# THURROCK BOROUGH COUNCIL
# STATEMENT OF ACCOUNTS 2010/11

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**Further information about the accounts is available from:**


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# EXPLANATORY FOREWORD

## 1. Statement of Accounts

The Code of Practice on Local Authority Accounting in United Kingdom 2010/11 requires publication of the following statements:

(i) The ***Statement of Responsibilities for the Accounts*** sets out the Council's and the Chief Financial Officer's responsibilities for the Statement of Accounts;

(ii) The ***Movement in Reserves Statement*** summarises the movements in the different reserves of the Council distinguishing between Usable and Unusable Reserves which are further analysed in the notes to the Financial Statements;

(iii) The ***Comprehensive Income and Expenditure Statement*** reports expenditure and income for each of the services provided by the Council and the Surplus or Deficit incurred on the provision of services in accordance with generally accepted accounting practices, rather than the amount funded from taxation. This statement consolidates the figures shown separately in the Housing Revenue Account Income and Expenditure Statement;

(iv) The ***Balance Sheet*** shows the assets, liabilities, and reserves held by the Council at the financial year end, 31 March 2011. This statement includes Collection Fund balances attributable to the Council;

(v) The ***Cash Flow Statement*** summarises the inflows and outflows of cash and cash equivalents arising from the Council's operating, investing and financing activities;

(vi) The ***notes to the Financial Statements*** provide further analysis and explanation of the figures contained in the Financial Statements. Included at Note 1 is the accounting policies;

(vii) The ***Housing Revenue Account (HRA) Income and Expenditure Statement*** (including supporting notes) summarises the income and expenditure relating to the local authority provision of social housing within the borough where the Council is the landlord. The ***Movement on HRA Balance*** takes the accounting surplus/deficit for the year on the Housing Revenue Account Income and Expenditure Statement and reconciles it to the statutory amount required to be charged to the Housing Revenue Account Balance for housing rent setting purposes;

(viii) The ***Collection Fund Statement*** (including supporting notes) records the Council Tax and Business Rate transactions in the financial year. The statement also shows the distribution of the Council Tax income to the Essex Police Authority and the Essex Fire and Rescue Authority; and

(ix) The ***Annual Governance Statement*** sets out the framework within which the control environment is managed and reports on areas of strengths and weaknesses.

## 2. The Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

These accounts have been prepared in accordance with the Code of Practice 2010/11, published by the Chartered Institute of Public Finance and Accountancy (CIPFA), which defines proper accounting practices for local authorities.

The major change in the 2010/11 accounts is that the Code of Practice 2010/11 has been drawn up to secure compliance of local authority accounts with International Financial Reporting Standards (IFRS) rather than with UK Generally Accepted Accounting Practices (UK GAAP). This has resulted in changes to the presentation of some of the financial statements, as evident above, and in the use of some different terminology. The change arises because local authorities, in common with the whole of the UK public sector, were required, in the small print of the 2007 Budget "Red Book", to adopt IFRS as their statutory accounting "proper practices". The main purpose of this change is to make the national accounts of UK plc compatible with those of all EU member and most other countries globally. As ever, accounting standards are not static and convergence of IFRS with US GAAP is also ongoing in an endeavour to standardise accounting standards globally.

Those familiar with private sector accounting will be aware that companies have published their financial statements in compliance with IFRS for the last few years. However IFRS have had to be adapted for public sector usage and this has been done with the guidance of International Public Sector Accounting Standards (IPSAS).

This change has necessitated the restatement of the 2009/10 accounts from their published UK GAAP compliance to IFRS compliance, including the publication of a restated opening Balance Sheet as at 1 April 2009. This restatement of the comparatives for 2009/10 has been appraised by our external auditors to ensure that they reflect an IFRS compliant true and fair view (Note 50 refers).

<u>IFRS Compliance</u>

It has been well documented in various Audit Committees, at a Council meeting and in the local press that the Council experienced significant difficulties in complying with IFRS that led to the Council not meeting the 30 September 2011 deadline for the accounts to have been signed off by the Audit Commission.

Indeed, reports from the Audit Commission over a number of years have identified a number of errors and uncertainties that with, the change to IFRS, have brought these errors and poor accounting practices to the fore.

This resulted in the Audit Commission issuing a Section 11 notice. A S11 is a series of recommendations that the Council must publish and debate at Full Council and this took place on 1 December 2011. The recommendations that have been accepted were:

1) The Council should put in place robust arrangements for the production of the 2011/12 financial statements, which meet statutory requirements and international financial reporting standards. In order to achieve this the Council should:

- ensure sufficient resources are available to support the accounts production;

- develop a comprehensive project plan which ensures:

    - the entries in the accounts are supported by good quality working papers which are available at the start of the audit; and

    - the financial statements and working papers have been subject to robust quality assurance prior to approval by the Director of Finance and Corporate Governance.

- provide additional training, where necessary, to ensure all staff involved in the accounts production process have the necessary skills and information; and

- monitor the production of the financial statements through regular reporting to Directors Board and the Audit Committee.

2) The Council should develop a robust framework through which members of the Audit Committee can obtain assurance that controls within financial systems are operating effectively. This should include ensuring reconciliations are completed on a timely basis.

There have since been a number of reports to the Audit Committee demonstrating progress against these recommendations including the recruitment of a new Chief Accountant and the commissioning of CIPFA consultants to support not just these recommendations but to assist with the 2009/10 restatement and 2010/11 accounts.

A number of corrections have now been made and there has been a significant improvement in supporting papers for key areas such as revenue grants and leases.

## 3. Financial Performance - General Fund

The net cost of services in the Income and Expenditure account has been presented in accordance with the Best Value Accounting Code of Practice (BVACOP). This is a different basis to the financial monitoring information presented to Cabinet on 8 June 2011, but reflects the same outcomes.

The Council set its 2010/11 budget for the year having identified £9m in savings. It was soon apparent that with economic factors such as high inflation, less income due to restricted budgets at the Primary Care Trust and then an in-year reduction of government grant due to the national austerity measures, a further £4m of savings were required and successfully identified

These pressures, totalling £13m, have had a mixed impact on services. There has been growth in the cost of some services through both demand and inflation but this has had to be balanced by equivalent reductions in service budgets, partly through efficiencies and partly through service reduction, adding further pressures to services that are often stretched.

Despite these pressures, through tighter financial control and a series of austerity measures, the Council's Directorates underspent by £1.031m. This included excess savings achieved at the time of the £4m savings exercise but has been reduced by the cost of severance charged to the revenue account brought about by a number of service restructures undertaken to reduce costs in future years.

| **Directorate** | **Budget** | **Outturn** | **Variance Reported to Cabinet** |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| Change and Improvement | 21,533 | 21,194 | (339) |
| Children, Education and Families | 26,437 | 26,059 | (378) |
| Community Well-being | 38,091 | 37,838 | (253) |
| Finance and Corporate Governance | 6,174 | 6,002 | (172) |
| Sustainable Communities | 24,509 | 24,158 | (351) |
| Excess Savings Achieved from £4m Saving Exercise | 0 | (509) | (509) |
| Severance Costs | 0 | 971 | 971 |
| **Directorate Outturn** | **116,744** | **115,713** | **(1,031)** |

After a significant overspend in 2009/10, the Council's reserves for general use had reduced to just £2.187m. The Council's Chief Financial Officer set a target for 31 March 2011 to increase reserves to £5m with the medium-term objective to reach £9m by 2015/16. These reserves are to meet unexpected expenditure or budget pressures, and should be seen as 'insurance' for one off events and not as a contributor to day-to-day expenditure.

In addition to the Directorate underspends, there were two further surpluses achieved during the year:

- The Council budgeted £0.485m towards a pay rise in 2010/11. However, as part of the national and local austerity measures, a pay rise was not awarded thus achieving a corresponding saving; and

- On 13 August 2010 the Council underwent a debt restructuring exercise and repaid £84,211,856 of PWLB loans at a premium of £17,487,214 plus accrued interest of £1,172,577, a total repayment of £102,871,647. This was, in part, funded by a reduction in investments but has mainly been covered by short-term debt. The aim was to realise significant savings in the short-term to increase reserves and stabilise the Council's financial position. Taken together, the net savings in day-to-day running costs and the debt restructuring provided a contribution of £2.931m to reserves. A similar sum is anticipated in 2011/12 just from the debt restructuring activity which is projected to deliver a surplus over the life time of the transactions.

| | **Budget** | **Outturn** | **Variance Reported to Cabinet** |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| Directorate Outturn: | 116,744 | 115,713 | (1,031) |
| Pay Award Provision | 485 | 0 | (485) |
| Net Debt Restructuring/Capital Financing | 0 | (1,415) | (1,415) |
| **Total Directorate** | **117,229** | **114,298** | **(2,931)** |
| Funded by: | | | |
| Government Grant | 60,229 | 60,229 | 0 |
| Council Tax | 57,000 | 57,000 | 0 |
| **Total Funding** | **117,229** | **117,229** | **0** |
| **Contribution (to)/ from General Fund Balances** | **0** | **(2,931)** | **(2,931)** |

Together with the balance at the beginning of the financial year of £2.187m, this gives a closing balance of £5.118m in line with the Chief Financial Officer's recommended level for this time. (Note: this figure differs from the balance of £6.644m in the Movement in Reserves Statement because the £5.118m has been increased by committed expenditure that will take place in 2011/12).

The Council is expected to meet the optimum level of reserves of £8m by the end of 2011/12.

**Housing Revenue Account**

The Housing Revenue Account (HRA) shows the income and expenditure incurred on Council housing. The table below summarised the budget surplus for 2010/11:

| [Please note figures were reported to committee at time of outturn and may differ from post audit figures which may include for example water charges] | Budget | Outturn | Variance Reported to Cabinet |
|---|---|---|---|
| | £000 | £000 | £000 |
| Rent Income | (40,901) | (41,186) | (285) |
| Repairs and Maintenance | 12,230 | 12,248 | 18 |
| Supervision and Management | 10,665 | 10,467 | (198) |
| Housing Subsidy Payments | 12,706 | 12,713 | 7 |
| Bad Debt Provision | 702 | 702 | 0 |
| Capital Financing | 4,548 | 4,543 | (5) |
| Interest and Investments | 87 | 61 | (26) |
| **Total** | **37** | **(452)** | **(489)** |

The reasons for the key variance within the account are as follows:

***Supervision and Management*** – this reflects some posts that were held vacant to address expected cost pressures, as well as the result of austerity measures introduced during the year.

The HRA retains a level of reserves in accordance with its medium term financial strategy. Together with the balance at the beginning of the financial year of £2.409m, this gives a closing balance of £2.898m in line with the Chief Financial Officer's recommended level for this time.

**Capital Expenditure**

Capital expenditure for 2010/11 totalled £29.289m (excluding finance leases). The following table sets this out by Directorate and shows the sources of financing.

| Directorate | Budget | Outturn | Variance Reported to Cabinet |
|---|---|---|---|
| | £000 | £000 | £000 |
| Children, Education and Families | 11,562 | 8,555 | (3,007) |
| Sustainable Communities | 14,994 | 11,230 | (3,764) |
| Community Well-Being | 6,031 | 3,081 | (2,950) |
| Community Well-Being (HRA) | 8,943 | 4,932 | (4,011) |
| Finance and Corporate Governance | 0 | 0 | 0 |
| Change and Improvement | 342 | 162 | (180) |
| Capitalisation | 1,329 | 1,329 | 0 |
| **Total Directorate** | **43,201** | **29,289** | **(13,912)** |
| **Source of Finance:** | | | |
| Prudential Borrowing | 9,601 | 7,189 | 2,412 |
| Supported Borrowing (SCER) | 7,555 | 5,625 | 1,930 |
| Usable Capital Receipts | 493 | 0 | 493 |
| Earmarked Usable Capital Receipts | 1,050 | 58 | 992 |
| Revenue Contributions to Capital (GF) | 131 | 148 | (17) |
| Revenue Contributions to Capital (HRA) | 208 | 0 | 208 |
| Major Repairs Reserve | 7,362 | 3,556 | 3,806 |
| Grants | 15,628 | 12,029 | 3,599 |
| Developers Contributions | 500 | 347 | 153 |
| Trusts | 480 | 337 | 143 |
| Capital Expenditure Reserve | 193 | 0 | 193 |
| **Total Funding** | **43,201** | **29,289** | **13,912** |

The following are key headlines for capital investment:

- £0.992m spent at Hassenbrook Secondary school completing the replacement of the Information Technology block. The gross spend for this project over the period 2008/09 to 2010/11 is £1.800m;

- £0.185m spent on the completion of the South Stifford children's centre. For the period 2008/09 to 2010/11, a total of £0.775m has been spent completing this project;

- £0.725m spent on improving children's play areas throughout the borough with the assistance of the Governments "Playbuilder" grant and other external resources. This spend includes £0.173m for the installation of an "Addizone" at Corringham Town Park;

- £4.111m spent on plant and equipment to bring the waste service back in-house;

- £1.456m spent on vehicle and plant replacements as part of a phased programme to reduce hire costs to the revenue account;

- £4.932m spent on improvements to council dwellings including additional window, kitchen and bathroom replacement, more efficient heating systems to reduce fuel poverty, additional security measures to decrease the fear of crime;

- £0.220m spent on the purchase and installation of playground equipment at High House, Purfleet, funded from S106 developers contributions;

- £0.600m secured from the PCT for Winter Pressures/ reablement. This has been used, amongst other things, to eliminate the waiting list for Disabled Facilities grants (DFG) – which allow vulnerable service users to stay in their own homes for longer; and

- A significant investment in replacing older models of front doors with modern 'secure by design' versions within the Council's housing stock.

**Pensions**

Thurrock Council is a member of the Local Government Pension Scheme that is administered by Essex County Council. There are a number of entries included within the accounts that are further explained in Notes 5 and 42 to the accounts but, simply, the Surplus/ Deficit on Provision of Services (part of the Comprehensive Income and Expenditure Statement) includes the amounts due for the year and paid out whilst the Balance Sheet includes the outstanding liability on the fund.

This liability is the estimate of future payments to retired employees against future income to the fund from contributions and investments. The government commissioned a review on public sector pensions and it remains an area of debate. However, one significant change that has already been implemented is a change in the calculation from using RPI to CPI. This has had the effect of reducing forecast payments to retired employees in the future and has thus led to a reduction in liability.

This change has been reflected in the accounts and has created a one year anomaly (2010/11) in the Comprehensive Income and Expenditure Statement (CIES). The reduction in liability of £19.280m that has arisen has been shown in a separate line in the CIES as required by accounting convention, and to that extent distorts the cost of services in terms of comparability.

## 4. Future Financial Issues

### Economic Outlook

The outlook for local authority funding remains challenging. The two main sources of income to fund general services are government grant and Council Tax and it is unlikely that either of these will increase in line with the costs of providing services, given forecast rates of inflation and increasing demands caused by demographic and other factors.

Whilst low interest rates are currently working in the Council's favour due to the debt restructuring exercise (see page 6), there is a risk that rates will increase in future years, adding further pressures.

### General Fund

Despite having had to identify £13m of savings in 2010/11, a further £9m had to be identified for 2011/12 adding yet more pressure to front line services. This was largely due to reductions in government funding and increases in both demand and inflation.

The Medium Term Financial Strategy forecasted a deficit in excess of £10m for 2012/13 and a further £20m of savings required over the following three years. The Council has now achieved a balanced budget for 2012/13 and is currently acting to achieve a balanced budget over the planning period.

The Council is driving forward its Transformation Programme including:

- ***Back Office Transformation*** - Significantly changing the way the Council delivers back office services to staff including the make-up of infrastructure (IT systems and applications) and processes;

- ***Service Transformation*** - How the Council delivers services to customers including channels and locations;

- ***Asset Transformation*** - Focussing on the Council's asset base (land, offices and properties) and how to rationalise and use them more effectively to drive business;

- ***Supply Chain Transformation*** - The Council spends far with third parties as it does on staff. This project examines how the Council interfaces with the market and how it can drive better value for money from spend; and

- ***New Ways of Working*** - Focusing on staff and how they can operate differently and more cost-effectively in a modern Council.

Although these workstreams will realise significant savings it is also likely that there will be some impact to service users.

### Housing Revenue Account

The main issue for the Housing Revenue Account is the proposed financial reform that takes effect from April 2012. Currently, the government, through the subsidy system, claws funding back from Councils like Thurrock that have significant annual surpluses, (normally through having low levels of debt), and distributing these surpluses to Councils with significant operating losses (caused by high levels of debt).

The reform involves a one off redistribution of debt while at the same time abolishing the subsidy system.

Thurrock Council currently pays across in excess of £12.6m per annum to the Government and, under current proposals, will be able to keep this surplus but will inherit circa £161m in new debt. Despite this, it is forecast that under the new arrangements Thurrock will have a net annual gain in excess of £6m.

There are also currently operational issues regarding the contract with Morrisons for housing repairs. This contract became operational in August 2010 and, since that date there have been significant issues with the interface into the Council's systems. It is now apparent that the Council has spent in excess of its repairs budgets for 2011/12 and this will have the effect of reducing HRA reserves. This is a one-year problem and the first call on the surplus budget from the financial reform discussed above will be to replenish HRA reserves back to the recommended level.

**Capital and Treasury Issues**

Regarding capital, there has been a significant reduction in grants from central government that have an impact on all services, especially Education.

The Council has agreed its first Asset Management Strategy in February 2011. Further work has been carried out to improve asset management to streamline service provision in the communities and identify surplus assets for disposal.

These actions will bring significant savings in operating costs whilst also realising proceeds from disposals for capital investment in the Council's priorities.

Regarding Treasury Management, the Council's current borrowing for capital purposes stands at £114.0m (£30m[1] of long term debt and £84m[2] of temporary debt held as part of the recent PWLB debt restructuring). The Council's overall Capital Financing Requirement (CFR) stands at £138m with the Council therefore being £24m below its CFR limit.

The CFR is estimated to increase to £135.2m in 2011/12 and then increase to £289.4m in 2012/13 due to the financial reform within the HRA that will lead to additional borrowing of £161m.

The Council is working with its advisors and will take action to transfer to non-temporary debt when conditions dictate. In the meantime, the budget surplus created from the low temporary rates has been used to increase the level of reserves to the level targeted in the Medium Term Financial Strategy and to contribute £1.8m towards the delivery of services in 2012/13.

## 5. Specific Accounting Issues

In 2009/10, the Council elected to transfer the £817,117 cost of the waste procurement exercise to the Balance Sheet instead of charging directly to revenue. The rationale was that this 'investment' would realise savings of circa £2m for each of the following seven years and that the cost would be more sensibly accounted for by charging a portion against these savings in each of the next seven years. £116,731 was charged to the General Fund in 2010/11 and the balance at 31 March 2011 stands at £700,386.

With regards to the discount factor for social housing (the amount by which market value has reduced because the assets are occupied by a secure tenant), this changed for the 2010/11 financial year (to 39% from 46%). This has resulted in an impairment charge in 2010/11 of £80.288m.

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[1] The £30m is the nominal value of the Council's long term debt and will not correlate to the figure in the Balance Sheet or Note 30 as this figure is held at amortised cost.

[2] The £84m is the nominal value of the Council's temporary debt and will not correlate to the figure in the Balance Sheet or Note 30 as this figure is held at amortised cost.

The Council incurred a debt repayment premium from debt restructuring of £17,487,214.

The principle followed is that as the redemption and the drawing down of the new loans took place on different days then the repayment is classed as an extinguishment under proper accounting practice. In the first instance it is written off to the Comprehensive Income and Expenditure Statement as part of 'Interest Payable and Similar Charges' within the 'Financing and Investment Income and Expenditure' line. This is then mitigated by transferring it to the Financial Instrument Adjustment Account (FIAA) in the Movement in Reserves Statement. Once in the FIAA it can be amortised in one of three ways:

- ***Option 1*** - The remaining life of the repaid loan;
- ***Option 2*** - The life of the loan deemed to be the replacement; and
- ***Option 3*** - Financed by Capital Receipts.

The Council followed option 1 and each individual premium for each individual loan is to be written down over the remaining life of the repaid loan. These range from 3 - 48 years (the majority are over 40 years). In 2010/11 the total amortisation amounted to £448,858.

It is also allowable to transfer some of the cost of the premium to the HRA under the Item 8 Determination Rules. This is carried out by reference to the percentage of the HRA CFR in relation to that of the overall CFR. The Item 8 rules only allow a maximum write down period of 10 years based on the remaining life of the repaid loan.

There were no significant changes to statutory functions in 2010/11 that have impacted on the accounts.

There have been no significant provisions, contingencies or write offs during the year.

**6. Collection Fund**

The Council is required to maintain a Collection Fund for the collection and disbursement of local taxes. The fund has its own separate income and expenditure account but the Collection Fund balances are consolidated in the Council's Balance Sheet. The Council's share of the Collection Fund deficit at the end of the year was £0.591m compared with a deficit at the end of 2009/10 of £0.239m. The balance on the Collection Fund is carried forward and, taking into account the outturn for 2011/12, was used to inform the budget setting for 2012/13.

As required by the 2010 Code of Practice of Local Authority Accounting, the arrears, prepayments and balance are shared between preceptors and the Council and this has been reflected on the face of the Balance Sheet.

**7. Governance Statement**

The Accounts and Audit Regulations, require each English authority to 'conduct a review at least once a year of the effectiveness of its system of internal control'. The statement sets out the framework within which the control environment is managed and reports on areas of strengths and weaknesses.

**8. Further Information**

Additional information is available from the Director of Finance and Corporate Governance, Civic Offices, New Road, Grays, Essex, RM17 6SL.

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs; in this Council, that officer is the Director of Finance and Corporate Governance;

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

- approve the Statement of Accounts, which the Council has delegated to its Audit Committee.

The Director of Finance and Corporate Governance's Responsibilities

The Director of Finance and Corporate Governance 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 (the Code).

In preparing this Statement of Accounts the Director of Finance and Corporate Governance has:

- selected suitable accounting policies and then applied them consistently;

- made judgments and estimates that were reasonable and prudent; and

- complied with the local authority Code.

The Director of Finance and Corporate Governance has also:

- kept proper accounting records which were up to date; and

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Director of Finance and Corporate Governance's Certificate

I certify that Statement of Accounts present a true and fair view of the financial position of the Council at the reporting date and of its income and expenditure for the year ended 31 March 2011.

Director of Finance and Corporate Governance

Date: 13th April 2012

# MOVEMENT IN RESERVES STATEMENT

This Statement shows the movement in the year on the different reserves held by the Council, analysed into Usable Reserves (which are those that can be applied to fund expenditure or to reduce local taxation) and Unusable Reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council'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 and the Housing Revenue Account Balance for Council Tax setting and housing rent setting purposes. The Net Increase or Decrease before Transfers to Earmarked Reserves shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

| | General Fund Balance £000 | Housing Revenue Account Balance £000 | Earmarked Reserves £000 | Capital Receipts Reserve £000 | Major Repairs Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Authority Reserves £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2009** | **(2,000)** | **(2,103)** | **(21,337)** | **(964)** | **(41)** | **(3,385)** | **(29,830)** | **(731,087)** | **(760,917)** |
| **<u>Movement in reserves in 2009/2010</u>** | | | | | | | | | |
| Surplus or (deficit) on provision of services | 25,088 | 5,470 | | | | | **30,558** | | **30,558** |
| Other Comprehensive Expenditure and Income | (278) | | | | | | **(278)** | 34,042 | **33,764** |
| **Total Expenditure and Income** | **24,810** | **5,470** | **0** | **0** | **0** | **0** | **30,280** | **34,042** | **64,322** |
| Adjustments between accounting basis & funding basis under regulations (Note 7) | (16,462) | (5,776) | | (371) | (2,856) | (8,222) | **(33,687)** | 33,687 | **0** |
| **Net Increase/Decrease before Transfers to Earmarked Reserves** | **8,348** | **(306)** | **0** | **(371)** | **(2,856)** | **(8,222)** | **(3,407)** | **67,729** | **64,322** |
| Transfers to/from Earmarked Reserves (Note 21) | (8,535) | | 8,611 | | | | **76** | (76) | **0** |
| **Increase/Decrease in Year** | **(187)** | **(306)** | **8,611** | **(371)** | **(2,856)** | **(8,222)** | **(3,331)** | **67,653** | **64,322** |
| **Balance at 31 March 2010** | **(2,187)** | **(2,409)** | **(12,726)** | **(1,335)** | **(2,897)** | **(11,607)** | **(33,161)** | **(663,434)** | **(696,595)** |

| | General Fund Balance £000 | Housing Revenue Account Balance £000 | Earmarked Reserves £000 | Capital Receipts Reserve £000 | Major Repairs Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Authority Reserves £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2010** | **(2,187)** | **(2,409)** | **(12,726)** | **(1,335)** | **(2,897)** | **(11,607)** | **(33,161)** | **(663,434)** | **(696,595)** |
| **<u>Movement in Reserves in 2010/11</u>** | | | | | | | | | |
| Surplus or (deficit) on provision of services | 864 | 88,456 | | | | | **89,320** | | **89,320** |
| Other Comprehensive Expenditure and Income | | | | (11) | | | **(11)** | (21,542) | **(21,553)** |
| **Total Expenditure and Income** | **864** | **88,456** | **0** | **(11)** | **0** | **0** | **89,309** | **(21,542)** | **67,767** |
| Adjustments between accounting basis & funding basis under regulations (Note 7) | (5,980) | (88,945) | 36 | (1,001) | (909) | 1,358 | **(95,441)** | 95441 | **0** |
| **Net Increase/Decrease before Transfers to/from Earmarked Reserves** | **(5,116)** | **(489)** | **36** | **(1,012)** | **(909)** | **1,358** | **(6,132)** | **73,899** | **67,767** |
| Transfers to/from Earmarked Reserves (Note 21) | 659 | | (530) | | | 349 | **478** | (478) | **0** |
| **Increase/Decrease in Year** | **(4,457)** | **(489)** | **(494)** | **(1,012)** | **(909)** | **1,707** | **(5,654)** | **73,421** | **67,767** |
| **Balance at 31 March 2011** | **(6,644)** | **(2,898)** | **(13,220)** | **(2,347)** | **(3,806)** | **(9,900)** | **(38,815)** | **(590,013)** | **(628,828)** |

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards (rather than the amount to be funded from taxation). The taxation position is shown in the Movement in Reserves Statement (see pages 13 and14).

| 2009/10 Gross Exp | 2009/10 Gross Income | 2009/10 Net Exp | | 2010/11 Gross Exp | 2010/11 Gross Income | 2010/11 Net Exp |
|---|---|---|---|---|---|---|
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 50,607 | (14,403) | 36,204 | Adult social care | 48,076 | (14,123) | 33,953 |
| 12,770 | (12,316) | 454 | Central services to the public | 18,269 | (14,425) | 3,844 |
| 211,660 | (155,458) | 56,202 | Education and children's services | 181,677 | (141,519) | 40,158 |
| 35,950 | (6,030) | 29,920 | Cultural, environmental, regulatory & planning services | 35,016 | (5,750) | 29,266 |
| 12,207 | (2,762) | 9,445 | Highways and transport services | 12,504 | (4,281) | 8,223 |
| 51,046 | (44,932) | 6,114 | Local Authority Housing (HRA) | 134,212 | (45,734) | 88,478 |
| 54,372 | (52,419) | 1,953 | Other housing g services | 57,131 | (53,568) | 3,563 |
| 0 | 0 | 0 | Exceptional Pension Costs (Note 42) | (19,280) | 0 | (19,280) |
| 9,391 | (3,095) | 6,296 | Corporate and democratic core | 9,253 | (3,677) | 5,576 |
| 315 | (706) | (391) | Non distributed costs | 280 | (503) | (223) |
| **438,318** | **(292,121)** | **146,197** | **Cost Of Services** | **477,138** | **(283,580)** | **193,558** |
| 6,912 | (608) | 6,304 | Other Operating Expenditure (Note 14) | 2,470 | (1,859) | 611 |
| 22,940 | (9,848) | 13,092 | Financing and Investment Income and Expenditure (Note 15) | 39,752 | (12,775) | 26,977 |
| 0 | (135,035) | (135,035) | Taxation and Non-Specific Grant Income (Note 16) | 0 | (131,826) | (131,826) |
| **468,170** | **(437,612)** | **30,558** | **(Surplus) or Deficit on Provision of Services** | **519,360** | **(430,040)** | **89,320** |
| | | (725) | Revaluation of Property, Plant & Equipment (Note 39a) | | | (6,658) |
| | | 34,767 | Actuarial gains / losses on pension assets / liabilities (Note 42) | | | (15,758) |
| | | (278) | Other | | | 863 |
| | | **33,764** | **Other Comprehensive Income and Expenditure** | | | **(21,553)** |
| | | **64,322** | **Total Comprehensive Income and Expenditure** | | | **67,767** |

Note: The Comprehensive Income and Expenditure Statement is a consolidated account comprising both the General Fund (GF) and Housing Revenue Account (HRA) showing the consolidated in year accounting performance. In the Movement in Reserves Statement and supporting Note 7 these two accounts have been disaggregated so as to show the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account Balance for Council Tax setting and housing rent setting purposes. The Housing Revenue Account Income and Expenditure Statement and Movement on HRA Balance show the accounting performance and statutory amounts required to be charged to the Housing Revenue Account Balance for housing rent setting purposes respectively, for the HRA only.

# BALANCE SHEET

The Balance Sheet shows the value as at the 31 March each year of the assets and liabilities of the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to fund services, subject to the need to maintain a prudent level of balances 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 is those that the Council 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 were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations' (see Note 7).

| 1 April 2009 £000 | 31 March 2010 £000 | | Notes | 31 March 2011 £000 |
|---|---|---|---|---|
| 949,976 | 925,848 | Property, Plant & Equipment | 22 & 11 | 846,919 |
| 3,507 | 3,481 | Investment Property | 27 | 3,481 |
| 1,224 | 979 | Intangible Assets | 28 | 734 |
| 0 | 0 | Assets Held for Sale | 36 | 0 |
| 0 | 0 | Long Term Investments | 31 | 0 |
| 204 | 1,257 | Long Term Debtors | | 1,129 |
| **954,911** | **931,565** | **Long Term Assets** | | **852,263** |
| 48,653 | 49,063 | Short Term Investments | 30 | 43,238 |
| 39 | 0 | Assets Held for Sale | 36 | 59 |
| 218 | 101 | Inventories | 52 | 141 |
| 27,855 | 36,730 | Short Term Debtors | 30 & 34 | 24,128 |
| 13,431 | 12,039 | Cash and Cash Equivalents | 35 | 12,266 |
| **90,196** | **97,933** | **Current Assets** | | **79,832** |
| (19,842) | (35,788) | Short Term Borrowing | 30 | (112,002) |
| (30,445) | (30,390) | Short Term Creditors | 30 & 37 | (37,517) |
| 0 | 0 | Provisions | 32 | 0 |
| (519) | (785) | Leasing Liability | 11 & 29 | (1,264) |
| **(50,806)** | **(66,963)** | **Current Liabilities** | | **(150,783)** |
| (982) | (355) | Provisions | 32 | (350) |
| (124,989) | (113,439) | Long Term Borrowing | 30 | (28,220) |
| (148) | (134) | Deferred Discounts | | (124) |
| (98,053) | (135,555) | Pension Liability | 42 | (104,936) |
| (158) | 0 | Deferred Purchase Liability | | 0 |
| (3,117) | (2,463) | Leasing Liability | 11 & 29 | (1,814) |
| (2,654) | (2,202) | Long Term Creditors | | (3,537) |
| (3,283) | (11,792) | Capital Grants Receipts in Advance | 46 | (13,505) |
| **(233,384)** | **(265,940)** | **Long Term Liabilities** | | **(152,486)** |
| **760,917** | **696,595** | **Net Assets** | | **628,826** |
| (29,830) | (33,161) | Usable reserves | 38 | (38,815) |
| (731,087) | (663,434) | Unusable Reserves | 39 | (590,011) |
| **(760,917)** | **(696,595)** | **Total Reserves** | | **(628,826)** |

# CASH FLOW STATEMENT

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

| **2009/10 £'000** | | **2010/11 £'000** |
|---|---|---|
| (30,558) | Net surplus or (deficit )on the provision of services | (89,320) |
| 45,075 | Adjustments to net surplus or deficit on the provision of services for non cash movements | 115,806 |
| (21,871) | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (30,014) |
| (7,354) | Net cash flows from Operating Activities | (3,528) |
| 12,748 | Investing Activities (Note 44) | 1,268 |
| (6,786) | Financing Activities (Note 45) | 2,487 |
| (1,392) | Net increase or decrease in cash and cash equivalents | 227 |
| 13,431 | Cash and cash equivalents at the beginning of the reporting period | 12,039 |
| **12,039** | **Cash and cash equivalents at the end of the reporting period (Note 35)** | **12,266** |

# NOTES TO THE FINANCIAL STATEMENTS

## Note 1 ACCOUNTING POLICIES

### 1.1 General

This Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2003 (as amended), which require that the principles adopted in compiling these accounts should be explicitly stated. It follows that the Statement complies with:

- The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2010/11;
- The Best Value Accounting Code of Practice (BVACOP) 2010/11[3]; and
- The International Accounting Standards Board's Framework for the Preparation and Presentation of Financial Statements.

The overall accounting convention adopted is historical cost modified by the revaluation at fair value of certain categories of non-current assets and financial instruments.

The presentation and disclosures in the 2010/11 accounts have been subject to significant changes following the introduction of the new Code which provides that local authorities must follow International Financial Reporting Standards (IFRS) in the preparation of their accounts commencing with the financial year 2010/11.

The adoption of IFRS involves certain changes to accounting policies compared with those applicable to previous financial years. Under the new Code this necessitates a restatement of the opening Balance Sheet of the earliest comparator period, (that is, as at 1 April 2009) as well as the restatement of the 2009/10 accounts, (Note 50 refers).

### 1.2 Accounting Estimation Techniques

Estimation techniques are the methods adopted by a local authority to arrive at monetary amounts for assets, liabilities, and assessments of fair value. An accounting policy specifies the basis on which an item is measured and, where appropriate, the estimation technique is used to determine the actual monetary amount. The Council has employed the estimation techniques specified in the Code or has otherwise determined the estimation technique that most closely reflects the economic reality of the relevant transaction.

### 1.3 Accounting Principles

The Council has adopted the following accounting policies for the purpose of presenting a true and fair view of its financial position and of its financial transactions. The underlying accounting principles are reviewed regularly and may be summarised as follows:

- ***Relevance*** – the financial statements provide information about the Council's performance and position that assists users of the accounts in assessing its stewardship of public funds and its economic decisions;
- ***Reliability*** – the financial information faithfully represents the substance of transactions, the activities underlying them and other events that have taken place, is free from deliberate or systematic bias and material error, and has been prepared on the basis of prudence where there is any uncertainty;
- ***Comparability*** – the financial information has been prepared consistently and with adequate disclosures so that it can be compared with prior years and with that of

[3] This will be replaced by Service Reporting Code of Practice (SeRCOP) from 2011/12

other local authorities subject to the introduction of improved accounting practices as disclosed each year;

- ***Comprehensibility*** – the financial statements have been prepared to ensure that they are as easy to understand as possible;

- ***Materiality*** – the financial statements disclose all items of a size and nature such that together they provide a true and fair presentation of the financial position and transactions of the Council;

- ***Accruals*** – other than the Cash Flow Statement, the financial statements report transactions that have been recorded in the accounting period in which the goods and services were received or supplied rather than that in which the cash was received or paid;

- ***Going Concern*** – the financial statements have been prepared on the assumption that the Council will continue in operational existence for the foreseeable future; and

- ***Legality*** – where accounting principles and specific legislation requirements are in conflict, the financial statements have been prepared to reflect the primacy of legislative requirements.

### 1.4 Accruals of Income and Expenditure

Activity is accounted for in the financial year in which it takes place and when a right to consideration exists, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provided the relevant goods or services;

- Employee costs are charged to the accounts of the period within which the employees worked;

- Supplies and services are recorded as expenditure when they are consumed or performed. Where there is a gap between the date supplies are received and the date when they are consumed, they are carried as inventory on the Balance Sheet;

- Works are charged as expenditure when they are completed, before which they are carried either as work in progress (revenue) within Inventory or as Assets Under Construction (capital) within Property, Plant and Equipment on the Balance Sheet;

- Interest payable on borrowings and receivable on investments are accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the actual cash flows, fixed or determined by the relevant contract;

- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge is made to the relevant account for the income that may not be collected; and

- Where payments are made or received in advance of a service being provided or received a payment or receipt in advance is recognised as a debtor or creditor in the Balance Sheet.

All income and expenditure is credited or debited to the relevant revenue account unless it properly represents capital expenditure or is below the materiality of £500 (Net of VAT).

### 1.5 Cash and Cash Equivalents

Cash is defined as cash-in-hand and demand deposits. Cash equivalents are investments or loans with a known value on maturity and subject to immediate repayment on demand. It is the Council's policy to treat monies lodged overnight as cash equivalents.

### 1.6 Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a potential asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the accounting statements; they are disclosed by way of a note if the inflow of a receipt or economic benefit is possible.

### 1.7 Contingent Liabilities

Contingent liabilities are not recognised in the accounting statements; they are disclosed by way of a note if:

- There is a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the Council's control; or

- A present obligation arises from past events but is not recognised because it is not probable that a transfer of economic benefits will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability.

For each class of contingent liability, the nature of the contingency, a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement has, if applicable, been disclosed. If the transfer of economic benefit in respect of a contingent liability has become probable, a provision has been recognised in the financial statements.

### 1.8 Employee Benefits

***Benefits Payable During Employment***

Benefits payable during employment comprise the normal expenses of salaries and wages, paid leave, sick leave and non-monetary benefits. Under IFRS an accrual is made for the costs of untaken leave and time off in lieu charged at the rates of pay applicable to the year after the year of account, that is, at the expected likely cost. The accrual is charged to the Comprehensive Income and Expenditure Statement and is reversed in the Movement in Reserves Statement to the Accumulating Absences Account, an Unusable Reserve in the Balance Sheet, in accordance with the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2010. The Council paid its outstanding liabilities in full and final settlement of the unequal pay claims by 31 March 2011. Prior to December 2010, there had been no indication of the expected amount due to be paid.

***Termination Benefits***

Termination benefits are payable as a result of a Council decision to terminate an employee's employment before the normal retirement date or as a result of an employee's decision to accept voluntary redundancy. The costs are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council becomes clearly committed to the costs. Voluntary early retirement is accounted for as a post-employment benefit as outlined below.

Where termination benefits involve the enhancement of pensions, the General Fund or HRA, under statutory provisions, can only be charged with the costs paid in the year to the Pension Fund or to the pensioner directly: the accounting costs are reversed to the Pensions Reserve in the Movement in Reserves Statement in accordance with the rules covering post employment benefits.

The Local Government Pension Scheme has been amended so that increases in pensions are now based on the Consumer Price Index (CPI) and not the Retail Price Index (RPI).

***Post-Employment Benefits***

Employees of the Council may be members of one of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education; or

- The Local Government Pension Scheme administered by Essex County Council.

Both schemes provide defined benefits to members (i.e. retirement lump sums and pensions), accrued as employees work for the Council.

***Teachers' Pension Scheme***

The arrangements for the teachers' scheme are such that the liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme in that no liability for the future payments of benefits is recognised in the Balance Sheet. The Comprehensive Income and Expenditure Statement has been charged with the employer's contributions actually payable to the Department for Education in the year.

***Local Government Pension Scheme***

The Local Government Pension Scheme provides members of the pension scheme with defined benefits related to pay and service. The level of the employer's contribution is determined by a triennial actuarial valuation. The latest reported full triennial valuation was undertaken as at 31 March 2010 (made available in March 2011). Under Pension Regulations, the contribution rates must be set so as to meet all the long-term liabilities of the Fund. Employer contributions will be adjusted in future years to account for any projected deficit on the Fund.

The pension costs charged to the Cost of Services in the Comprehensive Income and Expenditure Statement of both the General Fund and the Housing Revenue Account have been made in accordance with IFRS accounting requirements. The charge is based on when the retirement benefits that the Council has committed to pay are earned, even though the actual payments may not take place for many years. The difference between the amounts charged under accounting conventions and the actual payments made to the Pension Scheme during the year is adjusted in the Movement in Reserves Statement.

The Balance Sheet includes a Pension Reserve that comprises the share of the Fund's assets attributable to the Council which are measured at their fair value at the Balance Sheet date. Scheme assets include current assets as well as investments. Liabilities such as accrued expenses are deducted. Fair value comprises:

- ***For quoted securities*** – the current bid price;

- ***For unquoted securities*** – a professional estimate of fair value;

- ***For unitised securities*** – the current bid price; and

- ***For property*** – the market value or other basis determined in accordance with the RICS Valuation Manual and Practice Statements.

The scheme liabilities attributable to the Council are included in the Balance Sheet as a Pensions Liability calculated on an actuarial basis using the projected unit method – 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, employment turnover rates etc, and forecasts of projected earnings for current employees. The use of the projected unit method means that current service costs increase as members of the Fund approach retirement age.

Liabilities are discounted to their current value using a discount rate. In assessing liabilities for retirement benefits at 31 March 2011 the actuary assumed a discount rate of 2.6% real (5.5% actual) including an inflation risk premium, a rate based on the current rate of return on a high quality AA rated corporate bond of equivalent currency and term to scheme liabilities. The equivalent assumptions were 2.8% real (5.6% actual), including an inflation risk premium) at 31 March 2010. (The 2009/10 figure has been adjusted to reflect that the annual increase in pensions is now based on the Consumer Price Index (CPI)). Application of the 2010/11 rate has resulted in a decrease in liabilities measured at 2010/11 prices of £20.086m, offset by actuarial losses of £4.328m for the year, with the difference between these figures (£15.758m) being recognised in the Comprehensive Income and Expenditure Statement and reversed in the Movement in Reserves Statement to the Pension Reserve (also see Note 7). The adoption of CPI by the Government as the index for pensions' increases has produced a reduction in liability for past service costs of some £19.280m.

The scheme liabilities comprise:

- Any benefits promised under the formal terms of the scheme, and

- Any constructive obligations for further benefits where a public statement or past practice by the Council has created valid expectations in its employees that such benefits will be granted.

The surplus or deficit in the scheme is the excess or shortfall of the value of the assets in the scheme over or below the present value of the scheme liabilities. The Council recognises this as the Pension Liability that reflects its legal or constructive obligations. Details of the methods adopted in calculating the asset or liability recognised are set out in Note 42 to the financial statements. Any unpaid contributions to the scheme are presented in the Balance Sheet as a creditor due within one year.

The change in the defined benefit asset or liability (other than that arising from contributions to the scheme) is analysed into the following seven components:

- ***Current service cost*** - This is the increase in liabilities as a result of the years of service earned by employees in 2010/11 and is included in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement;

- ***Interest cost*** - This is the expected increase in the present value of liabilities during the year as they move one year closer to being paid. It is charged within 'Financing and Investment Income and Expenditure' line in the Comprehensive Income and Expenditure Statement (also see Note 15);

- ***Expected return on assets*** - This is the annual investment return on the Fund's assets attributable to the Council, based on an average of the long-term expected return. It is credited within 'Financing and Investment Income and Expenditure' line in the Comprehensive Income and Expenditure Statement (also see Note 15);

- ***Actuarial gains and losses*** - These are changes in the net pension liability that arise because events have not coincided with the assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions. Actuarial gains and losses are recognised in the within ‘Other Comprehensive Income and Expenditure’ in the Comprehensive Income and Expenditure Statement;

- ***Contributions paid to the Essex County Council Pension Fund*** - This is the cash payable as employer’s contributions to the Fund and is the net charge left in the General Fund after the removal of all other notional debits and credits;

- ***Past service costs*** - This is the net increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Past service costs are recognised in the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non-distributed Services’ Costs on a straight-line basis over the period in which the increases in benefit vest. To the extent that the benefits vest immediately, the past service costs are recognised immediately; and

- ***Gains and losses on settlements and curtailments*** - Losses arising on a settlement (a reduction in numbers of employees due, for example, to employee transfers) or a curtailment (a reduction of expected future years of service of employees due, for example, to closures of units of activity) not allowed for in the actuarial assumptions, are measured at the date on which the Council becomes demonstrably committed to the transaction. They are recognised in the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non-distributed Services’ Costs for that period.

  Gains arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction and are recognised in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement for that period.

Statutory provisions limit the Council to raising Council Tax to cover only the amounts payable by the Council to the Pension Fund or directly to pensioners in the year. This means that 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 (also see Note 7). The negative balance on the Pension Reserve (also see Note 39 (d)) measures the beneficial impact of the Council being required to account for retirement benefits on the basis of cash-flow rather than as benefits are earned by employees.

***Discretionary Benefits***

The Council also 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 a member of staff (including teachers) are accrued in the year of the decision to make the award and are accounted for using the same policies as for the Local Government Scheme.

### 1.9 Events After the Reporting Period

Where an event that occurs after the Balance Sheet date, either favourable or unfavourable, provides evidence of conditions that existed at the Balance Sheet date and has a material effect on the amounts included in the accounts, the amounts recognised in the Statement of Accounts have been adjusted. Any disclosures affected by the new information about the “adjusting event” have been updated.

Where an event that occurs after the Balance Sheet date is indicative of conditions that arose after the Balance Sheet date and has a material effect on the finances of the Council, the amounts recognised in the Statement of Accounts are not adjusted. Instead they are disclosed in a note to the accounts for each material category of non-adjusting event after the Balance Sheet date showing:

- The nature of the event; and
- An estimate of the financial effect or a statement that such an estimate cannot be made reliably.

Events taking place after the date of the authorisation for issue are not reflected in the financial statement.

**1.10 Financial Instruments**

A financial instrument is defined as “any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another”[4]. The term “financial instrument” covers both financial assets and financial liabilities and includes both the most straightforward assets and liabilities such as trade receivables (short term debtors) or trade payables (short term creditors) and the most complex ones such as embedded derivatives. This note outlines how the Council has accounted for financial instruments. Further details are also given in the Notes 30 and 31 on financial instruments.

***Financial Assets***

Financial assets are classified into two categories:

- ***Loans and receivables*** – these are financial assets that have fixed or determinable payments but are not quoted in an active market; and
- ***Available for sale assets*** – these are financial assets that have a quoted market price and/or do not have fixed or determinable payments. (NB: the Council currently has no available for sale financial assets).

The Council’s financial assets, with the exception of:

- ***Short-term debtors,*** where an allowance is made for the probability that some debt will ultimately prove impossible to collect; and
- ***Externally managed funds***, which are valued at fair value,

are classified as loans and receivables.

Loans and receivables are initially measured at fair value, adjusted for directly attributable transaction costs (if material) and carried on the Balance Sheet at their amortised cost. Fair value is defined as the amount for which financial assets can be exchanged between knowledgeable willing parties in an arm’s length transaction. Transaction costs include fees and commissions paid to agents, advisors and brokers.

Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the financial asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable in the loan agreement. The amount credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year under the loan agreement.

The Council has surplus cash balances that are held in short term deposits with financial institutions and other public bodies. These investments are shown in the Balance Sheet at amortised cost using the effective interest rate method. Thus the carrying value of investments on the Balance Sheet is adjusted for accrued interest due at the year-end.

[4] Source: Code of Practice 2010/11

Where assets are identified as impaired because of a likelihood arising on account of a past event that payments due under the contract will not be made, the financial asset is written down and a charge is made to the Comprehensive Income and Expenditure Statement. In the case of debtors the carrying amount is adjusted for doubtful debts. Debts that cannot be collected (bad debts) are written off in accordance with the Council's Financial Regulations and are charged to the Comprehensive Income and Expenditure Statement.

Apart from the impairment of trade receivables where the charge is made to the relevant service account, all other entries to the Comprehensive Income and Expenditure Statement are included in the Financing and Investment Income and Expenditure section.

De-recognition of financial assets occurs at the point that contractual rights to the cash flow arising from the instrument expire or are transferred. The accounting treatment will depend on the asset type, but, any gains or loss on the de-recognition will be written off to the Comprehensive Income & Expenditure Statement. Gains or losses may arise if the lender has paid a penalty to repay early or the Council has waived some of the repayment due.

***Financial Liabilities***

Financial liabilities can be classified into:

- Loans and payables; and
- Financial guarantees. (Note: The Council has not entered into any financial guarantees).

Financial liabilities are initially measured at fair value, including any transaction costs if material, and carried in the Balance Sheet at their amortised cost. Fair value is the amount for which a financial liability can be settled between knowledgeable willing parties in an arm's length transaction. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the financial liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and that the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year under the loan agreement. Any accrued interest payable is shown as part of the carrying value of the loan.

Gains or losses on the repurchase or early settlement of borrowing are credited or debited to the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. However where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing loan instruments, the premium or discount is respectively added to, or deducted from, the amortised cost of the new or modified loan and the write down of the premium or discount to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by means of an adjustment to the effective rate of interest.

Where premiums or discounts have been charged to the Comprehensive Income and Expenditure Statement, the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2007 allow the impact on the General Fund balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or the discount was receivable when the loan was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

All accounting entries in respect of financial liabilities described above in the Comprehensive Income and Expenditure Statement are included in the 'Financing and Investment Income and Expenditure' line (also see Note 15).

### 1.11 Foreign Currency Translation

Income and expenditure arising from a transaction denominated in a foreign currency is translated into sterling at the exchange rate in operation on the date on which the transaction occurred. Where the transaction is to be settled at a contracted rate, that rate is used. In 2010/11 only a very limited number of revenue items were acquired through foreign currency transactions.

### 1.12 Grants and Contributions

***Capital Grants***

Where the acquisition or enhancement of a fixed asset is financed either wholly or in part by a capital grant or other capital contribution, the whole amount of all capital grants and contributions is credited, on an accruals basis, as ‘Taxation and Non Specific Grant Income’ to the Comprehensive Income and Expenditure Statement provided that all conditions attached to the grant are met. If those conditions are not met immediately the income is held as Capital Grants Receipts in Advance in the Long Term Liabilities section of the Balance Sheet.

Where capital grants have been held as receipts in advance and conditions are subsequently met, the income is recognised in the Comprehensive Income and Expenditure Statement under ‘Taxation and Non-Specific Grant Income’ line.

Capital grants credited to the Comprehensive Income and Expenditure Statement are reversed out of the General Fund or HRA balance in the Movement in Reserves Statement ( see Note 7). If the grant has not been used to finance capital expenditure in the year, it is posted to the Capital Grants Unapplied Reserve (see Note 7). If it has been used to finance capital expenditure in the year it is posted to the Capital Adjustment Account (see note 7).

***Revenue Grants***

Whatever the basis of payment, specific revenue grants, other contributions and donations are matched with the relevant service expenditure in the Comprehensive Income and Expenditure Statement, unless they have conditions attached that cannot be immediately met. If there are conditions which cannot immediately be met the income is credited to Receipts in Advance, part of the Short Term Creditors figure in Current Liabilities in the Balance Sheet. If conditions are met, but expenditure has not been incurred, the sum will be placed in an earmarked reserve which will be appropriated upon certified expenditure.

Grants received to finance the general activities of the Council or to compensate for a loss of income are credited to the Comprehensive Income and Expenditure Statement in the period in respect of which they are payable.

### 1.13 Intangible Assets

An intangible asset is an asset without physical substance that is identifiable and controlled by the Council. For it to be brought into account, the Council, through either custody or legal protection, (such as by means of a licence to use software) must have access to the future economic benefits provided by the asset.

***Recognition***

Purchased intangible assets (e.g. software licences) are capitalised as assets. In addition a local authority is permitted to capitalise expenditure on the development of a computer programme provided that it will deliver service benefits for at least one year.

***Measurement***

A purchased, or internally developed, intangible asset is capitalised at its cost and may only be re-valued where it has a readily ascertainable market value. The types of intangible assets held by the Council are very unlikely to have readily ascertainable market values. Therefore the Council does not revalue intangible assets but accounts for them at amortised cost.

***Amortisation***

Intangible assets are amortised on a straight-line basis over their useful economic lives. Where access to the economic benefits associated with an intangible asset is achieved through legal rights that have been granted for a finite period, the economic life is not extended beyond that period unless the legal rights are renewable and renewal is assured. The useful economic lives of the intangible assets disclosed in the Balance Sheet have been determined at 8 years. Useful lives are reviewed at the end of each reporting period and are revised if necessary.

***Disposals and De-recognition***

The accounting for these transactions is covered under the “Surplus Assets, Disposals, De-recognition and Assets held for Sale” section of this note (also see Note 28).

***Impairments and Revaluation Losses***

Intangible assets are reviewed regularly for impairment:

- At the end of the first full financial year following the acquisition; and

- In other periods if events or changes in circumstances indicate that the carrying values may be subject to greater than expected consumption of economic benefits.

Where, on review of an intangible asset, there has been a decrease in value over the previous carrying amount, an impairment loss is recognised. As there is no balance in the Revaluation Reserve in respect of an impaired intangible asset (since they are valued at historic cost), the amount of the impairment is written off within the Cost of Services in the Comprehensive Income and Expenditure Statement and reversed through the Movement in Reserves Statement to the Capital Adjustment Account (also see Note 7).

Where a previous impairment loss is subsequently reversed, the impairment reversal is credited to the Comprehensive Income and Expenditure Statement up to the amount of the original loss, but adjusted for the depreciation that would have otherwise been recognised. The reversal of a previous impairment loss is only recognised in the Comprehensive Income and Expenditure Statement if the new value is directly attributable to the reversal of the event that caused the original impairment loss.

***Charges to Revenue***

Service revenue accounts, as defined in BVACOP, together with central support services and trading accounts, and the Housing Revenue Account if appropriate, are charged with a provision for amortisation and, where required, any related impairment loss due to the clear consumption of economic benefits, for all intangible assets used in the provision of services.

### 1.14 Interest

The Council pays interest on its borrowings (usually raised to finance capital expenditure) and receives interest and dividends on its investments. Interest is apportioned between the Housing Revenue Account and the General Fund in accordance with relevant Regulations.

The Code states that interest payable on external borrowings and interest income should be accrued and accounted for in the year to which they relate on a basis that reflects the overall economic effect of the borrowings. For reserves the average 7-day London Inter Bank Bid (LIBID) rate for the year is used, calculated on a daily average, as published by the money markets. The annual averaged 7-day rate was 0.43% in 2010/11 (in 2009/10 it was 0.38%).

Interest is credited to the Housing Revenue Account balance and other reserves based on their average balance in the year. This is taken as their opening balance plus their closing balance divided by 2, to which the average quarterly 7-day money market rate is applied.

Interest relating to the General Fund is reflected in the accounts as follows:

- Interest and dividends received are credited to the 'Financing and Investment Income and Expenditure' section of the Comprehensive Income and Expenditure Statement.

- Interest payable is debited to the 'Financing and Investment Income and Expenditure' section of the Comprehensive Income and Expenditure Statement. As part of this cost relates to the financing of the Housing Revenue Account capital programme, a recharge is made to the Housing Revenue Account.

Interest due or payable at the year-end is accrued and added to the carrying value of the relevant loan or investment.

### 1.15 Interests in Companies and Other Entities

The Code requires a local authority to consider all its interests and to prepare a full set of group accounts' financial statements where it has material interests in subsidiaries, associates and joint ventures. The Council has investigated all potential interests that might require, group accounts and has not identified any relationship that gives rise to a need to prepare them.

### 1.16 Inventories and Long Term Contracts

***Stocks***

Stocks are included in the Balance Sheet at the cost of the separate items of stock or of groups of similar items. Their cost has been determined on a FIFO (first in, first out) or average basis, less an allowance for loss in value where appropriate.

***Long-term Contracts***

A long-term contract is "a contract entered into for the design, manufacture or construction of a single substantial asset or for the provision of a service (or of a combination of assets or services which together constitute a single project) where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods". Revenue contracts are charged to revenue as payments are made for works or services received and capital contracts are charged as capital expenditure and are shown in the accounts either as assets under construction or, if completed in 2010/11, as additions to fixed assets.

### 1.17 Investment Property

***Recognition***

Under IFRS this is a separate category of asset which was formerly included under the UK GAAP heading "Tangible Fixed Assets". By definition, investment property is held solely to earn rentals and/or for the purposes of capital appreciation. The Council holds a few properties, originally acquired to facilitate capital projects, which have been classified as investment properties. This is because the projects for which the properties were acquired never came to fruition, but the properties have been retained and are let to third parties.

Investment property can comprise part of a building provided that the part is capable of being subject to a separate lease or sale. By definition it must be probable that an investment property will yield future economic benefit to the Council and it must be capable of reliable measurement.

***Measurement***

Investment properties are initially measured at cost (plus any direct transaction costs), and subsequently at fair value based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length (market value). Investment properties are re-valued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement, not to the Revaluation Reserve as is the case for Property, Plant and Equipment generally. However, revaluation gains and losses, by Regulation, are not permitted to affect the General Fund balance, so they are reversed in the Movement in Reserves Statement to the Capital Adjustment Account.

***Amortisation***

Investment properties are not depreciated since the consumption of economic benefits over time is taken into account through the annual valuations of fair value.

***Disposals and De-recognition***

The accounting for these transactions is covered under the "Surplus Assets, Disposals, De-recognition and Assets held for Sale" section of this note (also see Note 27).

In no circumstances can investment properties be re-classified as Assets Held for Sale.

***Impairments and Revaluation Losses***

Where, on revaluation of an investment property, there has been a decrease over the previous carrying amount, an impairment loss is recognised. The amount of the impairment is written off within the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement and reversed through the Movement in Reserves Statement to the Capital Adjustment Account (also see Note 7).

Where an impairment loss is subsequently reversed, the impairment reversal is credited to the Comprehensive Income and Expenditure Statement up to the amount of the original loss.

***Charges to Revenue***

Rentals received in respect of investment properties are credited to, and direct operating expenses are debited to, the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement and result in a gain for the General Fund balance.

**1.18 Landfill Allowance Scheme**

Under the Waste and Emissions Trading Act 2003, the Council, as a waste disposal authority, is issued with tradable landfill allowances on an annual basis for the amount of biodegradable waste that it is allowed to landfill. If the amount of biodegradable waste sent to landfill exceeds the allowance in any one year then additional permits are required to be purchased from other local authorities, otherwise a cash penalty must be paid to the government for the shortfall. The scheme is known as a 'cap and trade scheme'. For such arrangements there is no IFRS (or UK GAAP) accounting standard.

The fair value of the allowances received by the Council whether issued by the government or purchased from another local authority is recognised as a current asset (intangible current asset or investment) within the Balance Sheet. The allowances issued by the Government without charge are treated as a government grant and accounted for in accordance with section 1.12 of this Note: that is, they are recognised in the Comprehensive Income and Expenditure Statement when no conditions remain to be satisfied. The initial fair value of allowances issued by the Government is market value: the initial fair value of any allowances purchased is cost. Where a reliable estimate of fair value cannot be arrived at the Council is required to write down the value of its allowances to nil.

As landfill is used a liability (creditor) is established in the Balance Sheet, which comprises an estimate of the expenditure required to meet the obligation to deliver allowances equal to the biodegradable and municipal waste landfill usage permitted by the Government. The value of this provision is measured as the present market value, at the reporting date, of the number of allowances that the Government requires to be delivered plus any cash penalty payable in respect of any shortfall in allowances compared with the estimated actual landfill usage at the date the accounts are authorised for issue.

The value of allowances in the Balance Sheet date is measured at the lower of initial recognition value and net realisable value (market value). Any difference between the estimated actual and the final agreed actual is adjusted in the following year's accounts.

### 1.19 Leases

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

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

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.

***Finance Leases – the Council as Lessee***

Any property, plant and equipment held under a finance lease is recognised as an asset in the Balance Sheet at the inception of the lease at the lower of the fair value or the present value of the minimum lease payments. This asset is matched by a long term liability representing the total future obligation to pay the lessor. The asset recognised is matched by an obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. The Council does not currently have any contingent rents.

The Council uses assets under a long term contract which is deemed to incorporate an embedded finance lease – more details can be found in Note 11 to the accounts. Some of the Council's schools have entered into finance leases for minor items of equipment and the Council itself has some old finance leases covering equipment, mostly wheelie bins. In both cases the lease obligations and asset values have resulted in some minor impact on the Councils accounts, other arrangements were de minimis.

Annual lease rental payments are apportioned between the finance charge and the reduction of the long-term liability, with the finance charge being debited to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement. The amount that is debited to offset the long-term liability is then also debited to the appropriate service account within the Comprehensive Income and Expenditure Statement and credited against the asset value in the Balance Sheet as depreciation. The entry to the Comprehensive Income and Expenditure Statement is then reversed in the Movement in Reserves Statement to the Capital Adjustment Account, since the settling of the liability represents capital expenditure (also see Note 7). Any depreciation, revaluation or impairment losses arising on leased assets are reversed to the Capital Adjustment Account in the Movement in Reserves Statement (also see Note 7).

Under the Prudential Framework the setting up of the long-term liability is deemed to be a credit arrangement, the cost of which must be included in the calculation of the Council's Capital Financing Requirement and is therefore taken into account in the calculation of the Council's Minimum Revenue Provision.

Any hire purchase contracts that have similar characteristics to a finance lease and are of a financing nature are accounted for as finance leases.

***Finance Leases – the Council as Lessor***

Where the Council enters into a finance lease as lessor, the relevant item of property, plant and equipment is written out of the Balance Sheet as a disposal (loss) to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. The Council's net investment in the lease is correspondingly credited to the same line in the Comprehensive Income and Expenditure Statement and matched to a long-term debtor in the Balance Sheet. The credit posted to the Comprehensive Income and Expenditure Statement must be treated by statute as a capital receipt through a reversal in the Movement in Reserves Statement to the Deferred Capital Receipts Reserve. The debit posted to the Comprehensive Income and Expenditure Statement is reversed in the Movement in Reserves Statement to the Capital Adjustment Account. The Deferred Capital Receipts Reserve is used because the gain comprises the receipt of rentals in future years.

Lease rentals receivable are split between the charge for the acquisition of the property and the charge for finance. The former is accounted for by writing down the long-term debtor and debiting the Capital Adjustment Account. The finance income is credited to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement. The credit to the Comprehensive Income and Expenditure Statement is then matched by a debit to write down the Deferred Capital Receipts Reserve, whilst the reversal of the entry to the Comprehensive Income and Expenditure Statement in the Movement in Reserves Statement is offset by a credit to the Capital Receipts Reserve.

***Operating Leases – the Council as Lessee***

Where assets are held under operating leases, the leasing rentals payable are charged to the revenue accounts of the services that use those assets as they become payable. Any hire purchase contracts that have similar characteristics to an operating lease are accounted for as an operating lease and disclosed in a note to the financial statements. Charges are accounted for on a straight-line basis over the term of the lease regardless of the actual payments stream.

***Operating Leases – the Council as Lessor***

Where the Council grants an operating lease in respect of an item of property, plant and equipment the asset is retained in the Balance Sheet and depreciated over its useful life. Rental income from operating leases is credited as Other Operating Expenditure in the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease, regardless of the pattern of payments. The initial direct cost of negotiating and arranging the lease may be added to the carrying value of the asset and charged as an expense over the term of the lease.

***Recognition***

| **De Minimis & Materiality Limits:** | |
|---|---|
| | |
| The capital value of a lease to be recognised as a material finance lease | **£20,000** |
| Annual passing rent to be recognised as a material Finance Lease | **£20,000** |
| Minimum rental period for recognition:<br>Property<br>Equipment | **10 years**<br>**5 years** |
| Accounting cost 'verses' capital value | **If Cost of assessment exceeds 1% of capital value** |

### 1.20 Minimum Revenue Provision

In 2008 an amendment to the Capital Finance Regulations 2003 required the Council to approve a policy on the appropriate charge to the Comprehensive Income and Expenditure Statement in respect of its outstanding loans and obligations of a similar nature. This charge is known as the Minimum Revenue Provision. It is also permissible for the Council to make additional voluntary repayments. The policy adopted is as follows:

- For supported borrowing, the regulatory method has been adopted. This relates to debt that is supported by the Government through the Revenue Support Grant system. This method is the same as the previous system and comprises 4% of the relevant debt. It mirrors the way the Government calculates the support it plans to give to local authorities; and

- For prudential (or unsupported) borrowing the asset life (equal instalment) method has been adopted. This method involves making provision by equal annual instalments over the estimated useful life of the asset in respect of which the borrowing was made. Incidentally, this is also the method employed for leased assets.

### 1.21 Overheads and Support Services

Charges or apportionments covering all support service costs (e.g. legal, human resources and finance) are made to all "front line" services (services to the public) in proportion to the benefits received on a total cost absorption basis. The cost of service management is also apportioned to the accounts representing the activities managed. The bases of apportionment adopted are used consistently for all the expenditure heads to which apportionments are made. This is in accordance with the BVACOP 2010/11.

The costs of the Corporate and Democratic Core (costs relating to the Council's status as a multi-functional democratic organisation) and of Non Distributed Costs (costs of early retirements and impairments of Assets Held for Sale) are allocated to separate objective expenditure heads in the Comprehensive Income and Expenditure Statement as part of Cost of Services and are not apportioned to services.

### 1.22 Prior Period Adjustments

The majority of prior period items arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions for the year in which they are identified, and are accounted for accordingly.

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts. The effect of prior period adjustments on the outturn for the preceding period is disclosed where practicable. The change of accounting presentation from UK GAAP to IFRS has necessitated the restatement of both opening and closing Balance Sheets for 2009/10 together with many of the comparator figures for 2009/10 throughout the financial statements and notes.

### 1.23 Property, Plant and Equipment

Property, plant and equipment are assets that have physical substance and are held for use in the provision of services or for administrative purposes for a period of more than one year. Along with intangible assets, investment property and assets held for sale they are classified generically under IFRS as non current assets.

***De Minimis Policies***

The Council applies or intends to apply as appropriate the following de minimis thresholds to its asset and capital accounting. Items below the values set out in the table below are not put through the full asset or capital accounting process on the grounds that they have no material effect on the presentation in the financial statements of a true and fair view. These limits may be ignored where accountability to an external funder is required or to maximise the use of a government grant.

***Recognition***

| **De Minimis Limits:** | |
|---|---|
| | |
| The value below which assets are not recorded separately in the Asset Register | **£1** |
| The value below which any capital project is charged directly to revenue expenditure | **£10,000** |
| The value below which assets will not be split into components | **£2,000,000** |
| The minimum value of a component as a proportion of total asset value | **20%** |
| The value below which capital receipts are treated as revenue income | **£10,000** |

All expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis provided it can be measured reliably. Expenditure on the acquisition of an item of property, plant or equipment, or expenditure which adds to, and not merely maintains, the value of an existing asset, is capitalised and classified as property, plant or equipment, provided it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the services it provides, for a period of more than one year. Expenditure on repairs and maintenance is charged as an expense to revenue. Donated assets are brought on to the Balance Sheet at fair value with a corresponding entry to the Capital Adjustment Account (not the Revaluation Reserve).

Expenditure that is capitalised includes spending on the:

- Acquisition, reclamation, enhancement or laying out of land;
- Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures; and
- Acquisition, installation or replacement of plant, machinery, apparatus, vehicles, furniture and equipment.

Enhancement means the carrying out of works that are intended to:

- Lengthen substantially the useful life of an asset; or
- Increase substantially the market value of an asset; or

- Increase substantially the extent to which an asset can, or will, be used for the purposes of, or in conjunction with, the functions of, the Council.

Improvement works and structural repairs are capitalised, whereas expenditure to ensure that property, plant or equipment asset maintain their previously assessed standard of performance is recognised in the Comprehensive Income and Expenditure Statement as it is incurred. Expenditure on existing property, plant and equipment is capitalised in three circumstances:

- Enhancement (as defined above);

- Where a component of a property, plant or equipment asset, that has been treated separately for depreciation purposes and depreciated over its individual useful life, is replaced or refurbished; and

- Where the spending relates to a major inspection or overhaul of a property, plant or equipment asset that restores the benefits of the asset that have been consumed by the Council and have previously been reflected in accumulated depreciation.

Assets acquired on terms meeting the definition of a finance lease are capitalised as property, plant and equipment assets with a matching long-term liability for future rentals payable.

Where a property, plant or equipment asset is acquired for other than a cash consideration or where payment is deferred, the asset has been recognised and included in the Balance Sheet at fair value.

***Components***

The new Code requires the significant components of a property, plant and equipment asset, with measurably different estimated useful lives, to be treated as separate assets for depreciation purposes. The identification of components must take place either when an asset is brought into use or at the point of the replacement of a component. Where applicable, this will require the writing out of the Balance Sheet of the component being replaced. Recognition of replaced components for depreciation purposes applies to enhancement and acquisition expenditure incurred from 1 April 2010 and to certificated asset revaluations carried out after that date.

The Council has a de-minimis threshold of £2m for componentising both General Fund and Housing Revenue Account assets; individual assets with a gross book value of less than £2m are disregarded for componentisation. For an individual component to be recognised, the component value must be greater than 20% of the total asset value. The de-minimis level is reviewed on an annual basis. In line with Department of Communities and Local Government guidance, Council Dwellings are split into land and building elements and not componentised any further.

Vehicles, plant and equipment assets are excluded from this policy as they do not have separate identifiable components of significant value or a significant difference in asset life. Community assets are unlikely to be componentised as they are held at either cost or nil value. Assets under construction are not considered for componentisation until they become operational.

Expenditure on moveable furniture and equipment are written down to nil value in the year in which the expenditure is incurred and as such will not have a carrying value on the balance sheet.

***Measurement – Valuation and Revaluation***

Property, plant and equipment assets are initially measured at cost. Only those costs that are directly attributable to bringing an asset into working condition for its intended use are included in its measurement. Although it is permitted, the Council does not capitalise any associated borrowing costs.

When substantially all the activities, which are necessary to get an item of property, plant or equipment ready for use, are complete, the asset is categorised and included in the Balance Sheet. Property, plant and equipment assets are divided into the following categories:

- ***Council dwellings*** – these assets are valued based on the use of beacon properties (groups of similar assets) to assess a vacant possession value which is then adjusted downwards by 39% to reflect their occupation by a secure tenant, i.e. to reflect their use for social housing purposes. This adjustment factor is provided by the Government and applies throughout the Eastern Region of England;

- ***Other land and buildings***;

- ***Vehicles, plant, furniture and equipment***;

- ***Infrastructure assets*** – these assets comprise highways, footways, bridges, street furniture and drainage;

- ***Land awaiting development***;

- ***Commercial properties*** – these assets mostly comprise blocks of shops provided on housing estates as part of comprehensive social housing developments;

- ***Community assets*** – these assets comprise parkland (but not any associated buildings), historic buildings not subject to any practical use and works of art, museum exhibits, cemeteries and allotments;

- ***Assets under construction***; and

- ***Surplus assets*** – these assets are surplus to current service need but do not meet the criteria for classification as investment property or as assets held for sale. They are valued on the basis of the use to which they were put before they were vacated, de-commissioned or otherwise deemed surplus.

With effect from 1 April 2008, all non-current assets are re-valued every four years. Subsequently those values are updated each year as at the Balance Sheet date on a desktop formula basis. During 2010/11 the Valuer's judgment is that asset values in Thurrock have not changed. Non-current assets are also re-valued on account of known events that could affect their values. This approach complies with the new Code's requirements and is in accordance with CIPFA's Statement of Asset Valuation Principles.

Property, plant and equipment assets are valued on the bases set out in the table below. Regarding specialised properties, where there is sufficient evidence to enable a Valuer to arrive at a market value in existing use, that value is used, but where there is no, or insufficient, market based evidence, depreciated replacement cost is used. This valuation basis uses the aggregate of the market value for existing use of the land on which the building stands, plus the current gross replacement cost of the building, less an allowance for physical deterioration and obsolescence based on the current level of service or output of the building.

| Asset Category | Valuation Basis |
|---|---|
| | |
| Council Dwellings | Fair Value based on Existing Use Value – Social Housing |
| Non Specialised Assets: Other Land and Buildings | Fair Value based on Existing Use Value (EUV) |

| | |
|---|---|
| Specialised Assets: Other Land and Buildings | Depreciated Replacement Cost |
| Vehicles, Plant, Furniture and Equipment | Depreciated Replacement Cost (unless EUV can be determined) |
| Land Awaiting Development | Fair Value based on Existing Use |
| Commercial Properties | Fair Value based on Existing Use |
| Community Assets | Depreciated Historic Cost |
| Infrastructure Assets | Depreciated Historic Cost |
| Surplus Assets for Disposal | Fair Value based on previous Existing Use |
| Assets Under Construction | Historic Cost |

For 2010/11 the valuations of the Council's land and property for accounting purposes have been conducted by the Council's External Valuer, a member of the Royal Institution of Chartered Surveyors (RICS). The valuations have been prepared in accordance with the UK Practice Statements contained in the RICS Appraisal and Valuation Standards (the "Red Book").

The asset valuations have been prepared using the following assumptions:

- The Council has good title free from encumbrances;
- There are no hazardous substances or latent defects in the properties and there is no contamination present;
- The properties have permanent planning permission and any other necessary statutory consents for their current use;
- Plant and machinery is included in the valuation of the property, where applicable;
- No special circumstances beyond those likely to be considered by a prospective purchaser in the open market have been taken into account;
- No allowance has been made for any liability to taxation, which may arise on disposal, nor for costs of acquisition or realisation.

***Accounting for Revaluation***

An Asset Register is used to record the details of all non-current assets and their associated accounting information. For all property, plant and equipment assets a rolling record of depreciated historical cost is maintained so that the difference between that and depreciated fair value, where appropriate, can be identified each year in order to establish the balance in respect of each asset of revaluation gains held in the Revaluation Reserve. The depreciated historical cost includes any subsequent capital expenditure incurred on enhancements.

Where a property, plant or equipment asset is included in the Balance Sheet at a re-valued amount, the asset account is debited and the Revaluation Reserve credited with the gain. If, however, the increase over the previous carrying amount at which that asset was included in the Balance Sheet immediately prior to the latest re-valuation reverses previous revaluation or impairment losses, the amount of the gain up to the previously recognised losses is credited to the Comprehensive Income and Expenditure Statement and taken to the Capital Adjustment Account through the Movement in Reserves Statement. Revaluation gains in the first instance are used to reduce or to eliminate accumulated depreciation and/or accumulated impairment balances. When an asset is re-valued, the difference between the depreciation charge based on the fair value of the asset and that based on historical cost is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Revaluation losses are accounted for similarly in relation to any previous revaluation gains, but net of the additional depreciation that would have been charged had not the asset been written down previously. If the loss exceeds any balance in the Revaluation Reserve, the excess is debited to the Comprehensive Income and Expenditure Statement and reversed through the Movement in Reserves Statement to the Capital Adjustment Account.

The Revaluation Reserve contains gains recognised since 1 April 2007 only, the date of its formal implementation with an opening zero balance in accordance with proper accounting practices. Gains arising before that date have been consolidated into the Capital Adjustment Account. The Revaluation Reserve is not permitted to hold any negative balances reflecting valuation losses.

***Impairments and Revaluation Losses***

The value at which each category of assets is included in the Balance Sheet is reviewed at the end of each reporting period and, where there is reason to believe that its value has been impaired materially in the period, the valuation is adjusted accordingly. For non-cash generating assets impairment is considered on the basis of the "recoverable amount", the cost of replacing the service potential of the asset, normally its depreciated replacement cost. For cash generating assets it is considered in the context of the present value of the cash flows to be derived from the asset.

Events and changes in circumstances that indicate impairment may have occurred include:

- A significant decline in the market value of a property, plant and equipment asset during the period,

- Evidence of obsolescence or physical damage to a property, plant and equipment asset,

- A significant adverse change in the statutory or other regulatory environment in which the Council operates,

- A commitment by the Council to undertake a significant reorganisation leading to major changes in the way an asset is used or expected to be used, or

- A significant deterioration in the expected level of an asset's performance.

Where, on the revaluation of a property, plant or equipment asset, there has been a decrease over the previous carrying amount, an impairment loss is recognised. If there is a balance in the Revaluation Reserve in respect of the impaired asset, the amount of the impairment is written off against that balance. If there is no balance or insufficient balance in the Revaluation Reserve in respect of the impaired asset, the amount of the impairment is written off within the Cost of Services in the Comprehensive Income and Expenditure Statement and reversed in the Movement in Reserves Statement to the Capital Adjustment Account.

Where an impairment loss is subsequently reversed, the impairment reversal is credited to the Comprehensive Income and Expenditure Statement up to the amount of the original loss, but adjusted for the depreciation that would have otherwise been recognised: it is then reversed in the Movement in Reserves Statement to the Capital Adjustment Account. Any excess of gain over the original loss is credited to the Revaluation Reserve.

***Disposals and De-recognition***

The accounting for these transactions is covered under the "Surplus Assets, Disposals, De-recognition and Assets held for Sale" section of this note (also see Note 36).

***Depreciation***

Depreciation is the measure of the cost of the economic benefit of a non-current asset that has been consumed during an accounting period.

Depreciation is calculated on the carrying amount, including any past enhancement expenditure, of all property, plant and equipment assets with a finite useful life, which is estimated at the time of acquisition or revaluation. For all property, plant and equipment assets, other than non-depreciable land, investment properties held at fair value, assets held for sale and assets under construction, the only ground for not charging depreciation is if the depreciation charge is immaterial. Provision for depreciation is made by allocating the cost (or re-valued amount) less the estimated residual value of the assets as fairly as possible over the periods expected to benefit from the use of the related assets. In this way both the historical cost and any revaluation gains are depreciated with consequential effects on an asset's balance in the Revaluation Reserve. Invariably this approach to depreciation accounting results in the charge of equal amounts each year over the life of the asset.

One reason for breaking down large assets into components is to enable depreciation to measure more accurately the consumption of economic benefits during a reporting period, reflecting the fact that major components of large buildings may have significantly different estimated useful lives compared with that of the overall building structure and therefore need to be depreciated separately. The main objective is to ensure that depreciation charges are materially correct.

A change from one method of providing depreciation to another is only made where the new method will give a fairer presentation of the results and of the financial position of the Council. Such a change does not, however, constitute a change of accounting policy; the carrying amount of the property, plant or equipment asset is depreciated using the revised method over the remaining useful life, beginning with the period in which the change is made.

The estimated useful lives of assets, which can be different from their economic lives, are estimated on a realistic basis, are reviewed annually and, where necessary, are revised. Where the useful life of a property, plant or equipment asset is revised, the carrying amount of the asset is depreciated over the revised remaining useful life.

The overarching provision in IFRS is that the depreciation method should be that most appropriate to each item of property, plant or equipment and its use in the provision of services, which ensures a fair presentation of the Council's financial position. For each category of asset the estimation technique selected is that most appropriate to the type of asset and its use in the provision of services taking account of the expected usage, expected physical deterioration, prospects of obsolescence and any legal limits on usage such as lease expiry dates.

Depreciation has been calculated as follows:

| **Asset Category** | **Depreciation Method** |
|---|---|
| | |
| Council Dwellings | Charged on the net book value of the buildings divided by their remaining estimated life |
| Other Land and Buildings | Charged on the net book value of the buildings divided by their remaining estimated life |
| Vehicles, Plant, Furniture and Equipment | Charged on a straight line basis; computer servers over 5 years and the remainder over 7 years |
| Land Awaiting Development | No depreciation charge is made |
| Commercial Properties | Charged on the net book value of the buildings divided by their remaining estimated life |
| Community Assets | Charged on the net book value of the buildings divided by their remaining estimated life |
| Infrastructure Assets | Charged on the net book value divided by the |

| | |
|---|---|
| | remaining estimated life, based on a total estimated life of 30 years |
| Leased Assets | Charged on valuation divided by term of lease |

Depreciation is not generally provided for freehold land, where the Council assumes an asset life of 999 years. However, freehold land would be depreciated where it is subject to depletion by, for example, the extraction of minerals or the deposit of landfill.

The estimated useful lives of each category of asset are in the following ranges:

| Asset Category | Useful Life (years) |
|---|---|
| | |
| Council Dwellings | 60 |
| Other Land and Buildings | 10 - 60 |
| Vehicles, Plant and Equipment | 1 - 10 |
| Land Awaiting Development | No life estimated – non-depreciable |
| Commercial Properties | 20 - 60 |
| Community Assets | 30 - 60 |
| Infrastructure Assets | 30 - 40 |
| Surplus Assets | 10 - 60 |
| Leased Assets | Over term of lease |

***Charges to Revenue***

To reflect the real costs of holding assets during the year, General Fund service revenue accounts, as defined in CIPFA's BVACOP, central support services and trading accounts, are charged with:

- Depreciation for all property, plant and equipment assets used in the provision of services;
- Where required, any related impairment losses, if in excess of any balance on the Revaluation Reserve, for all property, plant and equipment assets used in the provision of services; and
- All expenditure on repairs and maintenance relating to property, plant and equipment assets.

The Other Operating Expenditure section of the Comprehensive Income and Expenditure Statement is further charged, or credited, with:

- Finance costs, including interest payable on loans and interest payable under finance leases; and
- Gains arising from revaluations which reverse earlier revaluation losses on the same asset that were charged originally to the Comprehensive Income and Expenditure Statement.

Depreciation and impairment of property, plant and equipment assets are all reversed in the Movement in Reserves Statement to the Capital Adjustment Account and replaced by the Minimum Revenue Provision so that only a statutory calculation of the costs of servicing the Council's borrowings are met from Council Tax.

### 1.24 Provisions

Provisions are made for any liabilities of uncertain timing or amount that have been incurred. They are recorded as current or long-term liabilities depending on whether the liability is expected to be settled within twelve months or not at the Balance Sheet date.

Provisions are recognised when:

- The Council has a present obligation (legal or constructive) as a result of a past event;

- It is probable that a transfer of economic benefits will be required to settle the obligation; and

- A reliable estimate can be made of the amount of the obligation.

A transfer of economic benefits or other event is regarded as probable if the event is judged more likely than not to occur. Provisions are charged to the Comprehensive Income and Expenditure Statement when the Council becomes aware of the obligation. When payments are incurred to which the provision relates they are charged direct to the provision in the Balance Sheet. The amount recognised as a provision is the best estimate at the Balance Sheet date, taking into account the risks and uncertainties surrounding the events. Provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision is written back into the Comprehensive Income and Expenditure Statement. Once the amount of the provision is no longer uncertain the provision is re-classified as a creditor.

Where some or all of the expenditure required to set up a provision is expected to be reimbursed by another party, the reimbursement is recognised only when it is virtually certain that it will be received if the obligation is settled. The reimbursement is treated as a separate asset. In the appropriate revenue account the expense relating to a provision is presented net of the amount recognised for a reimbursement.

### 1.25 Reserves

The Council sets aside specific amounts as reserves for policy purposes or for contingencies. Reserves are established by charging amounts to the General Fund Balance in the Movement in Reserves Statement. Transfers to and from reserves are distinguished from service expenditure since transactions involving reserves are shown in the Movement in Reserves Statement. Balances on reserves are shown in the Balance Sheet and are reported in two categories:

- ***Unusable Reserves*** - Unusable reserves are not available for revenue purposes. The Revaluation Reserve can only be used when the gains are realised through asset disposal. The adjustment accounts, such as the Pension Reserve and Capital Adjustment Account, deal with situations where statute requires expenditure and income to be recognised on a different basis from that required by accounting standards. The adjustments between accounting basis and funding basis are shown in the Movement in Reserves Statement. More details are provided in the notes to the accounts (see Note 39).

- ***Usable Reserves*** - Usable Reserves can be used to finance expenditure or to undertake capital investment and include the General Fund Balance, Earmarked Reserves, the Housing Revenue Account Balance, the Capital Receipts Reserve and the Major Repairs Reserve. All transactions involving expenditure financed by revenue reserves are charged to the Cost of Services in the Comprehensive Income and Expenditure Statement. The Capital Receipts Reserve and Major Repairs Reserve can only be used to finance capital expenditure. All appropriations to and from reserves, including any interest payable, are accounted for in the Movement in Reserves Statement. More details of each reserve is set out in the notes to the accounts (see Notes 7, 21 and 38) and in the Movement in Reserves Statement.

### 1.26 Revenue Expenditure Funded from Capital under Statute

Legislation allows for specified expenditure to be classified as capital for funding purposes when it does not result in a non-current asset being carried in the Balance Sheet. The purpose of this is to enable such expenditure to be funded from capital resources rather than to be charged to the General Fund and impact upon Council Tax. These items comprise financial assistance towards capital expenditure incurred by third parties, expenditure on properties not owned by the Council, repayments of Government grant in respect of assets disposed of and amounts directed by the Secretary of State under section 16(2) of Part 1 of the Local Government Act 2003.

Where a statutory provision allows capital resources to meet such expenditure, that expenditure has been charged to the Cost of Services in the Comprehensive Income and Expenditure Statement. It has subsequently been accounted for by debiting the Capital Adjustment Account and crediting the General Fund Balance in the Movement in Reserves Statement. Any grants received in respect of revenue expenditure funded from capital resources are accounted for as revenue grants, even if described as capital grants by the grantor, and reversed in the Movement in Reserves Statement to the Capital Adjustment Account

### 1.27 Revenue Income Treated as Capital Receipts Under Statute

Normally capital receipts arise from disposals of interests in non-current assets. However, capital receipts are defined by statute and that statutory definition includes other categories of income, such as the repayment of a grant or a loan made by the Council to a third party for the acquisition of an asset. Such income is credited to the Comprehensive Income and Expenditure Statement, since the receipt is revenue income under the general provisions of IFRS, but is then debited to the General Fund Balance in the Movement in Reserves Statement and credited to the Capital Receipts Reserve to effect the statutory requirement to treat such income as a capital receipt.

### 1.28 Schools

The working balances of all schools, excluding academies, have been included in the Balance Sheet (included in Earmarked Reserves – see Note 21). Academies are responsible for producing their own annual accounts and have to submit a return to the Charity Commission.

Community schools land and buildings have been recognised on the Balance Sheet as the ownership of these is with the Council. The value of land of voluntary controlled and aided schools has been included. The Board of Governors of Foundation schools own the land and buildings and consequently these assets are not included in the Council's Balance Sheet.

### 1.29 Surplus Assets, Disposals, De-recognition and Non-Current Assets Held for Sale

***Assets Held for Sale***

When it becomes probable that the carrying value of a non-current asset will be recovered through sale rather than through its continuing use, the asset is re-classified as an Asset Held for Sale. The asset is re-valued immediately before re-classification and is carried at the lower of that value or fair value less costs to sell with any gain posted directly to the Revaluation Reserve. Where fair value less costs to sell represents a decrease on that valuation, the loss is posted to the Other Operating Expenditure section of the Comprehensive Income and Expenditure Statement and reversed in the Movement in Reserves Statement to the Capital Adjustment Account.

The values of Assets Held for Sale are reviewed at each year-end. Subsequent gains in fair value can only be recognised if they reverse revaluation or impairment losses previously charged to the Cost of Services in the Comprehensive Income and Expenditure Statement.

Subsequent losses in fair value, adjusted for any depreciation that would have been charged had the asset held its value up to the re-classification date, are charged to the Comprehensive Income and Expenditure Statement regardless of any balance in respect of that asset in the Revaluation Reserve which is left unadjusted. These entries are reversed to the Capital Adjustment Account in the Movement in Reserves Statement (also see Note 7). No depreciation is charged on Assets Held for Sale.

Assets Held for Sale are classified as Current Assets in the Balance Sheet. Assets that are to be abandoned or scrapped are not classified as Assets Held for Sale. To be classified as an Asset Held for Sale all the following criteria must be met:

- The asset is immediately available for sale in its present condition and on terms normal for that type of asset;

- The asset is being actively marketed at a price reasonable in relation to its current value; and

- Completion of sale is fully expected within one year of the classification of the asset as an Asset Held for Sale.

Where an asset is classified as an Asset Held for Sale between the Balance Sheet date and the date of issue of the financial statements, that fact is noted as a non-adjusting event.

Where an Asset Held for Sale ceases to meet the criteria for such assets, it is re-classified as a non-current asset and valued at the lower of its carrying value before it was classified as an Asset Held for Sale adjusted for any depreciation and revaluation gains or losses that would have been applied had it not been classified as an Asset Held for Sale, and its recoverable amount at the date of the decision not to sell.

Guidance from CIPFA states that, contrary to the conditions set out above, a tenant's initiation of their Right to Buy (RTB) their council house may trigger the transfer of that asset from Property, Plant and Equipment to Assets Held for Sale. In the Council's experience only some 20% of expressions of desire to buy these properties result in a disposal. It is therefore the policy of the Council to retain and dispose of these assets without transfer to the Assets Held for Sale category. However, in order to ensure that the Balance Sheet presents a true and fair view in compliance with CIPFA's interpretation of IFRS, any RTBs processed early in 2011/12 where the transaction was fully committed as at 31 March 2011 have been shown as Assets Held for Sale.

***Disposals and De-recognitions***

When any asset is disposed of or de-commissioned, however categorised, the carrying amount in the Balance Sheet is written-off, (debited), to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of the Gain or Loss on Disposal of Assets. Receipts from disposals, if any, also as part of the Gain or Loss on Disposal of Assets, are credited to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement, that is, they are netted off against the carrying value at the time of disposal. This net sum is then transferred to the Capital Adjustment Account through the movement in Reserves Statement. Any revaluation gains accumulated in the Revaluation Reserve in respect of an asset disposed of are transferred to the Capital Adjustment Account.

Amounts received for a disposal, above the de minimis sum, are categorised as capital receipts. A proportion of capital receipts relating to Housing Revenue Account disposals, 75% for dwellings and 50% for land and other assets net of statutory deductions and other allowances, is payable to central Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used to finance the Council's capital investment or set aside to reduce the Council's need to borrow. Receipts are appropriated to the Capital Receipts Reserve through the Movement in Reserves Statement.

Any repayment of grant arising from the disposal of an asset is classified under statute as capital expenditure to be financed from the capital receipt. Under IFRS it is defined as Revenue Expenditure met from Capital Resources.

Where a property, plant or equipment asset is disposed of for other than a cash consideration, or the payment is deferred, an equivalent asset is recognised and included in the Balance Sheet at its fair value.

### 1.30 Value Added Tax (VAT)

VAT is included in the Comprehensive Income and Expenditure Statement, whether of a capital or revenue nature, only to the extent that it is irrecoverable from Revenue and Customs in accordance with SSAP 5 since there is no IFRS dealing with accounting for VAT. VAT receivable is excluded from income.

### 1.31 Area Based Grants

Area Based Grants are treated as non-ring fenced Government grants under 'Taxation and Non-Specific Grant Income' line in the Comprehensive Income and Expenditure Statement.

### 1.32 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 Statement or in the notes to the accounts, depending on how significant the sums are to an understanding of the Council's financial performance.

### 1.33 PFI Accounting Policy

The Council does not currently have any PFI or similar contracts.

**Note 2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED**

The Code of Practice for 2011/12 will introduces the separate classification of Heritage Assets for financial reporting purposes, together with the requirement for a series of disclosures, including bases of valuation, and relevant transactions analogous to the disclosures covering the various categories of Property, Plant and Equipment in Note 22 below. The Council has potentially a number of heritage assets as follows, although valuation and condition assessment is still required:

- Coalhouse Fort;
- Magazine 5 at Purfleet;
- Pound (prison) at Orsett;
- Barrel Store at Purfleet;
- Clockhouse at Purfleet;
- Stink Pipe at Belhus; and
- Ten items potentially above £5,000 in value.

These items will be subjected to valuation and condition assessment for the 2011/12 accounting.

The Code also provides for community assets to be included in the accounts on a valuation basis, if the Council wishes, rather than a token or historic cost basis. No decision has been made by the Council on this option: the current carrying values of Community Assets are disclosed in Note 22.

## Note 3 CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1 the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments underlying these financial statements are:

- There is a degree of uncertainty about the future funding levels of local government. However the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council should be impaired as a result of a need to close facilities or to reduce levels of service provision. The Council has recently critically reviewed its portfolio of assets;

- The Council is a partner to a long-term strategic service partnership contract under which several major services are provided to the Council. The Council has determined that this is not a PFI scheme - or service concession under IFRS – but does contain embedded leases which have been accounted for accordingly; and

- The Council has not made for provision for equal pay and redundancies as these liabilities were settled during the financial year.

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

The financial statements contain estimated figures that are based on assumptions made by the Council 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.

| Item | Uncertainty | Effect |
|---|---|---|
| **Property, Plant and Equipment** | Assets are depreciated over their estimated useful lives. If in the current economic climate historic levels of repairs and maintenance expenditure cannot be sustained, the useful lives of assets may reduce. | If the useful life of an asset reduces, depreciation increases and the carrying value of the asset reduces. If overall asset lives reduced by 1 year the charge for depreciation would increase by £0.674m. |
| **Pensions Liability** | Estimation of the net liability to pay pensions depends on a number of complex judgments and assumptions. | The Actuaries' sensitivity analysis indicates that an increase in the discount for liabilities of 0.1% would reduce the pension liability by £5.224m. |
| **Arrears** | The Council's debtors and the overall provision for impairment are disclosed in Note 34. There is uncertainty in the current economic climate as to whether the impairment provision is sufficient. | If collection rates were to deteriorate a doubling of the impairment provision for doubtful debts would require an additional £3.849m to be set aside. |
| **Housing Repairs** | The Morrison's contract for Housing repairs, that became operational in August 2010 has resulted in an over spend on repairs budgets. | If the repairs budget continues to overspend the HRA balances will reduce. This will be compensated, however, by present proposals for financial reform from April 2012. |
| **Development Corporation** | The Council will merge with the Thurrock Thames Gateway Development Corporation from 30th March 2012. This will expand the range of Council assets and liabilities. | From the 2011/12 accounts, both organisations will be grouped for ease of comparison. |

## Note 5 MATERIAL ITEMS OF INCOME AND EXPENDITURE

- The Social Housing Factor, the amount by which the open market value is discounted to account for the fact that Council Dwellings are used for social housing, has changed from 46% to 39%. This has resulted in an impairment of £80.288m in the Local Authority Housing (HRA) line in the Comprehensive Income and Expenditure Statement.

- The Council restructured its debt on 13 August 2010. The Council has restructured £84m of PWLB debt which was repayable over 40/50 years. This amount has been repaid and the Council paid a £17m early redemption premium as a result. This is shown in the Financing and Investment line in the Comprehensive Income and Expenditure account. The repaid debt has been replaced by variable short-term market debt. This was reported as a post Balance Sheet event in the 2009/10 financial statements.

- The Council reported as a Contingent Liability in the 2009/10 financial statements that it was dealing with claims for back pay arising from appeals about unequal pay following the implementation of the single status agreement. Up to 2009/10 the Council had utilised the provisions of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) and used its discretion not to set up a provision in the accounts until settlement had taken place. In 2010/11 a Capitalisation Direction from the Government has been used to finance payments made in full settlement of these claims by reversing the charge to the Comprehensive Income and Expenditure Account in the Movement in Reserves Statement to the Capital Adjustment Account so as to finance these payments from borrowing. Residual associated tax and national insurance payable has been accrued for in Short-Term Creditors in the Balance Sheet.

- In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the authority's liabilities in 2010/11 by £19.280m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund. The £19.280m has been included as a separate line in the Consolidated Income and Expenditure statement.

- In 2010/11 the Council's Property, Plant and Equipment assets were revalued resulting in £93.06m[5] revaluation and impairment losses (£26.364m in 2009/10).

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[5] Includes the £80.228m in first bullet point

**Note 6 RESTATEMENT OF 2009/10 COMPARATIVE FIGURES**

The figures in the published 2009/10 UK GAAP compliant Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet and Cash Flow Statement have all been restated to comply with IFRS. Note 50 to the financial statements summarises the main changes to the figures originally published.

## Note 7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This Note details the adjustments that have been made in the Comprehensive Income and Expenditure Statement (CIES) for the year to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. It provides a breakdown of the totals in the Movement in Reserves Statement.

| | 2010/11 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Usable Reserves | | | | | | | Movement in Unusable Reserves (total) |
| | General Fund Balance | Housing Revenue Account Balance | Earmarked Reserves | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Usable Reserves (total) | |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| <u>**Adjustments primarily involving the Capital Adjustment Account**</u> | | | | | | | | |
| **Reversal of items debited or credited to CIES** | | | | | | | | |
| Amortisation of intangible assets | (245) | | | | | | (245) | 245 |
| Depreciation of non-current assets | (6,469) | (6,541) | | | | | (13,010) | 13,010 |
| Revaluation and Impairment losses on Property, Plant and Equipment | (6,327) | (86,737) | | | | | (93,064) | 93,064 |
| Revaluation gains reversing previous losses | 360 | | | | | | 360 | (360) |
| Movement in value of held for sale assets | (70) | | | | | | (70) | 70 |
| Amounts of Assets Held for Sale written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES | | (895) | | | | | (895) | 895 |
| Revenue expenditure funded from capital under statute (REFCUS) - net of funding | (1,681) | | | | | 841 | (840) | 840 |
| Revenue expenditure funded from capital under direction | (1,329) | | | | | | (1,329) | 1,329 |
| Amounts of Property, Plant & Equipment written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES | (275) | (63) | | | | | (338) | 338 |
| Write of balance on Revaluation Reserve on disposal or sale of non-current assets | | | | | | | 0 | 0 |
| Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost | | | | | | | 0 | 0 |
| **Insertion of items not debited or credited to the CIES** | | | | | | | | |
| Statutory Provision for Repayment of Debt (MRP) (includes Finance Lease Liabilities) | 5,724 | | | | | | 5,724 | (5,724) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Adjustments primarily involving the capital grants unapplied account** | | | | | | | | |
| Capital grants and contributions unapplied credited to the CIES | 5,954 | | 36 | | | (5,801) | 189 | (189) |
| Application of grants to capital financing (to capital adjustment account) | (114) | | | | | 6,318 | 6,204 | (6,204) |
| **Adjustments primarily involving the capital receipts reserve** | | | | | | | | |
| Capital Receipts applied to fund Capital Expenditure | | | | 58 | | | 58 | (58) |
| Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES | 353 | 1,443 | | (1,796) | | | 0 | |
| Contribution from the Capital Receipts Reserve towards administration costs of non-current assets | (70) | | | 70 | | | 0 | |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool | (667) | | | 667 | | | 0 | |
| Transfer from Deferred Capital Receipts upon receipts of cash | | | | | | | 0 | |
| **Adjustments primarily involving the Major Repairs Reserve** | | | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | | 4,465 | | | (4,465) | | 0 | |
| Use of Major Repairs Reserve to finance new capital expenditure | | | | | 3,556 | | 3,556 | (3,556) |
| **Adjustments primarily involving the Financial Instrument Adjustment Account** | | | | | | | | |
| Amounts by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements | (17,298) | | | | | | (17,298) | 17,298 |
| **Adjustment involving the pension reserve** | | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | 4,295 | (617) | | | | | 3,678 | (3,678) |
| Employer's pension contributions and direct payment to pensioners payable in year | 11,183 | | | | | | 11,183 | (11,183) |
| **Adjustments involving the collection fund** | | | | | | | | |
| Amount by which amounts charged to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements & other Collection Fund adjustments | 567 | | | | | | 567 | (567) |
| **Adjustment involving the accumulated absences account** | | | | | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 129 | | | | | | 129 | (129) |
| | | | | | | | | |
| **Total Adjustments** | **(5,980)** | **(88,945)** | **36** | **(1,001)** | **(909)** | **1,358** | **(95,441)** | **95,441** |

| | 2009/10 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Usable Reserves | | | | | | | Movement in Unusable Reserves (total) |
| | General Fund Balance | Housing Revenue Account Balance | Earmarked Reserves | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Usable Reserves (total) | |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **<u>Adjustments primarily involving the Capital Adjustment Account</u>** | | | | | | | | |
| **Reversal of items debited or credited to CIES** | | | | | | | | |
| Amortisation of intangible assets | (245) | | | | | | (245) | 245 |
| Depreciation of non-current assets | (6,014) | (7,591) | | | | | (13,605) | 13,605 |
| Revaluation and Impairment losses on Property, Plant and Equipment | (17,490) | (8,874) | | | | | (26,364) | 26,364 |
| Movement in market value of investment property | | (26) | | | | | (26) | 26 |
| Movement in value of held for sale assets | (97) | | | | | | (97) | 97 |
| Amounts of Assets Held for Sale written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES | (671) | | | | | | (671) | 671 |
| Revenue expenditure funded from capital under statute (REFCUS) - net of funding | (2,291) | | | | | | (2,291) | 2,291 |
| Amounts of Property, Plant & Equipment written off on disposal or sale as art of the net gain or loss on disposal or sale to the CIES | (4,949) | (997) | | | | | (5,946) | 5,946 |
| Write of balance on Revaluation Reserve on disposal or sale of non-current assets | | | | | | | 0 | 0 |
| Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost | | | | | | | 0 | 0 |
| **Insertion of items not debited or credited to the CIES** | | | | | | | | |
| Statutory Provision for Repayment of Debt (MRP) (includes Finance Lease Liabilities) | 5,356 | | | | | | 5,356 | (5,356) |
| Capital expenditure charged to the General Fund/HRA balance (DRC) | 53 | | | | | | 53 | (53) |
| Deferred Purchase | 316 | (158) | | | | | 158 | (158) |
| **<u>Adjustments primarily involving the capital grants unapplied account</u>** | | | | | | | | |
| Capital grants and contributions unapplied credited to the CIES | 14,216 | | | | | (14,216) | 0 | |
| Application of grants to capital financing (to capital adjustment account) | | | | | | 5,994 | 5,994 | (5,994) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Adjustments primarily involving the capital receipts reserve** | | | | | | | | |
| Capital Receipts applied to fund Capital Expenditure | | | | 267 | | | 267 | (267) |
| Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES | 3 | 1,509 | | (1,512) | | | 0 | |
| Contribution from the Capital Receipts Reserve towards administration costs of non-current assets | (60) | | | 60 | | | 0 | |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool | (815) | | | 814 | | | (1) | |
| Transfer from Deferred Capital Receipts upon receipts of cash | | | | | | | 0 | |
| **Adjustments primarily involving the deferred capital receipts reserve** | | | | | | | | |
| Transfer of Deferred sale proceeds credited as part of the gain or loss on disposal to the CIES | | | | | | | 0 | |
| **Adjustments primarily involving the Major Repairs Reserve** | | | | | | | 0 | |
| Reversal of Major Repairs Allowance credited to the HRA | | 10,361 | | | (10,361) | | 0 | |
| Use of Major Repairs Reserve to finance new capital expenditure | | | | | 7,505 | | 7,505 | (7,504) |
| **Adjustments primarily involving the Financial Instrument Adjustment Account** | | | | | | | | |
| Amounts by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements | (260) | | | | | | (260) | 260 |
| **Adjustment involving the pension reserve** | | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | (13,290) | | | | | | (13,290) | 13,290 |
| Employer's pension contributions and direct payment to pensioners payable in year | 10,555 | | | | | | 10,555 | (10,555) |
| **Adjustments involving the collection fund** | | | | | | | | |
| Amount by which amounts charged to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements & other Collection Fund adjustments | (363) | | | | | | (363) | 363 |
| **Adjustment involving the accumulated absences account** | | | | | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (416) | | | | | | (416) | 416 |
| | | | | | | | | |
| **Total Adjustments** | **(16,462)** | **(5,776)** | **0** | **(371)** | **(2,856)** | **(8,222)** | **(33,687)** | **33,687** |

## Note 8 ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations in 2009/10 or 2010/11.

## Note 9 EXCEPTIONAL ITEMS

There were no exceptional items in 2009/10. There were exceptional material items in 2010/11 as set out in Note 5.

## Note 10 DEPLOYMENT OF DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies, the Dedicated Schools Grant (DSG), provided by the Department for Education. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget, as defined in the School Finance (England) Regulations 2008. The Schools' Budget includes elements for a range of educational services provided on a Council-wide basis and the Individual Schools' Budget (ISB), which is divided into a budget share for each maintained school.

The grant has been deployed in accordance with regulations made under sections 45A, 45AA, 47, 48(1) and (2) and 138(7) of, and paragraph 1(7)(b) of Schedule 14 to, the School Standards Framework Act 1998 (England).

Details of the deployment of DSG receivable for 2010/11 are as follows:

| **Notes** | **Schools Budget Funded By Dedicated Schools Grant (DSG)** | **Central Expenditure** | **Individual Schools Budget** | **Total** |
|---|---|---|---|---|
| | | **£000** | **£000** | **£000** |
| A | Final DSG for 2010/11 | (11,949) | (85,403) | (97,352) |
| B | Brought forward from 2009/10 | (372) | 0 | (372) |
| C | Carry forward to 2011/12 agreed in advance | 267 | 0 | 267 |
| D | **Agreed Distribution in 2010/11** | **(12,054)** | **(85,403)** | **(97,457)** |
| E | In Year Budget Adjustment | 762 | (762) | 0 |
| F | Actual Central Expenditure | 10,082 | 0 | 10,082 |
| G | Actual ISB deployed in Schools | 0 | 86,165 | 86,165 |
| H | Local Authority contribution for 2010/2011 | 0 | 0 | 0 |
| I | **(Over) / under spend carried forward to 2011/12** | **(1,210)** | **0** | **(1,210)** |

Comparatives for 2009/10 were as follows:

| **comparatives for 2009/10 were as follows:** | **Central Expenditure** | **Individual Schools Budget** | **Total** |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| Income | (15,161) | (81,149) | (96,310) |
| Less Expenditure | 10,932 | 85,006 | 95,938 |
| **Carrying Forward to 2010/11** | **(4,229)** | **3,857** | **(372)** |

Under the Accounts and Audit Regulations 2003 (as amended) the above table is required to demonstrate that the Council has passed an appropriate and significant proportion of DSG to schools. Spending by schools of these monies is included in the Comprehensive Income and Expenditure Statement with their outturn position reflected in the Movement in Reserves Statement.

| **Notes** | |
|---|---|
| A | DSG figure as issued by the Department for Education in February 2011. |
| B | The figure brought forward from 2009/10 is the unspent contingency for that year. |
| C | This is the amount that the Council decided, after consultation with the Schools Forum, to carry forward to 2011/12 rather than distribute in 2010/11. |
| D | This is the budgeted distribution of DSG, adjusted for in year Academy conversions, as agreed with the Schools Forum. |
| E | This is the budgeted transfer from contingency to the ISB. |
| F | This is the actual amount of central expenditure in 2010/11 after the allocations of contingency to the ISB. |
| G | This the amount of ISB actually distributed to schools. ISB is regarded for DSG purposes as spent by the Council once it is deployed to schools' budget shares. |
| H | This comprises any contribution from the Council in 2010/11 which would have had the effect of substituting for DSG in funding the Schools Budget. |
| I | This is the carry forward to 2011/12. |

**Note 11 OUTSTANDING OBLIGATIONS ARISING FROM LONG-TERM CONTRACTS**

On 1 April 2005 the Council entered into a long-term contract with Vertex Data Service Ltd for the provision of several support service functions. At 31 March 2011 the financial obligations of the Council remaining to be discharged under the contract, at 2010/11 prices, totalled a minimum of £187m (10 years remaining at £18.7m per annum). This is reported as the minimum obligation since in accordance with the contract the Council may agree additional investment by Vertex subject to its being persuaded that there is a sound business case for such proposed investment.

Within this contract there is an embedded lease that, under IFRS, the Council is required to account for separately. Thus, in the opening Balance Sheet, a matching leased asset and lease liability have been set up; the subsequent transactions are summarised in the table below:

| | **Embedded Lease** | **2009/10 £000** | **2010/11 £000** |
|---|---|---|---|
| A | Opening Lease Liability at 1 April | 3,248 | 2,988 |
| B | Additions in Year | 131 | 352 |
| | ‘Notional’ Lease Rental: | | |
| C | Principal | 391 | 441 |
| D | Interest | 223 | 203 |
| | Total Lease Rental | 614 | 644 |
| | **Closing Lease Liability at 31 March (A+B-C)** | **2,988** | **2,899** |

This note should be read in conjunction with Note 29 which gives details of non-embedded leases.

**Note 12 TRADING OPERATIONS**

The Council did not operate any trading undertakings in 2009/10 or 2010/11.

**Note 13 AGENCY SERVICES**

The Council is required to disclose the nature and amount of any significant income or expenditure arising from agency arrangements. In 2009/10 and 2010/11 the Council had no such arrangements of material value.

## Note 14 OTHER OPERATING EXPENDITURE

Other Operating Expenditure in the Comprehensive Income and Expenditure Statement comprises the following:

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 479 | Levies | 570 |
| 815 | Payments to the Government Housing Capital Receipts Pool | 667 |
| 5,010 | Gains/losses on the disposal of non current assets | (626) |
| **6,304** | **Total** | **611** |

## Note 15 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement comprise the following:

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 6,295 | Interest payable and similar charges | 21,425 |
| 7,618 | Pensions interest cost and expected return on pensions assets | 6,434 |
| (688) | Interest receivable and similar income | (710) |
| (133) | Income and expenditure in relation to investment properties and changes in their fair value | (172) |
| 0 | Other investment income | 0 |
| **13,092** | **Total** | **26,977** |

Note: The 2010/11 figure of £21.425m comprises the premium payable on the debt restructure of £17.487m and interest and other charges payable of £3.938m.

## Note 16 TAXATION AND NON-SPECIFIC GRANT INCOME

Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement comprises the following:

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| (55,456) | Council tax income (include surplus/deficit on collection fund)) | (56,986) |
| (47,144) | Non domestic rates | (52,187) |
| (18,111) | Non-ring fenced grants (i.e. includes Revenue Support Grant) | (16,699) |
| (14,324) | Capital grants and contributions | (5,954) |
| **(135,035)** | **Total** | **(131,826)** |

## Note 17 MEMBERS' ALLOWANCES

The Council paid the following amounts to Members during the year:

| **Members' Allowances** | **2009/10 £000** | **2010/11 £000** |
|---|---|---|
| | | |
| Salaries | 0 | 0 |
| Allowances | 628 | 585 |
| Expenses | 1 | 5 |
| | | |
| **Total** | **629** | **590** |

## Note 18 REMUNERATION OF SENIOR STAFF

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts.

| Remuneration of Senior Staff | 2009/10 | | 2010/11 | | |
|---|---|---|---|---|---|
| Pay Band | Numbers of Employees | | Numbers of Employees | | |
| | TBC | Schools | TBC | Leavers in Year | Schools |
| | | | | | |
| 50,001 - 55,000 | 24 | 15 | 21 | 0 | 17 |
| 55,001 - 60,000 | 9 | 7 | 14 | 0 | 11 |
| 60,001 - 65,000 | 8 | 12 | 11 | 2 | 13 |
| 65,001 - 70,000 | 10 | 8 | 8 | 1 | 7 |
| 70,001 - 75,000 | 1 | 4 | 7 | 4 | 6 |
| 75,001 - 80,000 | 3 | 2 | 2 | 0 | 4 |
| 80,001 - 85,000 | 3 | 0 | 4 | 3 | 1 |
| 85,001 - 90,000 | 2 | 0 | 5 | 2 | 0 |
| 90,001 - 95,000 | 3 | 0 | 6 | 3 | 0 |
| 95,001 - 100,000 | 2 | 0 | 0 | 0 | 0 |
| 100,001 - 105,000 | 0 | 0 | 1 | 1 | 0 |
| 105,001 - 110,000 | 0 | 0 | 0 | 0 | 0 |
| 110,001 - 115,000 | 0 | 0 | 0 | 0 | 0 |
| 115,001 - 120,000 | 0 | 0 | 0 | 0 | 0 |
| 120,001 - 125,000 | 0 | 0 | 0 | 0 | 0 |
| 125,001 - 130,000 | 0 | 0 | 0 | 0 | 0 |
| 130,001 - 135,000 | 0 | 0 | 0 | 0 | 0 |
| 135,001 - 140,000 | 0 | 0 | 1 | 1 | 0 |
| | | | | | |

Remuneration for the purposes of this note includes all amounts paid to or receivable by an employee, all expenses paid or due and subject to UK tax, and any benefits in kind declarable for tax purposes.

Remuneration also includes any redundancy payments. The 2010/11 figures include a number of employees who received redundancy payments which are reflected in their remuneration.

2010/11 Senior Staff (i.e. chief officers with strategic duties) emoluments, not included in the table above, where the annualised salary was greater than £150,000, were as follows:

| Senior Staff Emoluments 2010/11 | Salary, Fees and Allowances £ | Performance Related bonus £ | Expenses Allowances £ | Compensation for loss of office £ | Pension Contribution £ | Total £ |
|---|---|---|---|---|---|---|
| Chief Executive – Graham Farrant (Note 1) | 117,606 | 6,667 | 0 | 0 | 14,818 | 139,091 |

| Notes | |
|---|---|
| 1 | The Chief Executive started his employment at the Council on 2 August 2010. The annualised salary is £175,000, with an additional annual performance related element of £10,000. |

The post of Chief Executive was filled by an interim until 30 July 2010, and was employed through Advanced Human Resources which was paid £81,390 for their services. This is the amount paid to the company and may not be what the individual received from them.

2010/11 Senior Staff (i.e. chief officers with strategic duties) emoluments, not included in the first table above, where the salary was between £50,000 and £150,000 per annum, were as follows:

| Senior Staff Emoluments 2010/11 | Salary, Fees and Allowances £ | Performance Related bonus £ | Expenses Allowances £ | Compensation for loss of office £ | Pension Contribution £ | Total £ |
|---|---|---|---|---|---|---|
| Director of Community Well Being | 127,362 | 0 | 0 | 0 | 16,047 | 143,409 |
| Director of Sustainable Communities | 126,643 | 0 | 0 | 0 | 15,957 | 142,600 |
| Director of Children's' Services | 132,000 | 0 | 0 | 0 | 16,632 | 148,632 |
| Director of Finance and Corporate Governance (Note 1) | 92,777 | 0 | 0 | 0 | 11,689 | 104,466 |
| Head of Corporate Finance (Note 1) | 24,511 | 0 | 0 | 0 | 3,088 | 27,599 |
| Director of Transformation (Note 2) | 20,917 | 0 | 0 | 0 | 2,636 | 23,553 |
| Head of Legal Services | 95,502 | 0 | 0 | 0 | 12,033 | 107,535 |

| Notes | |
|---|---|
| 1 | The Head of Corporate Finance was the Section 151 Officer until the 5 July 2011 when he was replaced by the newly recruited Director of Finance and Corporate Governance who started with the Council on the same date. The annual salary for the Director of Finance and Corporate Governance is £125,502. |
| 2 | The Director of Transformation was appointed on a fixed term contract from 1 February 2011. The annual salary is £125,502. Prior to the appointment he was employed as an interim through Pragmatic Change Solutions which was paid £154,400 for their services. This is the amount paid to the company and may not be what the individual received from them. |

| Senior Staff Emoluments 2009/10 Comparatives | Salary, Fees and Allowances £ | Bonus £ | Expenses Allowances £ | Compensation for loss of office £ | Pension Contribution £ | Total £ |
|---|---|---|---|---|---|---|
| Director of Community Well Being | 118,102 | 6,821 | 5,000 | 0 | 15,083 | 145,006 |
| Director of Sustainable Communities | 115,374 | 6,821 | 5,000 | 0 | 14,753 | 141,948 |
| Director of Children's Services (Note 1) | 56,452 | 0 | 0 | 0 | 6,750 | 63,202 |
| Head of Corporate Finance (Note 2) | 40,972 | 0 | 0 | 0 | 5,242 | 46,214 |
| Head of Legal Services (Note 3) | 45,011 | 0 | 0 | 0 | 5,326 | 50,337 |
| Director of Resources | 54,288 | | 2,500 | 75,898 | 6,538 | 139,224 |

| Notes | |
|---|---|
| 1 | The Director of Children's Services joined the Council on 19 October 2009. |
| 2 | The Head of Corporate Finance joined the Council on the 28 September 2009 and became the Section 151 Officer of the Council from the same date. |
| 3 | The Head of Legal Services (who is also the Council's Monitoring Officer) joined the Council on 5 October 2009. |

The post of Chief Executive had been filled by an interim for the whole of 2009/10. The interim Chief Executive was employed through Advanced Human Resources which was paid £278,750 for their services. This is the amount paid to the company and may not be what the individual received from them.

The Director of Resources was replaced by an interim in October 2009, employed through CIPFA placements which was paid £104,880 for their services. This is the amount paid to the company and may not be what the individual received from them.

The post of Director of Change and Improvement had been filled by an interim since November 2009, employed through Pragmatic Change Solutions which was paid £79,200 for their services. This is the amount paid to the company and may not be what the individual received from them.

The post of Director of Children, Education and Families was filled by an interim between May and October 2009, employed through Odgers International which was paid £113,275 for their services. This is the amount paid to the company and may not be what the individual received from them.

**Foundation Schools**

The table below includes the remuneration of Foundation school staff earning over £50,000.

| **Remuneration of Senior Staff Pay Band** **£** | **2009/10 Numbers of Employees Foundation Schools** | **2010/11 Numbers of Employees Foundation Schools** |
|---|---|---|
| | | |
| 50,001 - 55,000 | 39 | 25 |
| 55,001 - 60,000 | 6 | 5 |
| 60,001 - 65,000 | 7 | 6 |
| 65,001 - 70,000 | 5 | 2 |
| 70,001 - 75,000 | 3 | 3 |
| 75,001 - 80,000 | 4 | 1 |
| 80,001 - 85,000 | 3 | 0 |
| 85,001 - 90,000 | 1 | 2 |
| 90,001 - 95,000 | 0 | 0 |
| 95,001 - 100,000 | 1 | 0 |
| 100,001 - 105,000 | 0 | 1 |
| 105,001 - 110,000 | 0 | 0 |
| 110,001 - 115,000 | 1 | 0 |
| 115,001 - 120,000 | 0 | 0 |
| 120,001 - 125,000 | 0 | 0 |
| 125,001 - 130,000 | 0 | 0 |
| 130,001 - 135,000 | 0 | 1 |
| 135,001 - 140,000 | 0 | 0 |
| 140,001 - 145,000 | 0 | 0 |
| 145,001 - 150,000 | 0 | 0 |
| 150,001 - 155,000 | 0 | 0 |
| 155,001 - 160,000 | 0 | 0 |
| 160,001 - 165,000 | 0 | 1 |

| **Remuneration of Senior Staff Pay Band £** | **2009/10 Numbers of Employees Foundation Schools** | **2010/11 Numbers of Employees Foundation Schools** |
|---|---|---|
| 165,001 – 170,000 | 0 | 0 |
| 170,001 – 175,000 | 0 | 0 |
| 175,001 – 180,000 | 1 | 0 |

Remuneration for the purposes of this disclosure includes all amounts paid to or receivable by an employee, all expenses paid or due and subject to UK tax, and any benefits in kind declarable for tax purposes.

## Note 19 RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties. These are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows an assessment to be made of the extent to which the Council 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 Council. The Council has decided not to make disclosures with regard to family/household members, on the basis that there is no reasonable expectation of influence over the independent action of Council Members.

### Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, it provides the majority of the Council's funding in the form of grants and it prescribes the terms of many of the transactions that the Council has with other parties, such as those in respect of Housing and Council Tax Benefit.

### Members and Other Public Bodies

Members have direct control over the Council's financial and operating policies. There has only been one material transaction with related parties disclosed and the reported financial position of the Council has not been affected by it. Cllr Lynn Worrall declared that the company ALM Training Services, of which she is Company Secretary, received in excess of £60,000 in fees during the financial year. It is clear that the Council's relationship with ALM Training Services started some two to three years before Cllr Worrall was elected and it is this long running relationship, along with ALM Training Services being the only local provider of this type of training, that led to the relationship last year.

The Council paid Trans-Vol £210,197 and Thurrock MIND £212,203 for services. By virtue of their office Council Members have links with organisations that are associated with the Council but have neither pecuniary nor controlling interests in them. The more significant of these include Essex Police Authority and Essex Fire Authority, to which the Council pays over precepts raised on their behalf, the Anglian Regional Flood Defence Committee, to which the Council pays a levied sum, South West Essex PCT, the South Essex Partnership NHS Trust and the Basildon and Thurrock Hospitals NHS Foundation Trust and the Gateway Academy which is funded by the Department for Education. Following the creation of the Thurrock Thames Gateway Development Corporation, Council Members were elected to that body, although no financial transactions took place between the Council and the Corporation in 2010/11. Each of these public bodies is ultimately accountable to Central Government.

The latest position shows that three related party returns were not received. These are from former councillors Burkey, Colgate and Cowell who were all Councillors for the first five weeks of the financial year before standing down at the election in May 2010. Without a declaration it is not possible to report whether there has been a related party transaction between anyone of them and the Council.

### Entity Significantly Influenced by the Council

During 2010/11 the Council provided £557,239 financial assistance by way of a grant to Impulse Leisure, and as a result had a significant level of influence over their operations. Impulse Leisure also received £185,157 as payment for services in 2010/11. Impulse Leisure is a charitable trust formed from the transfer of former Council run leisure services.

In addition a number of local organisations have received grants and payments for services. These are:

| | 2009/10 | 2010/11 |
|---|---|---|
| | £ | £ |
| Thurrock Arts Council | 20,553 | 23,406 |
| Thurrock Asian Association | 18,072 | 17,340 |
| Thurrock Racial Unity Support Group (TRUST) | 88,654 | 86,984 |
| Thurrock Community Chest | 1,250 | 0 |
| CVS | 328,095 | 212,193 |
| Thurrock Play Network | 153,882 | 191,675 |
| Thurrock Sports Council | 12,731 | 12,731 |
| Aveley Community Forum | 3,780 | 5,185 |
| Orchards Community Forum | 1,750 | 3,063 |

As at the 31 March 2011, there were no specific bad debt provisions for any of the organisations within this note. There were two material balances outstanding from the South West Essex Primary Care Trust totalling £65,000. These are a matter of dispute and any write-off or cancellation of debt will be met from the General Fund Reserve.

**Note 20 EXTERNAL AUDIT COSTS**

In 2010/11 the Council incurred the following costs relating to the audit of the Statement of Accounts, certification of grant claims and statutory inspections:

| **External Audit Costs** | **2009/10 £000** | **2010/11 £000** |
|---|---|---|
| Fees Payable to the Audit Commission: | | |
| • External Audit Services including Statutory Inspections | 404 | 333 |
| • Certification of Grant Claims and Returns | 96 | 82 |
| | | |
| **Total** | **500** | **415** |

**Note 21 TRANSFERS TO/ FROM EARMARKED RESERVES**

The Council maintains a number of reserves which have been set up as a means of earmarking resources to meet future spending needs. This note shows details of amounts set aside in the year and of amounts posted back to meet General Fund expenditure during the year.

| Balance at 1 April 2009 £000 | Net Transfers (In)/Out £000 | Balance at 31 March 2010 £000 | | Balance at 1 April 2010 £000 | Net Transfers (In)/Out £000 | Balance at 31 March 2011 £000 |
|---|---|---|---|---|---|---|
| (9,932) | 323 | **(9,609)** | Balances held by Schools under a Scheme of Delegation | (9,609) | 1,047 | **(8,562)** |
| 0 | 0 | **0** | Revenue Grants Unapplied | 0 | (1,391) | **(1,391)** |
| 0 | 0 | **0** | Contest | 0 | (96) | **(96)** |
| (5,502) | 4,547 | **(955)** | General Fund | (955) | (62) | **(1017)** |
| (642) | 642 | **0** | Modernisation | 0 | | **0** |
| (169) | 169 | **0** | Single Status | 0 | | **0** |
| (176) | 5 | **(171)** | Electronic Government Information Technology | (171) | (170) | **(341)** |
| (118) | 111 | **(7)** | Building Control | (7) | (29) | **(36)** |
| (1,525) | 275 | **(1,250)** | Capital Expenditure | (1,250) | 0 | **(1,250)** |
| (1,970) | 1,970 | **0** | LGR SCA Provision | 0 | 0 | **0** |
| (550) | 490 | **(60)** | Waste Development | (60) | 0 | **(60)** |
| (290) | | **(290)** | MMI | (290) | 290 | **0** |
| (69) | 69 | **0** | CCT | 0 | 0 | **0** |
| (64) | | **(64)** | Historic Buildings | (64) | 0 | **(64)** |
| (2) | | **(2)** | The Salting, Tilbury | (2) | 0 | **(2)** |
| (1) | 1 | **0** | Fraud Recovery | 0 | 0 | **0** |
| (20) | 20 | **0** | Repairs & Renewals | 0 | 0 | **0** |
| (14) | (1) | **(15)** | Museum Donations | (15) | 0 | **(15)** |
| (293) | (10) | **(303)** | RCCO Contributions | (303) | (83) | **(386)** |
| **(21,337)** | **8,611** | **(12,726)** | **Total** | **(12,726)** | **(494) *** | **(13,220)** |

* the £36k difference when compared to the amount (£530k) in the Movement in Reserves Statement (MiRS) is reflected in 'Adjustments between accounting basis & funding basis under regulations' line in MiRS.

The purposes of the above reserves are summarised as follows:

- The ***Balances held by Schools under a Scheme of Delegation*** comprise the working balances controlled by School Governors in the management of their annual share of DSG and other income;

- The ***Revenue Grants Unapplied Reserve*** has been set up from revenue grants received but the expenditure has yet to be incurred (i.e. the grants have no conditions or conditions have been met and have therefore been recognised in Comprehensive Income and Expenditure Statement). The reserve will be drawn down once the associated expenditure has been incurred;

- The ***Contest Reserve*** has been established from grant monies received to finance work as part of the Council's Emergency Planning responsibilities;

- The ***Electronic Government Information Technology Reserve*** has been set up to fund projects to promote electronic government in accordance with the Government's agenda;

- The ***Building Control Reserve*** has been established in accordance with legislation under the Building (Local Authority Charges) Regulations 1998. Any surpluses arising from the revenue account is held to finance future operations;

- The ***Capital Expenditure Reserve*** is used to supplement the resources available to finance future capital expenditure;

- The ***Waste Development Reserve*** has been set up to meet the costs of the procurement process for a long-term waste solution;

- The ***MMI Reserve*** was set up to meet any levy or reductions in claims under the MMI Scheme of Arrangement drawn up by that Company to permit the orderly winding up of its business. The Council has approximately £1.275m of outstanding claims lodged with MMI. The balance in the MMI reserve has now been transferred into the insurance provision to meet any outstanding obligations;

- The ***Historic Buildings Reserve*** was established to meet the cost of purchasing any historic buildings within the Borough, which are at risk due to lack of maintenance;

- The ***Saltings Tilbury Reserve*** represents income earned set aside to finance future work at the site;

- The ***Museum Donations Reserve*** represents funds set aside for specific purposes associated with the Thurrock Museum; and

- The ***RCCO Contributions Reserve*** has been established through earmarking a proportion of General fund balances to finance capital schemes.

## Note 22 PROPERTY, PLANT AND EQUIPMENT

Movements on the balances of Property, Plant and Equipment (PP&E) in 2010/11 are summarised as follows:

| | Council Dwellings £000 | Other Land and Buildings £000 | Vehicles, Plant & Equipment £000 | Community Assets £000 | Infrastructure Assets £000 | Assets Under Construction £000 | Land Awaiting Development £000 | Commercial Properties £000 | Surplus Assets £000 | Total PP&E £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | | | |
| At 1 April 2010 | 537,314 | 273,081 | 11,740 | 12,803 | 67,507 | 15 | 31,015 | 15,714 | 4,195 | **953,384** |
| Additions / Donations | 4,898 | 4,699 | 5,826 | 1,073 | 4,955 | 58 | 11 | 0 | 8 | **21,528** |
| Derecognition - Disposals | 0 | (275) | (1) | 0 | 0 | 0 | 0 | 0 | 0 | **(276)** |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Revaluations Recognised in Revaluation Reserve | (1,529) | 4,388 | 0 | 2,221 | 0 | 0 | 0 | 1,566 | 6 | **6,652** |
| Revaluations Recognised in Surplus/Deficit on Provision of Services | (85,137) | (4,327) | 0 | (3,651) | 0 | 0 | 349 | 0 | (8) | **(92,774)** |
| Assets reclassified (to)/from Held for Sale | (553) | (471) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **(1,024)** |
| Assets reclassified (to)/from Investment Property | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Other movements in Cost or Valuation | 0 | (9,912) | 0 | 3,690 | 0 | 0 | (2,000) | 0 | 8,222 | **0** |
| **At 31 March 2011** | **454,993** | **267,183** | **17,565** | **16,136** | **72,462** | **73** | **29,375** | **17,280** | **12,423** | **887,490** |
| **Accumulated Depreciation and Impairment** | | | | | | | | | | |
| At 1 April 2010 | (6,820) | (2,724) | (4,419) | (3,067) | (10,373) | 0 | (1) | (127) | (5) | **(27,536)** |
| Depreciation charge | (5,744) | (2,710) | (2,007) | (470) | (1,923) | 0 | (1) | (147) | (47) | **(13,049)** |
| Depreciation written back to the Revaluation Reserve | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **6** |
| Depreciation written back to Surplus/Deficit on Provision of Services | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **7** |
| Impairments/reversals recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Impairments/reversals recognised in Surplus/Deficit on Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Derecognition - Disposals | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | **1** |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Assets reclassified (to)/from Held for Sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Assets reclassified (to)/from Investment Property | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Other movements in Depreciation and Impairment | 0 | 41 | 0 | 0 | 0 | 0 | 0 | 0 | (41) | **0** |
| **At 31 March 2011** | **(12,551)** | **(5,393)** | **(6,425)** | **(3,537)** | **(12,296)** | **0** | **(2)** | **(274)** | **(93)** | **(40,571)** |
| **Net Book Value** | | | | | | | | | | |
| **At 31 March 2010** | **530,494** | **270,357** | **7,321** | **9,736** | **57,134** | **15** | **31,014** | **15,587** | **4,190** | **925,848** |
| **At 31 March 2011** | **442,442** | **261,790** | **11,140** | **12,599** | **60,166** | **73** | **29,373** | **17,006** | **12,330** | **846,919** |

| | **Council Dwellings £000** | **Other Land and Buildings £000** | **Vehicles, Plant & Equipment £000** | **Community Assets £000** | **Infrastructure Assets £000** | **Assets Under Construction £000** | **Land Awaiting Development £000** | **Commercial Properties £000** | **Surplus Assets £000** | **Total PP&E £000** |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | | | |
| At 1 April 2009 | 537,882 | 284,624 | 8,846 | 11,676 | 64,764 | 10,488 | 21,343 | 15,913 | 8,610 | **964,146** |
| Additions / Donations | 8,727 | 5,322 | 2,985 | 1,127 | 2,743 | 15 | 331 | 176 | 368 | **21,794** |
| Derecognition - Disposals | 0 | (5,863) | (91) | 0 | 0 | 0 | 0 | 0 | 0 | **(5,954)** |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Revaluations Recognised in Revaluation Reserve | (106) | 2,029 | 0 | 0 | 0 | 0 | 0 | 0 | (1,230) | **693** |
| Revaluations Recognised in Surplus/Deficit on Provision of Services | (8,848) | (14,222) | 0 | 0 | 0 | 0 | (331) | 0 | (3,164) | **(26,565)** |
| Assets reclassified (to)/from Held for Sale | (730) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **(730)** |
| Assets reclassified (to)/from Investment Property | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Other movements in Cost or Valuation | 389 | 1,191 | 0 | 0 | 0 | (10,488) | 9,672 | (375) | (389) | **0** |
| **At 31 March 2010** | **537,314** | **273,081** | **11,740** | **12,803** | **67,507** | **15** | **31,015** | **15,714** | **4,195** | **953,384** |
| **Accumulated Depreciation and Impairment** | | | | | | | | | | |
| At 1 April 2010 | (23) | (9) | (2,962) | (2,658) | (8,518) | 0 | 0 | 0 | 0 | **(14,170)** |
| Depreciation charge | (6,803) | (2,823) | (1,547) | (409) | (1,855) | 0 | (5) | (127) | (37) | **(13,606)** |
| Depreciation written back to the Revaluation Reserve | 3 | 15 | 0 | | 0 | 0 | 0 | 0 | 29 | **47** |
| Depreciation written back to Surplus/Deficit on Provision of Services | 6 | 97 | 90 | 0 | 0 | 0 | 0 | 0 | 0 | **193** |
| Impairments/reversals recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Impairments/reversals recognised in Surplus/Deficit on Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Derecognition - Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Assets reclassified (to)/from Held for Sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Assets reclassified (to)/from Investment Property | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Other movements in Depreciation and Impairment | (3) | (4) | 0 | 0 | 0 | 0 | 4 | 0 | 3 | **0** |
| **At 31 March 2010** | **(6,820)** | **(2,724)** | **(4,419)** | **(3,067)** | **(10,373)** | **0** | **(1)** | **(127)** | **(5)** | **(27,536)** |
| **Net Book Value** | | | | | | | | | | |
| **At 31 March 2009** | **537,859** | **284,615** | **5,884** | **9,018** | **56,246** | **10,488** | **21,343** | **15,913** | **8,610** | **949,976** |
| **At 31 March 2010** | **530,494** | **270,357** | **7,321** | **9,736** | **57,134** | **15** | **31,014** | **15,587** | **4,190** | **925,848** |

**Valuation of Property, Plant and Equipment**

The freehold and leasehold properties which comprise the Council's property portfolio have been valued at 31 March 2011 by an external valuer employed by Europa FM plc, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors.

From the 1st April 2010, the Social Housing Factor, the amount by which the open market value is discounted for the fact the properties are used for social housing, was amended from 46% to 39%, in line with guidelines issued by the Department for Communities and Local Government. This resulted in a reduction in the net book value of Council Dwellings of £81.765m and an impairment loss charged to the Housing Revenue Account of £80.288m.

The Council has also recognised other significant revaluation losses of £12.457m in respect of property, plant and equipment;

- £1.168m in respect of former care home land transferring to the Housing Revenue Account;
- £3.651m in respect of former land awaiting development being reclassified as land for community use;
- £7.638m in respect of capital expenditure as a result of the desk top valuation exercise undertaken as at 31 March 2011.

Revaluation losses in respect of property, plant and equipment are charged to the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement under the relevant cost of service. The total revaluation and impairment losses incurred in 2010/11 were 92.766m (£26.364m in 2009/10).

A desk top valuation of assets was undertaken to determine any increase or decrease in property values as at 31 March 2011. Three indices (HBOS, Nationwide and CLG) were referenced in order to reach a decision. The HBOS and Nationwide indices had opposing views, therefore it has been deemed prudent to take an average of the three indices. Based on the average, the desk top revaluation showed no significant change in asset values during the reporting period.

Details of the bases for the valuation of Property, Plant and Equipment are outlined in Note 1 to these financial statements – Accounting Policies.

## Note 23 CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, including the value of assets acquired under finance leases, together with the resources that have been used to finance them. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The methodology for the calculation of the CFR is set by Central Government regulation.

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| **125,894** | **Opening Capital Financing Requirement** | **130,568** |
| | **Capital investment** | |
| 21,794 | Property, Plant and Equipment | 21,528 |
| 0 | Investment Property | 0 |
| 0 | Intangible Assets | 0 |
| 8,427 | Revenue Expenditure Funded from Capital under Statute | 6,828 |
| 0 | Revenue Expenditure Funded under Capitalisation Directive | 1,329 |
| | **Sources of finance** | |
| (267) | Capital receipts | (58) |
| (19,634) | Government grants and other contributions (includes REFCUS & MRA) | (15,937) |
| | Sums set aside from revenue: | |
| (53) | • Direct revenue contributions | 0 |
| (158) | • Deferred Purchase | 0 |
| (5,356) | • MRP (including finance leases liabilities) | (5,724) |
| (79) | Other Adjustments | (561) |
| **130,568** | **Closing Capital Financing Requirement** | **137,973** |
| | **Explanation of movements in year** | |
| 2,827 | Increase in underlying need to borrowing (supported by government financial assistance) | 1,651 |
| 1,716 | Increase in underlying need to borrowing (unsupported by government financial assistance) | 5,402 |
| 131 | Assets acquired under finance leases | 352 |
| **4,674** | **Increase/(Decrease) in Capital Financing Requirement** | **7,405** |

Reconciliation of the capital financing requirement to the Balance Sheet is shown in the table below:

| Balance Sheet Item | 2008/09 | 2009/10 | 2010/11 |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| Property Plant & Equipment | 949,976 | 925,848 | 846,919 |
| Investment Property | 3,507 | 3,481 | 3,481 |
| Assets Held for Sale | 39 | 0 | 59 |
| Intangible Assets | 1,224 | 979 | 734 |
| Revaluation Reserve | (28,222) | (27,012) | (32,652) |
| Capital Adjustment Account | (800,630) | (772,728) | (680,568) |
| **Total Capital Financing Requirement** | **125,894** | **130,568** | **137,973** |

## Note 24 CAPITAL COMMITMENTS

As at 31 March 2011, the Council had authorised expenditure in future years of £13.718m. In addition a further £13.385m had been previously authorised for use in 2011/12 and 2012/13, giving a total future years' commitment of £27.103m. These commitments include the following significant schemes over (£0.250m):

| **Capital Commitments – Schemes** | **Expenditure Approved in 2010/11 £000** | **Expenditure Approved in 2011/12 £000** |
|---|---|---|
| | | |
| West Thurrock Primary School | 530 | |
| Hassenbrook School I.T. Block Replacement | 304 | |
| 14-19 Education Partnership | 2,450 | |
| Transport | 1,843 | 1,180 |
| Housing HRA | 3,108 | 1,103 |
| Affordable Housing | 1,050 | 993 |
| Fleet Vehicle and Plant Replacement (including Waste Contract) | 6,978 | 1,917 |
| Traveller Site's Health and Safety Works | 468 | 303 |
| Children's Centres, Early Years and Quality and Access | 1,144 | 308 |
| Harnessing Technology | 970 | |
| Playbuilder | 400 | |
| Healthy Home Loans | | 304 |
| Replacement Roof at Corringham Leisure Centre | | 330 |
| Salix Initiative Fund | | 485 |
| Devolved Formula Capital | | 859 |
| Gable Hall Multi Trades Skills Centre | | 2,940 |
| Environment Science and Land Based Studies Centre | | 479 |
| North West Skills Centre | | 1,300 |
| Treetops School – Kitchen, Dining and Changing Rooms | | 1,336 |
| Chafford Hundred Primary School Expansion | | 2,330 |
| Lansdowne Primary School Phase 3 – Refurbishment of Middle Block | | 1,051 |
| Purfleet Primary School – Improvements to Classrooms | | 1,759 |
| Stifford Primary School – Additional Classrooms | | 1,996 |

**Note 25 CONTRACTUAL COMMITMENTS**

The schemes referred to in Note 24 include the following contractual commitments:

| Contractor | Scheme | 2010/11 £000 | 2011/12 £000 |
|---|---|---|---|
| | | | |
| Hutton Construction | Hassenbrook School I.T. Block Replacement | 819 | 21 |
| Vinci Construction | West Thurrock Primary School | 115 | 0 |
| Grehan Contractors | West Thurrock Primary School | 0 | 99 |
| A W Hardy | Stifford Primary Children's Centre | 81 | 17 |
| Vinci Construction | Ockendon Secondary School | 56 | 57 |
| May Gurney | Recycling Centre | 22 | 0 |
| Borras Construction | Chafford Hundred Primary School (Phase I) | 0 | 496 |
| Borras Construction | Lansdowne Primary School | 0 | 362 |
| Ashe Construction | Purfleet Primary School(Contract awarded Jun 11) | 0 | 1,334 |
| Ashe Construction | Stifford Primary School (Contract awarded May 11) | 0 | 1,349 |
| Borras Construction | St Clere's School (Contract awarded May 11) | 0 | 454 |
| Turney Landscapes | St Clere's School (Contract awarded Apr 11) | 0 | 98 |
| Durkan | Affordable Housing | 0 | 1,770 |

**Note 26 SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT**

The following assets were owned by the Council as at 31 March 2011 and the figures as at 31 March 2010 are shown as comparators:

| **Property, Plant and Equipment** | | **2009/10** | **2010/11** |
|---|---|---|---|
| | | **No. of Assets** | **No. of Assets** |
| Council Dwellings | Housing and Bungalows | 5,570 | 5,561 |
| | Flats and Maisonettes | 3,530 | 3,528 |
| | Aged Person's Dwellings | 1,222 | 1,222 |
| | Traveller Sites | 3 | 3 |
| | | | |
| Land and Buildings | Sports Centres | 2 | 3 |
| | Village Halls | 16 | 19 |
| | Community Halls | 4 | 33 |
| | Offices/Depots, etc. | 17 | 20 |
| | Car and Lorry Parks | 20 | 26 |
| | Garages | 2,745 | 2,745 |
| | Theatre | 1 | 1 |
| | Schools/Colleges | 43 | 44 |
| | Other Education Assets | 19 | 26 |
| | Residential Homes | 3 | 3 |
| | Other Social Services Assets | 7 | 7 |
| | Libraries | 8 | 8 |
| | Magistrates Court | 1 | 1 |
| | Landfill Site | 1 | 2 |
| | Other Housing Assets | 3 | 9 |
| | Other General Fund Assets | 0 | 1 |
| | Hostels | 0 | 1 |
| | Scout Halls | 0 | 8 |
| | | | |
| Vehicles, Plant, Furniture and Equipment | Vehicles - Non Finance Lease | 19 | 97 |
| | Plant - Non Finance Lease | 11 | 18 |
| | Computer Equipment | 8 | 8 |
| | Equipment - Other | various | various |
| | | | |
| Community Assets | Parks | 94 | 137 |
| | Burial Grounds | 8 | 8 |
| | Allotment Sites | 33 | 35 |
| | War Memorials | 10 | 10 |
| | Historic Buildings | 1 | 2 |
| | | | |
| Infrastructure | Highways Land and Infrastructure | numerous | numerous |
| | | | |
| Commercial Properties | Shops | 173 | 142 |
| | Other Commercial | 45 | 58 |
| | | | |
| Assets under Construction | | 1 | 1 |

**Note 27 INVESTMENT PROPERTY**

There are no restrictions on the Council's ability to realise the value inherent in its investment properties or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

At the 31st March 2011 the Council held 45 Investment properties comprising 35 shops and 10 other commercial properties (the figures for 2009/10 were 35 and 10 respectively).

The freehold and leasehold properties which comprise the Council's investment property portfolio have been valued at 31 March 2011 by an external valuer employed by Europa FM plc, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors.

The following items of income have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

| 2009/10 £000 | | 2010/11 £000 |
|---:|---|---:|
| (133) | Rental income from investment property | (172) |
| 0 | Direct operating expenses arising from investment property | 0 |
| **(133)** | **Net (gain)/ loss** | **(172)** |

The following table summarises the movement in the fair value of investment property over the year:

| 2009/10 £000 | | 2010/11 £000 |
|---:|---|---:|
| **3,507** | **Balance at start of the year** | **3,481** |
| | Additions: | |
| 0 | - Purchases | 0 |
| 0 | - Construction | 0 |
| 0 | - Subsequent expenditure | 0 |
| 0 | Disposals | 0 |
| (26) | Net gains/losses from fair value adjustments | 0 |
| | Transfers: | |
| 0 | - to/from Inventories | 0 |
| 0 | -to/from Property, Plant and Equipment | 0 |
| 0 | Other changes | 0 |
| **3,481** | **Balance at end of the year** | **3,481** |

**Note 28 INTANGIBLE ASSETS**

The Council's intangible assets relate to the purchase, development and implementation of computer software: there are no internally generated intangible assets. Intangible fixed assets are valued at historical cost and are amortised over an 8-year period on a straight-line basis. The amortisation is charged to an administrative cost centre and then absorbed across all service headings in the Cost of Services within the Comprehensive Income and Expenditure Statement. It is not possible to quantify how much of the amortisation is attributable to each heading.

| 2009/10 | | | | 2010/11 | | |
|---|---|---|---|---|---|---|
| **Internally Generated Assets £000** | **Other Assets £000** | **Total £000** | | **Internally Generated Assets £000** | **Other Assets £000** | **Total £000** |
| | | | Balance at start of year: | | | |
| 0 | 1,958 | **1,958** | • Gross carrying amounts | 0 | 1,958 | **1,958** |
| 0 | (734) | **(734)** | • Accumulated amortisation | 0 | (979) | **(979)** |
| **0** | **1,224** | **1,224** | **Net carrying amount at start of year** | **0** | **979** | **979** |
| | | | Additions: | | | |
| 0 | 0 | **0** | • Internal development | 0 | 0 | **0** |
| 0 | 0 | **0** | • Purchases | 0 | 0 | **0** |
| 0 | 0 | **0** | • Acquired through business combinations | 0 | 0 | **0** |
| 0 | (245) | **(245)** | Amortisation for the period | 0 | (245) | **(245)** |
| 0 | 0 | **0** | Other changes | 0 | 0 | **0** |
| **0** | **979** | **979** | **Net carrying amount at end of year** | **0** | **734** | **734** |
| | | | Comprising: | | | |
| 0 | 1,958 | **1,958** | • Gross carrying amounts | 0 | 1,958 | **1,958** |
| 0 | (979) | **(979)** | • Accumulated amortisation | 0 | (1,224) | **(1,224)** |
| **0** | **979** | **979** | | **0** | **734** | **734** |

| Carrying Amount | | | | |
|---|---|---|---|---|
| **31 March 2010 £000** | **Remaining Amortisation Period** | | **31 March 2011 £000** | **Remaining Amortisation Period** |
| 979 | 4 Yrs | Software | 734 | 3 Yrs |

**Note 29 LEASES**

**The Council as Lessee:**

***Finance Leases:***

The Council has acquired Property, Plant and Equipment directly under finance leases. These assets were acquired several years ago and have not been deemed of sufficient current value to justify the setting up of full asset accounting arrangements under IFRS. Note 11 to these accounts deals with assets deemed to comprise an embedded finance lease under a long-term contract.

The Council is required to make minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The net present values of the minimum lease payments are made up of the following amounts:

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| | Finance lease liabilities (net present value of minimum lease payments): | |
| 81 | • current | 71 |
| 179 | • non current | 109 |
| 8 | Finance costs payable in future years | 1 |
| **268** | Minimum lease payments | **181** |

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

| Minimum Lease Payments 2009/10 £000 | Finance Lease Liabilities 2009/10 £000 | | Minimum Lease Payments 2010/11 £000 | Finance Lease Liabilities 2010/11 £000 |
|---|---|---|---|---|
| 87 | 81 | Not later than 1 year | 72 | 71 |
| 181 | 179 | Later than 1 year and not later than 5 years | 109 | 109 |
| 0 | 0 | Later than 5 years | 0 | 0 |
| **268** | **260** | | **181** | **180** |
| | **2988** | From Note 11 P57 | | **2899** |
| | **3248** | Total lease liabilities | | **3079** |
| | **785** | Long Term Leasing | | **1264** |
| | **2463** | Short Term Leasing | | **1815** |
| | **3248** | Balance Sheet | | **3079** |

The carrying amount of leased assets (excluding Vertex) is shown below:

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 85 | Other Land and Buildings | 74 |
| 256 | Vehicles, Plant, Furniture and Equipment | 58 |
| **341** | | **132** |

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There were no contingent rents payable by the Council.

***Operating Leases***

The Council has the use of capital assets in the categories of land and buildings through operating leases in respect of which rentals payable in 2010/11 amounted to £98,042 (£118,656 in 2009/10).

The future minimum lease payments due under non-cancellable operating leases from 31 March 2011 onwards are as follows:

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 61 | Not later than one year | 98 |
| 4 | Later than one year and not later than five years | 0 |
| 54 | Later than five years | 0 |
| **119** | **Total** | **98** |

The expenditure charged to the Cost of Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 119 | Minimum lease payments | 98 |
| 0 | Contingent rents | 0 |
| 0 | Sublease payments receivable | 0 |
| **119** | **Total** | **98** |

**The Council as Lessor:**

***Finance Leases***

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

| | 31 March 2010 £000 | 31 March 2011 £000 |
|---|---|---|
| Finance Lease Debtor (net present value of minimum lease payments): | | |
| - Current | 36 | 0 |
| - Non-current | 0 | 0 |
| Unearned Finance Income | 0 | 0 |
| Unquaranteed Residual Value of Property | 0 | 0 |
| | **36** | **0** |

The gross investment in the lease and the minimum lease payments will be received over the following periods:

| | Gross investment in the Lease | | Minimum Lease Payments | |
|---|---|---|---|---|
| | **31 March 2010 £000** | **31 March 2011 £000** | **31 March 2010 £000** | **31 March 2011 £000** |
| Not later than one year | 36 | 0 | 0 | 0 |
| Later than one year and not later than five years | 0 | 0 | 0 | 0 |
| Later than five years | 0 | 0 | 0 | 0 |
| | **36** | **0** | **0** | **0** |

The Council has not set aside an allowance for uncollectable amounts due to the immaterial amount of the gross investment.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There were no contingent rents receivable by the Council.

***Operating Leases***

The Council leases out property and equipment under operating leases for the following purposes:

- For the provision of community facilities such as sports facilities and community centres;
- For economic development purposes to provide suitable affordable accommodation to local businesses; and
- For the provision of services by other public bodies, charities and the third sector.

The future minimum lease payments receivable under non-cancellable leases in future years are:

| **31 March 2010 £000** | | **31 March 2011 £000** |
|---|---|---|
| 1,475 | Not later than one year | 1,450 |
| 2,532 | Later than one year and not later than five years | 2,202 |
| 4,684 | Later than five years | 4,206 |
| **8,691** | | **7,858** |

**Note 30 FINANCIAL INSTRUMENTS**

**a. Categories of Financial Instruments**

The following categories of financial instruments are shown in the Balance Sheet:

| At 1 April 2009 Current £000 | At 1 April 2009 Long-term £000 | At 31 March 2010 Current £000 | At 31 March 2010 Long-term £000 | | At 31 March 2011 Current £000 | At 31 March 2011 Long-term £000 |
|---|---|---|---|---|---|---|
| | | | | **Investments** | | |
| 8,683 | 0 | 11,070 | 0 | Loans and receivables | 23,078 | 0 |
| 0 | 0 | 0 | 0 | Available-for-sale financial assets | 0 | 0 |
| 0 | 0 | 0 | 0 | Unquoted equity investment at cost | 0 | 0 |
| 39,970 | 0 | 37,993 | 0 | Financial assets at fair value through profit and loss | 20,160 | 0 |
| **48,653** | **0** | **49,063** | **0** | **Total investments** | **43,238** | **0** |
| | | | | **Cash and Cash Equivalents** | | |
| 13,431 | 0 | 12,039 | 0 | Cash and Cash Equivalents | 12,266 | **0** |
| **13,431** | **0** | **12,039** | **0** | **Total Cash and Cash Equivalents** | **12,266** | **0** |
| | | | | **Debtors** | | |
| 0 | 0 | 0 | 0 | Loans and receivables | 0 | 0 |
| 10,634 | 0 | 11,192 | 0 | Financial assets carried at contract amounts | 10,040 | 0 |
| **10,634** | **0** | **11,192** | **0** | **Total Debtors** | **10,040** | **0** |
| | | | | **Borrowings** | | |
| (19,842) | (124,989) | (35,788) | (113,439) | Financial liabilities at amortised cost | (112,002) | (28,220) |
| 0 | 0 | 0 | 0 | Financial liabilities at fair value through profit and loss | 0 | 0 |
| **(19,842)** | **(124,989)** | **(35,788)** | **(113,439)** | **Total borrowings** | **(112,002)** | **(28,220)** |
| | | | | **Other Liabilities** | | |
| (519) | (3,117) | (785) | (2,463) | Finance lease liabilities | (1,264) | (1,814) |
| **(519)** | **(3,117)** | **(785)** | **(2,463)** | **Total liabilities** | **(1,264)** | **(1,814)** |
| | | | | **Creditors** | | |
| 0 | 0 | 0 | 0 | Financial liabilities at amortised cost | 0 | 0 |
| (5,475) | 0 | (4,577) | 0 | Financial liabilities carried at contract amount | (20,044) | 0 |
| **(5,475)** | **0** | **(4,577)** | **0** | **Total creditors** | **(20,044)** | **0** |

During 2010/11 the Council undertook a restructuring exercise whereby it repaid all of its PWLB long term debt and replaced it with short term temporary debt, hence the shift in the above table from £113.439m long term debt at 31 March 2010 to £28.220m at 31 March 2011, and the resultant move upwards in current debt between the two years. This was undertaken to take advantage of the low rates for short-term borrowing and to make interest savings to bolster balances. Within the above table the total of creditors and debtors at contract amounts only includes those creditors and debtors that have been classed as financial instruments (not all creditors and debtors in the balance sheet are classed as financial instruments). Therefore the figures in the above table will not tie back to the figures in the balance sheet for short-term debtors and creditors (see page 16).

## b. Financial Instruments Income, Expense, Gains and Losses

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

| | 2010/11 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Financial Liabilities | | Financial Assets | | | | |
| | Liabilities measured at amortised cost | Finance Lease Interest | Financial assets carried at contract amounts | Loans and receivables | Available-for-sale assets | Assets and Liabilities at Fair Value through Profit and Loss | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Interest expense | 3,938 | | | | | | **3,938** |
| Losses on derecognition | | | | | | | **0** |
| Reductions in fair value | | | | | | | **0** |
| Impairment losses | 17,487 | | | | | | **17,487** |
| Fee expense | | | | | | | **0** |
| **Total expense in Surplus or Deficit on the Provision of Services** | **21,425** | **0** | **0** | **0** | **0** | **0** | **21,425** |
| Interest income | | | | (423) | | (288) | **(711)** |
| Interest income accrued on impaired financial assets | | | | | | | **0** |
| Increases in fair value | | | | | | | **0** |
| Gains on derecognition | | | | | | | **0** |
| Fee income | | | | | | | **0** |
| **Total income in Surplus or Deficit on the Provision of Services** | **0** | **0** | **0** | **(423)** | **0** | **(288)** | **(711)** |
| Gains on revaluation | | | | | | | **0** |
| Losses on revaluation | | | | | | | **0** |
| Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment | | | | | | | **0** |
| **Surplus/deficit arising on revaluation of financial assets in Other CIES** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Net gain/(loss) for the year** | **21,425** | | | **(423)** | **0** | **(288)** | **20,714** |

| | 2009/10 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Financial Liabilities | | Financial Assets | | | | |
| | Liabilities measured at amortised cost | Finance Lease Interest | Financial assets carried at contract amounts | Loans and receivables | Available-for-sale assets | Assets and Liabilities at Fair Value through Profit and Loss | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Interest expense | 6,295 | | | | | | **6,295** |
| Losses on derecognition | | | | | | | **0** |
| Reductions in fair value | | | | | | | **0** |
| Impairment losses | | | | | | | **0** |
| Fee expense | | | | | | | **0** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Total expense in Surplus or Deficit on the Provision of Services** | **6,295** | **0** | **0** | **0** | **0** | **0** | **6,295** |
| Interest income | | 223 | | (352) | | (559) | **(688)** |
| Interest income accrued on impaired financial assets | | | | | | | **0** |
| Increases in fair value | | | | | | | **0** |
| Gains on derecognition | | | | | | | **0** |
| Fee income | | | | | | | **0** |
| **Total income in Surplus or Deficit on the Provision of Services** | **0** | **223** | **0** | **(352)** | **0** | **(559)** | **(688)** |
| Gains on revaluation | | | | | | | **0** |
| Losses on revaluation | | | | | | | **0** |
| Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment | | | | | | | **0** |
| **Surplus/deficit arising on revaluation of financial assets in Other CIES** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Net gain/(loss) for the year** | **6,295** | **223** | **0** | **(352)** | **0** | **(559)** | **5,607** |

Notes to Tables above:

- Interest expense is for the total of interest payments made on the Council's borrowings and internal charges from the Housing Revenue Account;

- Losses on de-recognition are for premiums written off on early debt repayment;

- Interest income on loans and receivables is for interest received on the Council's internally made investments;

- Interest income on fair value through the Comprehensive Income and Expenditure Statement is for interest on the Council's externally held investments; and

- Gains on de-recognition are for discounts written off on early debt repayment.

**c. Fair Value of Assets and Liabilities carried at Amortised Cost**

Financial liabilities and assets represented by loans and receivables, debtors and creditors are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining term of the instruments, using the following assumptions:

- The Public Works Loans Board (PWLB) figures were calculated with reference to the premature repayments rates in force on 31st March 2010. The Council repaid all PWLB loans during 2010/11 so no assessment is required as at 31 March 2011.
- For market loans the Council's advisers have assessed fair value by using the equivalent swap rates ruling in the market on 31st March 2011;

- No early repayment or impairment is recognised;

- Where an instrument will mature in the next 12 months the carrying value is assumed to be the same as fair value;

- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be either the principal outstanding or the billed amount;

- For investments held by the Council's Fund Managers the market value taken from the year-end valuations have been used;

- The fair value of creditors and debtors is taken to be the invoiced or billed amount; and

- The element of long term liabilities maturing in less than one year is now transferred to this category.

The fair values of financial instruments calculated (using the assumptions listed above) are as follows:

| 1 April 2009 | | 31 March 2010 | | | 31 March 2011 | |
|---|---|---|---|---|---|---|
| **Carrying amount £000** | **Fair Value £000** | **Carrying amount £000** | **Fair Value £000** | | **Carrying amount £000** | **Fair Value £000** |
| (19,842) | (19,842) | (34,531) | (34,531) | Temporary Market Debt | (110,755) | (110,755) |
| 0 | 0 | (1,257) | (1,257) | Long Term Loans maturing in less than one year | (1,247) | (1,247) |
| **(19,842)** | **(19,842)** | **(35,788)** | **(35,788)** | **Short Term Borrowing** | **(112,002)** | **(112,002)** |
| (95,517) | (111,765) | (84,212) | (98,636) | PWLB Debt | 0 | 0 |
| (29,458) | (43,438) | (29,213) | (43,740) | Long Term Market Debt | (28,217) | (42,249) |
| (14) | (14) | (14) | (14) | Bonds/Annuities | (3) | (3) |
| **(124,989)** | **(155,217)** | **(113,439)** | **(142,390)** | **Long Term Borrowing** | **(28,220)** | **(42,252)** |
| (5,475) | (5,475) | (4,577) | (4,577) | Other Creditors at Contract Amounts | (20,044) | (20,044) |
| (3,636) | (3,636) | (3,248) | (3,248) | Total Leasing Liability | (3,078) | (3,078) |
| **(153,942)** | **(184,170)** | **(157,052)** | **(186,003)** | **Total Financial Liabilities** | **(163,344)** | **(177,376)** |

| 1 April 2009 | | 31 March 2010 | | | 31 March 2011 | |
|---|---|---|---|---|---|---|
| **Carrying amount £000** | **Fair value £000** | **Carrying amount £000** | **Fair value £000** | | **Carrying Amount £000** | **Fair value £000** |
| 8,683 | 8,683 | 11,070 | 11,070 | Tempoarary Investments | 23,078 | 23,078 |
| 39,970 | 39,970 | 37,993 | 37,993 | Fund Managers Investments | 20,160 | 20,160 |
| **48,653** | **48,653** | **49,063** | **49,063** | **Short Term Investments** | **43,238** | **43,238** |
| 29 | 29 | 29 | 29 | Cash held by the Council | 30 | 30 |
| 4,603 | 4,603 | 7,211 | 7,211 | Bank Current Accounts | 4,637 | 4,637 |
| 8799 | 8799 | 4,799 | 4,799 | Short term deposits with Financial Institutions | 7,599 | 7,599 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **13,431** | **13,431** | **12,039** | **12,039** | **Cash and Cash Equivalents** | **12,266** | **12,266** |
| 10,634 | 10,634 | 11,192 | 11,192 | Other Debtors at Contract Amounts | 10,040 | 10,040 |
| **72,718** | **72,718** | **72,294** | **72,294** | **Total Financial Assets** | **65,544** | **65,544** |

The fair value of financial liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount the Council would have to pay if the lender requested or agreed to early repayment of the loans.

## Note 31 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### Key Risks

The Council is exposed to a variety of financial risks. The key risks are:

- ***Credit Risk*** – the possibility that other parties might fail to pay amounts due to the Council;
- ***Liquidity Risk*** – the possibility that the Council might not have funds available to meet its commitments to make payments;
- ***Re-Financing Risk*** – the possibility that the Council might need to renew a financial instrument on maturity at disadvantageous interest rates or terms; and
- ***Market Risk*** – the possibility that financial loss might arise for the Council as a result of market changes in, for example, interest rate movements.

### Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework contained in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued under the Act. Overall these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice;
- By approving annually in advance at the start of the financial year a set of prudential indicators for the following three years limiting:

  1. The Council's overall borrowing. For 2010/11 the Operational Limit was £183.179m and the Authorised Limit was £193.179m,
  2. Its maximum and minimum exposures to fixed and variable rates. For 2010/11 the Upper Limit on Fixed Interest Rates was 100% and the Upper Limit of Variable Interest rates was 50%,
  3. The maturity structure of its debt. For 2010/11 the Upper Limit for under 12 months to 40 years was 60% and for 40 years to 50 years and above was 100% while the Lower Limit for under 12 months to 40 years was 0% and for 40 years to 50 years and above was 50%, and
  4. Its maximum annual exposure to investments maturing beyond a year. For 2010/11 this limit was set at £15m, and by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counter-parties in compliance with Government guidance.

The Prudential Indicators and Investment Strategy are required to be reported and approved at or before the Council's annual Council Tax and budget setting meeting. They are reported with the annual Treasury Management Strategy that outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

It is the responsibility of the Capital, Taxation and Treasury Team in the Corporate Finance Service to implement the approved strategies and policies. The Council maintains 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 through Treasury

Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

**Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The Council's current credit policy is not solely based on credit ratings. The minimum credit rating for institutions is A+ and for countries is AA+, this is based on the ratings from all three rating agencies with the lowest rating of all three being used. Assessments are also made of Credit Default Swaps (when quoted), Public Debt as a percentage of GDP (for Countries), levels of sovereign support, share prices, macro economic indicators and corporate developments/news articles/market sentiment. For foreign countries the Council may not invest more than £12.5m in each country, except for the UK where all the Council's funds can be invested. For single institutions the maximum level of investment is £5m. The assessments are all made by the Council's Treasury Management Advisors, Arlingclose, who send monthly detailed reports and also advise of any updates during the month.

The following analysis summarises the Council's potential maximum exposure at the balance sheet date to credit risk, based on the Council's experience of default and of its customer collection levels:

| Deposits with Banks and Financial Institutions | Amount at 1 April 2009 | Amount at 31 March 2010 | Amount at 31 March 2011 | Historical experience of default | Historical experience adjusted for market conditions at 31 March 2011 | Estimated maximum exposure |
|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **%** | **%** | **£000** |
| Investec Target return Fund | 0 | 5,002 | 4,999 | 0 | 0 | 0 |
| Banks Rates AAA Long Term | 3,820 | 11,240 | 4,020 | 0 | 0 | 0 |
| Banks Rates AA Long Term | 30,600 | 22,101 | 20,000 | 0 | 0 | 0 |
| Co-Op Bank | 6,000 | 0 | 1,000 | 0 | 0 | 0 |
| Un-rated Building Societies - Overnight Only | 8,000 | 1,800 | 2,600 | 0 | 0 | 0 |
| Local Authorities | 3,300 | 7,000 | 18,000 | 0 | 0 | 0 |
| Cash | 3,868 | 6,172 | 16 | 0 | 0 | 0 |
| | | | | | | |
| | **55,588** | **53,315** | **50,635** | **0** | **0** | **0** |

The analysis in the above table is based on the nominal values of investments outstanding as at 31 March 2011 and therefore not comparable to the balance sheet.

No breaches of the Council's counter-party criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counter-parties in relation to deposits. The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or to repay the principal sum is 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 non-recoverability applies to all the Council's deposits but there was no evidence at 31 March 2011 that this was likely to crystallise.

The total amount of short-term debtors outstanding on the balance sheet as at 31 March 2011 was £24.128m, of which £10.040m are classed as financial instruments. The £10.040m is made up of £5.224m of Trade Debtors and £4.816m of Other Debtors that the Council has determined as being financial instruments. The Council does not generally allow credit for its trade debtors, and effectively £7.325m of the total balance (this includes non-financial instruments balances) was past its due date for payment at 31st March 2011. Therefore provision for bad debts of £1.107m has been calculated with reference to estimated default rates. Of the total £7.325m overdue, £5.048m was overdue by up to 365 days with the remaining £2.277m by more than one year. The Council considers the remaining amount of Other Debtors as current debtors and therefore all receivable within one year.

An age analysis of amounts due is set out below:

| 1 April 2009 £000 | 31 March 2010 £000 | | 31 March 2011 £000 |
|---|---|---|---|
| 1,212.9 | 1,897.2 | Less than three months | 5,047.9 |
| 376.0 | 621.7 | Three to six months | 1,887.9 |
| 538.5 | 810.0 | Six months to one year | 827.5 |
| 940.1 | 1,467.9 | More than one year | 2,276.8 |
| **3,067.5** | **4,796.8** | **Total Debtors Classed as Financial Instruments** | **10,040.1** |

**Liquidity Risk**

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need and whilst the PWLB provides access to longer term funds it also acts as a lender of last resort to local authorities (although it will not provide funding to an authority whose actions are unlawful). The Council is also required to produce a balanced budget each year under the Local Government Finance Act 1992, which ensures that sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures set out above (Prudential Indicators and its Treasury and Investment Strategy), as well as through prudent cash flow management as required by the Code of Practice. Cash is managed so as to ensure that fund are available when required.

All creditors are due to be paid in less than one year and are therefore shown in the less than one-year total in the financial liabilities table below. The total of debtors outstanding at the end of the financial year is shown in the table for financial assets in the Less Than 1 Year.

**Refinancing Risk**

The Council maintains a significant debt and investment portfolio. Whilst the cash flow management proceeds described above are considered to be adequate to deal with short-term financing risks, there is a longer-term risk to the Council relating to managing exposure to the replacement of financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets that might need to be replenished at a time of unfavourable interest rates. The Council sets limits on the proportion of fixed rate borrowing maturing during specified periods.

The Prudential Indicator limits for the maturity structure of debt and the limits placed on investments made for greater than one year in duration are the key parameters used to address this risk. The Council's Treasury and Investment Strategies address the main risks and the Capital, Taxation and Treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt; and

- Monitoring the maturity profile of investments to ensure that sufficient liquidity is available for the Council's day to day cash flow needs and that the spread of longer term investments provides stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

| 1 April 2009 £000 | 31 March 2010 £000 | Maturity Profile of Financial Liabilities | 31 March 2011 £000 |
|---|---|---|---|
| (38,658) | (39,084) | Less than one year | (117,640) |
| (22) | (1,000) | Between one and two years | 0 |
| (3,000) | (2,000) | Between two and five years | 0 |
| (1,000) | (1,000) | Between five and ten years | (1,000) |
| 0 | 0 | Between ten and fifteen years | 0 |
| 0 | 0 | Between fifteen and twenty years | 0 |
| 0 | 0 | Between twenty and twenty five years | 0 |
| 0 | 0 | Between twenty five and thirty years | 0 |
| (18,000) | (29,000) | Between thirty and thirty five years | (18,000) |
| (4,312) | (4,312) | Between thirty five and forty years | 0 |
| (60,022) | (52,022) | Between forty and forty five years | (10,000) |
| (27,878) | (24,876) | Over 45 years | 0 |
| **(152,892)** | **(153,294)** | **Total Financial Liabilities** | **(146,640)** |

The maturity analysis of financial assets is as follows:

| 1 April 2009 £000 | 31 March 2010 £000 | Maturity Profile of Financial Assets | 31 March 2011 £000 |
|---|---|---|---|
| 61,102 | 61,668 | Less than one year | 62,457 |
| 2,600 | 1,330 | Between one and two years | 0 |
| 1,000 | 1,510 | Between two and five years | 0 |
| 1,520 | 0 | Between five and ten years | 0 |
| 0 | 0 | Between ten and fifteen years | 0 |
| 0 | 0 | Between fifteen and twenty years | 0 |
| 0 | 0 | Between twenty and twenty five years | 0 |
| 0 | 0 | Between twenty five and thirty years | 0 |
| 0 | 0 | Between thirty and thirty five years | 0 |
| 0 | 0 | Between thirty five and forty years | 0 |
| 0 | 0 | Between forty and forty five years | 0 |
| 0 | 0 | Over 45 years | 0 |
| **66,222** | **64,508** | **Total Financial Assets** | **62,457** |

The maturity analysis of both financial assets and liabilities are based on the nominal value of the assets outstanding at 31st March 2011 and therefore not comparable to the balance sheet.

**Market Risk**

***Interest Rate Risk***

The Council is exposed to interest rate movements on its borrowing and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in both variable and fixed interest rates would have the following effect:

- ***Borrowings at variable rates*** – the interest expense charged to the Comprehensive Income and Expenditure Statement would rise;

- ***Borrowings at fixed rates*** – the fair value of the borrowing liability would fall;

- ***Investments at variable rates*** – the interest income credited to the Comprehensive Income and Expenditure Statement would rise; and

- ***Investments at fixed rates*** – the fair value of the assets would fall.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings do not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments are posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance, subject to any account that might be taken of such changes in the setting of Government Grants. Movements in the fair value of fixed rate investments that have a quoted market price are reflected in the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposures. The Capital, Taxation and Treasury team monitor market and forecast interest rates within the year and adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

If all interest rates had been 1% higher with all other variables held constant then the financial effect at 31 March 2011 would have been:

| 2009/10 £000 | 2009/10 £000 | Sensitivity Analysis | 2010/11 £000 |
|---:|---:|---|---:|
| 0 | 0 | Increase in interest payable on variable rate borrowings | 0 |
| 0 | 0 | Increase in interest receivable on variable rate investments | 0 |
| 0 | 0 | Increase in government grant receivable for financing costs | 0 |
| 0 | 0 | Impact on Surplus or Deficit on the Provision of Services | 0 |
| 0 | 0 | Share of overall impact debited to the HRA | 0 |
| 0 | 0 | Decrease in fair value of fixed rate investment assets | 0 |
| **0** | **0** | **Impact on Other Comprehensive Income and Expenditure** | **0** |
| 17,743 | 15,711 | Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure) | 0 |

Notes on the above table:

- ***Variable rate borrowing*** - The Council's variable rate borrowing consists of Lenders Option Borrowers Loans (LOBO). The lender has the right at pre-determined dates to increase the rate of the loan and the borrower then has the option to repay the loan if he does not agree with the requested rate increase. The rates on the current loans are of such a level that a 1% increase in interest rate would not trigger a call for an increase from the lender;

- ***Variable rate investments*** - The Council had no variable rate investments during 2010/11;

- ***Fair value of fixed rate investments*** - Fair value of investments with a maturity of less than twelve months is taken to be the principal outstanding. Therefore as all of the Council's internally held investments will mature in twelve months or less there will be no change in their fair value. External investments held by the Council's Fund Managers have been classified as Fair Value through Profit and Loss with profit and losses taken to the Comprehensive Income & Expenditure Statement on an annual basis. These investments have fixed rate interest rates and therefore are not effected by a change in interest rates; and

- All of the Council's fixed rate borrowing from the PWLB was repaid in 2010/11 therefore there would be no decrease in the Fair Value of the Council's Fixed Rate Liabilities.

***Price Risk***

The Council, with the exception of its attributable share of are Essex Pension Fund, does not invest in equity shares or have any holdings in joint ventures or local industry.

***Foreign Exchange Risk***

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

## Note 32 PROVISIONS

The table below summarises the movements in the Council's financial provisions during the year:

| Balance at 1 April 2009 £000 | New Provisions £000 | Release Provision £000 | Transfer between current and non current £000 | Discount Provision £000 | Balance at 31 March 2010 £000 | | Balance at 1 April 2010 £000 | New Provisions £000 | Release Provision £000 | Transfer between current and non current £000 | Discount Provision £000 | Balance at 31 March 2011 £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (982) | 0 | 627 | | | **(355)** | | (355) | (526) | 531 | 0 | 0 | **(350)** |
| **(982)** | **0** | **627** | **0** | **0** | **(355)** | **Total** | **(355)** | **(526)** | **531** | **0** | **0** | **(350)** |
| 0 | 0 | 0 | 0 | 0 | **0** | Current Provision | 0 | 0 | 0 | 0 | 0 | **0** |
| (982) | 0 | 627 | 0 | 0 | **(355)** | Non-Current Provision | (355) | (526) | 531 | 0 | 0 | **(350)** |
| **(982)** | **0** | **627** | **0** | **0** | **(355)** | **Total** | **(355)** | **(526)** | **531** | **0** | **0** | **(350)** |

The above provision is for insurance which represents a sum set aside towards meeting the value of insurance claims lodged with the Council.

## Note 33 LONG-TERM DEBTORS

During 2009/10 the Council incurred external costs of £0.870m in the course of setting up new arrangements for Waste Collection. The new five year contract, which commenced during 2010/11, will however generate annual savings of £2.100m. It was determined in 2009/10 that the most equitable way of treating the costs incurred was to charge five equal and annual instalments during the course of the contract so that the set up costs are matched to, and are charged against, the savings that will arise from the new contract, with effect from 2010/11. Each year (until fully written-off), the written down uncharged balance of these costs will appear within Long-Term Debtors in the Council's Balance Sheet.

In addition, during 2009/10 the Council made a £250,000 loan to Impulse Leisure and is shown within Long-Term Debtors in the Council's Balance Sheet.

## Note 34 SHORT-TERM DEBTORS

The table below provides an analysis of the Short-Term Debtors figure (net of provision for impairment) in the Balance Sheet:

| 1 April 2009 £000 | 31 March 2010 £000 | | 31 March 2011 £000 |
|---:|---:|---|---:|
| 2,325 | 13,532 | Central government bodies | 7,514 |
| 47 | 612 | Other local authorities | 899 |
| 583 | 333 | NHS bodies | 1,188 |
| 66 | 66 | Public corporations and trading funds | 32 |
| 24,834 | 22,187 | Other entities and individuals | 14,495 |
| **27,855** | **36,730** | **Total** | **24,128** |

## Note 35 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents in the Balance Sheet is made up of the following elements:

| **1 April 2009 £000** | **31 March 2010 £000** | | **31 March 2011 £000** |
|---|---|---|---|
| 29 | 29 | Cash held by the Council | 30 |
| 4,603 | 7,211 | Bank current accounts | 4,637 |
| 8,799 | 4,799 | Short-term deposits in UK banks & investments in money market funds | 7,599 |
| **13,431** | **12,039** | **Total Cash and Cash Equivalents** | **12,266** |

**Note 36 ASSETS HELD FOR SALE**

The table below gives details of Property, Plant and Equipment treated as non-current or current asset, Assets Held for Sale. Details of any non-current assets, which are surplus or awaiting disposal, are included in Note 22.

| Current 2009/10 £000 | Non Current 2009/10 £000 | | Current 2010/11 £000 | Non Current 2010/11 £000 |
|---|---|---|---|---|
| **39** | **0** | **Balance outstanding at start of year** | **0** | **0** |
| | | Assets newly classified as held for sale: | | |
| 729 | 0 | Property, Plant and Equipment | 1,024 | 0 |
| 0 | 0 | Intangible Assets | 0 | 0 |
| (97) | 0 | Revaluation losses | (70) | 0 |
| 0 | 0 | Revaluation gains | 0 | 0 |
| 0 | 0 | Impairment losses | 0 | 0 |
| | | Assets declassified as held for sale: | | |
| 0 | 0 | Property, Plant and Equipment | 0 | 0 |
| 0 | 0 | Intangible Assets | 0 | 0 |
| 0 | 0 | Other assets/liabilities in disposal groups | 0 | 0 |
| (671) | 0 | Assets sold | (895) | 0 |
| 0 | 0 | Transfers from non current to current | 0 | 0 |
| 0 | 0 | Other movements | 0 | 0 |
| **0** | **0** | **Balance outstanding at year-end** | **59** | **0** |

## Note 37 SHORT-TERM CREDITORS

The table below provides an analysis of the Short-Term Creditors figure in the Balance Sheet:

| 01 April 2009 £000 | 31 March 2010 £000 | | 31 March 2011 £000 |
|---|---|---|---|
| (2,060) | (1,469) | Central government bodies | (1,993) |
| 45 | (2) | Other local authorities | (255) |
| (186) | (171) | NHS bodies | (361) |
| (2,209) | (2,488) | Public corporations and trading funds | (7) |
| (26,035) | (26,260) | Other entities and individuals | (34,901) |
| **(30,445)** | **(30,390)** | **Total** | **(37,517)** |

## Note 38 USABLE RESERVES

The balances on the Usable Reserves in the Balance Sheet are detailed in the following table:

| 01-Apr-09 £000 | 31-Mar-10 £000 | | 31-Mar-11 £000 |
|---|---|---|---|
| (2,000) | (2,187) | General Fund Balance | (6,644) |
| (2,103) | (2,409) | Housing Revenue Account Balance | (2,898) |
| (21,337) | (12,726) | Earmarked Reserves | (13,220) |
| (964) | (1,335) | Capital Receipts Reserve | (2,347) |
| (41) | (2,897) | Major Repairs Reserve | (3,806) |
| (3,385) | (11,607) | Capital Grants Unapplied | (9,900) |
| **(29,830)** | **(33,161)** | **Total Usable Reserves** | **(38,815)** |

The movements in the year and balances at 31 March of the Council's Usable Reserves are set out in the Movement in Reserves Statement and in Notes 7 and 21.

## Note 39 UNUSABLE RESERVES

The balances on the Unusable Reserves in the Balance Sheet are detailed in the following table:

| 01-Apr-09 £000 | 31-Mar-10 £000 | | Notes | 31-Mar-11 £000 |
|---|---|---|---|---|
| (28,222) | (27,012) | Revaluation Reserve | (a) | (32,651) |
| (800,630) | (772,728) | Capital Adjustment Account | (b) | (680,569) |
| (2,053) | (1,793) | Financial Instruments Adjustment Account | (c) | 15,506 |
| 98,053 | 135,555 | Pensions Reserve | (d) | 104,936 |
| (124) | 239 | Collection Fund (including the Collection Fund Adjustment Account) | (e) | 591 |
| 1,889 | 2,305 | Accumulated Absences Account | (f) | 2,176 |
| **(731,087)** | **(663,434)** | **Total Unusable Reserves** | | **(590,011)** |

### (a) Revaluation Reserve

This reserve functions as a store of the gains made by the Council from the increases in the value of its Property, Plant and Equipment since 1 April 2007 when the reserve was created. Gains prior to that date are consolidated in the Capital Adjustment Account. The balance is reduced when assets with accumulated gains are re-valued downwards or impaired, used in the provision of services with the gains consumed through depreciation and disposed of with the gains being realised.

| 2009/10 £000 | | 2010/11 £000 | |
|---|---|---|---|
| **(28,222)** | **Balance at 1 April** | | **(27,012)** |
| (725) | Upward revaluation of assets | (6,658) | |
| 0 | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 0 | |
| **(28,947)** | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | | **(6,658)** |
| 773 | Difference between fair value depreciation and historical cost depreciation | 721 | |
| 1,162 | Accumulated gains on assets sold or scrapped | 298 | |
| 1,935 | Amount written off to the Capital Adjustment Account | | 1,019 |
| **(27,012)** | **Balance at 31 March** | | **(32,651)** |

### (b) Capital Adjustment Account

This 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 and enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction and enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement, with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis. The account is credited with the amount set aside by the Council as finance for the costs of acquisition, construction and enhancement. The account includes accumulated gains and losses on Investment Properties and gains recognised on any donated assets that have yet to be consumed by the Council. The account also contains revaluation gains accumulated on Property, Plant and Equipment prior to 1 April 2007 when the Revaluation Reserve was created to hold such gains. The source of the majority of postings in the table below can be seen in Note 7.

| 2009/10 £000 | | 2010/11 £000 | |
|---|---|---|---|
| **(800,630)** | **Balance at 1 April** | | **(772,728)** |
| | Reversal of items relating to capital expenditure debited or credited to the CIES: | | |
| 13,605 | • Charges for depreciation of non current assets (PPE) | 13,010 | |
| 26,364 | • Revaluation and Impairment losses on Property, Plant and Equipment | 93,064 | |
| 0 | • Revaluation gains reversing previous losses (PPE) | (360) | |
| 245 | • Amortisation of intangible assets | 245 | |
| 2,291 | • Revenue expenditure funded from capital under statute (REFCUS) - net of Funding | 840 | |
| 0 | • Revenue expenditure funded from capital under Capital Direction | 1,329 | |
| 0 | • Investment property written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 0 | |
| (158) | • Deferred Purchase | 0 | |
| 5,946 | • PPE written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 338 | |
| 671 | • Assets Held for Sale written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 895 | |
| (1,162) | • Accumulated gains on assets sold or scrapped | (298) | |
| **47,802** | | **109,063** | |
| (773) | Adjusting amounts written out of the Revaluation Reserve | | (721) |
| **47,029** | **Net written out amount of the cost of non current assets consumed in the year** | | **108,342** |
| | Capital financing applied in the year: | | |
| (267) | • Use of the Capital Receipts Reserve to finance new capital expenditure | (58) | |
| (7,504) | • Use of the Major Repairs Reserve to finance new capital expenditure | (3,556) | |
| 0 | • Capital grants and contributions credited to the CIES that have been applied to capital financing | 0 | |
| (5,994) | • Application of grants to capital financing from the Capital Grants Unapplied Account | (6,393) | |
| 0 | • Voluntary provision for repayment of debt | 0 | |
| (5,356) | • Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances (including finance lease liabilities) | (5,724) | |
| 0 | • Statutory repayment of debt (finance lease liabilities) | | |
| (53) | • Capital expenditure charged against the General Fund and HRA balances (DRC) | | |
| (76) | • Other Adjustments | (522) | |
| **(19,250)** | | **(16,253)** | |
| 26 | Movements in the market value of Investment Properties debited or credited to the CIES | | 0 |
| 97 | Movements in assets held for sale debited or credited to the CIES | | 70 |
| **(772,728)** | **Balance at 31 March** | | **(680,569)** |

**(c) Financial Instruments Adjustment Account**

This account absorbs the timing differences arising from the different arrangements for accounting for the income and expenditure relating to certain financial instruments and for bearing losses or benefiting from gains according to statutory provisions. The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to this Account in the Movements in Reserves Statement. Over time the expense is posted back to the General Fund Balance in accordance with the statutory arrangements for spreading the burden on Council Tax. Usually this means writing off the balance over the unexpired term of the loans when they were redeemed. The large balance is due to the debt rescheduling undertaken in August 2010 whereby the premium payable on each loan has been written down over remaining life of the loan. The remaining life of the loans repaid ranged from 3 to 48 years; therefore the balance on this account will be cleared over the next 48 years.

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| **(2,053)** | **Balance at 1 April** | **(1,793)** |
| 0 | Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement | 0 |
| 0 | Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | 0 |
| **(2,053)** | | **(1,793)** |
| 260 | Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 17,299 |
| **(1,793)** | **Balance at 31 March** | **15,506** |

**(d) Pensions Reserve**

This reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding those benefits in accordance with statutory provisions. The Council 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 and changing assumptions about investment returns on those resources set aside to meet the costs. However statutory arrangements require benefits earned to be financed as the Council makes employer contributions to the Pension Fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve shows the substantial shortfall in the benefits earned by past and present employees and the resources 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 £000 | | 2010/11 £000 |
|---|---|---|
| **98,053** | **Balance at 1 April** | **135,555** |
| 34,767 | Actuarial gains or losses on pensions assets and liabilities | (15,758) |
| 13,290 | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES | (3,678) |
| (10,555) | Employer's pensions contributions and direct payments to pensioners payable in the year | (11,183) |
| **135,555** | **Balance at 31 March** | **104,936** |

### (e) Collection Fund (including Collection Fund Adjustment Account)

This 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 £000 | | 2010/11 £000 |
|---|---|---|
| **(124)** | **Balance at 1 April** | **239** |
| 363 | Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements, and other Collection Fund Adjustments | 352 |
| **239** | **Balance at 31 March** | **591** |

### (f) Accumulated Absences Account

This account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the financial year, such as annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to and from the account.

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| **1,889** | **Balance at 1 April** | **2,305** |
| (1,889) | Settlement or cancellation of accrual made at the end of the preceding year | (2,305) |
| 2,305 | Amounts accrued at the end of the current year | 2,176 |
| 416 | Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (129) |
| **2,305** | **Balance at 31 March** | **2,176** |

**Note 40 TRUST FUNDS AND RECEIVERSHIPS**

a) The Council administers one Trust Fund, which is included in the Balance Sheet as a creditor:

| Trust Funds | Balance as at 1 April 2010 | Increase in Year | Decrease in Year | Balance as at 31 March 2011 |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| | | | | |
| Miss Grover's Charity | (22) | 0 | 0 | (22) |

The purpose of the above charity is to promote sports within the Borough of Thurrock.

b) Two Environmental Trusts invest funds with the Council, which are included in the Balance Sheet as a creditor:

| Environmental Trusts' Investments | Balance as at 1 April 2010 | Increase in Year | Decrease in Year | Balance as at 31 March 2011 |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| | | | | |
| Cory Environmental Trust | (1,049) | (335) | 291 | (1,093) |
| Veolia Environmental Services Cleanaway Mardyke | (1,396) | (287) | 381 | (1,302) |
| **Total** | **(2,445)** | **(622)** | **672** | **(2,395)** |

The Council holds funds on behalf of individuals who are unable to manage their financial affairs and for whom the Courts have identified that the Council should be named receiver or appointee to manage the individual's finances. These are not Council monies and do not appear in these accounts.

## Note 41 PENSION SCHEME ACCOUNTED FOR AS A DEFINED CONTRIBUTION SCHEME

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education. The Scheme provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of fund members' pensionable salaries.

However, because the scheme is unfunded the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities (i.e., the Council). It is not possible for the Council to identify its share of the underlying financial position and performance of the scheme attributable to its own employees with sufficient reliability for accounting purposes. For the purposes of this these accounts, it is therefore treated on the same basis as if it were a fully funded defined contribution scheme.

In 2010/11 the Council paid a total of £8.447m, including £2.635m actual teachers' contributions, (£8.321m in 2009/10) in respect of teachers' retirement benefits. The contribution rate was 14.1%.

In addition, the Council is responsible for all pension payments relating to added years' benefits that it has awarded outside of the terms of the Teachers' Scheme. These amounted to £21,672 in 2010/11 (£19,296 in 2009/10). These benefits are accrued for in the Council's Pensions Liability in the Balance Sheet.

## Note 42 DEFINED BENEFIT PENSION SCHEMES

### Participation in Pension Schemes

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

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme administered by Essex County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a Fund, calculated at a level intended to balance the pension liabilities with investment assets; and

- Arrangements for the award of discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. The costs shown in the tables below arise from awards made some years ago.

### Transactions Relating to Post Employment Benefits

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

| Local Government Pension Scheme 2009/10 £000 | Unfunded Benefits 2009/10 £000 | | Local Government Pension Scheme 2010/11 £000 | Unfunded Benefits 2010/11 £000 |
|---|---|---|---|---|
| | | Comprehensive Income and Expenditure Statement | | |
| | | Cost of Services: | | |
| 5,640 | 0 | • current service costs | 9,122 | 0 |
| 15 | 0 | • past service costs/ (gains) | (19,234) | (496) |
| 17 | 0 | • settlements and curtailments | 0 | 0 |
| | | Financing and Investment Income and Expenditure: | | 0 |
| 16,619 | 575 | • interest cost | 18,327 | 545 |
| (9,001) | 0 | • expected return on scheme assets | (11,893) | 0 |
| **13,290** | **575** | **Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services** | **(3,678)** | **49** |
| | | Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | | |
| 34,767 | 0 | • actuarial (gains) and losses | (15,758) | 0 |

| | | | | |
|---|---|---|---|---|
| **48,057** | **575** | **Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement** | **(19,436)** | **49** |
| | | **Movement in Reserves Statement** | | |
| (13,290) | (575) | • reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | 3,678 | (49) |
| | | Actual amount charged against the General Fund Balance for pensions in the year: | | |
| 10,555 | 616 | • employers' contributions payable to scheme | 11,183 | 617 |
| 0 | (616) | • retirement benefits payable to pensioners | 0 | (617) |

The cumulative amount of actuarial gains and losses, since 1 April 2005 recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a £27.353m loss.

**Assets and Liabilities in Relation to Post-Employment Benefits**

The reconciliation of the present value of the scheme liabilities, (the defined scheme obligation) is as follows:

| **Local Government Pension Scheme (all benefits) 2009/10 £000** | **Unfunded benefits 2009/10 £000** | | **Local Government Pension Scheme (all benefits) 2010/11 £000** | **Unfunded Benefits 2010/11 £000** |
|---|---|---|---|---|
| **233,819** | **(8,408)** | **Opening balance at 1 April** | **325,352** | **(10,035)** |
| 5,640 | 0 | Current service cost | 9,122 | 0 |
| 16,619 | (575) | Interest cost | 18,327 | (545) |
| 3,146 | 0 | Contributions by scheme participants | 3,199 | 0 |
| 74,371 | (1,668) | Actuarial (gains) and losses | (20,086) | 470 |
| (8,275) | 616 | Benefits/Transfers paid | (8,485) | 617 |
| 15 | 0 | Past service costs/ (gains) | (19,234) | 496 |
| 0 | 0 | Entity combinations | 0 | 0 |
| 17 | 0 | Curtailments & Settlements | 0 | 0 |
| **325,352** | **(10,035)** | **Closing balance at 31 March** | **308,195** | **(8,997)** |

Past service gain of £19,234m is made up of (£19,280m) change in scheme benefits (shown separately on the face of the Comprehensive Income and Expenditure Statement) and £46m costs due to early retirements.

The reconciliation of the fair value of the scheme assets is as follows:

| Local Government Pension Scheme (all benefits) 2009/10 £000 | | Local Government Pension Scheme (all benefits) 2010/11 £000 |
|---|---|---|
| **135,766** | **Opening balance at 1 April** | **189,797** |
| 9,001 | Expected rate of return | 11,893 |
| 39,604 | Actuarial gains and (losses) | (4,328) |
| 10,555 | Employer contributions | 11,183 |
| 3,146 | Contributions by scheme participants | 3,199 |
| (8,275) | Benefits/Transfers paid | (8,485) |
| 0 | Entity combinations | 0 |
| 0 | Settlements | 0 |
| **189,797** | **Closing balance at 31 March** | **203,259** |

The expected return on scheme assets is determined by considering the expected returns available on 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 relevant markets.

The actual return on scheme assets in the year was £18.504m (£48.605m in 2009/10).

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing Thurrock Borough Council's liabilities in the Essex Pension Fund by £19.280m and has been recognised as a past service gain in accordance with guidance set down in Unit Investment Trust Fund (UITF) Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund or Housing Revenue Account.

## Scheme History

The scheme history is summarised as follows:

| | 2006/07 £000 | 2007/08 £000 | 2008/09 £000 | 2009/10 £000 | 2010/11 £000 |
|---|---|---|---|---|---|
| **Present value of liabilities:** | | | | | |
| Local Government Pension Scheme (all Benefits): | 244,364 | 271,862 | 233,819 | 325,352 | 308,195 |
| **Fair value of assets in the Local Government Pension Scheme:** | | | | | |
| Local Government Pension Scheme (all Benefits): | (175,420) | (168,126) | (135,766) | (189,797) | (203,259) |
| **Surplus/(deficit) in the scheme:** | **68,944** | **103,736** | **98,053** | **135,555** | **104,936** |

The liabilities show the underlying commitments that the Council has in the long run to pay in post employment (retirement) benefits. The total gross liability of £308.195m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees as assessed by the Scheme

Actuary. Finance is only required to be raised to cover any discretionary benefits when the pensions are actually paid

The total contributions expected to be payable to the Local Authority Pension Scheme by the Council in the year to 31 March 2012 is £10.689m.

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The scheme is administered by Essex County Council and fund liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimates for Thurrock Council being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary are as follows:

| **Local Government Pension Scheme 2009/10** | | **Local Government Pension Scheme 2010/11** |
|---|---|---|
| | Long-term expected rate of return on assets in the scheme: | |
| 7.50% | Equity investments | 7.50% |
| 4.50% | Government Bonds | 4.40% |
| 5.20% | Other Bonds | 5.10% |
| 6.50% | Property | 6.50% |
| 0.50% | Cash/Liquidity | 0.50% |
| | Mortality assumptions: | |
| | Longevity at 65 for current pensioners: | |
| 22.1 yrs | Men | 22.6 yrs |
| 25 yrs | Women | 25.2 yrs |
| | Longevity at 65 for future pensioners: | |
| 23.1 yrs | Men | 24 yrs |
| 25.9 yrs | Women | 26.8 yrs |
| 2.80% | Rate of inflation (CPI) | 2.90% |
| 4.80% | Rate of increase in salaries | 4.40% |
| 3.30% | Rate of increase in pensions | 2.90% |
| 5.60% | Rate for discounting scheme liabilities | 5.50% |
| 50% | Take-up of option to convert annual pension into retirement lump sum | 50% |

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

| **31-Mar-10 %** | | **31-Mar-11 %** |
|---|---|---|
| 67.5 | Equity investments | 69.5 |
| 7.9 | Government Bonds | 6.7 |
| 10 | Other Bonds | 9.5 |
| 9.3 | Property | 11.2 |
| 5.3 | Cash/Liquidity | 3.1 |
| **100** | | **100** |

## History of Experience of Gains and Losses

The actuarial gains which are identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011 and the previous four years.

| | 2006/07<br>% | 2007/08<br>% | 2008/09<br>% | 2009/10<br>% | 2010/11<br>% |
|---|---|---|---|---|---|
| **Differences between the Expected and Actual Return on Assets** | 1 | (13) | (35) | (21) | (2) |
| **Experience of gains and losses on liabilities** | 0 | 2 | 0 | 0 | 6 |

## Note 43 OPERATING ACTIVITIES CASH FLOW STATEMENT

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 688 | Interest Received | 711 |
| 183 | Interest Received Opening Debtor | 70 |
| 70 | Interest Received Closing Debtor | 78 |
| | | |
| (6,295) | Interest paid | (21,425) |
| (72) | Adjustments for differences between EIR and actual interest payable | 4 |
| 1,821 | Interest Paid Opening Creditor | 1,794 |
| 1,793 | Interest Paid Closing Creditor | 966 |

Note: the table above only includes interest received and interest paid in line with the disclosure requirements of the Code of Practice 2010/11, and therefore does not correlate to the figures in the Cash Flow Statement.

## Note 44 INVESTING ACTIVITIES CASH FLOW STATEMENT

A breakdown of the cash flows arising from the Council investing activities is shown below:

| 2009/10 £'000 | | 2010/11 £'000 |
|---|---|---|
| (21,662) | Purchase of property, plant and equipment, investment property and intangible assets | (21,131) |
| 130 | New Finance Leases | 352 |
| (2,024) | Opening Capital Creditors | (1,138) |
| 1,138 | Closing Capital Creditors | 1,539 |
| (2,500) | Purchase of short-term and long-term investments | (12,000) |
| (250) | Other payments for investing activities | |
| 1,513 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 1,807 |
| 0 | Proceeds from shot-term and long-term investments | 17,831 |
| 36,403 | Other receipts from investing activities (including capital grants) | 14,008 |
| **12,748** | **Net cash flows from investing activities** | **1,268** |

## Note 45 FINANCING ACTIVITIES CASH FLOW STATEMENT

A breakdown of the cash flows arising from the Council financing activities is shown below:

| 2009/10 £'000 | | 2010/11 £'000 |
|---|---|---|
| 90,600 | Cash receipts of short and long-term borrowing | 533,300 |
| (11,858) | Billing Authorities - Council Tax and NNDR adjustments | 9,986 |
| 0 | Other receipts from financing activities | 0 |
| 518 | Cash payments for the reduction of the outstanding liabilities (finance leases) | 620 |
| (86,046) | Repayments of short- and long-term borrowing | (541,419) |
| 0 | Other payments for financing activities | 0 |
| **(6,786)** | **Net cash flows from financing activities** | **2,487** |

## Note 46 ANALYSIS OF GOVERNMENT GRANTS

The Council credited the following material grants and contributions to the Comprehensive Income and Expenditure Statement in financial years 2009/10 and 2010/11.

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| | **Credited to Taxation and Non Specific Grant Income** | |
| | **Revenue** | |
| (55,456) | Council Tax (include surplus/deficit on collection fund)) | (56,986) |
| (47,144) | National Non Domestic Rates | (52,187) |
| (10,882) | Revenue Support Grant | (7,578) |
| (7,229) | Local Area Based Grant | (9,121) |
| | **Capital** | |
| (144) | East of England Development Agency | (3) |
| (37) | Big Lottery Fund | 0 |
| (741) | Department for Transport | (1,724) |
| (188) | Section 106 | (291) |
| (281) | Department for Environment, Food and Rural Affairs | (104) |
| (11,366) | Department for Education | (2,972) |
| (264) | David Wilson Homes | 0 |
| (212) | Department of Health | (215) |
| (71) | Department of Communities and Local Government | (136) |
| (708) | Thurrock Thames Gateway Development Corporation | (32) |
| (312) | Other | (477) |
| **(135,035)** | **Total** | **(131,826)** |
| | **Credited to Services** | |
| | **Revenue** | |
| (60,274) | Housing and Council Tax Benefit | (64,837) |
| (6,257) | Housing Subsidy | (12,621) |
| (95,080) | Dedicated Schools Grant | (97,352) |
| (14,785) | Standards Fund | (10,924) |
| 0 | School Standards Fund | (4,459) |
| 0 | Devolved Formula Capital | (1,310) |
| 0 | Basic Need Safety Valve | (2,563) |
| 0 | Other school capital grants | (2,016) |
| (514) | Social Care Reform Grant | |
| (62) | Aids Support Grant | (126) |
| (746) | Refugees' Grant - Children | (711) |
| (61) | DAT Grant | (59) |
| (114) | DOH Grant | (90) |
| (141) | Young Persons' Substance Misuse Grant | (125) |
| (31) | Integrated Children's' Service Grant | 0 |
| (153) | TCAC Pump Priming Grant | 0 |
| (587) | LPSA Reward Grant | 0 |
| (112) | LAA Grants | 0 |
| (2) | Positive Activities for Young People Grant | 0 |
| (254) | Aim Higher Funding | (74) |
| (207) | Targeted Mental Health in Schools | 0 |
| (2,418) | Health Authority Joint Funding | (1,500) |
| (4,225) | LD Section 28A Partnership | (4,630) |
| (94) | Inter Agency Finance | 0 |
| (467) | Youth Justice Board | 0 |

| | | |
|---|---|---|
| (85) | Sports Development | 0 |
| (138) | Sponsorship | 0 |
| (1,079) | Contributions from Other Local Authorities | 0 |
| (3,673) | Contributions from Other Bodies | (3,677) |
| (6) | Donations | 0 |
| (4,623) | Sure Start | (5,959) |
| | Credited to Schools: | |
| 0 | Grants | (156) |
| (3) | School Milk Subsidy Income | 0 |
| (70) | Contributions from Other Bodies | (58) |
| (502) | Donations | (525) |
| **(196,763)** | **Total** | **(213,772)** |

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

| 01 April 2010 £000 | 31 March 2010 £000 | | 31 March 2011 £000 |
|---|---|---|---|
| | | **Capital Grants & Contributions - Receipts in Advance** | |
| (1,655) | (1,461) | Section 106 | (1,197) |
| (748) | (9,245) | Department for Education | (11,071) |
| (22) | (185) | Department of Communities and Local Government | (338) |
| (143) | (182) | Environmental Trusts | (177) |
| (715) | (719) | Port of London Authority | (722) |
| **(3,283)** | **(11,792)** | **Total** | **(13,505)** |

**Note 47 LOCAL AREA AGREEMENT (LAA)**

The Council was a participant in a LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. As a result of meeting LAA targets the Council received a Performance Reward Grant (PRG) of £1.447m in 2010/11. The Council is on target to meet the conditions of the grant and when met, in future, will be credited to the Comprehensive Income and Expenditure Statement.

## Note 48 CONTINGENT LIABILITIES

- The Council has a contractual agreement with the Department for Education whereby £5m of financing for the Gateway Academy is grant repayable on vacation of the St. Chad's site. The Council is re-negotiating this agreement so as to make repayment either consequent on sale of the vacated St Chad's site or by raising unsupported borrowing. At the reporting date it is therefore inappropriate to treat this item as a creditor;

- The landowner of a field next to the former Buckingham landfill site is claiming that there is land contamination arising from the landfill site affecting his land. The potential claim is not known at this stage and as a result is treated as a contingent liability; and

- The Council is proposing to enter into an agreement with Essex County Council and Southend Borough Council to underwrite any Pension Fund Employer Liability arising out of the winding up of Essex Careers and Business Partnership.

## Note 49 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure 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 Council's Cabinet on the basis of budget reports analysed across the Council's directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure, whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement;

- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than the current service cost of benefits accrued in the year; and

- Expenditure on some support services is budgeted for centrally and not charged to Directorates.

The income and expenditure of the Council's principal directorates as recorded in budget monitoring reports during the year at outturn is as follows:

| **Directorate Income and Expenditure**<br>**2010/11 Figures** | **Sustainable Communities**<br>**£000** | **Children, Education and Families**<br>**£000** | **Community Well-being**<br>**£000** | **Transformation**<br>**£000** | **Finance and Corporate Governance**<br>**£000** | **Core Accountancy**<br>**£000** | **Total**<br>**£000** |
|---|---|---|---|---|---|---|---|
| Fees, charges & other service income | (9,001) | (19,326) | (14,779) | (1,775) | (3,385) | 0 | **(48,266)** |
| Government Grants | (2,287) | (158,437) | (1,279) | (86) | (64,492) | 0 | **(226,581)** |
| Earmarked Reserves | 0 | 0 | 0 | 0 | 0 | (2,406) | **(2,406)** |
| **Total Income** | **(11,288)** | **(177,763)** | **(16,058)** | **(1,861)** | **(67,877)** | **(2,406)** | **(277,253)** |
| | | | | | | | |
| Employee expenses | 12,314 | 26,395 | 13,950 | 2,178 | 9,896 | 971 | **65,704** |
| Other service expenses | 23,131 | 177,428 | 39,945 | 20,876 | 63,982 | 0 | **325,362** |
| Support service recharges | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| **Total Expenditure** | **35,445** | **203,823** | **53,895** | **23,054** | **73,878** | **971** | **391,066** |
| | | | | | | | |
| **Net Expenditure** | **24,157** | **26,060** | **37,837** | **21,193** | **6,001** | **(1,435)** | **113,813** |

| **Directorate Income and Expenditure**<br>**2009/10 Comparative Figures** | **Sustainable Communities**<br>**£000** | **Children, Education and Families**<br>**£000** | **Community Well-being**<br>**£000** | **Transformation**<br>**£000** | **Finance and Corporate Governance**<br>**£000** | **Core Accountancy**<br>**£000** | **Total**<br>**£000** |
|---|---|---|---|---|---|---|---|
| Fees, charges & other service income | (7,118) | (14,588) | (14,426) | (642) | (4,374) | 0 | **(41,148)** |
| Government Grants | (1,092) | (132,814) | (4,464) | 0 | (60,444) | 0 | **(198,814)** |
| Earmarked Reserves | (1,161) | 0 | 0 | (200) | (374) | (2,363) | **(4,098)** |
| **Total Income** | **(9,371)** | **(147,402)** | **(18,890)** | **(842)** | **(65,192)** | **(2,363)** | **(244,060)** |
| | | | | | | | |
| Employee expenses | 8,083 | 20,670 | 15,084 | 1,835 | 5,761 | 0 | **51,433** |
| Other service expenses | 25,551 | 154,762 | 41,146 | 1,924 | 84,852 | 10,160 | **318,395** |
| Support service recharges | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Deferment of Expenditure | 0 | 0 | 0 | 0 | 0 | (817) | **(817)** |
| **Total Expenditure** | **33,634** | **175,432** | **56,230** | **3,759** | **90,613** | **9,343** | **369,011** |
| | | | | | | | |
| **Net Expenditure** | **24,263** | **28,030** | **37,340** | **2,917** | **25,421** | **6,980** | **124,951** |

**Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

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

| 2009/10 £000 | Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement | 2010/11 £000 |
|---|---|---|
| 124,951 | Net expenditure in the Directorate Analysis | 113,813 |
| 0 | Net expenditure of services and support services not included in the Analysis | 0 |
| 38,777 | Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | 93,866 |
| (17,531) | Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement | (14,121) |
| **146,197** | **Cost of Services in Comprehensive Income and Expenditure Statement** | **193,558** |

**Reconciliation to Subjective Analysis**

This reconciliation shows how the figures in the analysis of directorate 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.

| 2010/11 figures | Directorate Analysis £000 | Services and Support Services not in Analysis £000 | Amounts not reported to management for decision making £000 | Amounts not included in I&E £000 | Allocation of Recharges £000 | Cost of Services £000 | Corporate Amounts £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|
| Fees, charges & other service income | (50,675) | 0 | (46,189) | 0 | 0 | **(96,864)** | 0 | **(96,864)** |
| Interest and investment income | 0 | 0 | 0 | 0 | 0 | **0** | (524) | **(524)** |
| Income from council tax | 0 | 0 | 0 | 0 | 0 | **0** | (56,896) | **(56,896)** |
| Government grants and contributions | (226,581) | 0 | 0 | 0 | 0 | **(226,581)** | (75,208) | **(301,789)** |
| **Total Income** | **(277,256)** | **0** | **(46,189)** | **0** | **0** | **(323,445)** | **(132,628)** | **(456,073)** |
| Employee expenses | 65,706 | 0 | (4,669) | (11,893) | 0 | **49,144** | 6,434 | **55,578** |
| Other service expenses | 325,363 | 0 | 41,907 | (2,228) | (49,189) | **315,853** | 0 | **315,853** |
| Support Service recharges | 0 | 0 | 0 | 0 | 49,189 | **49,189** | 0 | **49,189** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Depreciation, amortisation and impairment | 0 | 0 | 102,817 | 0 | 0 | **102,817** | 0 | **102,817** |
| Interest Payments | 0 | 0 | 0 | 0 | 0 | **0** | 21,267 | **21,267** |
| Precepts & Levies | 0 | 0 | 0 | 0 | 0 | **0** | 570 | **570** |
| Payments to Housing Capital Receipts Pool | 0 | 0 | 0 | 0 | 0 | **0** | 667 | **667** |
| Gain or Loss on Disposal of Fixed Assets | 0 | 0 | 0 | 0 | 0 | **0** | (548) | **(548)** |
| **Total expenditure** | **391,069** | **0** | **140,055** | **(14,121)** | **0** | **517,003** | **28,390** | **545,393** |
| | | | | | | | | |
| **Surplus or deficit on the provision of services** | **113,813** | **0** | **93,866** | **(14,121)** | **0** | **193,558** | **(104,238)** | **89,320** |

| **2009/10 comparative figures** | **Directorate Analysis £000** | **Services and Support Services not in Analysis £000** | **Amounts not reported to management for decision making £000** | **Amounts not included in I&E £000** | **Allocation of Recharges £000** | **Cost of Services £000** | **Corporate Amounts £000** | **Total £000** |
|---|---|---|---|---|---|---|---|---|
| Fees, charges & other service income | (45,245) | 0 | (46,495) | 2,362 | 0 | **(89,378)** | 0 | **(89,378)** |
| Interest and investment income | 0 | 0 | 0 | 0 | 0 | **0** | (911) | **(911)** |
| Income from council tax | 0 | 0 | 0 | 0 | 0 | **0** | (55,456) | **(55,456)** |
| Government grants and contributions | (198,815) | 0 | 0 | 0 | 0 | **(198,815)** | (80,131) | **(278,946)** |
| **Total Income** | **(244,060)** | **0** | **(46,495)** | **2,362** | **0** | **(288,193)** | **(136,498)** | **(424,691)** |
| Employee expenses | 51,433 | 0 | 14,642 | (10,550) | 0 | **55,525** | 7,618 | **63,143** |
| Other service expenses | 308,235 | 0 | 38,916 | 0 | (49,001) | **298,150** | 0 | **298,150** |
| Support Service recharges | 0 | 0 | 0 | 0 | 49,001 | **49,001** | 0 | **49,001** |
| Depreciation, amortisation and impairment | 0 | 0 | 31,897 | 0 | 0 | **31,897** | 244 | **32,141** |
| Interest Payments | 9,343 | 0 | 0 | (9,343) | 0 | **0** | 6,511 | **6,511** |
| Precepts & Levies | 0 | 0 | 0 | 0 | 0 | **0** | 479 | **479** |
| Payments to Housing Capital Receipts Pool | 0 | 0 | 0 | 0 | 0 | **0** | 815 | **815** |
| Gain or Loss on Disposal of Fixed Assets | 0 | 0 | 0 | 0 | 0 | **0** | 5,009 | **5,009** |
| **Total expenditure** | **369,011** | **0** | **85,455** | **(19,893)** | **0** | **434,573** | **20,676** | **455,249** |
| | | | | | | | | |
| **Surplus or deficit on the provision of services** | **124,951** | **0** | **38,960** | **(17,531)** | **0** | **146,380** | **(115,822)** | **30,558** |

## Note 50 RECONCILIATION TO ACCOUNTS PUBLISHED IN 2010

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code of Practice has resulted in the restatement of various balances and transactions, with the result that some items now presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the financial statements for 2009/10 and the equivalent items presented in this financial statement.

### Transition to IFRS

With effect from the 2010/11 reporting period, the Council is required to present its financial statements on an IFRS basis and adopt the IFRS Code of Practice on Local Authority Accounting 2010/11. The Council is required to account for the transition to IFRS in accordance with IFRS First Time Adoption, except where interpretations or adaptations to fit the public sector are detailed in the Code.

The Code requires accounting policy changes arising out of the adoption of the IFRS based Code to be accounted for retrospectively unless the Code requires an alternative treatment.

The transition date to IFRS for local government is 1 April 2009 and the Council has prepared its opening Balance Sheet at that date. An illustration of how the transition from the previous requirements under UK GAAP to the new requirements under IFRS has affected the Council's financial position and financial performance is set out in the following tables:

***Cash and Cash Equivalents***

| *Opening 1 April 2009 Balance Sheet* | **SORP 2009/10 Statements** | **Adjustments made** |
|---|---|---|
| | **£000** | **£000** |
| Short-term investments | 57,452 | (8,799) |
| Cash and cash equivalents | 4,632 | 8,799 |

| *31 March 2010 Balance Sheet* | **SORP 2009/10 Statements** | **Adjustments made** |
|---|---|---|
| | **£000** | **£000** |
| Short-term investments | 53,862 | (4,799) |
| Cash and cash equivalents | 7,240 | 4,799 |

***Short-Term Accumulated Absences***

| *Opening 1 April 2009 Balance Sheet* | **SORP 2009/10 Statements** | **Adjustments Made** |
|---|---|---|
| | **£000** | **£000** |
| Short Term Creditors | (29,086) | (1,889) |
| Accumulated Absences Account | 0 | 1,889 |

| *31 March 2010 Balance Sheet* | **SORP 2009/10 Statements** | **Adjustments Made** |
|---|---|---|
| | **£000** | **£000** |
| Short Term Creditors | (28,145) | (2,305) |
| Accumulated Absences Account | 0 | 2,305 |

| *2009/10 CIES*<br>*Cost of Service - Net Expenditure* | **SORP 2009/10 Statements** | **Adjustments Made** |
|---|---|---|
| | **£000** | **£000** |
| Adult Social Care | 36,162 | 10 |
| Education and Children's Services | 164,736 | 385 |
| Cultural, Environmental, Regulatory and Planning Services | 29,534 | 8 |
| Corporate & Democratic Core | 6,207 | 13 |

***Leases***

| *Opening 1 April 2009 Balance Sheet* | **SORP 2009/10 Statements** | **Adjustments Made** |
|---|---|---|
| | **£000** | **£000** |
| Property, Plant and Equipment | 1,073,514 | 3,123 |
| Short-term debtors (net of impairment) | 22,179 | 36 |
| Other short-term liabilities | 0 | (519) |
| Other long-term liabilities | 0 | (3,117) |
| Unusable reserves - CAA | (853,815) | 477 |

| *31 March 2010 Balance Sheet* | **SORP 2009/10 Statements** | **Adjustments Made** |
|---|---|---|
| | **£000** | **£000** |
| Property, Plant and Equipment | 900,312 | 2,821 |
| Short-term debtors (net of impairment) | 36,729 | 0 |
| Other short-term liabilities | 0 | (785) |
| Other long-term liabilities | 0 | (2,463) |
| Unusable reserves - CAA | (719,050) | 427 |

| *2009/10 CIES*<br>*Cost of Service - Net Expenditure* | **SORP 2009/10 Statements** | **Adjustments Made** |
|---|---|---|
| | **£000** | **£000** |
| Central Services to the Public | 372 | 36 |
| Education and Children's Services | 164,736 | (5) |
| Cultural, Environmental, Regulatory and Planning Services | 29,534 | (63) |
| Highways and Transport Services | 9,070 | (18) |
| Corporate & Democratic Core | 6,207 | (223) |
| Financing & Investment Income | 13,002 | 223 |

## *Capital Grants and Contributions*

| *Opening 1 April 2009 Balance Sheet* | **SORP 2009/10 Statements** | **Adjustments made** |
|---|---|---|
| | **£000** | **£000** |
| Capital grants and contributions unapplied | 0 | (3,384) |
| Revenue grants receipts in advance | 0 | (2,654) |
| Capital grants receipts in advance | 0 | (3,282) |
| Government grants deferred | (91,872) | 91,871 |
| Capital adjustment account | (853,815) | (88,204) |
| Earmarked Reserves | (10,888) | (516) |
| Debtors | 22,179 | 5,640 |
| Creditors | (29,086) | 529 |

| *31 March 2010 Balance Sheet* | **SORP 2009/10 Statements** | **Adjustments made** |
|---|---|---|
| | **£000** | **£000** |
| Capital grants and contributions unapplied | 0 | (11,606) |
| Revenue grants receipts in advance | 0 | (2,202) |
| Capital grants receipts in advance | 0 | (11,791) |
| Government grants deferred | (78,926) | 78,924 |
| Capital adjustment account | (719,050) | (52,829) |
| Earmarked Reserves | (2,562) | (555) |
| Debtors | 36,729 | 0 |
| Creditors | (28,145) | 59 |

| *2009/10 CIES*<br><br>*Cost of Service - Net Expenditure* | **SORP 2009/10 Statements** | **Adjustments Made** |
|---|---|---|
| | **£000** | **£000** |
| Adult Social Care | 36,162 | 31 |
| Central Services to the Public | 372 | 18 |
| Education and Children's Services | 164,736 | 40,184 |
| Cultural, Environmental, Regulatory and Planning Services | 29,534 | 441 |
| Highways and Transport Services | 9,070 | 393 |
| Other Housing Services | 1,917 | 36 |
| Housing HRA | 5,646 | 36 |
| Corporate & Democratic Core | 6,207 | 299 |
| Taxation and non-specific Grant Income | (120,691) | (14,324) |

### *Non-Current Assets*

| *Opening 1 April 2009 Balance Sheet* | **SORP 2009/10 Statements** | **Adjustments made** |
|---|---|---|
| | **£000** | **£000** |
| Property, plant and equipment | 1,073,514 | (126,662) |
| Investment property | 24,795 | (21,289) |
| Assets held for sale | 0 | 39 |
| Unusable reserves - CAA | (853,815) | 140,913 |
| Unusable reserves - Revaluation Reserve | (35,221) | 6,999 |

| *31 March 2010 Balance Sheet* | **SORP 2009/10 Statements** | **Adjustments made** |
|---|---|---|
| | **£000** | **£000** |
| Property, plant and equipment | 900,312 | 22,716 |
| Investment property | 24,806 | (21,326) |
| Assets held for sale | 0 | 0 |
| Unusable reserves - CAA | (719,050) | (1,276) |
| Unusable reserves - Revaluation Reserve | (26,897) | (114) |

| *2009/10 CIES*<br>*Cost of Service (Net)* | **SORP 2009/10 Statements** | **Adjustments Made** |
|---|---|---|
| | **£000** | **£000** |
| Adult Social Care | 36,162 | 1 |
| Central Services to the Public | 372 | (14) |
| Education and Children's Services | 164,736 | (149,098) |
| Housing HRA | 5,646 | 315 |
| Other Operating Expenditure | 6,403 | (99) |
| Financing & Investment Income | 13,002 | 26 |

### *Other Adjustments*

| *2009/10 CIES*<br>*Cost of Service - Net Expenditure* | **SORP 2009/10 Statements** | **Adjustments Made** |
|---|---|---|
| | **£000** | **£000** |
| Central Services to the Public | 372 | 42 |
| Housing HRA | 5,646 | 117 |
| Financing & Investment Income | 13,002 | (159) |

## Note 51 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place after this date provided information about conditions existing 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.

The Morrison's contract for Housing repairs, that became operational in August 2010 has resulted in an over spend on repairs budgets. If the repairs budget continues to overspend the HRA balances will reduce. This will be compensated, however, by present proposals for financial reform from April 2012.

## Note 52 INVENTORIES

The inventory balances and movements are shown in the table below:

| | Curzon Drive Stores £000 | Stanley Road Stores £000 | Stamps £000 | Direct Stores Purchases £000 | Total £000 |
|---|---|---|---|---|---|
| **Balance outstanding at 1 April 2009** | **147** | **41** | **7** | **23** | **218** |
| Purchases | 294 | 0 | 11 | 646 | **951** |
| Recognised as an expense in the year | (361) | (41) | (11) | (655) | **(1,068)** |
| Written off balances | 0 | 0 | | | **0** |
| Reversals of write-offs in previous years | 0 | 0 | 0 | 0 | **0** |
| **Balance outstanding at 31 March 2010** | **80** | **0** | **7** | **14** | **101** |
| Purchases | 352 | 70 | 10 | 747 | **1,179** |
| Recognised as an expense in the year | (252) | (22) | (1) | (705) | **(980)** |
| Written off balances | (121) | (38) | 0 | 0 | **(159)** |
| Reversals of write-offs in previous years | | 0 | | | **0** |
| **Balance outstanding at 31 March 2011** | **59** | **10** | **16** | **56** | **141** |

## Note 53 REVALUATION AND IMPAIRMENT LOSSES

In 2010/11 the authority's Property, Plant and Equipment assets were revalued resulting in £93.064m revaluation and impairment losses (£26.364m in 2009/10).

**Note 54 CONTINGENT ASSETS**

With effect from 30 March 2012 Thurrock will acquire a share of the assets and liabilities of the Thurrock Thames Gateway Development Corporation. At this point it would be premature to identify exactly the values and nature of assets and liabilities being transferred.

Council staff are working closely with colleagues from the TTGDC on budgets, asset valuation and annual financial statement closure to ensure as smooth a transition as possible.

The main accounting issues will be to restate the transferred assets and liabilities within the Council's accounting policies as specified above. The impact of the CIPFA Code of Practice will be to treat the acquisition as a merger which will have some material effects on the financial position of the Council. Thus the CIPFA Code of Practice requires a restating of the opening 1 April 2011 balance sheet, with the acquired assets and liabilities separated and separate disclosure in the Comprehensive Income & Expenditure Statement to assist understanding of the true impact of the move by fully stated comparatives. This will have an impact on the Movement in Reserves Statement.

# HRA INCOME AND EXPENDITURE STATEMENT

The HRA Income and Expenditure Statement shows the annual economic cost of providing housing services in accordance with International Financial Reporting Standards, rather than simply the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations: this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Balance.

| Notes | | 2009/10 £000 | 2010/11 £000 |
|---|---|---|---|
| | **EXPENDITURE** | | |
| | Repairs and Maintenance | 11,869 | 11,985 |
| | Supervision and Management | 15,908 | 15,560 |
| | Rents, rates, Taxes and Other Charges | 44 | 44 |
| 2 | Negative Subsidy Payable | 6,257 | 12,621 |
| 3 | Depreciation and Impairment of Non Current Assets | 16,560 | 93,278 |
| | Debt Management Costs | 17 | 22 |
| | Movement in the Allowance for Bad Debts | 269 | 702 |
| | Deferred Purchase Capital Payment | 122 | 0 |
| | **Total Expenditure** | **51,046** | **134,212** |
| | **INCOME** | | |
| 1 | Gross Rent from Dwellings | (35,656) | (36,300) |
| | Less Voids | 302 | 302 |
| | Net Rent from Dwellings (sub total) | (35,354) | (35,998) |
| | Non Dwelling Rents: | | |
| | Shop Rents | (833) | (768) |
| | Garage Rents | (783) | (816) |
| | Premises Income | (107) | (32) |
| | Non Dwelling Rents (sub-total) | (1,723) | (1,616) |
| | Charges for Services and Facilities: | | |
| | Water Charges | (4,462) | (4,643) |
| | Supervision and Management | (539) | (571) |
| | Central Heating Charges | (36) | (37) |
| | Charges for Services and Facilities (sub total) | (5,037) | (5,251) |
| | Contributions Towards Expenditure: | | |
| | General Fund Transfer: Use of Housing Amenities | (180) | (23) |
| | Leaseholder Charges | (548) | (517) |
| | Tenants Service Charges | (1,906) | (1,870) |
| | Transfer from Holding Account | (184) | (109) |
| | Contributions Towards Expenditure (sub total) | (2,818) | (2,519) |
| | Miscellaneous Income | 0 | (350) |
| | **Total Income** | **(44,932)** | **(45,734)** |
| | **Net Cost of Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement** | **6,114** | **88,478** |
| | HRA services' share of Corporate and Democratic Core and Non Distributed Costs | **0** | **85** |
| | **Net (Income)/ Expenditure for HRA Services** | **6,114** | **88,563** |

| | | | |
|---|---|---|---|
| | **HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:** | | |
| | (Gain) or loss on sale of HRA non-current assets | (609) | (485) |
| | Interest payable and similar charges (Deferred Purchase Interest) | 29 | 0 |
| | Amortisation of Premiums and Discounts (Premium on Debt Restructuring) | 17 | 21 |
| | Income and expenditure in relation to investment properties and changes in their fair value | (91) | (128) |
| | Interest and Investment Income | 0 | 61 |
| 4 | Pensions interest cost and expected return on Pension Assets | 44 | 423 |
| | Capital Grants and Contributions Receivable | 0 | 0 |
| | **(Surplus)/ Deficit for the Year on HRA Services** | **5,504** | **88,455** |

## MOVEMENT ON HRA BALANCE

| Notes | | 2009/10 £000 | 2010/11 £000 |
|---|---|---|---|
| | **Balance on HRA at 1 April** | **(2,103)** | **(2,409)** |
| | (Surplus)/ Deficit for the Year on HRA Services | 5,504 | 88,455 |
| | Adjustments Between Accounting Basis and Funding Basis under Statute: | | |
| 5 | Transfers to/ (from) Accumulated Absences Account | 0 | 0 |
| | Gain or (loss) on sale of HRA non-current assets | 512 | 485 |
| | Capital Expenditure Funded by HRA | 0 | 0 |
| | Transfer to/ (from) Pension Reserve | 0 | (617) |
| | **Net (Increase)/ Decrease before Transfers to/ (from) Reserves** | **6,016** | **88,323** |
| | **Transfer to/ (from) Reserves:** | | |
| 7 | Transfer to/ (from) Major Repairs Reserve | 2,772 | (2,075) |
| | Transfer to/ (from) Capital Adjustment Account | (9,094) | (86,737) |
| | **(Increase)/ Decrease in the Year on the HRA Balance** | **(306)** | **(489)** |
| | **Balance on HRA at 31 March** | **(2,409)** | **(2,898)** |

# NOTES TO THE HOUSING REVENUE ACCOUNT

## Note 1 GROSS RENT INCOME

The level of rent arrears was as follows:

| **Rent Arrears** | **2009/10** | **2010/11** |
|---|---|---|
| | **£000** | **£000** |
| | | |
| Gross Current Arrears at 31 March | 1,064 | 973 |
| As a Proportion of Gross Rent Income Collectable in the Year | 2.99% | 2.69% |
| | | |
| Former Tenant Arrears at 31 March | 544 | 670 |
| | | |

Amounts written-off during the year amounted to £115,992.

There is a provision in the sum of £761,718 for the potential write-off of irrecoverable debts.

## Note 2 HRA SUBSIDY

The negative HRA subsidy, payable to Central Government is detailed below. Subsidy is based on a notional account which represents the Government's assessment of what the Council should be collecting and spending.

| **Analysis of HRA Negative Subsidy** | **2009/10** | **2010/11** |
|---|---|---|
| | **£000** | **£000** |
| | | |
| Management Allowance | 5,666 | 5,752 |
| Maintenance Allowance | 11,746 | 11,933 |
| Major Repairs Allowance | 7,361 | 7,465 |
| MRA Adjustment from Pre-Budget Report 2008 | 3,000 | (3,000) |
| Charges for Capital | 1,121 | 1,140 |
| Other Items of Reckonable Expenditure | 8 | 0 |
| | | |
| Less: | | |
| Notional Rent Income | (35,122) | (35,909) |
| Prior Year Adjustments | (32) | 0 |
| Interest on Receipts | (5) | (2) |
| | | |
| **HRA Subsidy Payable** | **(6,257)** | **(12,621)** |

MRA Adjustment from Pre-Budget Report 2008: As part of the 2009/10 HRA subsidy settlement, the government allowed local authorities the opportunity to bring forward part of their major repairs allowance, which would be due in 2010/11 into 2009/10. This was seen as a mechanism for stimulating economic activity, and allowed authorities the chance to accelerate their major repairs programme.

This meant that for Thurrock, the overall negative subsidy payment in 2009/10 was reduced by £3m, but an additional payment would be made in 2010/11 as the additional funding was only a brought forward amount, and not an additional allocation.

## Note 3 DEPRECIATION

Depreciation of £6.541m was charged to the HRA in relation to operational assets comprising dwellings, other land and buildings. The charges in respect of impairment were £86.737m.

| Analysis of Depreciation and Impairment Charges | 2009/10 | 2010/11 |
|---|---|---|
| | £000 | £000 |
| Depreciation: | | |
| Dwellings | 6,828 | 5,744 |
| Other Land and Buildings | 158 | 164 |
| Plant and Equipment | 534 | 534 |
| Non-Operational Property, Plant and Equipment | 94 | 99 |
| Impairment of Property, Plant and Equipment | 8,946 | 86,737 |
| | | |
| **Total for Year** | **16,560** | **93,278** |

**Note 4 PENSION RESERVE MOVEMENT**

In order to comply with proper accounting practices under IFRS the current service costs of pensions and interest costs/ expected return on scheme assets applicable to the HRA and have been included in the HRA Income and Expenditure Statement. The impact has been reversed out in the Movement on the HRA Balance Statement to the Pensions Reserve leaving no overall impact upon HRA balance.

**Note 5 ACCUMULATED ABSENCES ACCOUNT**

In order to comply with proper accounting practices under IFRS the current costs of untaken staff leave at the year end should be included in the HRA Income and Expenditure Statement (subject to materiality). The impact is then reversed out in the Movement on the HRA Balance Statement to the Accumulated Absences Account leaving no overall impact upon the HRA. It has been determined that the untaken staff leave at the year end is not material and therefore has not been reflected in the HRA.

**Note 6 HOUSING STOCK**

The Council was responsible for managing an average of 10,317 dwellings during 2010/11. The Council's housing stock as at 31 March 2011 was 10,312 and comprised:

| Number and Types of Properties at 31 March | 31 March 2010 | 31 March 2011 |
|---|---|---|
| | | |
| Number of Houses and Bungalows | 5,570 | 5,562 |
| Number of Flats and Maisonettes | 3,530 | 3,528 |
| Number of Aged Person Dwellings | 1,222 | 1,222 |
| | | |
| **Total at 31 March** | **10,322** | **10,312** |

The change in the stock of properties is analysed as follows:

| Change in Stock of Properties | 2009/10 | 2010/11 |
|---|---|---|
| | | |
| Stock at 1 April | 10,334 | 10,322 |
| Less Sales | (14) | (10) |
| Additions | 2 | 0 |
| | | |
| **Stock at 31 March** | **10,322** | **10,312** |

The Balance Sheet value of the land, houses and other properties within the Council's HRA is as follows:

| Balance Sheet Value of HRA Properties | 2009/10 | 2010/11 |
|---|---|---|
| | £000 | £000 |
| | | |
| Operational Non-Current Assets | 545,267 | 457,067 |
| Non-Operational Non-Current Assets | 13,271 | 13,232 |
| | | |
| **Totals** | **558,538** | **470,299** |

The vacant possession value of dwellings within the HRA as at 1st April 2010 was £1.15m. The vacant possession value compared with the Balance Sheet value of the dwellings show the economic cost to the Government of providing Council housing at less than open market rents.

**Note 7 MAJOR REPAIRS RESERVE**

The following table analyses the movement on the Major Repairs Reserve:

| Major Repairs Reserve | 2009/10 | 2010/11 |
|---|---|---|
| | £000 | £000 |
| | | |
| Balance as at 1 April | (41) | (2,897) |
| Depreciation | (7,589) | (6,541) |
| Transfer to HRA | (2,772) | 2,075 |
| Financing of Capital Expenditure | 7,504 | 3,556 |
| | | |
| **Balances as at 31 March** | **(2,898)** | **(3,807)** |

**Note 8 CAPITAL EXPENDITURE**

Capital expenditure on land, houses and other properties within the HRA in 2010/11 was financed as follows:

| Financing of Capital Expenditure | 2009/10 | 2010/11 |
|---|---|---|
| | £000 | £000 |
| | | |
| Major Repairs Reserve | 7,504 | 3,556 |
| | | |
| **Totals** | **7,504** | **3,556** |

**Note 9 CAPITAL RECEIPTS**

Capital receipts from the sale of dwellings under the tenants' "Right to Buy" provisions and from sales of other land and buildings held within the HRA were as follows:

| Capital Receipts | 2009/10 | 2010/11 |
|---|---|---|
| | £'000 | £'000 |
| | | |
| Sales of Dwellings | 1,484 | 943 |
| Sales of Other Non Current Assets | 25 | 500 |
| | | |
| | **1,509** | **1,443** |

# THE COLLECTION FUND STATEMENT

Billing authorities, such as Thurrock Council, are required by statute to maintain a separate Collection Fund Statement. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to the Essex Police and Fire authorities and the Government of Council Tax and Non Domestic Rates. The actual costs of administering collection are accounted for in the Council's General Fund; the amount shown for costs of Collection in the statement below is an allowance fixed in accordance with regulations.

| **Notes** | | **2009/10** | **2010/11** | |
|---|---|---|---|---|
| | | **£000** | **£000** | **£000** |
| | **Income** | | | |
| | | | | |
| 2 | Council Tax | (55,724) | **(56,852)** | |
| | Transfers from General Fund: | | | |
| | Council Tax Benefits | (10,264) | **(11,052)** | |
| 3 | Income Collectable from Business Ratepayers | (88,433) | **(96,909)** | |
| | | | | |
| | **Total Income** | **(154,421)** | | **(164,813)** |
| | | | | |
| | **Expenditure** | | | |
| | | | | |
| | Precepts and Demands: | | | |
| | Essex Police Authority | 6,623 | **6,811** | |
| | Essex Fire Authority | 3,337 | **3,424** | |
| | Thurrock Borough Council | 55,436 | **56,998** | |
| | **Sub total** | 65,396 | | **67,233** |
| | | | | |
| | Business Rate | | | |
| | Payment to National Pool | 88,195 | **96,677** | |
| | Costs of Collection | 238 | **232** | |
| | **Sub total** | 88,433 | | **96,909** |
| | | | | |
| | Provision for Bad Debts: | | | |
| | Change in Provision | (344) | **251** | |
| 4 | Write Offs | 909 | **1,517** | |
| | **Sub total** | 565 | | **1,768** |
| | | | | |
| | **Contributions** | | | |
| | | | | |
| | Essex Police Authority | 44 | **(69)** | |
| | Essex Fire Authority | 23 | **(35)** | |
| | Thurrock Borough Council | 383 | **(578)** | |
| | **Sub total** | 450 | | **(682)** |
| | | | | |
| | **Total Expenditure** | **154,844** | | **165,228** |
| | | | | |
| | **(Surplus)/Deficit for year** | 423 | | **415** |
| | | | | |
| | **Fund Balance brought forward** | (142) | | **281** |
| | | | | |
| 5 | **Fund Balance carried forward** | **281** | | **696** |

# NOTES TO THE COLLECTION FUND STATEMENT

**Note 1 GENERAL**

This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund. The transactions of the Collection Fund are wholly prescribed by legislation. The fund account is prepared on an accruals basis and complies with the appropriate Regulations and with the Code of Practice. The balance on the account attributable to Thurrock Council is consolidated into the Council's Balance Sheet as an Unusable Reserve, the remainder is consolidated into debtors or creditors on the Balance Sheet as amounts owed to or owing by the other preceptors on the Fund (i.e. Police and Fire Authorities).

**Note 2 COUNCIL TAX**

For 2010/11 the Council's tax base, which is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, was calculated as follows:

| Band | Estimated Number of Taxable Properties after Effect of Discounts | Ratio | Band D Equivalent Dwellings |
|---|---|---|---|
| | | | |
| A* | 10 | 5:9 | 6 |
| A | 5,964 | 6:9 | 3,976 |
| B | 10,945 | 7:9 | 8,513 |
| C | 23,331 | 8:9 | 20,739 |
| D | 10,094 | 9:9 | 10,094 |
| E | 4,028 | 11:9 | 4,923 |
| F | 1,940 | 13:9 | 2,803 |
| G | 740 | 15:9 | 1,232 |
| H | 27 | 18:9 | 54 |
| | | | |
| | **57,079** | | **52,340** |
| | | | |
| Less adjustment for collection rate and for anticipated changes during the year for successful appeals against valuation banding, new properties, demolitions, disabled persons relief and exempt properties. | | | 785 |
| | | | |
| **Council Tax Base** | | | **51,555** |

**Note 3 INCOME FROM BUSINESS RATE PAYERS**

Non-Domestic Rates are organised on a national basis. Local businesses pay rates calculated by multiplying their rateable value by an amount specified by the Government. In 2010/11 40.7p was the small business multiplier and 41.4p the large business multiplier (48.1p small business multiplier and 48.5p large business multiplier in 2009/10). The Council is responsible for collecting rates due from the ratepayers in its area. The total amount, less certain reliefs and other deductions, is paid into a central pool (the NNDR Pool) administered by the Government. The Government redistributes the sums paid into the Pool back to local authorities on the basis of a fixed amount per head of population. The sum of £52.187m was paid into the Council's General Fund, and this amount has been credited to the Comprehensive Income and Expenditure Statement. Overall amount collected from NNDR Rate payers was of £98,034,126.

The total Non-Domestic rateable value at the 31 March 2011 was £257,851,266 (£212,913,617 at 31 March 2010).

**Note 4 BAD DEBTS**

The Council Tax amounts written off during the year amounted to £1,516,340 (£909,636 in 2009/10). There is a provision in the sum of £1,978m for the potential write off of irrecoverable debts.

**Note 5 RECONCILATION OF COLLECTION FUND TO BALANCE SHEET**

The balance for the Collection Fund showing on the Balance Sheet is £591,000; this is different to the balance of £696,000 showing in the Collection Fund Statement. The table below shows how the share of the balance is apportioned.

| Thurrock Council Share of Balance | Police Service Share of Balance | Fire Service Share of Balance | Total |
|---|---|---|---|
| **£000** | **£000** | **£000** | **£000** |
| | | | |
| 591 | 71 | 34 | 696 |

# THURROCK COUNCIL ANNUAL GOVERNANCE STATEMENT 2010/11

## 1. SCOPE OF RESPONSIBILITY

1.1 Thurrock Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Thurrock 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.

1.2 Thurrock Council is responsible for putting in place proper arrangements for the governance of its affairs facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Thurrock Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how Thurrock Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control. The code of corporate governance can be found at:

http://www.thurrock.gov.uk/democracy/content.php?page=governance_code

## 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1 The governance framework comprises the systems and processes and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor whether those objectives have led to the delivery of appropriate, cost-effective services.

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

2.3 The governance framework has been in place at Thurrock Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

## 3. THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements are:

- The Council meets approximately monthly. Except for 'exempt' items, the Council meets in public session. These are advertised in advance of the meeting, as are all Council committee events. All minutes are published once approved.
- A Community Strategy that sets out the community vision and priorities for Thurrock for the next ten years. The strategy was developed by Shaping Thurrock – the Local Strategic Partnership - which consists of public, voluntary, community and private sector organisations. The Council cascades the Sustainable Community Strategy into its business planning framework through the Corporate Plan.

- The Corporate Plan sets out 5 priorities for delivery in the short, medium and longer term:
  - ***improve the education and skills of local people***;
  - ***encourage and promote job creation and economic prosperity;***
  - ***ensure a safe, clean and green environment***;
  - ***provide and commission high quality and accessible services that meet, wherever possible, individual needs***; and
  - ***build pride, respect and responsibility in Thurrock's communities and its residents***.
- The Council approves: the budget, including the allocation of financial resources to different services and projects; contingency plans; the Council Tax base; the setting of the Council Tax; decisions relating to the Council's overall borrowing requirements; the control of capital expenditure; the setting of virement limits etc. Throughout the year there are monthly financial management reports with onward monitoring reports to Members on a quarterly basis.
- A Medium Term Financial Strategy, which is reviewed and updated annually to support the achievement of the Council's corporate priorities.
- An Asset Management Strategy that ensures the Council's property portfolio is managed to support corporate aims and objectives.
- The financial management of the Council is conducted in accordance with relevant professional guidance such as the CIPFA Code on Treasury Management, Prudential Code and the Financial Procedure Rules as set out in the Council's Constitution.
- A formal Performance Management Framework, which works on the "Plan-Do-Review-Revise" cycle and covers all areas of performance management including the balanced scorecard process, corporate planning cycle, risk management, accountability etc.
- The Performance Management framework articulates the approach to risk and opportunity management and sets out the processes for identifying, assessing and managing risks and opportunities in achieving the Council's objectives.
- The Performance Board is a Council wide officer working group, sponsored by a Director, which is tasked with ensuring that the Council's Performance and Risk and Opportunity Frameworks remain up to date and relevant and support the transformation and improvement agendas. The Board also provides assurance that the Corporate Scorecard is delivering the Council's five priorities and through its challenge process identifies areas of good and under performance. In the event of underperformance the Board makes recommendations to Directors' Board to commission recovery planning. Furthermore the Performance Board acts on behalf of the Directors Board in providing overview and scrutiny of those council performance indicators that are service based and not contained within the Corporate Scorecard.
- All major Committee reports include a risk assessment element to support and inform the decision making process, with central guidance and advice available to managers and report authors.
- Risk Management is considered as part of the arrangements around the strategic and service planning processes of the Council. Strategic and corporate risk reviews are undertaken on a quarterly basis with the Corporate Management Team and the outcomes reported to the Audit Committee.
- A centralised risk register is in place and appropriate staff have been trained in the assessment, management and monitoring of risks.

- A scheme of delegation for both officers and portfolio holders setting out the functions that chief officers and members may discharge on behalf of the Council.
- There are five Overview and Scrutiny Committees that regularly review specific policy areas. An Overview and Scrutiny Committee can 'call-in' a decision of the Cabinet within five days of the publication of the minutes of the Cabinet meeting.
- An Audit Committee which is independent of both the executive and the overview and scrutiny function, and whose role includes maintaining an overview of the Council's governance framework, performance of key Council functions and regular review of the risk management process. The committee has three independent members.
- A Standards Committee which is responsible for promoting high standards of conduct by councillors, monitoring the operation of the Members Code of Conduct, and maintaining an overview of ethical standards across the Council. The committee has two independent members who are the Chairman and Vice-Chairman.
- A Monitoring Officer whose functions include maintaining the Council's Constitution, overseeing compliance with legislation, reporting to full Council on any potential unlawfulness or maladministration, and supporting the Standards Committee.
- A Chief Financial Officer who is responsible for the proper administration of the Council's financial affairs and for ensuring the lawfulness and financial prudence of decision-making.
- A set of Financial Procedure and Contract Procedure Rules, which stipulate how the financial management of the Council is to be conducted.
- An internal audit service whose role includes reviewing the effectiveness of the Council's control systems in accordance with the standards set out in the Code of Practice for Internal Audit in Local Government.
- An anti-fraud and corruption strategy which outlines the Council's commitment to preventing and detecting fraud and corruption and includes the whistle-blowing policy which provides protection to staff wishing to raise concerns about potential malpractice in the organisation.
- A corporate complaints handling procedure that sets out how complaints will be investigated, recorded, and monitored and ensures compliance with statutory requirements.
- A Human Resources framework which sets out the Council's approach to employee relations, its policies and procedures for performance management and the required standards of employee conduct.
- Personal Development Plans for members and senior officers are used to identify their development needs in relation to their strategic roles and are supported by appropriate training.

The Council also works with its partners in delivering services, and operates the following governance arrangements:

- The Council delivers a significant proportion of its services through its strategic partnership contract with Vertex. The direction and performance of the partnership is governed through the Strategic Partnership Board and key risks are reviewed monthly by Business Development Managers (client side) and representatives of Vertex. Reports are also provided to meetings of the Corporate Overview and Scrutiny Committee.

## 4. REVIEW OF EFFECTIVENESS

Thurrock Council has responsibility for conducting, at least annually, a review of its governance framework including the system of internal control. The review of the effectiveness of internal control is informed by the work of the Corporate Directors/Heads of Service within the Council who have the responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's reports and also comments made by the external auditors in their annual audit letter and the findings of other review agencies/inspectorates.

In practice the Council has a continuous process in place for maintaining and reviewing the effectiveness of its governance framework including the following mechanisms:

- Assigning responsibility to the Directors' Board for the development and maintenance of the internal control environment. The Directors' Board meets twice each month.
- The Head of Legal Services (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect.
- The Council has adopted the Leader and Executive model from the Local Government Act 2000. The Executive (or Cabinet) meets monthly. It considers other Council business that is not expressly reserved to the Council or other parts of the Council. It is the main decision-making body of the Council on these issues. A full definition of the Cabinet's functions can also be found in the Council's Constitution. The Leader of the Council heads the Cabinet, with a further 9 during 2010/11 elected Members appointed to the Cabinet by the Leader. (The Cabinet has been reduced to the Leader plus 7 elected Members for 2011/12).
- Regular meetings of the Council's Overview and Scrutiny Committees. They can "call-in" a decision that has been made but not yet implemented, to enable them to consider whether the decision is appropriate. They allow people to have a greater say in Council matters by holding public enquiries into matters of local concern.
- Regular meetings of the Standards Committee on a range of matters including the Code of Conduct for Members, member training, member/officer protocols and ethical governance issues.
- Corporate Directors/Heads of Service within the Council, who have responsibility for the development and maintenance of the internal control environment, were interviewed in designing the attached action plan.

The Improvement Board, which comprised Members; senior management; significant partners and government agencies, addressed a number of areas of concern including officer/member relationships, financial management and the Council's relationship with its Strategic Service Partner. The Board was disbanded during 2010/11 due to the progress the Council had made.

In addition, a number of actions have been taken to strengthen the Council's governance, including:

- A continuous programme of reviewing and updating key Human Resources policies and regulations.
- Training for members was developed to include specialised training for members sitting on the Planning Committees.
- Embedding the performance appraisal process across the organisation.

The Council also draws assurance on its governance arrangements from independent sources, in particular:

**Internal Audit**

- The internal audit service undertook a risk-based programme of audits during the year to provide the Council with assurance on the adequacy of the system of internal control. The majority of reports have a positive impact upon the annual opinion provided by the Head of Internal Audit. However, there were a number of important areas where the auditor considered that improvements were required to strengthen the Council's control framework and these are reported, by exception, to the Audit Committee.
- A dedicated Audit Committee which is tasked with reviewing the adequacy of internal controls, monitoring the performance of Internal Audit and reviewing the external Auditor's plans and reports. Internal Audit provides the Committee with an independent opinion on the adequacy and effectiveness of the Council's internal control systems. The Audit Committee now includes two Independent Members.
- The Head of Audit reports to the Audit Committee annually, and at interim periods during the year, on internal audit work carried out and delivers an assurance opinion on those systems reviewed. Assurance levels are Red, Amber/Red, Amber/Green and Green. Audits with Red or Amber/Red assurance are highlighted in the internal audit report to Committee, for further consideration by Members.
- Regular meetings with Directors, Heads of Service, and External Audit are used to inform an audit needs assessment process, which identifies potential auditable areas, as part of a three-year strategic and annual audit planning process. The plan is designed to provide both assurance that the key systems and significant risks are adequately controlled, and also to assist in major areas of development that the Council needs to address in the current year. The Audit Committee review progress against this plan at each of their meetings.
- The reporting process of Internal Audit requires a report of each audit be submitted to the relevant Director, Head of Service, Partner Managers and Section 151 Officer. The report includes recommendations for improvements, which are included within an action plan, and require agreement or rejection by service managers. Internal Audit seeks assurances from management that recommendations have been implemented within the agreed timescales.
- Internal Audit is subject to regular review by the Council's External Auditors who place some reliance on the work carried out by the section.

**External audit and inspections**

- The Council is subject to independent external audits and statutory inspections. The external auditor reports on the Council's governance, performance and accounting arrangements although this reduced significantly during the course of 2010/11 with the government's abolition of the Use of Resources assessment.
- One of the more significant reports from the Audit commission last year was the Annual Governance Report that evaluated the Council's financial statement and Value for Money (VFM) criteria.

  Although the Accounts were eventually unqualified, specific weaknesses were identified in the reporting of assets, system reconciliations, accounting for education related grants and working papers. They also reported that the Council's financial position was weak due to a low level of reserves.

  In terms of VFM, the Audit Commission reported that the Council had not met the minimum standards for the previous year on three of the nine criteria: Financial Planning, good governance and asset management.

- A Housing Benefits Inspection that was undertaken in April and May 2010, concluded that the benefits service provided by Thurrock Council is ‘fair’, with ‘promising’ prospects for improvement.

  New claims and changes in circumstances are now being processed more quickly and the service is easily accessible for most people. But customers are still having to wait too long for appeals to be heard.

- A Regeneration Inspection that was undertaken in early 2010, concluded that Thurrock Council is providing a 'fair' economic regeneration service, with 'uncertain' prospects of improvement. The Council's approach to regeneration has steadily improved in the past two years, but from a low base and most of the tangible achievements are yet to be delivered. Improvement planning is also becoming more robust, but not all past weaknesses have been remedied and new uncertainties, including future government funding support, now loom large. The changes in responsibility for the Thames Gateway announced in September will also impact on the Council's approach to regeneration.

  - An Ethical Governance Diagnostic reported:
  - Historically some problems, but an improved picture;
  - More demonstrable leadership now by both officers and councillors;
  - Improved ethical governance, with better structures in place;
  - Leaders of both main parties are committed to improvement;
  - Much progress achieved over last year;
  - Most councillors and officers recognise this change; and
  - Still some issues to be resolved, and most in hand, **but** continuing commitment required.

- Follow up reviews of previous work showed a satisfactory improvement to gas safety. A follow up review on procurement demonstrated that there was still further work required to ensure that the building blocks being put in place are fully embedded to deliver the intended outcomes. A further review also confirmed that public sector organisations across Essex were working together to tackle health inequalities and making good progress although it was recognised that there was more to do.

- The Community Solutions Team provides a front line service for all residents in the Thurrock wanting social care support, advice and information. The Care Quality Commission (CQC) completed an unannounced mystery shopping inspection during 2010 on 150 Councils.. This was to assess how Local Authorities across the country provided first point of contact services focussing on information and advice, signposting and initial assessment arrangements. As a result of this inspection Adult Social Care in Thurrock was one of 26 Councils rated as *best performing* by CQC.

## 5. SIGNIFICANT GOVERNANCE ISSUES

| ISSUE | ACTION TO BE TAKEN 2011/12 |
|---|---|
| Monitor progress against issues raised by the Annual Governance Statement. | A Corporate Governance Group that includes the Section 151 Officer, Monitoring Officer and Head of Audit and other representatives reviews progress against the AGS on a regular basis. |
| Annual Accounts not submitted on time or to the standard required | Although the Accountancy section was restructured at the beginning of the year, this did not provide improvements to the capacity and |

| ISSUE | ACTION TO BE TAKEN 2011/12 |
|---|---|
| by the External Auditors. | capability of the team in a timescale to deliver the 2010/11 accounts. It has been well documented in various Audit Committees, at a Council meeting and in the local press that the Council experienced significant difficulties in complying with IFRS that led to the Council not meeting the 30 September 2011 deadline for the accounts to have been signed off by the Audit Commission.<br>Indeed, reports from the Audit Commission over a number of years have identified a number of errors and uncertainties and, the change to IFRS, have brought these errors and poor accounting practices to the fore.<br>This resulted in the Audit Commission issuing a Section 11 notice. A S11 is a series of recommendations that the Council must publish and debate at Full Council and this took place on 1 December 2011. The main thrust of improvements are to increase the capacity and capability of the section whilst the Director will project manage the process for 2011/12. |
| The value for money conclusion in the Auditor's Annual Governance Report was qualified in respect of asset management. | The Asset Management Plan has been adopted by the Council. Significant work has been carried out with Blue Marbles on developing the operational side of this plan and is coming to fruition. A Corporate Property Group has been established and is already making decisions around disposals. It is recognised that there is still some way to go before it is fully operational and embedded. At the Cabinet meeting on 22 February 2012, the Cabinet approved the latest version of the Asset Management Strategy including a delivery plan to rationalise the estate. |
| Review the arrangements around the Regulation of Investigatory Powers Act (RIPA). | The RIPA policy has been completely redrafted and updated to reflect legislative and best practice developments. The policy was considered by the Standards Committee and implemented in November 2010.<br><br>The Council underwent a full inspection by the Office of Surveillance Commissioners in March 2011, following which a number of recommendations were made. An action list was compiled to address these recommendations, which included further amendment to the RIPA policy, production of an aide memoire document to assist authorising officers, introduction of a system of internal quarterly audit, training for authorising officers, and annual reporting to committee. All these actions have been finalised, with the exception of further formal training scheduled for the Autumn, and ongoing quarterly audits. |
| Further focus performance management on outcomes and targets | The focus on performance improvement continued in 2010/11. The Council refreshed key elements of its performance framework including the update of the Corporate Plan which was integrated in to the |

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| | Medium Term Financial Strategy. From this a new Corporate Scorecard was developed consisting of a twin core of key performance indicators that measure the delivery of key place shaping outcomes along with indicators that measure the effectiveness of the organisation. A new style of service planning was also developed where each head of service is required to have and monitor their progress against a service pack that includes – performance, financial, risk and project deliverables.<br><br>The Performance Board has further evolved its role whereby it provides assurance, through its challenge process, of progress towards targets. In the event of underperformance the Performance Board makes recommendations to Directors' Board to commission recovery planning. Furthermore the Performance Board now acts on behalf of the Directors Board in providing overview and scrutiny of those council performance measures that are service based and not contained within the Corporate Scorecard. |
| Model the organisational, infrastructure and financial implications of the challenges facing the Council in the medium and longer term. | A significant amount of work and improvement has been made to the MTFS over the last 18 months and has led to the council setting budgets without the need for reserves. The MTFS needs to be made a 'live' document and the accountancy restructure has created a post that will lead on this throughout 2011/12. |
| Internal Audit reports issued with a Red Assurance opinion as part of the 2010/11 plan were:<br>CRB checks; Tilbury Flagship Children's Centre; Holy Cross RC Primary; Europa Highways Review; UNIFORM Planning & Licensing Follow-up; Creditors; and<br>1 to 1 PDR. | Implement improvements agreed with management following Internal Audit reports, according to risk prioritisation. However, it should be noted that Internal Audit output increased in 2010/11, with a total of 63 reports being issued, compared to 48 in 2009/10. Of the assurance reports issued, 7 received a red rating (11%) compared to 11 (23%) in 2009/10. |
| Senior Management Restructure | A criticism over the last two years has been the lack of continuity in the senior management structure. The permanent team was completed during the last financial year with the appointment of the Chief Executive and Corporate Director of Finance and Corporate Governance. At the time of writing, a restructure of the two levels below the Chief Executive has been announced and the Director of Community Well-Being has left the authority with the Director of Sustainable Communities due to leave in April. A new Directorate of Peoples Services has been |

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| | established and a new Director of Housing appointed. |
| Budget Pressures | Local Authority Finances are always under pressure but the austerity measures from central government have led to unprecedented reductions to funding. The impact on service users and staff will have to be carefully managed. |
| The Transformation Programme | The Council is currently undertaking a number of transformation projects that will have a significant impact on current methods of working and staff levels. The impact on service users and staff will have to be carefully managed. |
| Abolition of the Thurrock and Thames Gateway Development Corporation | The government announced as part of its austerity measures the abolition of the TTGDC from 1 April 2012 and that the services and responsibilities would transfer to the Council at that time. A working group has been established to manage that process and the Council has negotiated financial support from central government. |
| Housing Repairs Contract | The end of year audit report has been presented to the Chief Executive and Director of Finance and Corporate Governance identifying a number of key actions. These actions have been agreed and largely implemented although there are still issues with the interface. Those actions to deal with financial issues along with improvements to the service are detailed within a detailed action plan. |

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Cllr John Kent
Leader of the Council

Graham Farrant
Chief Executive

### Independent auditor's report to Members of Thurrock Council

#### Opinion on the Authority accounting statements

I have audited the accounting statements of Thurrock 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, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Thurrock 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.

#### Respective responsibilities of the Director of Finance and Corporate Governance and auditor

As explained more fully in the Statement of the Director of Finance and Corporate Governance’s Responsibilities, the Director of Finance and Corporate Governance 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. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

#### Scope of the audit of the financial 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 Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

#### Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Thurrock 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 the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

#### Opinion on other matters

In my 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 I report by exception**

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

**Auditor's responsibilities**

Under section 11 of the Audit Commission Act 1998, I may designate any audit recommendation as one that requires the Authority to consider it at a public meeting held within one month of the issue of the relevant report and to decide what action to take in response.

On 11 November 2011, I issued my annual governance report containing recommendations designated under section 11.

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

***Authority's responsibilities***

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

***Auditor's responsibilities***

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

***Basis for qualified conclusion***

I have undertaken my 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 Authority 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 me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

In considering the Council's arrangements for challenging how it secures economy, efficiency and effectiveness, I identified that the arrangements were inadequate in respect of:

- asset management; and
- the decision to reschedule the Council's debt portfolio.

The Council did not have a strategic asset management plan in place for most of 2010/11. A plan was approved in February 2011, but was incomplete in that it did not include performance indicators for assets, consider alternatives for property occupancy, or set out the data held on assets such as stock condition, financial data and maintenance information.

In August 2010, the Council rescheduled all of its debt and used the resulting short term savings in financing costs to rebuild the Council's balances. Although this exercise provides savings in the next few years, the Council will have to pay a £17 million premium over the life of the loans repaid. In the medium to longer term the extra costs will outweigh the early savings. The estimated net cost, based on interest rates at the time the decision was made, was over £5.6 million. The Council will need to take out longer term borrowing at higher interest rates to replace these short term loans as they come to maturity and the costs of short term borrowing increase from the current low levels. The Council will therefore be exposed to financial risk from fluctuations in the long term borrowing rates.

The report to Members seeking approval for the debt rescheduling did not set out in sufficient detail the future costs and risks associated with the rescheduling. Members therefore did not have the necessary information to make a fully informed decision. There have also been no subsequent reports to Members following the changes in the PWLB rates.

### *Qualified conclusion*

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, with the exception of the matters reported in the basis for qualified conclusion paragraph above, I am satisfied that, in all significant respects, *Thurrock Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

### Certificate

The audit cannot be formally concluded and an audit certificate issued until I have completed my work on Whole of Government Accounts. I am satisfied that these matters do not have a material effect on the financial statements or a significant impact on my value for money conclusion.

Debbie Hanson
Officer of the Audit Commission

Audit Commission

3rd Floor

Eastbrook

Shaftesbury Road

Cambridge

CB2 8BF

20 April 2012

# GLOSSARY OF TERMS

**Accounting Codes of Practice**
These are designed to ensure consistent standards of financial accounting and reporting. There are two accounting codes applicable to local authority accounting:

- The ***Code of Practice 2010/11*** sets standards for the consistent treatment of transactions, accounting entries and financial reporting in published Statements of Accounts. The Code requires that the analysis of services in the Comprehensive Income and Expenditure Statement should follow that prescribed by the Best Value Accounting Code of Practice (BVACOP); and

- ***BVACOP*** provides for the consistent classification of income and expenditure and consistent service definitions in the accounts of all local authorities in the reporting of their Comprehensive Income and Expenditure Statements. In particular the BVACOP is designed to ensure consistency and comparability in the reporting of the total costs of individual services and activities.

**Accruals**
This is the concept that income and expenditure are recognised as they are earned or incurred, not when cash is received or paid and is reflected in the accounts by the inclusion of debtors and creditors.

**Actuarial Gains and Losses**
These arise in defined benefit pension schemes when there are changes in actuarial deficits or surpluses. They occur because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or

- The actuarial assumptions have changed.

**Assets Held for Sale**
These are classified as current assets in the Balance Sheet on the basis that they are currently being actively marketed with every expectation that they will be disposed of within 12 months.

**Balances**
Balances are maintained to meet expenditure pending the receipt of income and to provide a cushion against expenditure being higher or income lower than expected or budgeted for. Contributions to balances can be financed by either a planned contribution from the revenue budget or by a transfer of any fortuitous revenue surplus at the year end. The maintenance of an appropriate level of balances is a fundamental aim of prudent financial management.

**Budget**
This comprises a statement of the spending plans of a local authority and how they will be financed for the coming year(s).

**Capital Adjustment Account (CAA)**
This is a reserve set up in 2007 in accordance the then new accounting standards. The opening balance comprised the sum of the balances on the Capital Finance Account (CFA) and on the Fixed Asset Restatement Account (FARA). It is a store of the capital resources that have been deployed to finance past capital expenditure. It is classified as an Unusable Reserve.

**Capital Expenditure**
This comprises expenditure on the acquisition of fixed assets or expenditure, which adds to, and not merely maintains, the values of existing fixed assets.

**Capital Receipts**
These are the proceeds of the sale of fixed assets and repayments of capital grants and some loans. Many housing capital receipts are subject to a national pooling arrangement.

**Chartered Institute of Public Finance and Accountancy (CIPFA)**
This is the UK accounting Institute that produces the standards and Codes of Practice that must be followed in preparing a local authority's financial accounts and statements.

**Collection Fund**
This is a statutory agency account maintained by council tax billing authorities. It records council tax and non domestic rates income and expenditure, together with payments to any precepting authorities and transfers to the billing authority's own General Fund.

**Community Assets**
These are assets that the local authority intends to hold in perpetuity, and which have no determinable useful life. They often have restrictions on their use and disposal. Examples include parks and historic buildings.

**Comprehensive Income and Expenditure Statement**
This account shows all revenue cash and accounting transactions of a local authority in a financial year by service: receipts and payments are converted to income and expenditure by the inclusion of debtors and creditors, plus accounting entries for non cash costs, such as depreciation.

**Contingent Assets and Liabilities**

- A contingent asset is a possible receipt of economic benefit that may arise in the future if certain events take place;
- A contingent liability is a loss, charge or obligation that may arise in the future if certain events take place; and
- In both cases, these events may not be wholly within the control of the Council. Contingent assets and liabilities are not recognised in the accounts but must be disclosed in a note.

**Corporate and Democratic Core**
The corporate and democratic core comprises all activities in which local authorities engage specifically because they are elected democratic multi-purpose authorities. It has two elements – corporate management and democratic representation and management. The activities within the corporate and democratic core are in addition to those which would be carried out by a series of independent, single purpose bodies managing the same services.

**Corporate Governance**
Corporate Governance is the system by which local authorities direct and control their functions. It is described and reviewed in the Annual Governance Statement.

**Council Tax**
This is the source of local taxation for local authorities. It is levied on domestic properties within an authority's area and the proceeds are paid into the Collection Fund for distribution to precepting authorities and to the billing authority's own General Fund.

**Creditors**
These are persons or organisations to whom the Council owes money.

**Current Service Cost (Pensions)**
This is the cost at present value of a defined benefit scheme's liabilities expected to arise from employees' service in the current period.

**Curtailment Costs (Pensions)**
For a defined benefit scheme, these arise from an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- Termination of employees' services earlier than expected, for example, by a restructure of operations, and
- Termination of, or amendment to, the terms of a defined benefit scheme so that some or all future service of current employees will no longer qualify for benefits or will qualify only for reduced benefits.

**Debtors**
These are persons or organisations who owe money to the Council.

**Defined Benefit Scheme (Pensions)**
This comprises a pension or retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits available independently of the contributions payable. Further, the benefits are not related to the yield of the investments of the scheme. The scheme may be funded, notionally funded, or unfunded.

**Depreciation**
This is the annual charge to a local authority's Comprehensive Income and Expenditure Statement to reflect the reduction in the useful economic life of fixed assets after each year's use.

**Discretionary Benefits**
These are retirement benefits which an employer has no legal or contractual obligation to award, such as unfunded compensatory added years. They are awarded under discretionary powers, such as the Local Government (Discretionary Payments) Regulations 1996.

**Emoluments**
These comprise all sums paid to or receivable by employees and sums due by way of expenses, allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash.

**Fair Value**
The fair value is the value of an asset or liability in an arms length transaction between unrelated, willing and knowledgeable parties. Whenever possible this is taken as market value but, where there is no market, depreciated replacement cost can be used.

**Finance Lease**
A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to a lessee.

**Financial Year**
The local authority financial year runs from the 1 April to the following 31 March.

**Financial Instrument**
A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability in another. In practice, this covers both financial assets and financial liabilities and includes bank deposits, investments, debtors, loans, creditors and borrowings.

**General Fund**
This is the main non capital fund of a local authority from which all expenditure is met and into which all income is paid, with the exception of those items that by statute must be kept separate, such as the Collection Fund and the Housing Revenue Account.

**Government Grants**
These comprise financial assistance by government in the form of cash transfers to an authority and are the main sources of local government funding; some are general, whilst others are specific and require compliance with certain conditions.

**Gross Expenditure**
This is the total expenditure of a fund, before account is taken of any income.

**Housing Revenue Account (HRA)**
This is a statutory account that shows all income and expenditure relating to the provision, management and maintenance of a local authority's housing stock.

**Impairment**
This is the loss in value of a fixed asset arising from physical damage and/or deterioration in the quality of service provided by the asset or from a general fall in prices. Impairments also occur where further capital is invested in an asset which does not produce a fully matching increase in the fair value of an asset.

**Infrastructure Assets**
These are non current assets that have no realistic expectation of being sold and are held to deliver mostly transport services, such as roads, traffic management and road safety assets and drainage works. They are recorded at historic cost and are not revalued.

**Intangible Assets**
Intangible assets are defined in as 'non financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody and legal rights'. The only example relevant to local authorities is computer software.

**Interest Cost (Pensions)**
For a defined benefit scheme, this is the expected increase during the year in the present value of the scheme liabilities because the benefits are one year closer to settlement date.

**International Financial Reporting Standards (IFRS)**
These are international accounting standards, applicable throughout the European Union and many other countries (but not the United States, which have replaced UK GAAP from 1 April 2010 as the standards with which local authority accounts must comply.

**Investment Property**
These are non current assets held solely for the purposes of earning rentals and/or for capital appreciation. They are not used for the provision of services.

**Investments (Pensions)**
This comprises the share of pension scheme assets in Essex County Pension Fund attributable to the Council and associated with its underlying obligations, as calculated by the Actuary to the Fund.

**Investments (Non - Pension)**
A long-term investment is one that is held for in excess of 12 months for its yield and/or capital appreciation. Most local authority investments, however, are short term and are held for cash management purposes.

**Leasing**
This is a means of obtaining the use of property, vehicles, plant and equipment without actually spending capital monies or owning these assets, by paying rentals. There are two types of lease, finance and operating which are described in the note 1 - accounting policies.

**Levies**
These are amounts raised by statutory bodies from their constituent local authorities to enable them to carry out their functions.

**Liabilities**
These comprise an authority's obligations to transfer economic benefits as a result of past transactions or events.

**Materiality**
An item of information is material to financial information if its misstatement or omission might reasonably be expected to influence the economic decisions of users of those financial statements, including their assessments of management's stewardship.

**Minimum Revenue Provision (MRP)**
This is the minimum amount which must be charged to a local authority's revenue account each year as a provision for the repayment of debt.

**Net Worth**
The net worth of a local authority comprises the total of its usable reserves (such as fund balances and earmarked reserves), and its unusable reserves (such as the capital adjustment account, revaluation reserve and pensions reserve).

**Non Current Assets**
These comprise Property, Plant and Equipment, Intangible Assets, Investment Property, Surplus Assets not Held for Sale, and Assets Held for Sale all of which yield economic benefits to a local authority and the services it provides for a period of more than one year.

**Non-Distributed Costs**
These are overheads from which no service benefits and that should not be allocated over services. They include curtailments, past service costs, and the running costs of unused assets.

**Non-Domestic Rate (NNDR)**
This is a national tax on non domestic properties based on the ratable value of the premises occupied. NNDR is collected by a billing authority and paid into a national pool. The Government then redistributes the yield to all local authorities pro rata to their population.

**Past Service Costs (Pensions)**
For a defined benefit scheme, this is the increase in the present value of scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

**Post Balance Sheet Events**
These are events which arise after the end of an accounting period. They comprise:

- Adjusting events which provide further evidence of conditions that existed by the end of the accounting period and that require adjustments to the accounts; and
- Non adjusting events which are indicative of conditions that arose subsequent to the end of the accounting period, and are reported by way of a note to the accounts.

**Precept**
This is an amount required by another statutory body (such as a police authority) and collected on its behalf by a billing authority as part of its overall council tax demand.

**Prior Period Adjustments**
Prior period adjustments are material amendments to the accounts of previous years which arise from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to affect the validity of the financial statements. Prior period adjustments do not include normal minor corrections or adjustments of accounting estimates made in prior years.

**Property, Plant, Furniture and Equipment**
These are assets which yield economic benefits to a local authority and the services it provides for a period of more than one year. They are assets which are held and occupied,

used or consumed by the local authority in the delivery of those services for which it has either a statutory or discretionary responsibility.

**Provisions**
These are amounts set aside for any liabilities or losses which are likely to be incurred, but which are uncertain as to the amounts or the dates on which they will arise.

**Reserves**
These are amounts set aside for specific purposes. A local authority has discretion in setting aside amounts for reserves whereas the setting aside of amounts for provisions is an accounting requirement.

**Revaluation Reserve**
This reserve was introduced in 2007 for all local authorities and started off with a nil balance at 1 April 2007. Revaluation gains and losses are calculated on an asset by asset basis and subsequent losses can be offset against accumulated revaluation gains after which they must be charged to the Comprehensive Income and Expenditure Statement. It is classified as an Unusable Reserve

**Revenue Expenditure**
This is expenditure incurred on the day to day running costs of services and which does not result in establishment of Non-current assets reportable in the Balance Sheet.

**Scheme Liabilities (Pensions)**
These are the liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities are measured using the projected unit method to reflect the benefits that an employer is committed to provide for employees up to the valuation date.

**Settlement Costs (Pensions)**
These comprise irrevocable actions that relieve an employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminate significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- Lump-sum cash payments to scheme members in exchange for their rights to receive specified pension benefits;
- The purchase of irrevocable annuity contracts sufficient to cover vested benefits; and
- The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

**Stocks**
These are the amount of unused or unconsumed supplies held in expectation of future use.

**Support Services**
These are services, such as finance and legal, that are not statutory local authority services but which give support to authorities' statutory (and discretionary) services.

**Supported Capital Expenditure**
This is the term for central government support for local authority capital expenditure financed from borrowing with effect from 1 April 2004. Under this "Prudential system" local authorities receive funding through the revenue support grant to meet the costs of specified borrowing.

**Unsupported Borrowing**
This is borrowing permitted to authorities under the "Prudential Code" framework but which does not receive revenue support through the grant system.

**Useful Life**
This is the period over which a local authority derives benefit from the use of a Non-current asset.