124
Other Local Authorities	77	-
Mortgages	16	13
Sundry Debtors	822	1,054
Trade Debtors	326	343
Council Tax	810	780
National Non Domestic Rates	281	286
Rent Payers	137	-
	3,074	2,763
Provision For Bad Debts	(963)	(950)
Total	2,111	1,813

20. Creditors comprise:

	2006/07 £000s	2007/08 £000s
Government Departments	532	425
Other Local Authorities	455	413
Mortgages	-	-
Leaseholders	25	48
Rent Payers	68	-
NNDR Payers	122	124
Council Taxpayers	365	340
Sundry Creditors	2,229	2,563
Total	3,796	3,913

21. Analysis of Net Assets Employed

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

	31 March 2007 £000s	31 March 2008 £000s
General Fund	16,571	26,930
Housing Revenue Account	109,012	(49)
Total Equity	125,583	26,881

22. Long Term borrowing

	31 March 2007 £000s	31 March 2008 £000s
Public Works Loan Board	9,789	-

By maturity, long-term borrowing comprises:

Maturing within:	31 March 2007 £000s	31 March 2008 £000s
1 - 2 years	357	-
2 - 5 years	8,632	-
5 - 10 years	-	-
10 + years	800	-
Total	9,789	-

23. Earmarked Reserves

Earmarked Reserves	Balance at 31 March 2007 £000s	Movement in the Year £000s	Balance at 31 March 2008 £000s
Corporate	319	275	594
Housing	103	58	161
Housing Revenue Account	38	(38)	-
IT Strategy	250	-	250
Projects	936	90	1,026
Repairs & Maintenance	152	(21)	131
West Street	184	9	193
Total	1,982	373	2,355

Reserves

Reserve	Balance 1 April 2007 £000s	Revenue Movement in Year	Transfer to/from other reserves	Balance 31 March 2008 £000s	Purpose of reserve
Fixed Asset Restatement Account	120,677	-	(120,677)	-	Store of gains on revaluation of fixed assets
Capital Financing Account	9,627	(109,221)	130,966	31,372	Store of capital resources set aside to meet past expenditure
Useable Capital Receipts	754	13,164	(9,902)	4,016	Proceeds of fixed assets sales available to meet future capital investment
Revaluation Reserve	-	3,408	(623)	2,785	Record all Revaluation Transactions for Assets
Redundancy and Financial Strain Reserve	56	-	-	56	Reserve to meet financial demands.
Pensions Reserve	(12,692)	(5,581)	-	(18,273)	Balancing account to allow inclusion of Pension Liability in the Balance Sheet
Housing Revenue Account	1,878	191	-	2,069	Resources available to meet future running costs for Council Houses
Major Repairs Reserve	(73)	(241)	314	-	Resources available to meet capital investment in council housing.
General Fund	1,779	168	-	1,947	Resources available to meet future running costs for non- housing services
Collection Fund	1,370	23	-	1,393	Balance of Council Tax and NNDR received for redistribution to precepting bodies.
Deferred Credits	80	-	(7)	73	Resources relating to Fixed Assets not yet received.
Earmarked Reserves	1,982	444	(71)	2,355	Resources ring fenced to meet specific objectives.
Total	125,438	(97,645)	-	27,793	

24. Contingent liabilities and contingent assets

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

The Authority Compulsory Purchased three listed buildings in 2001 which were then sold to a Preservation Trust to secure their restoration, the sale proceeds are held in reserve, currently amounting to £192,000, to settle the compensation due to the original owner which remains outstanding and is presently the subject of proceedings in the Lands Tribunal to determine the sum due.

25. Authorisation of accounts for issue and events after the balance sheet date

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

In determining if an event requires disclosure, consideration has been given to events occurring up until 26 June 2008.

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

26. 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 2007/08. The current estimate of outturn for the other two trusts is shown below.

Trust	Income £000s	Expenditure £000s	Assets £000s	Liabilities £000s
Dutch Cottage	3	3	96	-
Finchfield	46	11	810	-

27. Financial Instrument Balances

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

	Long-Term		Current	
	31 March 2007 £000s	31 March 2008 £000s	31 March 2007 £000s	31 March 2008 £000s
Total Borrowings	9,789	-	357	-
Total Investments	-	-	8,350	12,635

The carrying amount of loans and receivables in the accounts are deemed to equal fair value as all are current and there are no investments over 364 days. All investments are fixed rate interest.

28. Financial Instrument Gains/Losses

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

	Financial Liabilities Liabilities measured at amortised costs £000s	Financial Assets Loans and Receivables £000s	Total
Interest Payable and similar charges	(564)	-	(564)
Interest and Investment Income	-	869	869
Net gain/(loss) for the year	(564)	869	305

29. Fair Value of Assets carried at amortised cost.

The investments held in the balance sheet are all under 364 days and are fixed interest, therefore the carrying amount is a reasonable approximation of the fair value. To confirm this, the following table shows the figure carried in the balance sheet, and the fair value.

	Carrying Amount £000s	Fair Value £000s
Investment	12,635	12,632

30. Financial Instruments – Nature and Extent of Risks

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

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

The authority'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 the Council through Council Tax, NNDR and 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 summarised the authority's potential maximum exposure to credit risk based on experience in the last five years.

	Amount at 31 March 2008 £000s	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2008.	Estimated maximum exposure to default and uncollectability. £000s
Deposits with Banks and financial Institutions	12,635	-	-	-
Customers	343	2.4	2.4	8
			Total	8

Of this Customer Debt in the balance sheet, the following analysis shows a breakdown of that that is past due.

	£000s
Less than 2 months	- 105
2-4 months	- -
4-6 months	- 137
Total	- 242

Remaining £101,000 relates to invoices issued less than 21 days prior to year end.

Liquidity Risk

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

Should the authority have such demands that they are unable to pay suppliers due to cashflow restrictions, then the Authority 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. This is not forecast to happen in the next 12 months.

31. 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 scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

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

	2006/2007 £000s	2007/2008 £000s
<i>Net Cost of Service:</i>		
▪ Current service cost	(1,056)	(839)
▪ Past service costs	(83)	(298)
<i>Net Operating Expenditure</i>		
▪ (Gain) loss due to curtailments	(14)	861
<i>Analysis of amount credited to other finance income:</i>		
▪ Interest on pension scheme liabilities	(2,170)	(2,336)
▪ Expected return on assets in the pension scheme	1,775	2,047
<i>Amounts to be met from Government Grants and Local Taxation:</i>		
▪ Movement on Pensions Reserve	73	(886)
<i>Actual Amount charged against council tax for pensions in the year:</i>		
▪ Employer's contributions payable to scheme	1,475	1,451

The underlying assets and liabilities for retirement benefits attributable to the Authority as at 31 March 2008 are as follows:

	31 March 2007 £000s	31 March 2008 £000s
Estimated Liabilities in Scheme	(44,363)	(47,968)
Market Value of Assets	31,671	29,695
Net Liability	(12,692)	(18,273)

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £48m has a substantial impact on the net worth of the Council as recorded in the balance sheet, although there is still a positive overall balance. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

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

Liabilities have been assessed on an actuarial basis by Mercer Human Resource Consulting Ltd (actuaries to the Fund) based on an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc derived from the full actuarial valuation carried out on 31 March 2007.

The main assumptions used in the calculations have been:

	2006/2007	2007/2008
Rate of Inflation	3.1%	3.6%
Rate of increase in salaries	4.6%	5.1%
Rate of increase in pensions	3.1%	3.6%
Proportion of employees opting to take a commuted lump sum	50%	50%
Rate for discounting scheme liabilities	5.4%	6.1%

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6 April 2007 will take advantage of this change to the pension scheme.

As in 2007/08, the discount rate used to put a value on liabilities and calculate the current service cost was based on the redemption yields available on long dated AA-rated corporate bonds.

The market values of each main class of assets held by the fund as at 31 March 2008 and the expected rate of return for the ensuing year are set out in the following table:

	Fair Value £000s	Proportion of Assets	Expected Returns 07/08	Expected Returns 08/09
Equities	20,846	70.2%	7.5%	7.5%
Government Bonds	2,791	9.4%	4.7%	4.6%
Other bonds	1,960	6.6%	5.4%	6.1%
Property	3,177	10.7%	6.5%	6.5%
Other	921	3.1%	5.25%	5.25%
Total	29,695			

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

The actuarial gains identified as movements on the Pensions Reserve in 2007/2008, can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008:

	2004/2005		2005/2006		2006/2007		2007/2008	
	£000s		£000s		£000s		£000s	
Differences between the expected and actual return on assets	1,062	4.6%	4,567	15.6%	353	1.1%	(3,325)	1.1%
Differences between actuarial assumptions about liabilities and actual experience	(134)	0.3 %	(1,619)	3.6%	-	-	(55)	0.1%
Changes in the demographic and financial assumptions used to estimate liabilities	(5,760)	15%	(3,193)	7.2%	2,072	4.7%	(3,087)	6.4%
Total Actuarial Gains/(Losses)	(4,832)	12.6%	(245)	0.6%	2,425	5.5%	(6,467)	13.5%

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

32. Reconciliation of surplus/deficit on the Income and Expenditure Account to the revenue activities net cash flow

	2006/07 £'000s	2007/08 £'000s
(Surplus)/Deficit on:		
General fund	(67)	(169)
Housing Revenue account	(319)	(191)
Collection fund	8	(23)
	(378)	(383)
Adjustment for Non Cash Transactions		
Misc.	326	944
Capital Creditors	(198)	(435)
Minimum Revenue Provision	-	(20)
Revenue Contribution to Capital	(1,314)	(725)
	(1,564)	(619)
Movement on funds and balances		
Increase/ (decrease) in Debtors	(520)	(297)
(Increase) / decrease in creditors	(67)	(116)
(increase) / decrease in provisions	119	(447)
	(2,032)	(1,479)
Other Items in the cash flow statement		
Payments to the capital receipts pool	662	275
Interest paid	(1,018)	(563)
Interest received	551	584
Net cash flow from revenue activities	(1,837)	(1,183)

33. Movement in Borrowing

	2006/07 £000s	2007/08 £000s
Long term Borrowing B/fwd	10,146	10,145
Repaid During Year	-	(13,445)
New Borrowing	-	3,300
Classified as short term borrowing	(357)	-
Long Term Borrowing c/fwd	9,789	-
Temporary Borrowing B/fwd	357	357
Net movement for the year	(357)	(357)
Classified as short term borrowing	357	-
Temporary Borrowing C/fwd	357	-
Total Increase / (Decrease) in Borrowing	(357)	(10,502)

34. Net (Increase) / Decrease in Cash

	2006/07 £000s	2007/08 £000s
Cash & Bank	(36)	(24)
Bank Overdraft	(16)	236
Net Increase / (Decrease) in Cash	(52)	212

35. Temporary Investments

	2006/07 £000s	2007/08 £000s
Temporary Investments B/fwd	8,816	8,350
Temporary Investments C/fwd	8,350	12,350
Increase / (Decrease) in Temporary Investments	(466)	4,000

36. There have been no changes to policy that affect the cashflow statement

37. Summary of Government Grants

	2006/07 £000s	2007/08 £000s
Housing Benefits	(15,107)	(15,708)
NNDR support from national pool	(3,697)	(4,074)
Revenue Support Grant	(744)	(684)
Total	(19,548)	(20,466)

THE HOUSING REVENUE ACCOUNT YEAR ENDED 31 MARCH 2008

2006/07			2007/08
£000s		Notes	£000s
2,127	Supervision and Management General		1,548
337	Repairs Administration		204
967	Repairs		320
-	Impairment		107,502
1,169	Depreciation	2	598
4,600			110,172
41	Debt Management expenses		41
4,641			110,213
(6,059)	Rents and Charges (Net)		(3,008)
(31)	Income from service charges		(22)
(100)	Allocation of Fees for Major Repairs		(100)
(41)	Reduced Provision for bad or doubtful debts		(24)
507	Subsidies	6	912
-	LSVT Receipt from Housing Association		(869)
-	LSVT Receipt for Repayment of Debt		(13,225)
(1,082)	NET COST OF SERVICE		93,876
51	HRA share of Corporate and Democratic Core costs		59
62	HRA share of Non-distributed costs		35
(969)	Net cost for HRA		93,970
19	(Gain) or loss on sale of HRA fixed asset		22
994	Interest Payable		464
8	Amortised PWLB Premiums & Discounts	7	0
(39)	Investment Income		(19)
12	(SURPLUS)/DEFICIT FOR THE YEAR		94,437

Statement of Movement on the Housing Revenue Account Balance

2006/07 £000s		2007/08 £000s
12	(Surplus)/deficit for the year on the HRA I&E a/c	94,437
(331)	Net additional amount required by statute to be debited /(credited) to the HRA balance for the year	(94,628)
(319)	(Increase) / decrease in the Housing Revenue account balance	(191)
(1,559)	Housing revenue account surplus brought forward	(1,878)
(1,878)	Housing revenue account surplus carried forward	(2,069)

NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)1. **Statement of Movement on the HRA Balance**

2006/07 £000s		2007/08 £000s
	Items included in the HRA I&E but excluded from movement in HRA balance	
	Difference between amounts charges to I&E exp for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	-
	LSVT Notional Receipt	13,225
	Difference between any other item if I&E determined in accordance the SORP and determined in accordance with statutory HRA requirements	(107,530)
(193)		
(19)	Gain or loss on sale of HRA fixed assets	(22)
	Net charges made for retirement benefits in accordance with FRS17	(11)
(35)		
	Items not included in the HRA I&E but included in the movement in HRA balances for the year	
(18)	Transfer to/(from) MRR	(11)
(65)	Transfer to / (from) Earmarked reserves	(279)
	Employers contribution payable to the Pension Fund and retirement benefits payable direct to pensioners	-
-		
	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	(94,628)
(331)		

2. **Depreciation**

The Council has undertaken a review of depreciation for dwellings within the HRA using proper practices. The result has been compared with the Major Repairs Allowance (MRA). It is considered that the difference between the value for depreciation calculated and the MRA would not result in a material misstatement in the accounts, therefore the MRA has been used to represent the value for depreciation charge for HRA dwellings. The depreciation charge during the year for dwellings was £586,970. The remaining £11,000 relates to non-dwelling depreciation.

3. Deferred Charges represent assets that are not shown on the Balance Sheet. During 2007/2008 a sum of £29,000 was incurred as a deferred charge for items such as disabled adaptations.

4. Arrears

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

5. Bad Debts

The Provision for Bad Debts was reduced from £24,000 to £0 to reflect no arrears in the accounts.

6. Subsidies

	2006/07 £000s	2007/08 £000s
Management & Maintenance	(2,374)	(2,403)
Debt Management	(41)	(41)
Interest	(1,340)	(1,254)
Interest on receipts	8	8
Rent element	5,434	5,742
Major Repairs Allowance	(1,151)	(1,174)
Rental Constraint Allowance	(28)	-
Admissable Allowance	(1)	-
Prior year adjustments	-	34
Total	507	912

7. PWLB Premium and Discounts

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

	2006/07 £000s	2007/08 £000s
Balance b/fwd	51	44
Repayment through LSVT	-	(44)
Discount	1	-
Premium	(8)	-
Balance c/fwd	44	-

8. Major Repairs Allowance and Reserve

The Major Repairs Reserve provides for major repair, improvement and renovation to property. The funds are transferred to a Reserve Account. Any amounts not spent are carried forward to the programme for the following year. During 2007/08 the reserve was utilised for the repair, improvement and conversion of existing property.

Major Repairs Reserve	2006/07 £000s	2007/08 £000s
Balance b/fwd	(55)	73
Income	(1,151)	(587)
Expenditure	1,279	514
Balance c/fwd	73	-

9. Housing Capital expenditure of £273k (£1.3 m in 2006/07), to bring Council Dwellings further in line with decent home standards, was financed from the Major Repairs Allowance.

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

	2006/07 £000s	2007/08 £000s
Sale of Dwellings	913	593
Repayment of Mortgages	7	16
Total	920	609

11. The Housing Revenue Account includes interest on housing debt and is calculated on the amount of debt outstanding on Housing Revenue Account assets. The interest on debt is calculated on the average debt of £6.1m at an interest rate of approximately 9.18%.

12. Earmarked Reserves

Movement on the HRA Earmarked Reserves can be found in Note 23 to the Core Statements.

THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT**FOR THE YEAR ENDED 31 MARCH 2008**

2006/07 £000s £			2007/08 £000s £
	<i>INCOME:</i>	NOTE	
(37,290)	Income from Council Tax	1	(39,169)
	Transfers from the General Fund:		
(4,000)	- Council Tax Benefits		(4,187)
<u>(41,290)</u>			<u>(43,356)</u>
<u>(12,512)</u>	Income Collectable from Business Ratepayers	2	<u>(12,925)</u>
<u>(53,802)</u>	TOTAL INCOME		<u>(56,281)</u>
	<i>EXPENDITURE:</i>		
	Precepts and Demands:	3	
29,491	- Essex County Council		30,973
3,408	- Police Authority		3,593
1,788	- Fire Authority		1,849
6,156	- Rochford District & Parish Councils		6,499
	Business Rates:		
12,427	- Payments to Pool		12,820
84	- Cost of Collection Allowance		85
<u>53,354</u>			<u>55,819</u>
52	Movement on provisions for uncollectable amounts		26
<u>264</u>	Contribution towards previous years estimated surplus	6	<u>403</u>
<u>53,670</u>	TOTAL EXPENDITURE		<u>56,248</u>
	Movement on Fund Balance		
(1,641)	Surplus brought forward		(1,773)
(132)	(Surplus)/deficit for the year (Note 6)		(33)
<u>(1,773)</u>	SURPLUS CARRIED FORWARD (Note 6)		<u>(1,806)</u>

NOTES TO THE COLLECTION FUND

1. Council Tax

Council Tax derives from charges raised according to the values of residential properties, which have been classified into eight valuation bands, using estimated 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Essex County Council and other preceptors and this Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts). The basic amount of council tax for a Band D property for Rochford District (£179.28 in 2007/08), 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 44.4p in the £ of rateable value for 2007/08 (43.3p in the £ for 2006/07) 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 2008 was £34m compared to the comparable rateable value in 2006/07 of £33.1m

3. Precepts on the fund:

	Precept £000s
Essex County Council	29,715
Police Authority	3,433
Fire Authority	1,802
Rochford District & Parish Councils	6,156

4. Uncollectable Debts.

Uncollectable debts of £25,172 for council tax and £53,563 for non-domestic rates were written off in 2007/08.

5. Calculation of the Council Tax base for 2007/2008

Tax Band	Estimated Properties after adjustments	Proportion of charge	Band D Equivalent Properties
A	1,009	6/9	673
B	2,704	7/9	2,103
C	10,290	8/9	9,147
D	9,344	9/9	9,344
E	4,472	11/9	5,466
F	1,994	13/9	2,880
G	1,043	15/9	1,739
H	65	18/9	130
Total			31,482
Less Adjustment for Collection Rate			98%
Total Council Tax Base			30,852

6. Redistribution of Surplus

The balance for the Collection Fund does not tie directly into the Balance Sheet due to the redistribution of the surplus to all precept demanding bodies. These surplus distributions are included within the creditors figure on the balance sheet for payment in the following year. The table below shows how the two figures relate.

	31 March 2007 £000s	31 March 2008 £000s
Balance per Collection Fund	1,773	1,806
Redistribution to:		
Essex County Council	342	351
Essex Police	40	41
Essex Fire	21	21
Balance per Balance Sheet	1,370	1,393

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 2007/08, the responsible officer was the Head of Finance, Audit and Performance Management.

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

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

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

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

Opinion

The Statement of Accounts presents fairly the financial position of Rochford District Council at 31 March 2008, and its income and expenditure for the year then ended.

Signed:
Head of Finance, Audit and
Performance Management

The Chairman's Approval

I confirm that these accounts were approved by the Council at its meeting on 26 June 2008.

Signed:
Chairman of the Council

Date: 26 June 2008

ANNUAL GOVERNANCE STATEMENT FOR 2007/08

Background

At the end of the financial year for 2007/08 the Council is responsible for producing an Annual Governance Statement (AGS). The recommended best practice, which has statutory backing, is to produce an AGS that incorporates the Corporate Governance Framework and the Statement on Internal Control (SIC) that were both previously produced, reported to Members and assessed by our External Auditors. The AGS will be produced as part of the review framework for good governance and internal control with a strong emphasis on whether the Council is achieving its objectives. Any significant or material issues affecting the Council will be identified and stated within the AGS.

Introduction

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. It is through monitoring and review of the legislative requirements, governance principles and management processes within the Council that we are able to assess our compliance with internal control and be assured of good governance arrangements.

The Purpose of The System of Internal Control

It is not possible to eliminate all risks that may impact on services that could lead to failure to achieve policies, aims and objectives. The system of internal control is designed to manage risk to an acceptable level; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Rochford District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control assessed for the 2007/08 accounts has been in place since 1 April 2007 and up to the date of approval of the Annual Report and Accounts.

The Internal Control Environment for 2007/08

The key elements on the internal control environment include:

- The Sustainable Community Strategy that is being updated and developed in line with the requirements of the Local Area Agreement (2) which forms the basis for developing our corporate objectives. The Corporate Plan for 2007 – 2010 shows the key issues affecting the Council and explains why we have the priorities we do. The Medium Term Financial Strategy supports this.
- The Vision to Reality document supplements the Corporate Plan and states where the Council would like to be in 2021 and the Council's aspirations.
- The Council is able to use these documents to feed the key objectives into the Divisional Service Plans and eventually into the Performance Development Reviews of individual staff.
- Other key strategy documents such as the Economic Development Strategy, ICT Strategy and Workforce Development Plan influence the Council's Corporate Objectives.
- 'Our performance over the past year and our plans for the future' are reported annually to the public and key stakeholders.
- A Performance Management framework and a Data Quality Policy have been embedded into the Authority with staff training on Data Quality and regular feedback to the Audit Committee. Staff were notified of the steps to take to protect data being transported outside the authority.
- Target setting within the Divisional Plans has been challenged and the monitoring and implementation of objectives within the plan provides evidence to support managers' assurances including risk assessments of key objectives.
- Appropriate and trained staff, handling delegated functions, and regular individual Performance Development Reviews strengthens governance arrangements.
- The Council successfully achieved Investors in People accreditation renewal.
- Senior officers, following a self-assessment, independently assessed the work of the Internal Audit Section as 'Effective' and it was reported that External Audit placed full reliance on their work.
- Clearly defined and regularly updated Constitution, established policies, procedures, laws and regulations. A revised Officer Code Of Conduct and Member Code Of Conduct was introduced in 2007/08.
- A revised political decision making structure was operational from May 2007 introducing Area Committees and an Executive Board. The structure retained the Review Committee, Standards Committee, Audit Committee, Appeals Committee and Licensing Committee.

- The Audit Commission undertook a review of Access to Services and over the course of 2007/08 an extensive action plan is being implemented with the support of Tribal Consultants and the Building Capacity East grant. This has enabled the Council to improve its frontline access to services, revise customer complaints/compliment arrangements, and develop staff whilst reviewing services through Business Process Re-engineering workshops.
- Value for Money benchmarking has been carried out using the Audit Commission's VFM toolkit and the Access to Services work is looking at the cost of frontline services. The Medium Term Financial Strategy includes the Authority's strategic approach to delivering VFM and the Procurement Strategy was substantially revised in 2007/08 using expertise from the Procurement for Essex Agency.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the work of the internal auditors and the managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by reports made by the external auditors and other review agencies and inspectorates. The Head of Finance, Audit and Performance Management is the Section 151 Officer and has responsibility for maintaining a sound system of internal control within the Council to support the proper management of finance and the achievement of the Corporate Financial Objectives and for reviewing their effectiveness. Internal Audit is a key mechanism for testing this effectiveness of these controls and reports regularly to the Audit Committee on the areas covered within the Annual Audit Plan. A self-assessment of the effectiveness of Internal Audit has been completed with overall satisfaction and an action plan to improve the service further. Internal Audit, working with our appointed external auditors, provides opinions on the adequacy and effectiveness of the system of internal financial control.

Corporate Governance arrangements are embedded within the Authority with the Constitution being updated with revised Member and Officer Codes of Conduct. The new Committee Structure has been operating since May 2007 and has been reviewed by the Council's Review Committee identifying recommendations for improvement. There has also been a further proposed revision to the Committee structure, which is awaiting Member approval.

The Review Committee produces an annual report of the key areas they have reviewed during the course of the year and Member assurance can now be placed on these areas. The areas that have been considered with recommendations and reported to the Executive Board are: An Overview of the Refuse Collection, Recycling, Street Cleansing and Grounds Maintenance Contract process, Anti-Social Behaviour Review, Operation of the New Political Decision Making Structure, Understanding of Planning Appeals Procedures and the effectiveness of different forms of representation, and a review of Implications of Global Warming Agenda on Rochford District and the role the District Council and its communities might play.

A light-touch Ethical Governance Health Check of Rochford District Council was undertaken during March 2007. The review was conducted by the Improvement and Development Agency for Local Government (IDeA) at the invitation of the Council's Standards Committee. The report acknowledged what the Council was doing well and also raised a number of recommendations for improvement, which form an action plan that is being implemented.

The Performance Management systems have developed and embedded over the year with regular reporting to Members on key performance indicators and an over-view from the Corporate Management Board. The introduction and development of the Divisional Planning process has improved the links between the Corporate Objectives and service objectives with further strengthening of the process planned for 2008/09. Within the Performance Management Framework, risk management has developed with an up-to-date Corporate Risk Register approved by Members and managed by the Corporate Risk Group.

Managers have completed a self-assessment questionnaire that is designed to focus on the embedding of key policies and procedures such as performance management and risk management. The summarised results show no significant areas of weakness. External Reviews have been undertaken within various service areas generating action plans that are monitored through internal management teams and regular reports to Members on the more significant areas. The Council has been re-accredited with Investor in People with an action plan to further enhance this service.

The Audit Commission undertook an Access to Services review during March 2007 and gave the Council a rating of 'Fair, with uncertain prospects for improvement'. During 2007/08, with support of Tribal Consultants, the Council has been implementing an action plan to improve this service. Equalities and Diversity has moved from a level one to level two.

Business Continuity has moved forward with an agreed framework on which service areas can undertake impact analysis. A service is now available for an IT site to be set-up within an articulated lorry for use at the Civic Suite or the Rochford Offices providing 30 terminals.

The Audit & Performance Manager has submitted an audit opinion for 2007/08 stating that overall controls are good with no significant areas of weakness identified within the scope of their review.

SIGNIFICANT INTERNAL CONTROL ISSUES

We are satisfied that except for the matters below a sound system of internal control has been in place throughout the financial year and is ongoing. The areas where the Council feels there are weaknesses are as follows:

- The Council has strengthened the processes around the areas identified in the 2006/07 Statement of Internal Control. The biggest challenge is ensuring these processes and further requirements around Access to Services continue to be embedded within the organisation and are robust enough to ensure a continuous level of improvement and compliance.
- The arrangements around Partnerships are becoming increasingly complex and demanding with regard to ensuring there are good governance arrangements. Even though the Council has made steps to ensure each Partnership is developed in line with an agreed framework the developing nature of arrangements and responsibilities means that it is too early to be able to give assurance on the robustness of this process.

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

Signed: Date:
Chief Executive

Signed: Date:
Leader of the Council