
FINANCIAL STATEMENTS 2010/11

1 SUMMARY

- 1.1 This report presents the audited financial statements for 2010/11 for approval (appended).
- 1.2 The external auditors, PKF, have now completed their audit of the statements. Their report on the audit is presented as a separate item to this meeting.
- 1.3 The Council agrees a medium term financial strategy (MTFS) each year in order to produce a balanced budget, which maintains a suitable level of balances. The forecast for General Fund balances as at 31 March 2011 was £941k with a net contribution from balances and reserves of £1.23m. Following closure of the accounts, the final figure for General Fund balances was in line with this forecast.

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 Financial Services Manager direct (details at the end of this report) before the meeting.

3 SIGNING AND APPROVAL

- 3.1 The Accounts and Audit Regulations were amended in 2011. The financial statements must now be signed as true and fair by the Chief Finance Officer before 30 June and then Member approval must be given to the audited statement to allow publication by 30 September. Council has given delegation for that approval to the Audit Committee. Following approval by Committee, the financial statements should be signed and dated by the Chairman residing over that Committee. This will be arranged after this meeting.

4 ANNUAL GOVERNANCE STATEMENT

- 4.1 The annual governance statement, which forms part of the financial statements, was considered in detail by the Audit Committee on 8 June 2011 and will be signed by the Chief Executive and Leader of the Council prior to final publication.

5 FINANCIAL STATEMENTS

- 5.1 The main highlights of the financial performance for 2010/11 are summarised below:-

Income and Expenditure Account – General Fund

- 5.2 Overall the General Fund, after contributions to earmarked reserves, was in line with the original estimate. The analysis of variations against budget was

reported to the Executive on 13 July. Against the target savings figure of £750,000, £900,000 was achieved.

- 5.3 The final outturn on the main income streams for 2010/11, compared to original and revised estimates, was lower than expected, primarily due to the delayed recovery in the housing market with the consequent effect on planning and building control fees.

	Original Estimate £	Revised Estimate £	Actual £
Planning Fees	224,000	264,000	211,580
Building Control	256,000	256,000	217,257
Land Charges	130,000	86,000	111,739
Investment Income	180,000	90,000	105,638
Parking Fees	850,000	810,000	794,714

Balance Sheet

- 5.4 The balance sheet, which reports the assets and liabilities for the Authority, is showing an increase in net worth of nearly £2.1m. This is primarily due to the fall in pension liability, which fell from £23.3m to £18.7m. These figures are based on the FRS17 accounting standard, which does not determine the contributions that are paid to the fund. The value of the pension liability under FRS17 would not be the same as if a full actuarial revaluation had taken place and is based on approximate calculations. Offset against this is a general reduction in money owing to the Council, investment levels and value of the Council's assets due to yearly depreciation charges and revaluation changes.
- 5.5 Part of the financial statements includes the capital investment. During 2010/11 the Authority's expenditure on capital items was £1.75m, against a forecast of £1.29m. This is a significant increase on budget due to a £200k grant from Thames Gateway for Warm and Decent homes and a grant of £441k from Essex County Council to develop the Grange Community Centre into a Sure Start Centre.

Earmarked Reserves

- 5.6 In line with the Council's policy on reserves, the Council maintains a number of earmarked reserves to identify funds from surplus income or unused budget in order to provide sums for specific projects and service development.

5.7 List of earmarked reserves showing the movement in the year:-

Earmarked Reserves	Balances at 31/03/10 £000s	Movement in 2010/11 £000s	Balance at 31/03/11 £000s	Description
Corporate	545	372	917	This includes sums set aside for corporate tasks, including Community Safety, Insurance and Planning Appeals.
Housing	167	(49)	118	This includes money for functions specific to the Housing Services, for example homelessness and priority needs.
IT Strategy	250	0	250	This reserve is for the provision of IT equipment and ensures that the Council's IT infrastructure is fit for purpose. The contribution to the reserve is from savings achieved during the financial year above target.
Projects	1,152	(261)	891	Retains funds earmarked for Projects being undertaken by the Authority. Includes funds for the Joint Area Action Plan for Southend Airport. It also includes funds held on behalf of third parties for example the Local Strategic Partnership.

Earmarked Reserves	Balances at 31/03/10 £000s	Movement in 2010/11 £000s	Balance at 31/03/11 £000s	Description
Repairs & Maintenance	150	62	212	This reserve ensures that funds are available for works in progress or outstanding at the end of the year or unplanned works to the Council's Assets.

Changes to accounts following audit

- 5.8 All changes identified were disclosure issues, and have not impacted on the net worth of the Council or General Fund balances.
- 5.9 The majority of changes were to the disclosure and presentation contained within the notes. There were two issues affecting the figures in the statements.
- 5.10 The first was relating to a change to actuarial assumptions changing the use of Retail Price Index in valuations to Consumer Price Index. The external auditors have requested that due to the significance of the figure the resultant past service gain is shown as an exceptional item rather than in non distributed costs where past service costs and gains are normally shown.
- 5.11 The second amendment relates to a change in the methodology used to produce the accounts and showed £584,000 of recharge income being charged to Environmental Services rather than non distributed costs.
- 5.12 This and all other issues identified by PKF are detailed in its annual governance report, which is a separate item on this agenda.

6 MAJOR JUDGMENTS MADE

- 6.1 In the preparation of the accounts, the Head of Finance may be required to make judgments or use estimates. The types of judgment include asset life and depreciation methods. The main estimate is on the housing benefit subsidy. The figures included in the accounts are based on the draft end of year subsidy claim form, which is still subject to external audit checking that will be completed in October.

7 CHANGES TO ACCOUNTING POLICIES

- 7.1 The financial statements are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11. The code interprets the accounting standards, such as International Financial

Reporting Standards (IFRS), published by the Accounting Standards Board. The code also gives guidance on the wording to be used in the notes to the accounts and the layout of the financial statements.

- 7.2 For 2010/11, the most significant change has been the transition to International Financial Reporting Standards. This has required the financial statements for 2010/11 and the preceding two years to be re-stated in a number of areas. This Committee has previously been updated with the areas that are affected and progress on the works to make the accounts IFRS compliant.

8 RISK IMPLICATIONS

- 8.1 It is a statutory requirement to have the financial statements published by 30 September 2011.

9 RECOMMENDATION

- 9.1 It is proposed that the Committee **RESOLVES**

- (1) That the financial statements be approved and signed by the Chairman.
- (2) That the movement in earmarked reserves be agreed.

Yvonne Woodward

Head of Finance

Background Papers:-

None.

For further information please contact Carrie Cox (Financial Services Manager/Chief Accountant) on:-

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

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ROCHFORD DISTRICT COUNCIL
FINANCIAL STATEMENTS 2010/2011

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Further information about the accounts is available from:

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EXPLANATORY FOREWORD

Rochford District Council's Financial Statements comprise 5 statements and their associated notes.

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

Movement in Reserves Statement.

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

Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. It breaks down service costs into gross expenditure (exp.) and gross income (inc.)

For 2010/11, the Authority's movement in balances is a net contribution from reserves of £1.2m.

Balance Sheet

The Balance Sheet shows the value as at 31 March 2011 of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statements line 'Adjustments between accounting basis and funding basis under regulations'.

As at the 31 March 2011, the Authority has seen a net increase in its assets of £2.2m compared to the same time in the previous year.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Authority.

There are two methods of compiling the cash flow, and this year the Authority has chosen to change the methodology used to the indirect method, therefore the statement and notes appear different to that seen in previous years. The concept of what is being achieved is not affected.

As at 31 March, the Authority's cash balances had increased by £696,000 from the same time the previous year.

Collection Fund

This Authority is a billing authority, this means that it bills and collects Council Tax and National Non Domestic Rates on behalf of other precepting authorities (e.g. the County Council) and Central Government.

The transactions relating to this function are recorded in the Collection Fund Statement. The Authority's share of these transactions are recorded in the Balance Sheet and Comprehensive Income and Expenditure Account. The Collection Fund Adjustment Account figure shown in the Balance Sheet is this Authority's share of the Collection Fund balance.

Policy Changes

For 2010/11 the accounts are required to be compiled under International Financial Reporting Standards. This requires the previous 2 years to be restated into this format. The changes to the accounts can be seen in Note 37.

Under IFRIC 4, all leases need to be reviewed. As part of this review it was identified that the Waste Collection, Grounds Maintenance and Street Cleansing Contracts all contained an embedded finance lease for the vehicles used within these contracts. Therefore these have been added to the Balance Sheet as assets for the vehicles, and a liability for the finance lease. As at March 2011, this accounts for £1.4m of balance sheet liabilities and assets.

Capital Expenditure

The Capital Expenditure incurred in the year has mainly been on the continued development of Cherry Orchard Jubilee Country Park and Hall Road Cemetery. There was also significant investment into expanding Grange Community Centre in Rayleigh into a Sure Start Centre. This was funded by a grant from Essex County Council. Other than Government Grants, the Authority's capital programme is funded by capital receipts.

Pension Liability

Details of the Authority's Pension Scheme can be found in Note 33 to these accounts. Although the Authority has a net liability to the scheme, this is managed in such a way so as to minimise the impact of the payments towards the liability on the Income and Expenditure of the Authority.

Current Economic Climate

The Authority has currently managed to meet the challenges it faces due to the downturn in the economic climate with minimal impact to its customers. No services have been cut and this is hoped to be the position heading into 2011/12, although an additional £1.4m savings still need to be identified.

Financial information

Note 34 details the current Contingent Liabilities the Authority faces. There have not been any material write offs in the year, and there are no provisions.

Up until the date these accounts were authorised for issue, there were no post balance sheet items to be noted in the accounts.

The headline service expenditure compared to budgets can be found below.

General Fund - Net Expenditure Compared to Budget 2010/11

	Original Estimate £000s	Revised Estimate £000s	Actual Exp/(Inc) £000s	Variance Rev - Act £000s
Central Services	990	1,059	852	207
Non Distributed Costs	862	903	(12)	915
Cultural, Environmental & Planning Services	10,095	9,389	9,051	338
Highways, Roads & Transport Services	355	308	475	(167)
Housing Services	1,472	1,381	1,665	(284)
Corporate & Democratic Core	2,219	1,954	2,055	(101)
Exceptional Item	-	-	(3,048)	3,048
Net Costs of Services	15,993	14,994	11,038	3,956
Revenue Contribution to Capital				-
Staffing Strategy Savings	(400)	(150)	-	(150)
Target Efficiency Savings	(750)	-	-	-
Reversal of Capital Charges	(1,906)	(2,002)	(2,709)	707
Reversal of Government Grants Deferred	-	-	458	(458)
FRS 17 Retirement Benefits	-	-	3,636	(3,636)
Reversal of absence accrual	-	-	29	(29)
Minimum Revenue Provision	-	-	257	(257)
Total	12,937	12,842	12,709	133
Interest Received	(186)	(91)	(104)	13
Interest Payable	-	-	61	(61)
Contribution to/(from) reserves	-	-	124	(125)
General Fund Expenditure	12,751	12,751	12,790	(39)
Parish Precepts	1,011	1,011	1,011	-
General Fund Expenditure	13,762	13,762	13,801	(39)
Contribution To/(From) General Fund Balances	(1,234)	(1,234)	(1,232)	(2)
Government Grants not budgeted for	-	-	(41)	41
Amount to be met by Government Grant and Local Tax Payers	12,528	12,528	12,528	-

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2009/10			2010/11		
Gross Exp. £000s	Gross Inc. £000s	Net Exp. £000s	Gross Exp. £000s	Gross Inc. £000s	Net Exp. £000s
<u>Continuing operations</u>					
6,267	(5,505)	762	6,601	(5,749)	852
11,549	(2,517)	9,032	11,555	(2,504)	9,051
1,665	(1,306)	359	2,000	(1,525)	475
17,087	(15,681)	1,406	18,422	(16,757)	1,665
2,568	(309)	2,259	2,345	(290)	2,055
209	(49)	160	61	(73)	(12)
-	-	-	-	(3,048)	(3,048)
39,345	(25,367)	13,978	40,984	(29,946)	11,038
Cost Of Services					
945 <u>Other Operating Expenditure (Note 9)</u>					
470 <u>Financing and Investment Income and Expenditure</u> (Note 10)					
(12,305) <u>Taxation and Non-Specific Grant Income (Note 11)</u>					
3,088 <u>(Surplus) or Deficit on Provision of Services</u>					
<u>Surplus or deficit on revaluation of non current assets</u>					
(1,819) Revaluation gains					
- Revaluation losses (chargeable to revaluation reserve)					
1,269					
<u>Actuarial gains / losses on pension assets / liabilities (Note 33)</u>					
5,404 Matching the entry to the pensions reserve					
6,673					
(40) <u>Other Comprehensive Income and Expenditure</u>					
6,633 <u>Total Comprehensive Income and Expenditure</u>					

Balance Sheet as at 31 March 2011

31 March 2009 £000s	31 March 2010 £000s		31 March 2011 £000s
39,713	40,217	Property, Plant & Equipment (Note 12)	38,741
105	105	Investment Property	-
204	253	Intangible Assets (Note 14)	252
		Long Term Debtors	
47	39	Mortgages	27
40,069	40,614	Long Term Assets	39,020
8,218	4,824	Short Term Investments (Note 15)	3,837
2,024	4,261	Short Term Debtors (Note 16)	2,665
2,000	869	Cash and Cash Equivalents (Note 17)	1,565
12,242	9,954	Current Assets	8,067
(3,183)	(2,362)	Short Term Creditors (Note 18)	(2,219)
(3,183)	(2,362)	Current Liabilities	(2,219)
(2,893)	(2,564)	Long Term Creditors (Note 15)	(1,841)
		Other Long Term Liabilities (Note 33)	
(17,470)	(23,309)	Net pensions liability	(18,666)
(11)	(211)	Capital Grants Receipts In Advance	(152)
(20,374)	(26,084)	Long Term Liabilities	(20,659)
28,754	22,122	Net Assets	24,209
(8,771)	(7,111)	Usable Reserves	(5,879)
(19,983)	(15,011)	Unusable Reserves (Note 19)	(18,330)
(28,754)	(22,122)	Total Reserves	(24,209)

I certify that the accounts present a true and fair view of the financial position of the Council as at 31 March 2011 and the income and expenditure for the year then ended.

Signed:

Chief Finance Officer

Dated:

Movement In Reserves Statement for year ending 31 March 2010 and 31 March 2011

	General Fund Balance	Earmarked GF Reserve	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Note 19)	Total Authority Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2009	809	1,883	3,270	2,590	219	8,771	19,983	28,754
Movement in reserves during 2009/2010								
Surplus or (Deficit) on provision of services	(3,088)	-	-	-	-	(3,088)	-	(3,088)
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	(3,544)	(3,544)
Total Comprehensive Income & Expenditure	(3,088)	-	-	-	-	(3,088)	(3,544)	(6,632)
Adjustments between accounting & funding basis under regulations (Note 7)	4,833	-	(3,270)	(135)	-	1,428	(1,428)	-
Net Increase/Decrease before transfers to Earmarked Reserves	1,745	-	(3,270)	(135)	-	(1,660)	(4,972)	(6,632)
Transfers to/from Earmarked Reserves	(381)	381	-	-	-	-	-	-
Increase/(Decrease) (Movement) in Year	1,364	381	(3,270)	(135)	-	(1,660)	(4,972)	(6,632)
Balance at 31 March 2010	2,173	2,264	-	2,455	219	7,111	15,011	22,122
Movement in reserves during 2010/2011								
Surplus or (Deficit) on provision of services	603	-	-	-	-	603	-	603
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	1,484	1,484
Total Comprehensive Income & Expenditure	603	-	-	-	-	603	1,484	2,087
Adjustments between accounting & funding basis under regulations (Note 7)	(1,711)	-	-	(124)	-	(1,835)	1,835	-
Net Increase/(Decrease) before transfers to Earmarked Reserves	(1,108)	-	-	(124)	-	(1,232)	3,319	2,087
Transfers (to)/from Earmarked Reserves (Note 8)	(124)	124	-	-	-	-	-	-
Increase/(Decrease) (Movement) in Year	(1,232)	124	-	(124)	-	(1,232)	3,319	2,087
Balance at 31 March 2011 carried forward	941	2,388	-	2,331	219	5,879	18,330	24,209

Cash Flow Statement for year ending 31 March 2011

2009/2010	2010/2011
<u>£000s</u>	<u>£000s</u>
(3,087) Net (surplus) or deficit on the provision of services	603
504 Adjust net surplus or deficit on the provision of services for non cash movements	(1,259)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and (1,005) financing activities	(1,646)
<u>(3,588) Net cash flows from operating activities (Note 20)</u>	<u>(2,302)</u>
4,315 Investing Activities (Note 21)	1,868
(1,858) Financing Activities (Note 21)	1,130
<u>(1,131) Net increase or decrease in cash and cash equivalents</u>	<u>696</u>
2,000 Cash and cash equivalents at the beginning of the reporting period	869
869 Cash and cash equivalents at the end of the reporting period (Note 17)	1,565

Notes to the Core Financial Statements

1. ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Financial Statements summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by the International Financial Reporting Standards (IFRS).

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

ACCRUALS FOR INCOME AND EXPENDITURE

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

Where income and expenditure have been recognised in the Comprehensive Income and Expenditure Statement, 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. Where amounts are not considered significant, these are not accounted for and are recorded separately from the accounts.

CASH AND CASH EQUIVALENTS

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

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

EXCEPTIONAL ITEMS

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statements (CI&E) or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

EMPLOYEE BENEFITS

Benefits Payable During Employment

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

Post Employment Benefits

Local Government Pension Scheme (LGPS):

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

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

Liabilities are discounted to their value at current prices using a discount rate of 5.5% 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 attributed to the Authority are included in the Balance Sheet at their fair value, using either current bid price, professional estimate or market value for property.

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.
- 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 Movement in Reserves Statement there are appropriations to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and any amounts payable to the Fund but unpaid at year-end.

Discretionary Benefits:

The Authority 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.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue. Two types of event can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Financial Statements are adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period - the Financial Statements are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Financial Statements.

FINANCIAL INSTRUMENTS

Financial Assets

Financial assets are classified into two types:

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

The Authority only has loans and receivables.

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

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

GOVERNMENT GRANTS

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

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

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

Where conditions are not yet satisfied, monies are carried as creditors in the Balance Sheet. When they are satisfied, it is then credited to the relevant service area in the Comprehensive Income and Expenditure Statement if a revenue grant, or to Taxation and Non Specific Grant income, on the face of the statement. Capital Grants are then reversed out of the General Fund balance in the Movement in Reserves Statement.

Unapplied grants are reversed into the Capital Grants Unapplied reserve until applied, when it is posted to the Capital Adjustment Account.

INTANGIBLE ASSETS

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

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

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

LEASES

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

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

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

OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those services that benefit from the supply of service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice (BVACOP) 2010/11. The full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs - Costs of the Authority that cannot be directly attributable to specific services.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

The requirement to show costs gross of movement to reserves, and the timing of creating recharges leaves residual balances on some administration cost centres, therefore these are disclosed under Non Distributed Costs.

PROPERTY, PLANT & EQUIPMENT

Expenditure on the acquisition or enhancement of Property, Plant & Equipment 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 2010.

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

- Operational assets have been included in the Balance Sheet at market value for existing use or depreciated replacement cost for specialist properties.
- Community Assets are recorded at Historic Cost.
- Car parks are valued on the basis of existing use value.

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

The Authority's fixed asset register contains vehicles used to provide the services under the Waste Collection, Street Cleansing and Grounds Maintenance Contracts. These vehicles are managed under an embedded finance lease.

Depreciation

Depreciation is charged to the Comprehensive Income and Expenditure Statement 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
- 5-10 years for furniture and equipment.

All assets have been reviewed to consider the components that make up the assets, and the effects on the depreciation charge. Other than the existing land and buildings, no other material components have been identified.

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

CONTINGENT LIABILITIES & ASSETS

These are where an event has taken place that creates a possible obligation (liability) or benefit (asset) which has not yet been confirmed or is outside the control of the Authority.

RESERVES

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

The following reserves are kept to manage the accounting process for non-current assets and employee benefits, these are not usable resources for the Authority.

- o The Revaluation Reserve, which represents principally the balance of the surpluses or deficits arising on the revaluation of fixed assets.
- o 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.
- o Short Term Absences Account which represents the amounts of untaken leave not yet represented in the accounts.
- o The Pension Reserve holds the differences between amounts of pension costs and contributions and also the actuarial gains and losses.

REVENUE EXPENDITURE FUNDED FROM CAPITAL

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

VAT

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

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE YET TO BE ADOPTED

For 2010/11 the only accounting policy change that needs to be reported relates to FRS 30 Heritage Assets. There are no assets held on the Authority's Balance Sheet that would be required to be redisclosed as Heritage Assets under the new Accounting Standard.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgments about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- As invoices are raised and received after year end, a decision is made as to whether they significantly affect the Accounts. Where this is the case they are amended for. Recharges are not amended to take these into consideration.
- Depreciation is calculated based on the Useful Economic Life of an asset. When calculating these each year there is an assumption that there will not be an major change to the condition of the asset or the market value.
- Each year Pension transactions are determined by the actuary. These are subject to triannual revaluations and accounting assumptions. The accounts are produced annually assuming that the assumptions used in that year will be in place going forward.

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

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

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:-

Item	Uncertainties	Effect if Actual Results differ from Assumptions
Depreciation	The annual charge made is based on Useful Economic Lives (UEL), which are only an estimation of the period of time over which an asset will continue to be of economic benefit to the Authority.	If the UEL changes significantly, then there potentially could be a significant change to the charge to service expenditure. This item however is reversed out of General Fund Balances so wouldn't impact on the level of reserves. Changes to the UEL would also affect the componentisation policy adopted.
Bad Debt Provision	The provision is based on a calculation of previous years outstanding debts and is therefore based on historical information.	The amount of revenue recognised in the accounts will be incorrect and the level of assets recorded in the balance sheet will be incorrect.
Housing Benefit Claim	The figures in the accounts are based on an estimated unaudited claim.	If figures change, then adjustments are put through in the following year's Accounts when final figures are known. So over time balances will be accurate.

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

There are no items of material income and expenditure that need to be disclosed.

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Head of Finance on 22 June 2011. Events taking place after this date up until the date of Committee approval on the 29 September 2011 are reflected in the Financial Statements or notes. Where events take place before this date provided information about conditions existed at 31 March 2011, the figures in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events requiring disclosure.

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

2010/11	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Adjustment Account:	£000s	£000s	£000s	£000s
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:				
Charges for depreciation of non current assets and amortisation of intangible assets.	(1,781)			1,781
Revaluation losses on Property, Plant and Equipment	(224)			224
Capital, grants and contributions applied	985			(985)
Revenue expenditure funded from capital under statute	(703)			703
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:				
Statutory provision for the financing of capital investment	257			(257)
Adjustments primarily involving the Capital Receipts Reserve:				
Use of Capital Receipts Reserve to finance new capital expenditure		788		(788)
Contribution to the Capital Receipts Reserve for Unattached Capital Receipts	659	(659)		
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(8)	8		
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash		(13)		13
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,531			(2,531)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which Council Tax income credited to the Comprehensive Income & Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(34)			34
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	29			(29)
Total Adjustments:	1,711	125	-	(1,835)

2009/10 Comparative figures	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Adjustment Account:	£000s	£000s	£000s	£000s
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:				
Charges for depreciation of non current assets and amortisation of intangible assets.	(1,925)			1,925
Impairment of non-current assets	(4)			4
Capital, grants and contributions applied	265			(265)
Revenue expenditure funded from capital under statute	(518)			518
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:				
Statutory provision for the financing of capital investment	317			(317)
Adjustments primarily involving the Capital Receipts Reserve:				
Use of Capital Receipts Reserve to finance new capital expenditure		877		(877)
Contribution to the Capital Receipts Reserve for Unattached Capital Receipts	741	(741)		
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(7)	7		
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash		(8)		8
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(435)			435
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which Council Tax income credited to the Comprehensive Income & Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(6)			6
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	9			(9)
Total Adjustments:	(1,563)	135	-	1,428

8. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/2012

	Balance at 1 April 2009 £000s	Transfers Out 2009/10 £000s	Transfers In 2009/10 £000s	Balance at 31 March 2010 £000s	Transfer Out 2010/11 £000s	Transfer In 2010/11 £000s	Balance at 31 March 2011 £000s
General Fund:							
Corporate	419	-	126	545	(97)	469	917
Housing	128	-	39	167	(54)	5	118
IT Strategy	313	(63)	-	250	(65)	65	250
Projects	868	-	284	1,152	(288)	27	891
Repairs and Maintenance	130	-	20	150		62	212
West Street	25	(25)	-	-			-
Total	1,883	(88)	469	2,264	(504)	628	2,388

9. OTHER OPERATING EXPENDITURE

2009/10 £000s	2010/11 £000s
938 Parish council precepts	1,011
7 Payments to the Government Housing Capital Receipts Pool	8
- Gains/losses on the disposal of non-current assets	-
945 Total	1,019

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/10 £000s	2010/11 £000
71 Interest payable and similar charges	61
1,349 Pensions interest cost and expected return on pensions assets (Note 33)	1,105
(209) Interest receivable and similar income	(104)
(741) Unattached Capital Receipts	(659)
470 Total	403

11. TAXATION AND NON SPECIFIC GRANT INCOMES

2009/10 £000s	2010/11 £000
(7,149) Council tax income	(7,345)
(4,073) Non domestic rates	(4,471)
(963) Revenue Support Grant	(649)
(38) Non-ring fenced Government Grants	(70)
(82) Capital grants and contributions	(528)
(12,305) Total	(13,063)

12. PROPERTY, PLANT & EQUIPMENT

Movement in Balances

2010/11	Operational			Non-operational	Total
	Other Land & Buildings	Community Asset	Vehicles & Plant	Investment Property	
	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2010	37,015	1,587	3,876	105	42,583
Additions	515	405	73	-	993
Disposals	-	-	-	-	-
Revaluation gain (Revaluation Reserve)	197	-	-	9	206
Revaluation loss (Revaluation Reserve)	(2,052)	-	-	-	(2,052)
Revaluation loss (CI&E)	(264)	-	-	-	(264)
Transfer	114	-	-	(114)	-
Gross book value as 1 April 2011	35,525	1,992	3,949	-	41,466
Depreciation					
Accumulated depreciation	(1,263)	-	(998)	-	(2,261)
Accumulated amortisations	-	-	-	-	-
Depreciation for year	(1,178)	-	(545)	-	(1,723)
Depreciation written back on disposal & revaluation	1,259	-	-	-	1,259
Balance at 31 March 2011	(1,182)	-	(1,543)	-	(2,725)
Net book value of assets at 31 March 2011	34,343	1,992	2,406	-	38,741
This balance is made up of:					
Gross book value	37,015	1,587	3,876	105	42,583
Movement	(1,490)	405	73	(105)	(1,117)
Accumulated depreciation	(1,182)	-	(1,543)	-	(2,725)
	34,343	1,992	2,406	-	38,741

Comparative Figures for 2009/10				Non- operational	Total
	Other Land & Buildings	Community Assets	Vehicles & Plant	Investment Property	
	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2009	36,333	1,332	3,769	105	41,539
Additions	185	255	107	-	547
Disposals	-	-	-	-	-
Revaluation Gain (Revaluation Reserve)	501	-	-	-	501
Revaluation Loss (Comprehensive I&E)	(4)	-	-	-	(4)
Gross book value as 1 April 2011	37,015	1,587	3,876	105	42,583
Depreciation					
Accumulated depreciation	(1,320)	-	(744)	-	(2,064)
Accumulated amortisations	-	-	-	-	-
Depreciation for year	(1,261)	-	(254)	-	(1,515)
Depreciation written back on disposal & revaluation	1,318	-	-	-	1,318
Balance at 31 March 2010	(1,263)	-	(998)	-	(2,261)
Net book value of assets at 31 March 2010	35,752	1,587	2,878	105	40,322
This balance is made up of:					
Gross book value	36,333	1,332	3,769	105	41,539
Movement	682	255	107	-	1,044
Accumulated depreciation	(1,263)	-	(998)	-	(2,261)
	35,752	1,587	2,878	105	40,322

Depreciation

The bases used in the calculation of depreciation are documented in Note 1 to these Statements.

Capital Commitments

At 31 March 2011, the Authority does not have any capital commitments.

Effects of Changes in estimates

There have been no changes to the Authority's accounting estimates for Property, Plant and Equipment for the current year.

Revaluations

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 by physical inspection each year, all operational assets are subject to a desk top review by the same valuers, and therefore all have some form of revaluation each year. There are also material assets, i.e. Leisure Centres that are fully revalued annually.

The last valuation was carried out as at 1 April 2010.

13. TRUST FUNDS

The Council administers three small Trust Funds. These are Dutch Cottage Trust, King George Palying Field Trust, and the Finchfield Trust. King Georges does not have any transactions for disclosure for 2010/11. The current outturn for the other two trust is shown below. We are the Custodian Trustees of the fixed assets and consequently these are not included on our balance sheet.

Trust	Income £000s	Expenditure £000s	Assets £000s	Liabilities £000s
Dutch Cottage	6	3	126	1
Finchfield	53	59	878	-

14. INTANGIBLE ASSETS

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

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

Movement in Intangible Fixed Assets:

Purchased Software Licences	2009/10 £000s	2010/11 £000s
Accumulated Cost	639	757
Amortisations to 1 April	(435)	(504)
Balance at 1 April	204	253
Expenditure in year	118	56
Amortisation written off in year	(69)	(57)
Balance at 31 March 2010	253	252
Comprising		
Accumulated Cost	757	813
Amortisations to 31 March	(504)	(561)

15. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Current		
	31 March 2009 £000s	31 March 2010 £000s	31 March 2011 £000s
Investments	8,218	4,824	3,837
Cash and Cash Equivalents	2,000	869	1,565
Debtors	1,365	1,339	2,125
Total Loans and Receivables	11,583	7,032	7,527
Short Term Financial Liabilities	(2,534)	(1,933)	(1,628)
Total Financial Liabilities carried at Amortised Cost	(2,534)	(1,933)	(1,628)
	Long Term		
Long Term Financial Liabilities	(2,893)	(2,564)	(1,841)
Total Financial Liabilities carried at Amortised Cost	(2,893)	(2,564)	(1,841)

Income, Expense, Gains and Losses

	Loans and Receivables 2009/10 £000s	Loans and Receivables 2010/11 £000s
Interest Income from Loans and Receivables	209	104
Total Income in Surplus/Deficit on the provision of services	209	104
Interest Paid on Other Liabilities	(71)	(61)
Total Expense in Surplus/Deficit on the provision of services	(71)	(61)
Net gain/(loss) for the year	138	43

The interest paid relates to the calculated interest payment on the embedded lease for the Waste, Grounds Maintenance and Street Cleansing Vehicles.

Fair Values of Assets and Liabilities

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

	2008/09		2009/10		2010/11	
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
Investment	8,218	8,310	4,824	4,840	3,837	3,850

The Authority is debt free

16. DEBTORS COMPRISE:

	2008/09 £000s	2009/10 £000s	2010/11 £000s
Central Government bodies	83	2,865	468
Other Local Authorities	518	-	-
Other entities and Individuals	1,423	1,395	2,198
Total	2,024	4,260	2,665

17. CASH AND CASH EQUIVALENTS

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

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

31 March 2009 £000s	31 March 2010 £000s		31 March 2011 £000s
1	1	Cash held by the Authority	1
1,999	868	Bank Current Accounts	1,564
2,000	869	Total Cash and Cash Equivalents	1,565

18. CREDITORS COMPRISE

	2008/09 £000s	2009/10 £000s	2010/11 £000s
Central Government Bodies	(233)	(1)	-
Other Local Authorities	(352)	(358)	(526)
Other Entities and Individuals	(2,598)	(2,003)	(1,693)
Total	(3,183)	(2,362)	(2,219)

19. RESERVES

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

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

31 March 2010		31 March 2011
£000		£000
(6,564)	Revaluation Reserve	(5,850)
(31,596)	Capital Adjustment Account	(31,004)
(49)	Deferred Capital Receipts Reserve	(36)
23,309	Pensions Reserve	18,666
(198)	Collection Fund Adjustment Account	(164)
87	Accumulated Absences Account	58
(15,011)	Total Unusable Reserves	(18,330)

Revaluation Reserve

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

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

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

2009/10		2010/11
£000s		£000s
(4,871)	Balance at 1 April	(6,564)
(1,819)	Upward revaluation of assets	(1,029)
4	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	1,656
(1,816)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	627
123	Difference between fair value depreciation and historical cost depreciation	87
123	Amount written off to the Capital Adjustment Account	87
(6,564)	Balance at 31 March	(5,850)

Capital Adjustment Account

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

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

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

2009/10		2010/11
£000s		£000s
(32,418)	Balance at 1 April	(31,596)
(40)	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:	-
1,856	Charges for depreciation and impairment of non-current assets	1,723
-	Revaluation losses on Property, Plant & Equipment	224
69	Amortisation of intangible assets	58
518	Revenue expenditure funded from capital under statute	703
(122)	Adjusting amounts written out of the Revaluation Reserve	(87)
2,281	Net written out amount of the cost of non-current assets consumed in the year	2,621
	Capital financing applied in the year:	
(877)	Use of the Capital Receipts Reserve to finance new capital expenditure	(787)
(265)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(985)
(317)	Statutory provision for the financing of capital investment charged against the General Fund balances	(257)
(31,596)	Balance at 31 March	(31,004)

Pensions Reserve

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

2009/10		2010/11
£000s		£000s
17,470	Balance at 1 April	23,309
5,404	Actuarial gains or losses on pensions assets and liabilities	(2,112)
2,012	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	(944)
(1,577)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,587)
23,309	Balance at 31 March	18,666

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place, i.e. mortgages. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure unless they are backed by cash receipts. When the deferred cash settlement expenditure eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2009/10		2010/11
£000s		£000s
(57)	Balance at 1 April	(49)
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
8	Transfer to the Capital Receipts Reserve upon receipt of cash	13
<u>(49)</u>	Balance at 31 March	<u>(36)</u>

Collection Fund Adjustment Account

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

2009/10		2010/11
£000s		£000s
(205)	Balance at 1 April	(198)
7	Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	34
<u>(198)</u>	Balance at 31 March	<u>(164)</u>

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2009/10		2010/11
£000s		£000s
96	Balance at 1 April	87
(96)	Settlement or cancellation of accrual made at the end of the preceding year.	(87)
<u>87</u>	Amounts accrued at the end of the current year	<u>58</u>
(9)	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(29)
<u>87</u>	Balance at 31 March	<u>58</u>

20. CASH FLOW STATEMENT - OPERATING ACTIVITIES

Adjustments to the net surplus on the provision of services

2009/10 £000s	Non Cash movements	2010/11 £000s
(3,087)	Net Surplus on the Provision of Services	603
1,857	Depreciation	1,724
-	Downward Valuations	223
70	Amortisation	57
(798)	Movement in Creditors	(1,023)
294	Movement in Interest Debtors	(13)
(1,354)	Movement in Debtors	304
435	Pension Liability	(2,531)
504	TOTAL	(1,259)
	<i>Investing / Financing Activities</i>	
(265)	Capital Grants credited to the surplus on the Provision	(986)
(740)	Proceeds from the sale of Non Current Assets	(660)
(1,005)	TOTAL	(1,646)
(3,588)	Net Cashflow from Operating	(2,302)

The cash flows for operating activities include the following items:

2009/10 £000s		2010/11 £000s
(551)	Interest Received	(91)
71	Interest Paid	61
(480)	Total	(30)

21. CASH FLOW STATEMENT - INVESTING & FINANCING ACTIVITIES

The cash flows for investing activities include the following items:

2009/10 £000s		2010/11 £000s
(499)	Purchase of property, plant and equipment, investment property and intangible assets	(731)
(74,760)	Purchase of short-term and long-term investments	(56,400)
8	Proceeds from the sale of property, plant and equipment, investment	13
77,860	Proceeds from short-term and long-term investments	57,400
1,706	Other receipts from investing activities	1,586
4,315	Net cash flows from investing activities	1,868

The cash flows for financing activities include the following items:

2009/10 £000s		2010/11 £000s
(1,541)	Council Tax and NNDR adjustments	1,458
(317)	Payments for reduction in Finance Lease Liability	(328)
(1,858)	Net cash flows from financing activities	1,130

22. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Executive on the basis of budget reports analysed across service areas. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- National Non-Domestic Rates charged on the Authority's own assets.

The income and expenditure of the Authority's principle services recorded in the budget reports for the year is as follows:

Head of Service Income & Expenditure 2010/11.	Chief Executive £000s	Deputy Chief Executive £000s	Community Services £000s	Environmental Services £000s	Finance, Audit & Performance Management £000s	Information & Customer Services £000s	Legal, Member & Committee Services £000s	Planning & Transportation £000s	Total £000s
Fees, Charges & other service income	(345)	-	(5,733)	(1,548)	(20)	(3)	(277)	(1,791)	(9,717)
Government Grants	-	-	(16,747)	(2)	-	-	-	(149)	(16,898)
Total Income	(345)	-	(22,480)	(1,550)	(20)	(3)	(277)	(1,940)	(26,615)
Employee Expenses	875	235	1,533	943	623	1,165	744	1,235	7,353
Other service expenses	966	3	23,714	4,446	70	1,352	860	1,468	32,879
Support Service recharges	317	(246)	1,312	698	(700)	(2,241)	(200)	1,087	27
Total Expenditure	2,158	(8)	26,559	6,087	(7)	276	1,404	3,790	40,259
Net Expenditure	1,813	(8)	4,079	4,537	(27)	273	1,127	1,850	13,644

Head of Service Income & Expenditure 2009/10.	Chief Executive £000s	Deputy Chief Executive £000s	Community Services £000s	Environmental Services £000s	Finance, Audit & Performance Management £000s	Information & Customer Services £000s	Legal, Member & Committee Services £000s	Planning & Transportation £000s	Total £000s
Fees, Charges & other service income	-	(33)	(1,112)	(1,385)	(9)	(5)	(292)	(1,695)	(4,531)
Government Grants	(448)	-	(19,999)	-	-	-	-	(152)	(20,599)
Total Income	(448)	(33)	(21,111)	(1,385)	(9)	(5)	(292)	(1,847)	(25,130)
Employee Expenses	748	305	1,564	900	637	1,083	592	1,401	7,230
Other service expenses	1,163	21	22,460	4,846	42	1,411	1,104	1,321	32,368
Support Service recharges	426	(200)	1,239	386	(661)	(2,306)	89	1,015	(12)
Total Expenditure	2,337	126	25,263	6,132	18	188	1,785	3,737	39,586
Net Expenditure	1,889	93	4,152	4,747	9	183	1,493	1,890	14,456

Reconciliation of Service Income & Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement.

This reconciliation shows how the figures in the analysis of services income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2009/10 £000s	2010/11 £000s
Net expenditure in the service analysis	14,456	13,644
Net expenditure of services and support services not included in the analysis	(341)	
Amounts in the comprehensive Income & Expenditure statement not reported to management in analysis	(138)	(2,606)
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	-	-
Cost of services in the Comprehensive Income and Expenditure Account	13,977	11,038

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis 2010/11	Service Analysis £000s	Services & Support Services not in Analysis £000s	Amounts not reported to management for decision making £000s	Amounts not included in I&E £000s	Allocation of Recharges £000s	Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, Charges & other service income	(9,717)	-	-	-	-	-	-	(9,717)
Interest and Investment income	-	-	-	-	-	(102)	-	(102)
Income from Council Tax	-	-	-	-	-	-	(13,063)	(13,063)
Government grants and contributions	(16,898)	-	-	-	-	-	-	(16,898)
Total Income	(26,615)	-	-	-	-	(102)	(13,063)	(39,780)
Employee Expenses	7,353	-	294	-	-	(3,060)	-	4,587
Other service expenses	31,097	-	233	-	-	(71)	(2)	31,257
Support Service recharges	27	-	-	-	-	-	-	27
Depreciation, amortisation and impairment	-	-	-	-	-	1,782	-	1,782
Payment to Housing capital Receipts pool	-	-	-	-	-	-	8	8
Precepts & Levies	-	-	-	-	-	-	1,011	1,011
Financing & Investments Income and Expenditure	-	-	-	-	-	-	332	332
Interest Payments	-	-	-	-	-	-	71	71
Total Expenditure	38,477	-	527	-	-	(1,349)	1,420	39,075
Surplus or deficit on the provision of services	11,862	-	527	-	-	(1,451)	(11,643)	(705)

Reconciliation to Subjective Analysis 2009/10	Service Analysis £000s	Services & Support Services not in Analysis £000s	Amounts not reported to management for decision making £000s	Amounts not included in I&E £000s	Allocation of Recharges £000s	Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, Charges & other service income	(4,531)	-	-	-	-	-	-	(4,531)
Interest and Investment income	-	-	-	-	-	-	(115)	(115)
Income from Council Tax	-	-	-	-	-	-	(12,304)	(12,304)
Government grants and contributions	(20,599)	-	-	-	-	(341)	-	(20,940)
Total Income	(25,130)	-	-	-	-	(341)	(12,419)	(37,890)
Employee Expenses	7,231	-	(35)	-	-	-	-	7,196
Other service expenses	30,839	-	12	-	-	-	-	30,851
Support Service recharges	(12)	-	-	-	-	-	-	(12)
Depreciation, amortisation and impairment	-	-	-	-	-	1,527	-	1,527
Payment to Housing capital Receipts pool	-	-	-	-	-	-	7	7
Interest Payments	-	-	-	-	-	-	61	61
Precepts & Levies	-	-	-	-	-	-	409	409
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	938	938
Gain or Loss on disposal of fixed assets	-	-	-	-	-	-	-	-
Total Expenditure	38,058	-	(23)	-	-	1,527	1,415	40,977
Surplus or deficit on the provision of services	12,928	-	(23)	-	-	1,186	(11,004)	3,087

23. AGENCY SERVICES

The Authority provides Accountancy and Payroll Services for Thamesgateway South East Partnership involving payments of around £404,000. A fee of £7,505 is charged annually. It is not possible to isolate the costs associated with this service as it is run in conjunction with RDC's functions by the same officers.

24. POOLED BUDGETS

The Authority does not operate any formal pooled budget arrangements. However, the Authority 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 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: £78,818 for Rochford District Council.
- Performance Reward Grant: £199,063 for Rochford Local Strategic Partnership

The total amount for the scheme was £1,226,905 split over all member authorities.

25. 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:

	2009/10 £000s	2010/11 £000s
Basic Allowance	165	165
Special Responsibility Allowance	124	124
Travel & Subsistence	7	5
TOTAL	296	294

26. OFFICERS' REMUNERATION

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

Salary Band £	Number of employees	
	2009/10	2010/11
50,000 - 54,999	2	1
55,000 - 59,999	1	
65,000 - 69,999	1	1
70,000 - 74,999	5	5
75,000 - 79,999		1
90,000 - 94,999	1	
95,000 - 99,999	1	
115,000 - 119,999	1	1
145,000 - 150,000		1

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

Financial Year 2010/11

Job title	Bonuses	Salary -includes fees & allowances	Expense allowance	Benefits in kind (e.g. car allowance)	Compensation for loss of office	Pension contribution	Total remuneration including pension contributions
	£	£	£	£		£	£
Chief Executive	84	116,849	289	1,369	-	14,474	133,065
Corporate Director (Internal Services)	103	16,253	59	319	53,248	2,013	71,995
Deputy Chief Executive	84	93,460	223	1,483	51,029	11,577	157,856
Head of Finance	170	72,953	400	1,348	-	9,046	83,917
Head of Community Services	338	68,699	106	1,233	-	8,519	78,895
Head of Information & Customer Services	169	68,699	70	1,273	-	8,519	78,730
Head of Legal, Estates & Member Services	169	74,380	338	1,344	-	9,214	85,445
Head of Environmental Services	169	68,699	165	1,328	-	8,519	78,880
Head of Planning & Transportation	169	68,797	235	1,402	-	8,519	79,122

Financial Year 2009/10

Job title	Bonuses	Salary -includes fees & allowances	Expense allowance	Benefits in kind (e.g. car allowance)	Compensation for loss of office	Pension contribution	Total remuneration including pension contributions
	£	£	£	£		£	£
Chief Executive	84	116,826	265	1,293	-	14,474	132,942
Corporate Director (Internal Services)	169	95,352	207	1,186	-	11,811	108,725
Deputy Chief Executive	-	91,294	259	1,226	-	11,308	104,087
Head of Finance	-	68,699	242	1,228	-	8,519	78,688
Head of Community Services	85	67,137	80	1,171	-	8,325	76,798
Head of Information & Customer Services	169	68,699	250	1,173	-	8,519	78,810
Head of Legal, Estates & Member Services	169	70,148	265	1,246	-	8,686	80,514
Head of Environmental Services	169	68,699	175	1,250	-	8,519	78,812
Head of Planning & Transportation	169	68,797	449	1,265	-	8,519	79,199

There were two payments for compensation for loss of office in the year. £53,248 was paid to the Corporate Director (Internal Services) and £51,029 to the Deputy Chief Executive. In addition to the figures above, the Chief Executive also received payment of £9,544 for his role as the Returning Officer for the district council elections.

27. EXTERNAL AUDIT COSTS

The following fees relate to Audit and Inspection works for the Council for 2010/11:

	2009/10 £000s	2010/11 £000s
Fees paid to PKF for External Audit Services	123	110
Fees paid to Audit Commission for Statutory Inspection	9	-
Fees paid to PKF for Certification of Grant Claims and Returns	29	28
Fees paid to Audit Commission for other Services Provided	2	-
Fees paid to PKF for Data Quality check on Performance Indicators	4	-
Total	167	138

28. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income & Expenditure in 2010/11:

	2009/10 £000s	2010/11 £000s
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	940	649
NNDR entitlement	4,073	4,471
Area Based Grant	23	35
New Burdens Grant	-	34
Local Area Business Growth Incentive	38	-
Forestry Commission for Cherry Orchard	32	-
Big Lottery	50	-
Playbuilder Grant/Aiming High	-	72
Sure Start Grant	-	442
Football Association	-	15
Total	5,156	5,718
Credited to services		
Disabled Facilities Grant	127	154
Private Sector Renewal Grant	55	38
Thamesgateway warm and decent homes grant	-	265
Total	182	457

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

	2010/11 £000s
Capital Grants Receipts in Advance	
Big Lottery Fund	10
Thamesgateway Warm and Decent Homes	135
Aiming High	7
Total	152

29. RELATED PARTIES

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

Central Government - Central Government has effective control over the general operations of the Council as it is responsible for setting the statutory framework within which the Authority operates, provides the majority of its funding and prescribes the terms of many of the Council's transactions, for example, housing benefits. Grants received from Government Departments are set out in the subjective analysis in Note 22 on reporting for resources allocations decisions. Grants receipts outstanding at 31 March 2011 are shown in note 28.

Members - Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2010/2011 is shown in Note 26. £77,000 was paid to Rayleigh and Rochford District Association Voluntary Services of which Cllr Mrs Lumley is on the governing body. £1,000 was paid to Star Partnership, and £2,400 to Waking Young Peoples Community Project for which Cllr Mrs McPherson acts as a volunteer. £20,000 was paid to Thames Gateway and £10,000 to Groundwork South Essex of which Cllr Cutmore holds a directorship. All grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants.

30. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2009/10 £000's	2010/11 £000's
Opening Capital Financing Requirement **	477	477
Capital Investment		
Property, Plant and Equipment		
Intangible Assets	118	56
Other Land & Buildings	185	515
Vehicles, Plant, Equipment & Furniture	107	73
Community Assets	255	405
Revenue expenditure funded by capital	516	704
Total Capital Expenditure	1,181	1,753
Financed by:		
Useable Capital Receipts	877	787
Government Grants	264	985
Contribution from Revenue & Reserves		
Government Grants & other contributions		
<i>Sums set aside from revenue:</i>		
Direct revenue contributions		
Total Financing	1,141	1,773
Increase in underlying need to borrowing (unsupported by)	-	-
Increase/(Decrease) in Capital Financing Requirement	40	(19)

** NB, it should be noted that the CFR calculated above is different from the CFR used for Minimum Revenue Provision (MRP) purposes. In calculating the latter, the an adjustment for any Housing Revenue Balance held as at a certain date is taken into consideration. This gives this Authority a negative CFR for MRP purposes.

31. LEASES

Finance Leases

The Authority, as Lessee, has identified that the contracts for Waste Collection, Street Cleansing and Grounds Maintenance contain embedded leases for the vehicles used. These are therefore included within the Authority's Balance Sheet as Vehicles within Property, Plant and Equipment at the following net amounts:-

	31 March 2009 £000s	31 March 2010 £000s	31 March 2011 £000s
Vehicles, Plant, Furniture and Equipment	2,040	1,700	1,360

The costs paid annually for these vehicles are made up as below:-

	31 March 2010 £000's	31 March 2011 £000's
<i>Finance lease liabilities (net present value of minimum lease payments):</i>		
Current	328	339
Non-Current	1,429	1,090
Finance costs payable in future years	189	127
Minimum lease payments	1,946	1,556

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2010	31 March 2011	31 March 2010	31 March 2011
No later than one year	389	389	328	339
Later than one year and not later than five years	1,557	1,167	1,429	1,090
Total	1,946	1,556	1,757	1,429

32. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2010/2011, incurring liabilities of £238,229 (£58,339 in 2009/2010). Of this total, £138,555 is payable to Directors in the form of compensation for loss of office, including enhanced pension benefits of £34,278.. The remaining £99,674 is payable to officers who were made redundant as part of the Authority's rationalisation of Services.

33. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The Authority participates in one post employment scheme, which is the Local Government Pension Scheme, administered by Essex County Council - this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions Relating to Post-employment Benefits

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

	2009/2010	2010/2011
Comprehensive Income & Expenditure Statement		
Cost of Services:		
Current service cost	(642)	(961)
Past service gain	-	3,048
Curtailment	(21)	(38)
Financing and Investment Income and Expenditure		
Interest cost	(2,892)	(3,082)
Expected return on scheme assets	1,543	1,977
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(2,012)	944
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial gains and losses	(5,404)	2,112

Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement		
	(7,416)	3,056
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	435	(2,531)
Actual amount charges against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	1,577	1,587

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 11 is a loss of £8.187m

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of Present Value of the Scheme Liabilities (defined benefit obligation):

	2009/2010	2010/2011
Opening balance at 1 April	(40,993)	(55,580)
Current Service Cost	(642)	(961)
Interest Cost	(2,892)	(3,082)
Member Contributions	(373)	(359)
Actuarial Gains & (Losses)	(12,191)	3,922
Benefits Paid	1,532	2,411
Past Service Costs	(21)	3,010
Closing balance at 31 March	(55,580)	(50,639)

Reconciliation of Fair Value of Scheme Assets:

	2009/2010	2010/2011
Opening balance at 1 April	23,523	32,271
Expected Rate of Return	1,543	1,977
Actuarial Gains and Losses	6,787	(1,810)
Employer Contributions	1,577	1,587
Member Contributions	373	359
Benefits Paid	(1,532)	(2,411)
Closing balance at 31 March	32,271	31,973

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £3.076m (2009/2010: £8.330m)

Scheme History

	2006/07 £000s	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s
Present Value of Liabilities	(44,363)	(47,968)	(40,993)	(55,580)	(50,639)
Fair Value of Assets	31,639	29,666	23,523	32,271	31,973
Surplus/(Deficit) in Scheme	(12,724)	(18,302)	(17,470)	(23,309)	(18,666)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £50.6m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £18.7m. However statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2012 is £1.6m.

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 2010.

The principal assumptions used by the actuary have been:

	2009/10	2010/11
Long-term Expected Rate of Return on Assets in the Scheme:		
Equity investments	7.50%	7.50%
Bonds	4.50%	4.40%
Other Bonds	5.20%	5.10%
Cash/Liquidity	0.50%	0.50%
Property	6.50%	6.50%
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men	22.1	22.6
Women	25.0	25.2
Longevity for future pensions:		
Men	23.1	24.0
Women	25.9	26.8
Rate of RPI Inflation	3.30%	3.40%
Rate of CPI inflation	2.80%	2.90%
Rate of Increase in Salaries	4.80%	4.40%
Rate of Increase in Pensions	3.30%	2.90%
Rate for Discounting Scheme Liabilities	5.60%	5.50%
Proportion of take-up of option to convert annual pension into retirement lump sum	50.00%	50.00%

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

	31 March 2010 %	31 March 2011 %
Equities	67.50	69.50
Government Bonds	7.90	6.70
Other Bonds	10.00	9.50
Property	9.30	11.20
Cash/Liquidity	5.30	3.10
Other	0.00	0.00
	100.00	100.00

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/2011, can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010.

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Differences Between the Expected and Actual Return on Assets	1.1	11.6	35.4	21.5	5.8
Experience Gains and Losses on Liabilities	-	0.2	-	-	7

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

34. CONTINGENT LIABILITIES

The authority has received a claim in respect of the award of a contract which seeks substantial damages for loss of income. At this stage the outcome and the possible amount of any payment is uncertain.

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.

35. CONTINGENT ASSETS

As at the 31 March 2011, the Authority are anticipating a refund from HMRC under the Fleming Case for VAT previously paid over exempt Leisure Classes. Until the money is received from HMRC there is no guarantee of the amount to be received. As it relates to previous years, it has not been treated in the accounts.

36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- o credit risk - the possibility that other parties might fail to pay amounts due to the Authority.
- o liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments.
- o market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates.

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

Credit Risk

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

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £3.8m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to happen.

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

	Amount at 31 March 2011 £000s A	Historical experience of default % B	Historical experience adjusted for market conditions at 31 March 2011 C	Estimated maximum exposure to default and uncollect- ability at 31 March 2011 £000s (A X C)
Deposits with Banks & Financial Institutions	3,837	-	-	-
Customers	458	2	2	8
			Total	8

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

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

	31 March 2010 £000s	31 March 2011 £000s
Less than 43 days	52	170
43-63 days	2	1
64-84 days	3	1
Greater than 84 days	115	131
Total	172	303

Amounts not yet due are £155,000 for 2010/11 (£351,000 for 2009/10).

Liquidity Risk

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

All trade and other payables are due to be paid in less than one year. The Authority remained debt free in 2010/11.

Market Risk

Interest Rate Risk

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

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

The Authority only undertake fixed rate investments therefore changes in interest rates during an investment, would not have affected the interest on these investments. However, had the interest rate been 1% higher at the inception of each investment, then the Authority would have obtained an additional £77,000 income.

Price Risk

The Authority does not invest in equity shares or quoted securities, therefore there is no price risk.

Foreign Exchange Risk

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

37. IFRS RESTATEMENT

Lines of the accounts are only shown where there has been a change to the figure in the year. Key to columns is at the end of this note. The restated Income & Expenditure Account is not shown in this note as the largest individual net movement was only £81,930 relating to the reclassification in grants, and therefore are not material to the accounts.

BALANCE SHEET AS AT 31 MARCH 2009	31 March 2009 £000's	1	2	3	4	5	Total
Property Plant and equipment	35,013			2,659	2,040		39,712
Vehicles, Plant and Equipment	1,327			(1,327)			-
Community Assets	1,332			(1,332)			-
Short Term Investments	9,568		(1,350)				8,218
Cash & Cash Equivalents	650		1,350				2,000
Short Term Acc Compensated Abs Acc	-					(96)	(96)
Government Grants Deferred	(1,933)	1,933					-
Capital Grants received in adv		(11)					(11)
Finance Lease Liability					(2,074)		(2,074)
TOTAL ASSETS LESS LIABILITIES	26,962	1,922	-	-	(34)	(96)	28,754
Capital Adjustment Account	(30,747)	(1,703)			34		(32,416)
Capital Grants unapplied		(219)					(219)
Accumulated Absences Acc	-					96	96
TOTAL NET WORTH	(26,962)	(1,922)	-	-	34	96	(28,754)

BALANCE SHEET AS AT 31 MARCH 2010 (Including amendments from above)	31 March 2010 £'000	1	2	3	4	5	Total
Property Plant and equipment	35,751			2,766	1,700		40,217
Vehicles, Plant and Equipment	1,179			(1,179)			-
Community Assets	1,587			(1,587)			-
Short Term Acc Compensated Abs Acc	(96)					9	(87)
Government Grants Deferred	(149)	149					-
Capital Grants received in adv	(11)	(200)					(211)
Finance Lease Liability	-				(1,757)		(1,757)
TOTAL ASSETS LESS LIABILITIES	22,221	(51)	-	-	(57)	9	22,122
Capital Adjustment Account	(31,704)	51			57		(31,596)
Accumulated Absences Acc	96					(9)	87
TOTAL NET WORTH	(22,221)	51	-	-	57	(9)	(22,122)

NB: These statements cannot be added up as only an extract of figures from the full statements.

KEY

1 - Grants

2 - Cash & Cash Equivalents

3 - Property Plant and Equipment

4 - Leases

5 - Employee Benefits

**Collection Fund Income and Expenditure Account
for the year ended 31 March 2011**

2009/10 £000s		2010/11 £000s
<hr/>		
	Income	
(41,856)	Income from Council Tax	(42,652)
	Transfers from the General Fund:	
(4,934)	Council Tax Benefits	(5,195)
(46,790)		(47,847)
(13,761)	Income Collectable from Business Ratepayers	(13,792)
(60,551)	Total Income	(61,639)
<hr/>		
	Expenditure	
	Precepts and Demands:	
33,301	Essex County Council	34,123
4,005	Essex Police Authority	4,148
2,018	Essex Fire and Rescue Authority	2,086
7,098	Rochford District & Parish/Town Councils	7,326
	Business rates:	
13,638	Payments to Pool	13,633
89	Cost of Collection Allowance	88
60,149		61,404
	76 Movement on Provisions for Uncollectable Amounts	117
	Distribution of Previous Year's Estimated Surplus	
270	Essex County Council	243
32	Essex Fire and Rescue Authority	29
16	Essex Police Authority	15
57	Rochford District Council & Parish/Town Councils	52
60,600	Total expenditure	61,860
<hr/>		
	Movement on Fund Balance	
(1,341)	Surplus Brought Forward	(1,292)
49	(Surplus)/Deficit for the Year	221
(1,292)	Surplus Carried Forward	(1,071)
<hr/>		

NOTES TO THE COLLECTION FUND

1. Council Tax

Council Tax derives from charges raised according to the values of residential properties, which have been classified into eight valuation bands, using estimated 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Essex County Council and other preceptors and this Authority for the forthcoming year and dividing this by the Council Tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts). The basic amount of Council Tax for a Band D property for Rochford District (£201.15 in 2010/11), was added to the basic amount due to the parish/town councils and the total was multiplied by the specified proportion to give an individual amount due. Precepts in respect of Essex County Council, Essex Police Authority and Essex Fire Authority were added to this figure.

2. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specified an amount of 43.3p in the £ of rateable value for 2010/11 (48.5p in the £ for 2009/10) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Authority is responsible for collecting rates due from the ratepayers in its area 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 2011 was £41m (£34m in 2009/10).

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 2011. The Collection Fund total on the balance sheet 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.

	2009/10 £000s	2010/11 £000s
Balance per Collection Fund	1292	1071
Redistribution due to:		
Essex County Council	(243)	(419)
Essex Police Authority	(29)	(51)
Essex Fire and Rescue Authority	(15)	(26)
Balances attributable to:		
Essex County Council	(682)	(348)
Essex Police Authority	(83)	(42)
Essex Fire and Rescue Authority	(42)	(21)
Balance Sheet 31 March	198	164

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

	2009/10 £000s	2010/11 £000s
Redistribution of surplus	52	90
Share of Balance	146	75
Balance Sheet 31 March	198	165

4. Uncollectable Debts.

Uncollectable debts of £40,499 for Council Tax (£31,213 2009/10) and £118,471 for Non-Domestic Rates (£145,345 for 2009/109) were written off in 2010/11.

5. Calculation of the Council Tax 2010/11

The Council Tax for Rochford residents for 2010/11 for an average Band D property was as follows:

	BAND D
	£
Parish/Town Councils	32.19
Rochford District Council	201.15
Essex County Council	1,086.75
Essex Fire and Rescue Authority	66.42
Essex Policy Authority	132.12
Total	1,518.63

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	1,020.50	6/9	680
B	2,831.73	7/9	2,202
C	10,268.51	8/9	9,128
D	9,397.25	1	9,397
E	4,464.01	11/9	5,456
F	2,025.51	13/9	2,926
G	1,053.25	15/9	1,755
H	66.25	18/9	133
Total			31,677
Adjustments for Band D Full Year Equivalents			199
A reduction			1
			31,877
Less Adjustment for Collection Rate			98.50%
Total Council Tax Base			31,399

ANNUAL GOVERNANCE STATEMENT FOR 2010/11

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[1] 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(3) of the Accounts and Audit Regulations 2011 the completion of an Annual Governance Statement.

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 an acceptable 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 2011 and up to the date of approval of the Statement of Accounts for 2010/11.

[1] CIPFA = Chartered Institute of Public Finance Accountants
SOLACE – Society of Local Authority Chief Executives

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.
- The Medium Term Financial Strategy (MTFS), including the 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 and 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 £2.3m 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 the Improvement Management Team, the Executive and Portfolio Holders.
- The Council operates a Standards Committee which is responsible for ensuring high standards are maintained by Councillors with the monitoring of Member Training which includes some compulsory training. The Charter Implementation Group which is a sub group of the Standards Committee worked with members and officers to help the Council achieve the South East Charter for Elected Member Development. The Charter is effective for three years with a direction of travel review after eighteen months.

- Under the Localism Bill it is proposed to abolish the Standards Board Regime which will come into effect after it has received Royal Assent and is enacted. The Council has decided to continue with the Standards Committee and will continue with a voluntary code of conduct.
- 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. They conduct research, and consultation to inform the analysis of policy issues and develop possible options. They consider and implement 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 2010/11 this included an update on the Local Strategic Partnership, a review of the Area Committees and Member Role on Outside Bodies. Consideration has also been given to the Refuse Collection, Recycling, and Street Cleansing contracts, capital works around Cherry Orchard Country Park and Surface Rainwater Drainage Systems.
- The Audit Committee has met four times over the course of the year reviewing, challenging and agreeing the work of Internal Audit and External Audit.
- 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. These are monitored through an action plan listing all consultation when it is planned and the reporting back method.

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 Rochford Local Strategic Partnership (LSP) has now agreed to merge with Castle Point LSP to improve joint working and help save on resources.

The Performance Management Framework system is embedded within the Council with regular reporting to Members and Senior Managers. The new software system 'CorVu' has been used in 2010/11 for the quarterly reporting of performance indicators. Going forward the system will be used for project planning and monitoring.

The Comments, Compliments and Complaints system within the Council is monitored and reported on quarterly. Mystery shopping of Council services in partnership with two other Essex Authorities continues and these results and information from 'Govmetric' our customer feedback system are also regularly reviewed.

The Council has reported regularly on its financial position ensuring the necessary savings targets have been achieved.

Business Process Re-engineering undertook a review of Homelessness Services and Planning (Section 106 agreements).

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 2010.

Key partnerships are reviewed 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 Forum, 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. The Chief Executive has introduced a regular blog on the intranet providing staff with information at key times.

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 e-learning system and continue to be reviewed.

The 'My Performance Review' process continues for all staff 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 continues to comply with the CIPFA toolkit which details best practice for the effective role of an audit committee.

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.

The Committee Section 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 has achieved the Charter for Elected Member Development and received the Gold Award for Investors in People (IIP).

The Workforce Development Plan has been reviewed and approved by the Council and considers various issues including succession planning. Managers have been identified to take part in the Essex wide Evolution programme providing training for future progression.

The flatter organisation structure has been risk assessed with no significant issues identified and the controls include the actions identified within the workforce Development Plan which includes the continuation of the career matrix within specific service areas.

The Strategic Improvement Plan for 2010/11 set out the actions required to strengthen the internal processes and mechanisms for delivering the Corporate Plan and continuous improvements in service delivery. Going forward the processes will be monitored through various streams including the Divisional Plans and Improvement Management Team.

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 an internal Officer Customer Access & Consultation Group which over the course of the year has worked on developing the Consultation plan and coordinating activity across the various divisions of the Council.

The proposed Place Survey for 2010 has not been undertaken following the Government's decision to abolish Comprehensive Area Assessments.

The Council undertook five information Days within different parts of the District with the focus on different groups as part of the work for the Local Strategic Partnership (LSP). A family information day was held in the gardens of the Council Offices.

Road Shows, Focus Groups and surveys are all used to obtain the public's views and opinions on different proposals from the Council. A "Have Your Say" group has been set up and currently comprises of just under 300 residents to act as a customer and consultation sounding board.

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 effectiveness of the committees has been reviewed by the Review Committee and going forward they will be replaced with Community Forums. This achieves some cost savings for the Councils as well as addressing some of the issues raised from the review work.

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

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. External Audit has been able to place reliance on the work of Internal Audit. Internal Audit also continues to have a high level of compliance against CIPFA's self assessment on what makes Internal Audit effective.

External Audit

The Council is subject to an annual programme of external audits and statutory inspections with reports made on the Council's governance, performance and accounting arrangements. Under the Government's Spending Review there has been a reduction in the number of external inspections, including the abolition of Comprehensive Area Assessments and the External Auditors no longer undertaking a review of Use of Resources. The Auditors issued a Value for Money judgement and have also given an opinion on the Annual Governance Statement and the Council's Annual Accounts for 2009/10.

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. These recommendations are reported and monitored to the Audit Committee. No significant issues have arisen within these recommendations.

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 Value for Money Judgement will be progressed and monitored through the Performance Management Framework.

The Audit Committee also monitors the reports and recommendations arising from the Internal Audit reviews.

ISSUES FROM 2009/10	ACTION COMPLETED DURING 2010/11
<p><i>'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'.</i></p> <p><i>'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'.</i></p>	<p>The Council started planning for the 2011/12 Spending Review early in 2010/11 with financial modelling of various scenarios including the final announcements. After a number of member sessions and public consultation, in January, Council agreed a budget that would deliver the required level of cost reductions or additional income to balance the budget. There is an action plan in place to ensure that delivery of the cost reductions/income is monitored regularly by the Senior Management Team and progress will be reported to Members during the financial year</p> <p>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</p>

SIGNIFICANT RISKS IDENTIFIED 2010/11	ACTION FOR 2011/12
<p>The Council has to deliver cost reductions and additional income totalling £1.4m in 2011/12 and there is a risk that the Council will not be able to achieve such a substantial target. This could have an impact on service delivery and the financial position of the Council in the short term, including its ability to maintain an appropriate minimum level of reserves and achieve value for money. In addition, the Council also has to continue to identify further cost reductions or additional income in order to produce a balanced budget for 2012/13. At the same time, the Government is currently reviewing the way that local authorities are funded with a view to introducing changes to the Formula Grant with effect from 2013/14 which could also have a significant impact on the level of Government funding the Council receives.</p>	<p>There is an action plan in place to ensure that delivery of the cost reductions/income is monitored regularly by the Senior Management Team and progress will be reported to Members during the financial year.</p> <p>Any changes to local authorities funding would be reported on as soon as the information is available.</p>
<p>The management arrangements during the letting of a major contract and the use of the competitive dialogue approach were identified as an area of weakness during the year and were subject to a review by the Executive.</p>	<p>The procedures, including the Contract Procedure Rules, for letting major contracts were reviewed by the Executive in January 2011 and included, in particular, the risks associated with the competitive dialogue approach. Members agreed that the Council's general policy would be that the competitive dialogue approach should be avoided unless there is clear justification and Member sanction, and Members have also asked to be notified beforehand of any contracts due to be let under competitive tendering.</p>

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

GLOSSARY OF TERMS

Accrual

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

Agency Services

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

Asset

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

Benefits

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.

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

Billing Authority

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

Capital Expenditure

This generally relates to expenditure on non-current assets that will be of use or benefit to the Council in providing its services for more than one year e.g. 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, Essex Fire & Rescue 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.

Fees and Charges

Charges made to the public for Council services and facilities.

Financial Year

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

General Fund

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

IFRS

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

Intangible Assets

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

Liability

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

Local Government Pension Scheme (LGPS)

The majority of council officers belong to this scheme.

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.

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 Council's financial affairs in accordance with Section 151 of the Local Government Act.

Revenue Support Grant

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

Code of Practice on Local Government Accounting

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.

Property, Plant & Equipment

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

Un-apportionable Overheads

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:-

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For the year 2010/11, the responsible officer was the Head of Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- 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.

In preparing this Statement of Accounts, the Head of Finance has:

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

The Head of Finance has also:

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

Opinion

The Statement of Accounts gives a true and fair view of the financial position of Rochford District Council at 31 March 2011, 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 2011.

Signed:

.....

Chairman of the Audit Committee

Date:

29 September 2011

Independent auditor's report to the Members of Rochford District Council

Opinion on the accounting statements

We have audited the accounting statements of Rochford District Council (the Council) for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (based on International Financial Reporting Standards).

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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Head of Finance's Responsibilities Statement, the Head of Finance is responsible for the preparation of the Council's Statement of Accounts, that include the accounting statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the accounting statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounting statements

In our opinion the accounting statements:

- give a true and fair view of the state of Rochford District Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

Opinion on other matter

In our opinion, the information given in the Explanatory Foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the governance statement on which we report to you if, in our opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

Respective responsibilities of the Council and auditor

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

Our responsibility requires us to review and, where appropriate, examine evidence that is relevant to the Council's corporate performance and financial management arrangements. It therefore excludes arrangements relating specifically to the delivery of front-line services, unless we have identified a significant risk with implications for corporate arrangements.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects, Rochford District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

Certificate

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

Richard Bint

for and on behalf of PKF (UK) LLP
PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London
EC1M 3AP

September 2011