THURROCK BOROUGH COUNCIL
STATEMENT OF ACCOUNTS 2011/12

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EXPLANATORY FOREWORD

1. Statement of Accounts

The Code of Practice on Local Authority Accounting in United Kingdom 2011/12 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 2012. 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 HRA Income and Expenditure Statement and reconciles it to the statutory amount required to be charged to the HRA Balance for housing rent setting purposes and;

(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.

2. The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

These accounts have been prepared in accordance with the Code of Practice 2011/12, published by the Chartered Institute of Public Finance and Accountancy (CIPFA), which defines proper accounting practice for local authorities.

A major change relates to FRS30 (Heritage Assets) which shows a comprehensive disclosure on the authority's holding of Heritage Assets and that they are carried at valuation on the balance sheet. In addition further disclosure is required to disclose the number and cost of exit packages agreed.

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 the UK 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).

3. Financial Performance - General Fund

The net cost of services in the Income and Expenditure account has been presented in accordance with the Service Reporting Code of Practice (SeRCOP). This is a different basis to the financial monitoring information presented to Cabinet on 13 June 2012, but reflects the same outcomes.

The Council set its 2011/12 budget for the year having included £3.9m in growth to meet priorities and identified £10.4m in savings. It was soon apparent that economic factors such as high inflation, increased demographic demand and shortfalls in achieving savings were putting pressure on the 2011/12 budget and officers reported total pressures of £5.5m to Cabinet and Full Council in July 2011.

These pressures, totalling £15.9m, 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 for the second year in a row.

A significant proportion of this underspend came from the Treasury Debt Restructure that took place on 13 August 2010. Officers reported that this exercise contributed circa £1.4m in 2010/11 and, together with other treasury savings in 2011/12, has contributed a further £3.4m in 2011/12.

Together with the service underspends this has allowed the Council to reach its optimum level of reserves of £8m whilst also providing contingencies against the delivery of transformation savings and demographic growth over that already budgeted for.

The opportunity has also been taken to provide a budget for additional resources to deliver the Transformation Programme and to create a Corporate Plan Reserve to support the Council in the delivery of its priorities.

GENERAL FUND BALANCE	£m	£m
Balance as at 31 March 2011	**6.644**	
Less Committed	(1.526)	
Uncommitted Balance		**5.118**
Treasury and Other Underspends		4.755
Corporate Plan Reserve		(0.500)
Pension Budget Underspend		0.969
Balance as at 31 March 2012		**10.342**
Less Carry Forward – Olympics/Orsett Show	(0.067)	
Less Demographic Contingency	(1.000)	
Less Transformation Delivery	(0.400)	
Less Contingency for Non-achieved Savings	(0.875)	
Unallocated Balance as at 31 March 2012		**8.000**

The figure of £8m differs from the balance of £8.737m in the Movement in Reserves Statement for the following reasons:

GENERAL FUND BALANCE	£m	£m
Balance as per MIRS		**8.737**
Less Contingency for Non-achieved Savings	(0.737)	
Unallocated Balance as at 31 March 2012		**8.000**

Those items carried forward are expected to be spent during 2012/13.

Housing Revenue Account

The Housing Revenue Account (HRA) shows the income and expenditure incurred on Council housing. The table below summarised the budget outturn for 2011/12:

	Budget	**Outturn**	**Actual Variance**	***Variance Reported to Cabinet***
	£000	**£000**	**£000**	***£000***
Rent Income	(43,296)	(42,307)	989	*1,494*
Repair and Maintenance	11,124	13,175	2,051	*1,998*
Supervision and Management	12,897	10,630	(2,267)	*(2,013)*
Housing Subsidy Payments	11,533	12,632	1,099	*1,007*
Bad Debt Provision	702	(168)	(870)	*(870)*
Capital Financing	7,633	7,678	45	*45*
Debt Management costs	20	228	208	*276*
Interest & Investment	93	(12)	(105)	*93*
Grand Total	706	1,856	1,150	*2,030*

(The majority of the change of £0.880m between the actual variance and that reported to Cabinet is due to an under-realisation of income).

As way of further explanation, the reasons for the key variances within the Housing Revenue Account are as follows:

- Rent Income – there is a deficit on rent collection due, mainly, to an adverse variance against budgets relating to non-dwelling income and voids;

- Repairs and Maintenance - the budget variance within the repairs and maintenance budget is largely due to the expenditure on the Morrison's contract;

- Supervision and Management – the favourable position is due to a number of variances against various cost centres around establishment and operating costs;

- Housing Subsidy Payments – The adverse position is due to changes in the mid year subsidy position around allowances and housing subsidised capital financing requirement as a result of the low consolidated rate of interest;

- Bad Debt Provision – The favourable position here is due to the increased rate of rent collection on former tenant arrears and was identified as mitigation against the subsidy variance above; and

- Capital Financing – The marginal adverse variance is due to mid year changes to housing subsidy MRA allowance.

Capital Expenditure

The total capital expenditure for 2011/12 amounted to £33.533m. A summary of this expenditure analysed by service is set out below and also shows the sources of financing:-

Service	Budget £000's	Total £000's	Variance £000's
Learning & Universal Outcomes	20,512	15,246	5,266
Adult Social Care	194	84	110
Housing General Fund	3,374	2,203	1,171
Housing Revenue Account	13,903	9,100	4,803
Environment	4,482	1,197	3,285
Planning & Transportation	4,771	3,317	1,454
Transformation	3,145	1,613	1,532
Finance and Corporate Governance	741	421	320
Chief Executives Delivery Unit	707	352	355
Total	51,829	33,533	18,296
Source of Finance			
Prudential Borrowing	8,244	2,436	5,808
Supported Borrowing (SCER)	2,013	625	1,388
Usable Capital Receipts	885	531	354
Earmarked Usable Capital Receipts	993	820	173
Revenue Contributions to Capital (GF)	571	0	571
Revenue Contributions to Capital (HRA)	208	0	208
Major Repairs Reserve	13,683	9,088	4,595
Grants	23,014	19,106	3,908
Developers Contributions	812	388	424
Trusts	534	91	443
Reserves	872	448	424
Total	51,829	33,533	18,296

The following are key headlines for capital investment:

- The completion of West Thurrock Primary School with a gross spend over the period 2007/08 to 2011/12 of £6.392m.
- The completion of amalgamation works to Quarry Hill Infants and Juniors Schools, creating a better and safer linked access between the schools.
- £1.368m spent on the upgrade of the current Oracle system, the first stage of transforming working practices and providing managers with up to date information at the click of a button.
- £9.100m 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.
- £1.063m spent on grants to the disabled which will fund adaptations to their homes and continued independent living.
- £3.317m spent on improvements to the highways infrastructure, including works to Botany Way / London Road, West Thurrock and traffic calming in Tilbury and Chafford Hundred.
- Further annual expenditure on improving children's play areas throughout the borough, including play equipment at Anchorfield in Tilbury and Aluric Close in Chadwell and works to the Skate Park in Purfleet.

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 Note 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 in 2010/11. This has had the effect of reducing forecast payments to retired employees in the future and has thus led to a reduction in liability.

3b Financial Performance – Thurrock Thames Gateway Development Corporation

On 30th March 2012 Thurrock Council merged with Thurrock Thames Gateway Development Corporation. Originally planned to take place on 1st April 2012, this merger was brought forward by the Department for Communities and Local Government to 30th March 2012.

Development Corporation achievements in the year included the following:

Grays Learning Campus: this £40m scheme put together by the Corporation, South Essex College and Thurrock Council will create 160,000 square feet of teaching space in two new buildings and when fully operational will deliver full time equivalent daytime learner numbers of around 3,000. The final stages of land assembly and planning permissions were completed in the year.

London Gateway: planning permission for this £1.5 billion project funded by DP World required the discharge of over 90 conditions for which a dedicated planning team was set up by the Corporation in 2007. During the year 8 conditions were discharged and further planning permissions were granted to allow the construction of a maintenance workshop, a headquarters building and a staff welfare facility. In October 2011 the MD of DP World Mohammed Sharaf, announced that the first phase of the project will be open for business by the end of 2013. Once complete, this port will create over 30,000 jobs and comprise one of the largest foreign direct investment projects in the UK.

Tilbury Port: the future of this vitally important entry port was severely constrained by the location of road and rail routes to the north. Working with the port's owner, Forth Ports plc, the Corporation created a 65 acre expansion opportunity on the site of Tilbury Marshes during the year to secure the port's economic future.

High House Production Park: during the year this multi award winning project was transferred out of the public sector into charitable status and an exercise to recruit a board of trustees undertaken. Following the opening of the Royal Opera House's Production Facility in January 2011 work was commenced on the fourth phase of the project – the building of the National Skills Academy for Creative & Cultural Skills, which is planned to have been handed over in July 2012. When fully complete the building will have a throughput of over 10,000 students a year. At the year end, plans were well advanced to begin the fifth phase of development with the creation of a dedicated artists' studios building housing circa 40 artists in studios some of which will also provide accommodation.

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/business rates income 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.

Changes to Local Government financing will transfer additional risk onto the Council. Currently, the annual grant from central government is fixed and there is an element of certainty around levels over the medium term with the Council's responsibility for the collection of business rates being just as an agent for central government. Although there is an element of mitigation safeguards built into the proposed scheme, with future funding based on a council's own collection of business rates, it is clear that there is a significant risk in funding stability when considering the recession's impact on businesses.

The Council is benefitting from low interest rates at this time as a result of the debt restructuring exercise carried out in 2010. Interest rates are forecast to remain low for the next two years but, should they rise earlier, costs to the Council could significantly increase if action is not taken in a timely manner. This is a matter of constant review.

General Fund

The Council has had to identify some £32m in savings over the fiscal periods 2010-2013.

The Medium Term Financial Strategy forecasted a deficit circa £3m for 2013/14 and a further £10m of savings required over the following two years. The deficits arise from a forecast of reducing central government grant support, contract increases through high inflation rates and increased demand, especially in the areas of children's and adults' social care.

The growth in demand for social care is a national picture and is the subject of discussion with the Local Government Association and within central government itself. It is widely considered that radical reform is required – without this, services across the Council will be adversely affected as funding is redirected to meet these statutory responsibilities.

The Council has achieved a balanced budget for 2012/13 although there are pressures within social services being evaluated and is working to achieve a balanced budget over the coming months for not just the 2013/14 but over the life of the Medium Term Financial Strategy to 2015/16. This review is crucial to maintaining financial robustness in the authority when considering the demands set out above.

A cornerstone of achieving this is the Council's 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 more 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 work streams will realise significant savings it is also likely that there will be some impact to service users. However, over reliance on the Transformation Programme also brings a risk if the efficiencies are not realised.

Development Corporation

The Development Corporation was abolished at the end of March 2012 with its major planning and regeneration functions transferring to the Council, including a number of property assets totalling some £53m.

This brings the Council a tremendous opportunity in terms of shaping the regeneration of the borough but also brings additional financial risks and demands. These have, to a large degree, been accounted for within the Medium Term Financial Strategy but, with a stronger focus on delivery, the Council will be seeking to take advantage of other funding streams and opportunities going forward.

Welfare Reform

As part of the national austerity measures, central government is introducing a number of welfare reforms that will impact on the borough's residents and on the Council directly through increased demand for services.

The most direct impact is that of council tax benefits. Currently, legislation sets out the level of council tax benefit that a resident can receive and this is then fully reimbursed to the Council from central government. As part of the government's spending reductions, the Council will now only be given 90% of the grant and it is for the Council to determine how this should be allocated. Vulnerable residents, including older people, still have to receive 100% and so this means that others will, on average, only receive in the region of 80%.

Together with the implementation of Universal Credit that will introduce a benefit cap, it is clear that some of the poorer families in the borough will face significant hardship adding to demands for services, especially in terms of social care and housing.

Health

As part of the Government's changes to the NHS set out in the Health and Social Care Bill, Public Health responsibilities are moving to Local Authorities from April 2013. The Government is aiming to establish a new Public Health service through Public Health England (PHE) and Local Authority Public Health departments. Its aim is to embed Public Health as a core responsibility throughout Local Government. The budgetary implications of this are not yet fully clear but it is anticipated that the service will be fully funded by the ring-fenced Public Health grant from the Department of Health to Local Authorities and will be at no cost to the local council tax payer.

The transfer of responsibility from Public Health from the NHS to Councils will lead to a greater impact on the root causes of ill health, and so improve health for the people of Thurrock. The biggest public health gain to be obtained from the new arrangements will be realised if Public Health influences everything the Council does, so that the whole organisation becomes a public health driven organisation, and every contact that the Council has with the people of Thurrock helps to promote health and wellbeing.

The detail of committed resource in already commissioned services is not fully known because of the complexity of existing commitments within the NHS (across Southend Essex and Thurrock) and the continuing uncertainty about exactly what responsibilities and commitments will be the responsibility of Thurrock Council from 2013.

Housing Revenue Account

The HRA finance reform that took place in March 2012 involved a one off redistribution of debt while at the same time abolishing the subsidy system.

This reflects the arrangements under which the Government ended the previous housing subsidy arrangements and replaced them from 1 April 2012 with self-financing arrangements for the Housing Revenue Account (HRA).

On 28 March 2012, the Council borrowed £160.889m from the Public Works Loan Board (PWLB) and paid that amount over to the Secretary of State, in accordance with the Settlement Payments Determination 2012, to buy itself out of the housing subsidy mechanism. Although the Council had no option with regard to making this payment, it is anticipated that the cost of the loan repayments it will now have to make will be lower than the subsidy payments it would have had to make under the previous arrangements.

Up to, and including, 2011/12, Thurrock Council paid across circa £12-13m per annum to the Government. As the servicing of this debt is significantly lower than the previous subsidy payments, Thurrock will have a net annual gain in excess of £6m.

Some of this annual gain will be used to further enhance the Council's existing stock. In addition, Members have made a commitment to increase the stock and officers will work on an approach to achieve this with the likely use of this annual financial gain to service further borrowing.

There have been a number of 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. This has led to the Council spending in excess of its repairs budgets for 2011/12 and has had 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

Over the last two years there has been a significant reduction in grants from central government that have an impact on all services, especially Education.

The Council agreed its first Asset Management Strategy in February 2011 and this was further strengthened ahead of 2012/13. 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 £284m (£190m[1] of long term debt and £94m[2] of temporary debt held as part

[1] The £190m 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 £94m 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.

of the recent PWLB debt restructuring). The Council's overall Capital Financing Requirement (CFR) stands at £296m with the Council therefore being £12m below its CFR limit.

The CFR is estimated to decrease to £291m in 2012/13 and then further decrease to £288m in 2013/14.

The Council is working with its advisors and will take action to transfer to non-temporary debt when conditions dictate. However, with the latest forecasts predicting low rates and no increases for at least another two years, the Council will need to work to benefit from these treasury gains whilst not building a reliance on them within the base budget. This could be approached through their use for one off expenditure on the Council's priorities.

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. £233,731 has been charged to the General Fund over the last two financial years and the balance at 31 March 2012 stands at £583,386.

The discount factor for social housing (the amount by which market value has reduced because the assets are occupied by a secure tenant) changed for the 2010/11 financial year (to 39% from 46%). This resulted in a one off impairment charge in 2010/11 of £80.288m that will result in a significant variance when compared against 2011/12.

The Council incurred a debt repayment premium from debt restructuring in 2010/11 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 2011/12 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.

For 2011/12 the Authority is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community Assets (that are now to be classified as heritage assets) that were donated to the authority were held at valuation as a proxy for historical cost. The Authority's accounting policies for recognition and measurement of heritage assets are set out in the Authority's summary of significant accounting policies. There were no significant changes to statutory functions in 2011/12 that have impacted on the accounts with the exception of the integration of the Development Corporation functions. These are highlighted within the accounts.

There have been no significant provisions, contingencies or write offs during the year over and above prudent levels in the normal running of the Council such as provisions for the Morrison's Contract and Insurance.

During the year the Development Corporation's expenditure of £86 million included the grants in kind of development sites and assets under construction to the Council (£59.027m), the transfer of High House Production Park Limited out of public sector control (£10.588m) and the crystallisation of the pension deficit (£6.398m) arising from the termination of the Corporation and therefore the cessation of future contributions by which such deficits are normally funded.

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 £0.795m compared with a deficit at the end of 2010/11 of £0.591m. 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 2011/12 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 Annual Governance 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

<u>The Council's Responsibilities</u>

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.

<u>The Director of Finance and Corporate Governance's Responsibilities</u>

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.

<u>Director of Finance and Corporate Governance's Certificate</u>

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 2012.

Director of Finance and Corporate Governance

Date: 27 September 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.

Restated	**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)**
Prior Period Adjustment								**(18,842)**	**(18,842)**
Restated Opening Balance 1 April 2010	**(2,187)**	**(2,409)**	**(12,726)**	**(1,335)**	**(2,897)**	**(11,607)**	**(33,161)**	(682,276)	**(715,437)**
<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)**	(22,148)	**(22,159)**
Total Expenditure and Income	**864**	**88,456**	**0**	**(11)**	**0**	**0**	**89,309**	**(22,148)**	**67,161**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(5,980)	(88,945)	36	(1,001)	(909)	1,358	**(95,441)**	95,441	**0**

Net Increase/Decrease before Transfers to/from Earmarked Reserves	**(5,116)**	**(489)**	**36**	**(1,012)**	**(909)**	**1,358**	**(6,132)**	**73,293**	**67,161**
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**	**67,161**
Balance at 31 March 2011	**(6,644)**	**(2,898)**	**(13,220)**	**(2,347)**	**(3,806)**	**(9,900)**	**(38,815)**	**(609,461)**	**(648,276)**

	General Fund Balance £'000	**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 2011 (Excludes Development Corporation)	**(6,644)**	**(2,898)**	**(13,220)**	**(2,347)**	**(3,806)**	**(9,900)**	**(38,815)**	**(609,461)**	**(648,276)**
<u>Movement in Reserves in 2011/12</u>									
Surplus or (deficit) on provision of services	19,708	178,353					**198,061**		**198,061**
Other Comprehensive Expenditure and Income	1,014						**1,014**	53,599	**54,613**
Total Expenditure and Income	**20,722**	**178,353**	**0**	**0**	**0**	**0**	**199,075**	**53,599**	**252,674**

Adjustments between accounting basis & funding basis under regulations (Note 7)	(27,869)	(176,503)	(16)	760	1,412	1,227	**(200,989)**	200,989	**0**
Net Increase/Decrease before Transfers to/from Earmarked Reserves	**(7,147)**	**1,850**	**(16)**	**760**	**1,412**	**1,227**	**(1,914)**	**254,588**	**252,674**
Transfers to/from Earmarked Reserves (Note 21)	5,052		(5,052)				**0**		**0**
Transferred (Acquired) Operations (TTGDC)			(5,692)				**(5,692)**	(53,337)	**(59,029)**
Increase/Decrease in Year	**(2,095)**	**1,850**	**(10,760)**	**760**	**1,412**	**1,227**	**(7,606)**	**201,251**	**193,645**
Balance at 31 March 2012	**(8,739)**	**(1,048)**	**(23,980)**	**(1,587)**	**(2,394)**	**(8,673)**	**(46,421)**	**(408,211)**	**(454,632)**

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 and15).

RESTATED 2010/11 Gross Exp £'000	Gross Income £'000	Net Exp £'000		2011/12 Gross Exp £'000	Gross Income £'000	Net Exp £'000
48,076	(14,123)	33,953	Adult social care	47,076	(12,890)	34,186
18,269	(14,425)	3,844	Central services to the public	15,952	(12,455)	3,497
181,677	(141,519)	40,158	Education and children's services	196,807	(122,201)	74,606
35,016	(5,750)	29,266	Cultural, environmental, regulatory & planning services	33,192	(6,992)	26,200
12,504	(4,281)	8,223	Highways and transport services	15,138	(6,186)	8,952
134,212	(45,734)	88,478	Local Authority Housing (HRA)	217,604	(45,741)	171,863
57,131	(53,568)	3,563	Other housing services	64,356	(58,190)	6,166
(19,280)	0	(19,280)	Exceptional Pension Costs (Note 42)	0	0	0
9,253	(3,677)	5,576	Corporate and democratic core	9,736	(2,578)	7,158
280	(503)	(223)	Non distributed costs	242	(5,553)	(5,311)
477,138	**(283,580)**	**193,558**	**Cost Of Services**	**600,103**	**(272,786)**	**327,317**
2,470	(1,859)	611	Other Operating Expenditure (Note 14)	13,096	(1,993)	11,103
39,752	(12,775)	26,977	Financing and Investment Income and Expenditure (Note 15)	18,912	(14,585)	4,327
0	(131,826)	(131,826)	Taxation and Non-Specific Grant Income (Note 16)	0	(144,686)	(144,686)
519,360	**(430,040)**	**89,320**	**(Surplus) or Deficit on Provision of Services**	**632,111**	**(434,050)**	**198,061**
		(7,264)	Revaluation of Non Current Assets (note 39a)			307
		(15,758)	Actuarial gains / losses on pension assets / liabilities (Note 42)			53,292
		863	Other			1,014
		(22,159)	**Other Comprehensive Income and Expenditure**			**54,613**
		67,161	**Total Comprehensive Income and Expenditure**			**252,674**

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. Included within the HRA gross expenditure figure is an exceptional payment of £160.889m relating to the housing revenue account self financing payment.

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).

RESTATED 31 March 2010	**RESTATED 31 March 2011 £000**		**Notes**	**31 March 2012 £000**
925,297	846,367	Property, Plant & Equipment	22	849,304
3,481	3,481	Investment Property	27	2,743
979	734	Intangible Assets	28	1,368
0	0	Assets Held for Sale	36	0
19,393	20,002	Heritage Assets	57/58	20,873
0	0	Long Term Investments	31	0
1,257	1,129	Long Term Debtors	33	993
950,407	**871,713**	**Long Term Assets**		**875,281**
49,063	43,238	Short Term Investments	30	27,333
0	59	Assets Held for Sale	36	1,255
101	141	Inventories	51	518
36,730	24,128	Short Term Debtors	34	30,226
12,039	12,266	Cash and Cash Equivalents	35	4,674
97,933	**79,832**	**Current Assets**		**64,006**
(35,788)	(112,002)	Short Term Borrowing	30	(95,005)
(30,390)	(37,517)	Short Term Creditors	37	(36,734)
(785)	(1,264)	Leasing Liability	29	(651)
(66,963)	**(150,783)**	**Current Liabilities**		**(132,390)**
(355)	(350)	Provisions	32	(111)
(113,439)	(28,220)	Long Term Borrowing	30	(189,118)
(134)	(124)	Deferred Discounts		(104)
(135,555)	(104,936)	Pension Liability	42	(153,579)
0	0	Deferred Purchase Liability		0
(2,463)	(1,814)	Leasing Liability	29	(2,389)
(2,202)	(3,537)	Long Term Creditors		0
(11,792)	(13,505)	Capital Grants Receipts in Advance	46	(6,964)
(265,940)	**(152,486)**	**Long Term Liabilities**		**(352,265)**
715,437	**648,276**	**Net Assets**		**454,632**
(33,161)	(38,815)	Usable reserves	38	(46,421)
(682,276)	(609,461)	Unusable Reserves	39	(408,211)
715,437	**(648,276)**	**Total Reserves**		**(454,632)**

These financial statements replace the unaudited financial statements certified by the Director of Finance and Corporate Governance on 29 June 2012

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.

2010/11 £'000		Notes	2011/12 £'000
(89,320)	Net surplus or (deficit) on the provision of services		(198,061)
0	Adjustment for Development corporation transfer of assets (note 5)		8,955
115,806	Adjustment to surplus or deficit on the provision of services for noncash movements		65,328
(30,014)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(32,076)
(3,528)	Net Cash flows from operating activities		(155,854)
1,268	Investing Activities	44	16,680
2,487	Financing Activities	45	146,766
227	Net increase or decrease in cash and cash equivalents		(7,592)
12,039	Cash and cash equivalents at the beginning of the reporting period		12,266
12,266	Cash and cash equivalents at the end of the reporting period	35	4,674

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 2011, 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) 2011/12;
- The Service Reporting Code of Best Practise (SeRCOP) 2011/12; 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 2011/12 accounts have been subject to significant changes following the introduction of International Financial Reporting Standards (IFRS) in the preparation of their accounts in 2010/11 plus the inclusion of heritage assets and transferred assets from the Thurrock Thames Gateway Development corporation in 2011/12.

Accounting Standards issued, not adopted

The amendments to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets, issued October 2010), are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the Council's financial position. The adoption of these amendments into the Code would require a change of accounting policy from 1 April 2012. However, CIPFA is of the view that the transfers described by the standard do not occur frequently in local authorities. Relevant circumstances would arise where an authority retains ownership of a financial asset but contracts to reassign or otherwise pay over the cash flows generated by the instrument, at the same time as retaining substantially all the risks and rewards of ownership.

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 other local authorities subject to the introduction of improved accounting practices as disclosed each year. The only exception to this is the transfer of Development corporation assets, where only one year was taken as required by the code.

- ***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 2012 the actuary assumed a discount rate of 4.6% real (1.3% 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 2.6% real (5.5% actual), including an inflation risk premium) at 31 March 2011

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 2011/12 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”[3]. 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.

The council’s policy on financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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 financial assets available for sale).

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

[3] Source: Code of Practice 2011/12

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.

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 re-purchase 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 2011/12 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 balance or HRA balance in the Movement in Reserves Statement (also 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

Revenue grants without conditions or revenue grants where conditions have been met will be recognised in the CIES and if there is no matched expenditure, unspent grant will be transferred to earmarked reserves. When this grant is spent there will be transfer from earmarked reserves to the general fund. If there are conditions which cannot immediately be met the income is credited to receipts in advance which forms part of the short term creditors figure in the current liability section of the balance sheet

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 SeRCOP, 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 0.52% in 2011/12 (in 2010/11 it was 0.43%).

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 2011/12, as additions to fixed assets.

1.17 Investment Property

Recognition

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 tradeable 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. 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 all 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 where they meet the criteria.

Finance Leases – the Council as Lessor

The council at present does not have any finance lease as Lessor.

Operating Leases – the Council as Lessee

Lease that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charges to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged When they become payable.

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: Property Equipment	**10 years** **5 years**
Accounting cost 'verses' capital value whereby the lease will not be assessed.	**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 SeRCOP 2011/12.

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.

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 2011 and to certificated asset revaluations carried out after that date.

The Council has a de-minimis threshold of £50k before recognising components for both General Fund and Housing Revenue Account assets. For the individual component to be recognised, the component value must also be greater than 10% 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. The change in the de-minimis limit from 20% to 10% took place following a revaluation as at 31 March 2012. This will have no implication for 2011/12 depreciation in the accounts. This change is to reflect the continued implementation of IFRS and the spirit of componentisation of fixed assets. The effect of the change will be to further enhance the analysis of component accounting in fixed assets in order to charge the correct amount of depreciation to the CEIS and hence the economic potential of the service. There are no implications for any previous and current reporting period as any differences arising from the change in treatment would be immaterial.

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), cemeteries and allotments;

- ***Heritage assets –*** *these are assets comprised of historic building, works of art and museum exhibits and are of intrinsic cultural value;*

- ***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 2011/12 the Valuer's judgment is that asset values for Council dwellings fell by 1.92%. Asset values for other properties in Thurrock have not materially 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. The review also highlighted a reduction in the value of associated school playing fields resulting in an impairment of £36.018m

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 2011/12 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 SeRCOP, 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.

Former TTGDC Assets

The £53.3m of former TTGDC assets have been recognised in Other Land and Building at as 31 March 2012 until the council formally revises its asset management planning to determine absolute future use. The current market value valuation has been retained as a prudent assessment of value. This will be reviewed during 2012/13 and any material adjustments will be made to 2011/12 and 2012/13 accounts.

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 are 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's 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.

The council has not followed the Code in identifying a separate column for schools balances in the movement in reserves statement.

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 2012/13 where the transaction was fully committed as at 31 March 2012 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.

1.34 Heritage Assets

Under the local Authority code of Practise the council is required to adopt a new accounting standard FRS 30 – Heritage Assets, from 1st April 2011 and as such accounts for Heritage Assets on the balance sheet are based upon a restoration valuation. The impact of any revaluation in the value of any Heritage Assets are taken either as a gain or loss to the CIES and then to the revaluation reserve.

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

There is a requirement under IFRS that the valuation of PP&E at fair value, this includes Highways Infrastructure which is presently valued at historic cost. CIPFA's code of Practise on transport infrastructure currently requires this for WGA with the withdrawal of historic cost-based reporting from 2012/13.

From 2013/14 onward the council will comply with this accounting practise for its main stream accounts.

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.

- The council undertakes an annual review to ascertain if any there are impairments or changes in value as part of the annual price review for non current assets.

- In recognising the assets transferred/acquired from the Thurrock Thames Gateway Development Corporation the associated valuations have remained at market value within the classification of Other Land and Buildings until such a point that the council crystallises long term use. The £53.3m of physical assets transferred in this way with a further £5.7m being represented by an increase in earmarked reserves. Additionally a further £3.2m in development contributions was also transferred but is not recognised in the MIRS statement as it is not a movement in reserves as it is being recognised as a creditor.

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 will reduce.
Property Plant and equipment componentisation	The council has been reviewing 25% of its assets per year for componentisation and the additional review for 2011/12 has resulted in 6 additional components.	This changes the depreciation pattern for a given parent asset
Assets transferred from Development Corporation	Assets have been valued at market value using the valuations of valuers engaged by the Development Corporation themselves	There are no revaluation adjustments between each organisation. Where there may be a case for revising values these have been stated as contingent liabilities or assets in note 48 and 52
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 £8.243m.
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 £0.5 m 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 merged with Thurrock Thames Gateway Development Corporation on 30th March 2012 and transferred some £59 million in net assets on that day. As assets were transferred on the 30 March 2012 the	£53.3m assets were transferred along with £5.7m in earmarked reserves. Additionally £3.2m in developer agreements were

Item	Uncertainty	Effect
	main area of uncertainty was regarding valuation of assets for balance sheet purposes and the potential for settling cash payments. Assets valuations have been confirmed by using independent valuer assessment and cash sums from undertakings from the transferred body.	transferred resulting in a £8.9m cash receipt in July 2012.

This list does not include assets and liabilities that are carried at fair value based on recently observed market price and are shown on the balance sheet.

Note 5 MATERIAL ITEMS OF INCOME AND EXPENDITURE

- The Social Housing Factor (2010/11), 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.

- In 2011/12 the Council's Property, Plant and Equipment assets were revalued resulting in £48.497m revaluation and impairment losses (£93.064m in 2010/11).

- On 30th March 2012, the Councils borrowing increased by £160.89m as part of the Housing Revenue Account (HRA) finance reform. Although the HRA has to service this debt it is estimated that the HRA will have increased resources of circ. £6m each year due to the abolition of the subsidy system. The impact of the borrowings are shown on the balance sheet under the heading long term borrowings, the other impact are; there is no impact on the HRA working balance as the expenditure is classed as capital. The transaction impacts the Capital Adjustment Account (Unusable Reserves in the Balance Sheet) as it is reversed out of the CIES, HRA I&E and is also shown in the Mirs statement.

- This figure is added to the HRA expenditure in the Comprehensive Income and Expenditure Account and reversed out in the MiRs. The 2010/11 HRA expenditure includes charges for impairment and the change in the Social Housing Factor. The charges in relation the Social Housing Factor Adjustment are not applicable to 2011/12. The increase in expenditure between 2010/11 and 2011/12 is the net of these two transactions.

- With the merger of Thurrock Thames Gateway Development Corporation and Thurrock Council on 30 March 2012 some £59.027m of net assets were transferred into the Council pursuant to The Thurrock Development Corporation (Transfer of Property, Rights and Liabilities) Order 2012 (SI 534/2012) and The Urban Development Corporations (Planning Functions) Order 2012 (SI 535/2012). This is shown as a single sided entry in the Mirs.

Note 6 RESTATEMENT OF 2010/11 COMPARATIVE FIGURES

There have been 1 major and 1 immaterial sources of restatement of 2010/11 figures

1) The change in accounting policy for Heritage assets has added a net £19.448 to Long Term Assets, made up of £20.002m of assets less previous value of community assets of £0.554m

2) Because of materiality leasing values have been adjusted by £0.55m in 2011/12 only

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.

	2011/12							
	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
Adjustments primarily involving the Capital Adjustment Account								
Reversal of items debited or credited to CIES								
Amortisation of intangible assets	**(734)**						(734)	734
Depreciation of non-current assets	**(7,299)**	**(6,080)**					(13,379)	13,379
Revaluation and Impairment losses on Property, Plant and Equipment	(39,500)	(8,993)					(48,493)	48,493
Revaluation gains reversing previous losses	1,001	228					1,229	(1,229)
Movement in Market Value on Investment Property	(611)	(393)					(1,004)	1,004
Movement in value of held for sale assets		(83)					(83)	83
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	(32)	(902)					(934)	934
Capital grants and contributions unapplied to the CIES	2,488					(2,488)	0	0
Revenue expenditure funded from capital under statute (REFCUS) - net of funding	(8,784)						(8,784)	8,784
Revenue expenditure funded from capital under direction								
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	(1,112)	(9,123)					(10,235)	10,235
Write off balance on Revaluation Reserve on disposal or sale of non-current assets								
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost								
Insertion of items not debited or credited to the CIES								
Statutory Provision for the repayment of debt (MRP) Includes Finance Leases	6,844						6,844	(6,844)

HRA Self Financing Capital Expenditure		(160,889)					(160,889)	160,889
Adjustments primarily involving the capital grants unapplied account								
Capital grants and contributions applied credited to the CIES	16,156	278				41	16,475	(16,475)
Application of grants to capital financing (to capital adjustment account)						3,674	3,674	(3,674)
Adjustments primarily involving the capital receipts reserve								
Capital Receipts applied to fund Capital Expenditure				1,351			1,351	(1,351)
Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES	121	1,963		(2,084)			0	
Contribution from the Capital Receipts Reserve towards administration costs of non-current assets	(83)			83				
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(1,410)			1,410				
Transfer from Deferred Capital Receipts upon receipts of cash								
Adjustments primarily involving the Major Repairs Reserve								
Reversal of Major Repairs Allowance credited to the HRA		7,676			(7,676)			
Use of Major Repairs Reserve to finance new capital expenditure					9,088		9,088	(9,088)
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	189						189	(189)
Adjustment involving the pension reserve								
Reversal of items relating to retirement benefits debited or credited to the CIES	(6,294)	(205)					(6,499)	6,499
Employer's pension contributions and direct payment to pensioners payable in year	11,148	0					11,148	(11,148)
Prior year adjustment	438		(16)				422	(422)
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	(767)						(767)	767
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	372	20					392	(392)
Total Adjustments	**(27,869)**	**(176,503)**	**(16)**	**760**	**1,412**	**1,227**	**(200,989)**	**200,989**

	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
Adjustments primarily involving the Capital Adjustment Account								
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	
<u>Adjustments primarily involving the Major Repairs Reserve</u>								
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)
<u>Adjustments primarily involving the Financial Instrument Adjustment Account</u>								
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
<u>Adjustment involving the pension reserve</u>								
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)
<u>Adjustments involving the collection fund</u>								
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)
<u>Adjustment involving the accumulated absences account</u>								
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**

Note 8 ACQUIRED, TRANSFERRED AND DISCONTINUED OPERATIONS

On 30 March 2012 Thurrock Council had transferred to it some £59.029m in net assets.

The transferred assets were recognised in one year only in 2011/12. On the date of transfer the details were as follows

	£m
Non current assets	53.337
Transfers to earmarked reserves:	
Future commitment grant	1.389
Sales proceeds	4.303
	59.029

In addition £3.264m was received for developer contributions recognised as both a debtor and creditor in the balance sheet. A settlement figure of £8.956m was received in July 2012 in settlement of future commitment grant (£1.389m), sales proceeds (£4.303m) and developer contributions (£3.264m).

A number of staff also transferred under “TUPE” (Transfer of Undertakings, Protection of Employment Regulations) of 19 staff from Thurrock Development Corporation.

Of this number, 10 staff where transferred pursuant to The Urban Development Corporations (Planning Functions) Order 2012 (SI 535/2012) by which Thurrock Council regained full planning powers. Of the remaining 9 staff transferred, eight staff had previously worked in the Development Corporation’s “Delivery” Unit tasked with the delivery of regeneration projects across the borough. These projects continue in 2012-13.

At the time of transfer the Council has not had the opportunity to assess in full the assets transferred and have currently classed them as “Other land & buildings” on a temporary basis. The assets will be reviewed in 2012/13 and following which the assets may be reclassified.

Note 9 EXCEPTIONAL ITEMS

There were exceptional items in 2010/11 relating to the change in the Social Housing Factor as set out in Note 5.

There were exceptional material items in 2011/12 as set out in Note 5 in the Statement of Accounts relating to the reform of Housing Finance and the abolition of the subsidy system and the Council incurring additional debt of £160.8m to settle the debt transfer to central government.

On 30 March 2012 Thurrock Council had transferred to it £59.027m in net assets following the winding up of Thurrock Development Corporation, being principally investment land & buildings (£53.337m) unspent central government grant (£1.388m) and proceeds on the disposal of sites made prior to the transfer (£4.303m). The impact upon the final statements is shown in the Balance Sheet and supporting notes to the accounts.

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 2011/12 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 2011/12	11,194	83,417	94,611
B	Brought forward from 2010/11	1,210	0	1,210
C	Carry forward to 2011/12 agreed in advance		0	0
D	**Agreed Distribution in 2011/12**	**12,404**	**83,417**	**95,821**
E	In Year Budget Adjustment	(919)	919	0
F	Actual Central Expenditure	(8,905)	0	(8,905)
G	Actual ISB deployed in Schools	0	(84,336)	(84,336)
H	Local Authority contribution for 2011/2012	0	0	0
I	**(Over) / under spend carried forward to 2012/13**	**2,580**	**0**	**2,580**

Comparatives for 2010/11 were as follows:

comparatives for 2010/11 were as follows:	**Central Expenditure**	**Individual Schools Budget**	**Total**
	£000	**£000**	**£000**
Income	(12,054)	(85,403)	(97,457)
Less Expenditure	10,844	85,403	96,247
Carrying Forward to 2010/11	**(1,210)**	**0**	**(1,210)**

Under the Accounts and Audit Regulations 2011 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 March 2012
B	The figure brought forward from 2010/11 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 2012/13 rather than distribute in 2011/12.
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 2011/12 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 2011/12 which would have had the effect of substituting for DSG in funding the Schools Budget.
I	This is the carry forward to 2012/13.

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 2012 the financial obligations of the Council remaining to be discharged under the contract, at 2011/12 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. In 2011/12 there were extra resources of £2.3m advanced making a total of £21m.

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 note 29 of these financial statements.

Note 12   TRADING OPERATIONS

The Council did not operate any trading undertakings in 2010/11 or 2011/12.

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 2010/11 and 2011/12 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:

2010/11 £000		2011/12 £000
570	Levies	518
667	Payments to the Government Housing Capital Receipts Pool	1,409
(626)	Gains/losses on the disposal of non current assets	9,176
611	**Total**	11,103

Note 15 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2010/11 £000		2011/12 £000
21,425	Interest payable and similar charges	2,171
6,434	Pensions interest cost and expected return on pensions assets	3,028
(710)	Interest receivable and similar income	(684)
(172)	Income and expenditure in relation to investment properties and changes in their fair value	(188)
0	Other investment income	0
26,977	**Total**	**4,327**

Note 16 TAXATION AND NON-SPECIFIC GRANT INCOME

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

2010/11 £000		2011/12 £000
(56,986)	Council tax income (include surplus/deficit on collection fund))	(56,502)
(52,187)	Non domestic rates	(47,009)
(16,699)	Non-ring fenced grants (i.e. includes Revenue Support Grant)	(29,599)
(5,954)	Capital grants and contributions	(11,576)
(131,826)	**Total**	**(144,686)**

Note 17 MEMBERS' ALLOWANCES

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

Members' Allowances	**2010/11 £000**	**2011/12 £000**
Salaries	0	0
Allowances	585	583
Expenses	5	1
Total	**590**	**584**

Note 18 REMUNERATION OF SENIOR STAFF

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

Remuneration of Senior Staff	2010/11			2011/12		
Pay Band	Numbers of Employees			Numbers of Employees		
	TBC	Leavers in Year	Schools	TBC	Leavers in Year	Schools
50,001 - 55,000	21	0	17	36	0	17
55,001 - 60,000	14	0	11	28	0	21
60,001 - 65,000	11	2	13	22	2	1
65,001 - 70,000	8	1	7	14	1	7
70,001 - 75,000	7	4	6	14	4	4
75,001 - 80,000	2	0	4	4	0	2
80,001 - 85,000	4	3	1	0	3	2
85,001 - 90,000	5	2	0	0	2	1
90,001 - 95,000	6	3	0	0	3	1
95,001 - 100,000	0	0	0	6	0	0
100,001 - 105,000	1	1	0	3	1	0
105,001 - 110,000	0	0	0	1	0	0
110,001 - 115,000	0	0	0	0	0	0
115,001 - 120,000	0	0	0	0	0	0
120,001 - 125,000	0	0	0	0	0	0
125,001 - 130,000	0	0	0	0	0	0
130,001 - 135,000	0	0	0	0	0	0
135,001 - 140,000	1	1	0	0	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.

2011/12 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 2011/12	Salary, Fees and Allowances	Performance Related bonus	Expenses Allowances	Compensation for loss of office	Pension Contribution	Total
	£	£	£	£	£	£
Chief Executive - Graham Farrant	198,268	10,000	0	0	21,350	229,618

Senior Staff Emoluments 2011/12	Salary, Fees and Allowances	Performance Related bonus	Expenses Allowances	Compensation for loss of office	Pension Contribution	Total

	£	£	£	£	£	£
Director of Community Well Being	61,278	0	0	64,987	6,465	132,730
Director of Sustainable Communities	140,560	0	0	0	15,311	155,871
Director of Children's' Services	147,955	0	0	0	16,104	164,059
Director of Finance and Corporate Governance	140,561	0	0	0	15,311	155,872
Head of Corporate Finance	95,608	0	0	0	10,492	106,100
Director of Transformation	140,488	0	0	0	15,311	155,799
Head of Legal Services	137,142	0		0	11,651	148,793

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 Comparative	**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.

Senior Staff Emoluments 2010/11 Comparatives	**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

Senior Staff Emoluments 2010/11 Comparatives	Salary, Fees and Allowances £	Performance Related bonus £	Expenses Allowances £	Compensation for loss of office £	Pension Contribution £	Total £
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

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.

Notes	
1	The Head of Corporate Finance was the Section 151 Officer until the 5 July 2010 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.
3	The Director of Sustainable Communities and ex Development Corporation Director of Planning have had accrued redundancy costs accrued for in 2011/12 Financial Statements. The disclosure of the payments made will be in the financial statements of the Authority for 12/13 under Senior Officer Remuneration. The disclosure of the exit costs are included within the table below for exit packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

	No of Compulsory Redundancies		Other Departures		Total number of Exit packages by cost		Total cost of exit packages	
Exit Package cost Band £	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
0 – 20,000	51	72	21	15	72	87	461,156	566,752
20,001-40,000	7	10	4	3	11	13	311,434	338,669
40,001 – 60,000	9	2	0	0	9	2	444,894	94,860
60,001 – 80,000	2	1	0	1	2	2	137,554	138,972
80,001 – 100,000	0	1	0	1	0	2	0	180,432
100,001 – 150,000	0	0	0	2	0	2	0	264,223
Total	69	86	25	22	94	108	1,355,038	1,583,908

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 Amanda Arnold declared that the volunteer group Friends of Brandon Groves, of which Cllr Arnold is the Company Secretary, received some funding from the Council during the financial year. Friends of Brandon Groves are dedicated to seeking and maintaining as well as improving the environment, fabric and community life of the residents. This is a community lead scheme where residents if they so wish may become actively involved. Cllr B Okunade declared that the Thurrock Racial Unity Support Taskgroup (TRUST), of which Cllr Okunade is Vice Chair, received some funding in the form of grants from the Council during the financial year. TRUST also has office accommodation – 35a Clarence Road, Grays which is a council property leased to the organisation. This organisation and geographical interests, including disability, ethnic issues and localities, Cllr Gupta is a Director, Cllr Ojetola is also a Director and Cllr Anderson is the Thurrock Council Representative on the TRUST board. Cllr S Veryard declared that he is an employee as Managing Direct of Excel Textiles, which is a clothing bank pilot scheme for Thurrock Council.

The Council paid Trans-Vol £197,400 and Thurrock MIND and South West Essex PCT (Thurrock Mind) £208,200 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 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 apart from office rental. On 30th March 2012 certain assets and liabilities were merged with the Council. Therefore from that date there ceased to be a possibility of a related party transaction. Each of these public bodies is ultimately accountable to Central Government.

The latest position shows that seven related party returns were not received. These are from former councillors Burkey, Colgate, Cowell, Wilton (previously known as Prevost) and Rockliffe who were all Councillors. We have also not received related party returns for councillors Coxshall, Baldwin.

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

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

	2010/11	2011/12
	£	£
Age Concern Essex Ltd		81,492
Age Concern Thurrock		2,310
Alzheimer's Society		53,300
Batias Independent Advocacy Service		103,812
Comet Group PLC		197
Essex Coalition of Disabled People		75,000
Essex Savers Net Credit Union Ltd		14,000
NGAGE		58,000
Open Door		70,000
South Essex Rape and Incest Crisis		120,200
Terrence Higgins Trust		35,620
Thames Chase Trust Ltd		10,000
The Re Use Partnership		27,500
Thurrock Arts Council	23,406	15,000
Thurrock Asian Association	17,340	16,790
Thurrock CVS	212,193	178,517
Thurrock District Scouts Council		20,500
Thurrock Independent Resource		55,000
Thurrock Over Fifties Forum		5,000
Thurrock Play Network	191,675	45,750
Thurrock Racial Unity Support Task Group Ltd	86,984	70,000
Thurrock Sport Council	12,731	9,500
Thurrock Women's Aid		34,492
TLC Thurrock Stroke Project		35,000
South Ockendon Community Forum Rent Payment – 29 DERWENT PARADE RENT FOR SOCF		3,500
Voiceability		70,028
Aveley Community Forum	5,185	
Orchards Community Forum	3,063	

Note 20 EXTERNAL AUDIT COSTS

In 2011/12 the Council incurred the following costs relating to the audit of the Statement of Accounts, certification of grant claims:

External Audit Costs	**2010/11 £000**	**2011/12 £000**
Fees Payable to the Audit Commission:		
• External Audit Services including Statutory Inspections	333	350
• Certification of Grant Claims and Returns	82	80
Total	**415**	**430**

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 2010 £000	**Net Transfers (In)/Out £000**	**Balance at 31 March 2011 £000**		**Balance at 1 April 2011 £000**	**Net Transfers (In)/Out £000**	**Balance at 31 March 2012 £000**
(9,609)	1,047	**(8,562)**	Balances held by Schools under a Scheme of Delegation	(8,562)	1,538	**(7,024)**
0	0	**0**	Corporate Plan	0	(500)	**(500)**
0	0	**0**	Transformation	0	(400)	**(400)**
0	(1,391)	**(1,391)**	Revenue Grants Unapplied	(1,391)	131	**(1,260)**
0	(96)	**(96)**	Contest	(96)	90	**(6)**
(955)	(62)	**(1,017)**	LABGI	(1,017)	61	**(956)**
			Demographics		(1,000)	**(1,000)**
(171)	(170)	**(341)**	Electronic Government Information Technology	(341)	(477)	**(818)**
(7)	(29)	**(36)**	Building Control	(36)	0	**(36)**
(1,250)	0	**(1,250)**	Capital Expenditure	(1,250)	318	**(932)**
(60)	0	**(60)**	Waste Development	(60)	0	**(60)**
(290)	290	**0**	MMI	0	(637)	**(637)**
(64)	0	**(64)**	Historic Buildings	(64)	0	**(64)**
(2)	0	**(2)**	The Salting, Tilbury	(2)	0	**(2)**
(15)	0	**(15)**	Museum Donations	(15)	(6)	**(21)**
0	0	**0**	Land Charges Liability Provision	0	(34)	**(34)**
0	0	**0**	Commuted Sums	0	(2,750)	**(2,750)**
0	0	**0**	PRG/LSPA Reserve	0	(444)	**(444)**
0	0	**0**	Education Reserve	0	(160)	**(160)**
(303)	(83)	**(386)**	RCCO Contributions	(386)	(798)	**(1,184)**
(12,726)	**(494)**	**(13,220)**	**Earmarked Reserves**	**(13,220)**	**(5,068)**	**(18,289)**

The above table does not include the Development Corporation amount of £5.692m.

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 ***Corporate Plan Reserve*** has been set up using part of the 2011/12 budget surplus to provide funds for the delivery of the Council's priorities.

- **The *Transformation Reserve* is to provide funds to support the delivery of the Transformation programme.**

- 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 ***LABGI Reserve*** is to be used for stimulating enterprise, climate change and local business incentives;

- The ***Demographic Reserve*** has been set up to provide a contingency to meet service demand over and above that budgeted for.

- 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 and has also transferred a further sum of £1.081m to bring the balance back up to £0.637m;

- 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* ***Land*** **Charges** ***Liability provision*** provides a reserve for any claims arising from the levy of these charges.

- *The* **Commuted Sums reserve** represents the amounts received from developers for various developments in the borough.

- The ***PRG/LSPA Reserve*** represents the outstanding commitments in the delivery of the community related projects.

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

- The ***Education Reserve*** represents funds set aside for purposes associated with educational needs of the borough; 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 2011/12 are summarised as follows:

2011/12	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 2011	454,993	267,118	17,565	15,601	72,462	73	29,375	17,280	12,423	**886,890**
Additions / Donations	8,907	8,672	841	261	3,371	941	0	97	0	**23,090**
Additions – Other	0	336	0	0	0	0	0	0	0	**336**
Additions – DC Assets	0	53,342	0	0	0	0	0	0	0	**53,342**
Derecognition - Disposals	0	(146)	(20)	0	0	0	0	(72)	0	**(238)**
Derecognition - Other	(8,943)	(1,070)	0	0	0	0	0	0	0	**(10,013)**
Revaluations Recognised in Revaluation Reserve	(465)	(184)	0	0	0	0	0	(546)	13	**(1,182)**
Revaluations Recognised in Surplus/Deficit on Provision of Services	(8,922)	(36,559)	0	0	0	0	(700)	(166)	(968)	**(47,315)**
Assets reclassified (to)/from Held for Sale	(957)	0	0	0	0	0	0	0	(1,255)	**(2,212)**
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	0	0	**0**
Other movements in Cost or Valuation	1,223	(1,106)	798	0	0	0	0	(117)	0	**798**
At 31 March 2012	**445,836**	**290,403**	**19,184**	**15,862**	**75,833**	**1,014**	**28,675**	**16,476**	**10,213**	**903,496**
Accumulated Depreciation and Impairment										
At 1 April 2011	(12,551)	(5,392)	(6,425)	(3,489)	(12,296)	0	(2)	(274)	(93)	**(40,522)**
Depreciation charge	(5,736)	(2,833)	(2,075)	(495)	(2,047)	0	(1)	(144)	(46)	**(13,377)**
Depreciation written back to the Revaluation Reserve	9	0	0	0	0	0	0	0	0	**9**
Depreciation written back to Surplus/Deficit on Provision of Services	45	0	0	0	0	0	0	6	0	**51**
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	3	5	0	0	0	0	3	0	**11**

Derecognition - Other	2	0	0	0	0	0	0	0	0	**2**
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	(25)	21	(364)	0	0	0	0	3	0	**(365)**
At 31 March 2012	**(18,256)**	**(8,202)**	**(8,859)**	**(3,984)**	**(14,343)**	**0**	**(3)**	**(406)**	**(139)**	**(54,192)**
Net Book Value										
At 31 March 2011	**442,442**	**261,726**	**11,140**	**12,112**	**60,166**	**73**	**29,373**	**17,006**	**12,330**	**846,368**
At 31 March 2012	**427,580**	**282,201**	**10,325**	**11,878**	**61,490**	**1,014**	**28,672**	**16,070**	**10,074**	**849,304**

Restated Comparative 2010/11	**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	273,016	11,740	12,268	67,507	15	31,015	15,714	4,195	**952,784**
Additions / Donations	4,898	4,699	5,826	1,073	4,955	58	11	0	8	**21,528**
Additions – Other	0	0	0	0	0	0	0	0	0	**0**
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**	**267,118**	**17,565**	**15,601**	**72,462**	**73**	**29,375**	**17,280**	**12,423**	**886,890**
Accumulated Depreciation and Impairment										
At 1 April 2010	(6,820)	(2,723)	(4,419)	(3,019)	(10,373)	0	(1)	(127)	(5)	**(27,487)**
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)**	**(5,392)**	**(6,425)**	**(3,489)**	**(12,296)**	**0**	**(2)**	**(274)**	**(93)**	**(40,522)**
Net Book Value										
At 31 March 2010	**530,494**	**270,293**	**7,321**	**9,249**	**57,134**	**15**	**31,014**	**15,587**	**4,190**	**925,297**
At 31 March 2011	**442,442**	**261,726**	**11,140**	**12,112**	**60,166**	**73**	**29,373**	**17,006**	**12,330**	**846,367**

Details of any impairment losses for any material impairment are shown in note 7 to these accounts.

Valuation of Property, Plant and Equipment

The freehold and leasehold properties which comprise the Council's property portfolio have been valued at 31 March 2012 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 to 39%, in line with guidelines issued by the Department for Communities and Local Government. There has been no change to the Social Housing Factor during 2011/12.

The Council has recognised total revaluation and impairment losses of £48.497m during 2011/12 (£92.766m in 2010/11) in respect of property, plant and equipment. The significant items (totalling £45.778m (94.39% of total impairments)) are shown below;

£1.045m in respect of a former secondary school, before transferring to Assets Held for Sale;

£36.018m, in respect of valuation of primary schools and the change of valuation method used for their associated playing fields;

£8.715m as a result of the desk top valuation exercise undertaken as at 31 March 2012 which reduced Council dwelling values by 1.92%.

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, under the relevant cost of service.

A desk top valuation of assets was undertaken to determine any increase or decrease in property values as at 31 March 2012. Three indices (Halifax, Land Registry and Department of Environment) were referenced in order to reach a decision. The indices indicated a reduction in Council dwellings of 1.92%. The indices showed no significant change for other asset types during the reporting period.

Details of the basis 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.

2010/11 £000		2011/12 £000
130,568	**Opening Capital Financing Requirement**	**137,973**
	Capital investment	
21,528	Property, Plant and Equipment	23,090
0	Investment Property	266
0	Intangible Assets	1,368
0	Held for Sale Assets	0
0	Heritage Assets	3
6,828	Revenue Expenditure Funded from Capital under Statute	8,805
1,329	Revenue Expenditure Funded under Capitalisation Directive	0
0	Development Corporation Assets Transferred	53,337
0	HRA Financing Reform	160,889
	Sources of finance	
(58)	Capital receipts	(1,351)
(15,937)	Government grants and other contributions (includes REFCUS & MRA)	(29,121)
	Sums set aside from revenue:	
0	• Direct revenue contributions	0
0	• Deferred Purchase	0
(5,724)	• MRP (including finance leases liabilities)	(6,844)
	• Statutory repayment of debt (finance leases liabilities)	
0	Development Corporation Assets Transferred	(53,337)
(561)	Other Adjustments	640
137,973	**Closing Capital Financing Requirement**	**295,718**
	Explanation of movements in year	
1,651	Increase in underlying need to borrowing (supported by government financial assistance)	(3,259)
5,402	Increase in underlying need to borrowing (unsupported by government financial assistance)	(523)
0	HRA Financing Reform	160,889
352	Assets acquired / adjusted under finance leases	638
7,405	**Increase/(Decrease) in Capital Financing Requirement**	**157,745**

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

Balance Sheet Item	2010/11	2011/12
	£000	**£000**
Property Plant & Equipment	846,367	849,304
Investment Property	3,482	2,744
Assets Held for Sale	59	1,255
Intangible Assets	734	1,368
Heritage Assets	20,002	20,873
Revaluation Reserve	(52,103)	(51,142)
Capital Adjustment Account	(680,569)	(528,684)
Total Capital Financing Requirement	**137,973**	**295,718**

Note 24 CAPITAL COMMITMENTS

As at 31st March 2012, the Council had authorised expenditure in future years of £18.310m. In addition a further £14.267m had been previously authorised for use in 2012/13 and 2013/14, giving a total future years' commitment of £32.577m. These commitments include the following significant schemes over £0.250m:

Capital Commitments – Schemes	**Expenditure Approved in 2011/12 £000**	**Expenditure Approved in 2012/13 £000**
Transport	1,180	2,102
Housing Revenue Account	1,103	1,793
Affordable Housing	993	1,427
Fleet Vehicle and Plant Replacement (including Waste Contract)	1,917	3,073
Traveller Site's Health and Safety Works	303	0
Children's Centres, Early Years and Quality and Access	308	0
Healthy Home Loans	304	304
Replacement Roof at Corringham Leisure Centre	330	330
Salix Initiative Fund	485	352
Devolved Formula Capital	859	315
Gable Hall Multi Trades Skills Centre	2,940	2,501
Environment Science and Land Based Studies Centre	479	0
North West Skills Centre	1,300	1,286
Treetops School – Kitchen, Dining and Changing Rooms	1,336	924
Chafford Hundred Primary School Expansion	2,330	1,296
Lansdowne Primary School Phase 3 – Refurbishment of Middle Block	1,051	0
Purfleet Primary School – Improvements to Classrooms	1,759	331
Stifford Primary School – Additional Classrooms	1,996	0
Tilbury Manor Primary Amalgamation Works	0	1,479
Aveley Primary Additional Classrooms	0	733
Tudor Court Expansion	0	2,118
Financial Systems – Oracle Upgrade	0	1,818
Disabled Facility Grants	0	503
Public Buildings – Renew Chiller Units	0	275
Purchase of Wheeled Bins	0	415
Rebuild and Refurbish South Ockendon Pavilion	0	260
Workshop Facilities at Oliver Close	0	450
Carbon Economy Programme	0	557
Total	**20,973**	**24,642**

Note 25 CONTRACTUAL COMMITMENTS

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

Contractor	Scheme	2011/12 £000	2012/13 £000
Hutton Construction	Hassenbrook School I.T. Block Replacement	21	0
Grehan Contractors	West Thurrock Primary School	99	0
A W Hardy	Stifford Primary Children's Centre	17	0
Vinci Construction	Ockendon Secondary School	57	0
Borras Construction	Chafford Hundred Primary School (Phase 1)	496	12
Morgan Sindall	Chafford Hundred Primary School (Phase 2)	0	1,073
Borras Construction	Lansdowne Primary School	362	0
Ashe Construction	Purfleet Primary School	1,334	65
Ashe Construction	Stifford Primary School	1,349	23
Borras Construction	St Clere's School	454	0
Turney Landscapes	St Clere's School	98	0
Borras Construction	St Clere's School	0	1,480
Durkan	Affordable Housing	1,770	1,004
Ashe Construction	Tudor Court Primary	0	1,144
Lakehouse	Treetops	0	416
Lakehouse	Aveley Primary	0	572

Note 26 SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

The following assets were owned by the Council as at 31 March 2012 and the figures as at 31 March 2011 are shown as comparators:

Property, Plant and Equipment		**2010/11**	**2011/12**
	No. of Assets	**No. of Assets**	**No. of Assets**
Council Dwellings	Housing and Bungalows	5,561	5,557
	Flats and Maisonettes	3,528	3,520
	Aged Person's Dwellings	1,222	1,222
	Traveller Sites	3	3
Land and Buildings	Sports Centres	3	3
	Village Halls	19	19
	Community Halls	33	33
	Offices/Depots, etc.	20	19
	Car and Lorry Parks	26	26
	Garages	2,745	2,745
	Theatre	1	1
	Schools/Colleges	44	43
	Other Education Assets	26	17
	Residential Homes	3	3
	Other Social Services Assets	7	7
	Libraries	8	8
	Magistrates Court	1	1
	Landfill Site	2	2
	Other Housing Assets	9	8
	Other General Fund Assets	1	1
	Hostels	1	1
	Scout Halls	8	8
Vehicles, Plant, Furniture and Equipment	Vehicles - Non Finance Lease	97	114
	Plant - Non Finance Lease	18	45
	Computer Equipment	8	8
	Equipment - Other	various	various
Community Assets	Parks	137	137
	Burial Grounds	8	8
	Allotment Sites	35	34
	War Memorials	10	10
	Historic Buildings	2	0
Infrastructure	Highways Land and Infrastructure	numerous	numerous
Commercial Properties	Shops	142	142
	Other Commercial	58	55
Assets under Construction		1	2

For Heritage Asset see Notes 58 to 60 of these financial statements.

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 2012 the Council held 46 Investment properties comprising 35 shops and 11 other commercial properties (the figures for 2010/11 were 35 and 10 respectively).

The freehold and leasehold properties which comprise the Council's investment property portfolio have been valued at 31 March 2012 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:

2010/11 £000		2011/12 £000
(172)	Rental income from investment property	(188)
0	Direct operating expenses arising from investment property	0
(172)	**Net (gain)/ loss**	**(188)**

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

2010/11 £000		2010/11 £000
3,481	**Balance at start of the year**	**3,481**
	Additions:	
0	- Purchases	266
0	- Construction	0
0	- Subsequent expenditure	0
0	Disposals	0
0	Net gains/losses from fair value adjustments	(1,004)
	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**	**2,743**

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.

2010/11				2011/12		
Internally Generated Assets	**Other Assets**	**Total**		**Internally Generated Assets**	**Other Assets**	**Total**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
			Balance at start of year:			
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**	**Net carrying amount at start of year**	**0**	**734**	**734**
			Additions:			
0	0	**0**	• Internal development	0	0	**0**
0	0	**0**	• Purchases	0	1,368	**1,368**
0	0	**0**	• Disposals	0	(1,958)	**(1,958)**
0	(245)	**(245)**	Amortisation for the period	0	(734)	**(734)**
0	0	**0**	Other changes	0	1,958	**1,958**
0	**734**	**734**	**Net carrying amount at end of year**	**0**	**1,368**	**1,368**
			Comprising:			
0	1,958	**1,958**	• Gross carrying amounts	0	1,368	**1,368**
0	(1,224)	**(1,224)**	• Accumulated amortisation	0		
0	**734**	**734**		**0**	**1,368**	**1,368**

Carrying Amount				
31 March 2011 £000	**Remaining Amortisation Period**		**31 March 2012 £000**	**Remaining Amortisation Period**
734	3 Yrs	Software	1,368	8 Yrs

Note 29 LEASES

The Council as Lessee:

Finance Leases:

The Council has acquired Property, Plant and Equipment directly under various leasing arrangements. These assets have been acquired over several years and many are not material under the council's materiality policy and hence not of sufficient current value to justify the setting up of full asset accounting arrangements under IFRS. In previous years Note 11 to these accounts dealt with embedded leases this information has now been restated and is included with all other leases 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:
:

2010/11 £000 Restated		2011/12 £000
	Finance lease liabilities (net present value of minimum lease payments):	
626	• current	651
2,452	• non current	2,389
	Finance costs payable in future years	0
3,078	Minimum lease payments	**3,040**

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

Minimum Lease Payments 2010/11 £000 Restated	Finance Lease Liabilities 2010/11 £000 Restated		Minimum Lease Payments 2011/12 £000	Finance Lease Liabilities 2011/12 £000
626	626	Not later than 1 year	651	651
2,452	3,089	Later than 1 year and not later than 5 years	2,389	2,387
	437	Later than 5 years	0	452
3,078	**4,152**		**3,040**	**3,490**

The carrying amount of leased assets is shown below:

2010/11 £000 Restated		2011/12 £000
124	Other Land and Buildings	113
3,342	Vehicles, Plant, Furniture and Equipment	2,610
3,466		**2,723**

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 2011/12 amounted to £98,966 (£98,042 in 2010/11).

The future minimum lease payments due under non-cancellable operating leases from 31 March 2012 onwards are as follows:

2010/11 £000		2011/12 £000
98	Not later than one year	99
0	Later than one year and not later than five years	
0	Later than five years	
98	**Total**	**99**

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:

2010/11 £000		2011/12 £000
98	Minimum lease payments	99
0	Contingent rents	
0	Sublease payments receivable	
98	**Total**	**99**

The Council as Lessor:

Finance Leases

There are no finances leases where the Council is the lessor.

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 2011 RESTATED £000		31 March 2012 £000
1,450	Not later than one year	1,066
2,202	Later than one year and not later than five years	3,136
4,206	Later than five years	5,732
7,858		**9,934**

Note 30 FINANCIAL INSTRUMENTS

a. Categories of Financial Instruments

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

At 31 March 2011 Current £000	At 31 March 2011 Long-term £000		At 31 March 2012 Current £000	At 31 March 2012 Long-term £000
		Investments		
23,078	0	Loans and receivables	7,065	0
0	0	Available-for-sale financial assets	0	0
0	0	Unquoted equity investment at cost	0	0
20,160	0	Financial assets at fair value through profit and loss	20,268	0
43,238	**0**	**Total Investments**	**27,333**	**0**
		Cash and Cash Equivalents		
12,266	0	Cash and Cash Equivalents	4,674	**0**
12,266	**0**	**Total Cash and Cash Equivalents**	**4,674**	**0**
		Debtors		
0	0	Loans and receivables	0	0
10,040	0	Financial assets carried at contract amounts	21,402	0
10,040	**0**	**Total Debtors**	**21,402**	**0**
		Borrowings		
(112,002)	(28,220)	Financial liabilities at amortised cost	(95,005)	(189,118)
0	0	Financial liabilities at fair value through profit and loss	0	0
(112,002)	**(28,220)**	**Total Borrowings**	**(95,005)**	**(189,118)**
		Other Liabilities		
(1,264)	(1,814)	Finance lease liabilities	(651)	(2,389)
(1,264)	**(1,814)**	**Total Liabilities**	**(651)**	**(2389)**
		Creditors		
0	0	Financial liabilities at amortised cost	0	0
(20,044)	0	Financial liabilities carried at contract amount	(21,139)	0
(20,044)	**0**	**Total Creditors**	**(21,139)**	**0**

During 2011/12 the Council continued to fund £84.5m of ex-long term PWLB funding by borrowing in the short end of the market to take advantage of the continuing low interest rates. On 28 March 2012 the Council also had to pay £160.889m to the Government with regards to HRA Self Financing which was borrowed from the PWLB on a long term basis.

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:

	2011/12						
	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	2,265						**2,265**
Losses on derecognition							
Reductions in fair value							
Impairment losses							
Fee expense							
Total expense in Surplus or Deficit on the Provision of Services	**2,265**						**2,265**
Interest income				(372)		(313)	**(685)**
Interest income accrued on impaired financial assets							
Increases in fair value							
Gains on derecognition							
Fee income							
Total income in Surplus or Deficit on the Provision of Services				**(372)**		**(313)**	**(685)**
Gains on revaluation							
Losses on revaluation							
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment							
Surplus/deficit arising on revaluation of financial assets in Other CIES							
Net gain/(loss) for the year	**2,265**			**(372)**		**(313)**	**1,580**

	2010/11

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**	**0**	**0**	**(423)**	**0**	**(288)**	**20,714**

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 2012.

- For market loans the Council's advisers have assessed fair value by using the equivalent swap rates ruling in the market on 31st March 2012;

- 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:

31 March 2011			31 March 2012	
Carrying amount £000	**Fair Value £000**		**Carrying amount £000**	**Fair Value £000**
(110,755)	(110,755)	Temporary Market Debt	(94,695)	(94,695)
(1,247)	(1,247)	Long Term Loans maturing in less than one year	(310)	(310)
(112,002)	**(112,002)**	**Short Term Borrowing**	**(95,005)**	**(95,005)**
0	0	PWLB Debt	(160,889)	(172,108)
(28,217)	(42,249)	Long Term Market Debt	(28,226)	(49,287)
(3)	(3)	Bonds/Annuities	(3)	(3)
(28,220)	**(42,252)**	**Long Term Borrowing**	**(189,118)**	**(221,398)**
(20,044)	(20,044)	Other Creditors at Contract Amounts	(21,139)	(21,139)
(3,078)	(3,078)	Total Leasing Liability	(3,040)	(3,040)
(163,344)	**(177,376)**	**Total Financial Liabilities**	**(308,302)**	**(340,582)**

31 March 2011			31 March 2012	
Carrying amount £000	**Fair value £000**		**Carrying Amount £000**	**Fair value £000**
23,078	23,078	Temporary Investments	7,065	7,065
20,160	20,160	Fund Managers Investments	20,268	20,268
43,238	**43,238**	**Short Term Investments**	**27,333**	**27,333**
30	30	Cash held by the Council	202	202
4,637	4,637	Bank Current Accounts	(527)	(527)
7,599	7,599	Short term deposits with Financial Institutions	4,999	4,999

12,266	**12,266**	**Cash and Cash Equivalents**	**4,674**	**4,674**
10,040	10,040	Other Debtors at Contract Amounts	21,402	21,402
65,544	**65,544**	**Total Financial Assets**	**53,409**	**53,409**

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 as they fall due;

- ***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 2011/12 the Operational Limit was £313.5m and the Authorised Limit was £338.5m,

    2. Its maximum and minimum exposures to fixed and variable rates. For 2011/12 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 2011/12 the Upper Limit for less than 12 months was 100%; 12 months to 40 years was 60% and for 40 years to 50 years and above was 100% while the Lower Limit in all periods was 0%.

    4. Its maximum annual exposure to investments maturing beyond a year. For 2011/12 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 31 March 2011	Amount at 31 March 2012	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2012	Estimated maximum exposure
	£000	£000	%	%	£000
Investec Target return Fund	4,999	5,000	0	0	0
Banks Rated AAA Long Term	4,020	4,690	0	0	0
Banks Rated AA Long Term	20,000	5,680	0	0	0
Banks Rated A Long Term	0	14,200	0	0	0
Co-Op Bank	1,000	0	0	0	0
Un-rated Building Societies - Overnight Only	2,600	0	0	0	0
Local Authorities	18,000	2,000	0	0	0
Cash	16	25	0	0	0
	50,635	**31,595**	**0**	**0**	**0**

The analysis in the above table is based on the nominal values of investments outstanding as at 31 March 2012 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 2012 that this was likely to crystallise.

The total amount of short-term debtors outstanding on the balance sheet as at 31 March 2012 was £30,226m, of which £21,402m are classed as financial instruments. The £21,402m is made up of £6.222m of Trade Debtors and £15,180m 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 £5.725m of the total balance was past its due date for payment at 31st March 2012. Therefore provision for bad debts of £0.619m has been calculated with reference to estimated default rates. Of the total £5.725m overdue, £3.681m was overdue by up to 365 days with the remaining £2.044m by more than one year. The Council considers that the remaining amount of Other Debtors were current debtors and therefore all receivable within one year.

An age analysis of amounts due is set out below:

31 March 2011 £000 Restated,		**31 March 2012 £000**
2,333	Less than three months	2,511
1,888	Three to six months	364
827	Six months to one year	805
2,277	More than one year	2,045
7,325	**Total Debtors Classed as Financial Instruments**	**5,725**

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 funds 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:

31 March 2010 £000	Maturity Profile of Financial Liabilities	31 March 2012 £000
(117,640)	Less than one year	(115,639)
0	Between one and two years	0
0	Between two and five years	0
(1,000)	Between five and ten years	0
0	Between ten and fifteen years	0
0	Between fifteen and twenty years	0
0	Between twenty and twenty five years	0
0	Between twenty five and thirty years	(18,000)
(18,000)	Between thirty and thirty five years	
0	Between thirty five and forty years	(36,000)
(10,000)	Between forty and forty five years	(135,889)
0	Over 45 years	
(146,640)	**Total Financial Liabilities**	**(305,528)**

The maturity analysis of financial assets is as follows:

31 March 2011 £000	Maturity Profile of Financial Assets	31 March 2012 £000
62,457	Less than one year	42,610
0	Between one and two years	0
0	Between two and five years	0
0	Between five and ten years	0
0	Between ten and fifteen years	0
0	Between fifteen and twenty years	0
0	Between twenty and twenty five years	0
0	Between twenty five and thirty years	0
0	Between thirty and thirty five years	0
0	Between thirty five and forty years	0
0	Between forty and forty five years	0
0	Over 45 years	0
62,457	**Total Financial Assets**	**42,610**

The maturity analysis of both financial assets and liabilities are based on the nominal value of the assets outstanding at 31st March 2012 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 2012 would have been:

2010/11 £000	Sensitivity Analysis	2011/12 £000
0	Increase in interest payable on variable rate borrowings	0
0	Increase in interest receivable on variable rate investments	0
0	Increase in government grant receivable for financing costs	0
0	Impact on Surplus or Deficit on the Provision of Services	0
0	Share of overall impact debited to the HRA	0
0	Decrease in fair value of fixed rate investment assets	0
0	**Impact on Other Comprehensive Income and Expenditure**	**0**
0	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)	34,735

Notes on the above table:

- ***Variable rate borrowing*** - The Council's variable rate borrowing consists of Lenders Option Borrowers Option (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 2011/12;

- ***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

Price Risk

The Council, with the exception of its' attributable share of the 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

A provision has been set a side with regards to possibility of insurance claims against the Council. The provision is made for certain claims where it is deemed there is the possibility that the Council will have to make a settlement based on past experience with regards to court decisions about the liability of these cases. Hence this may leave the Council having to pay damages.

An example of this is, the recent events involving Mesothelioma which is a form of cancer, caused by exposure to asbestos.

A recent judgement by the Supreme Court provided clarification in respect of Mesothelioma claims under Employers Liability policies. The Supreme Court ruled the insurer who was on risk at the time of exposure to asbestos are liable to pay compensation

Until the Council's insurers have formed a full investigation, the full financial implications of this judgement will not been known to the Council.

The Council also has a number of non material provisions set in place.

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

Balance at 1 April 2010	New Provisions	Release Provision	Transfer between current and non current	Discount Provision	Balance at 31 March 2011		Balance at 1 April 2011	New Provisions	Release Provision	Transfer between current and non current	Discount Provision	Balance at 31 March 2012
£000	£000	£000	£000	£000	£000		£000	£000	£000	£000	£000	£000
(355)	**(526)**	**531**	**0**	**0**	**(350)**	**Total**	**(350)**	(474)	713			**(111)**
0	0	0	0	0	**0**	Current Provision	**0**					
(355)	(526)	531	0	0	**(350)**	Non-Current Provision	**(350)**	(474)	713			**(111)**
(355)	**(526)**	**531**	**0**	**0**	**(350)**	**Total**	**(350)**	**(474)**	**713**			**(111)**

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:

31 March 2011 £000		31 March 2012 £000
7,514	Central government bodies	5,679
899	Other local authorities	125
1,188	NHS bodies	0
32	Public corporations and trading funds	0
14,495	Other entities and individuals	15,467
24,128	**Total**	**21,271**
0	Transferred from TTG Development Corporation (Receipts)	8,955
24,128	Consolidated total	**30,226**

Note 35 CASH AND CASH EQUIVALENTS

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

31 March 2011 £000		31 March 2012 £000
30	Cash held by the Council	202
4,637	Bank current accounts	(527)
7,599	Short-term deposits in UK banks & investments in money market funds	4,999
12,266	**Total Cash and Cash Equivalents**	**4,674**

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 2010/11 £000	**Non Current 2010/11 £000**		**Current 2011/12 £000**	**Non Current 2011/12 £000**
0	**0**	**Balance outstanding at start of year**	**59**	**0**
		Assets newly classified as held for sale:		
1,024	0	Property, Plant and Equipment	2,213	0
0	0	Intangible Assets	0	0
0	0	Capital Expenditure	0	0
		Revaluations and Impairments:		
(70)	0	Revaluation losses	(83)	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
(895)	0	Assets sold	(934)	0
0	0	Transfers from non current to current	0	0
0	0	Other movements	0	0
59	**0**	**Balance outstanding at year-end**	**1,255**	**0**

Note 37 SHORT-TERM CREDITORS

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

31 March 2011 £000		31 March 2012 £000
(1,993)	Central government bodies	0
(255)	Other local authorities	(2)
(361)	NHS bodies	(156)
(7)	Public corporations and trading funds	(18)
(34,901)	Other entities and individuals	(33,294)
(37,517)	**Total**	**(33,470)**
0	Transferred from TTG Development Corporation (S106 Monies)	**(3,264)**
(37,517)	Consolidated total	**(36,734)**

Note 38 USABLE RESERVES

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

31-Mar-11 £000		31-Mar-12 £000
(6,644)	General Fund Balance	(8,739)
(2,898)	Housing Revenue Account Balance	(1,048)
(13,220)	Earmarked Reserve	(23,980)
(2,347)	Capital Receipts Reserve	(1,587)
(3,806)	Major Repairs Reserve	(2,394)
(9,900)	Capital Grants Unapplied	(8,673)
(38,815)	**Total Usable Reserves**	**(46,421)**

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:

31-Mar-11 £000 Restated		Notes	31-Mar-12 £000
(52,101)	Revaluation Reserve*	(a)	(51,142)
(680,569)	Capital Adjustment Account	(b)	(528,684)
15,506	Financial Instruments Adjustment Account	(c)	15,316
104,936	Pensions Reserve	(d)	153,579
591	Collection Fund (including the Collection Fund Adjustment Account)	(e)	936
2,176	Accumulated Absences Account	(f)	1,784
(609,461)	**Total Unusable Reserves**		**(408,211)**

* Includes £20,001,000 of heritage revaluation adjustment less £551,000 existing community asset value

(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.

2010/11 £000 Restated		2011/12 £000	
(45,905)	**Balance at 1 April**		**(52,102)**
(7,216)	Upward revaluation of assets	307	
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	

(53,121)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**307**
721	Difference between fair value depreciation and historical cost depreciation	552	
298	Accumulated gains on assets sold or scrapped	101	
1,019	Amount written off to the Capital Adjustment Account		653
(52,102)	**Balance at 31 March**		**(51,142)**

(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.

2010/11 £000			**2011/12 £000**
(772,728)	**Balance at 1 April**		**(680,569)**
	Reversal of items relating to capital expenditure debited or credited to the CIES:		
13,010	• Charges for depreciation of non current assets (PPE)	13,379	
93,064	• Revaluation and Impairment losses on Property, Plant and Equipment	48,495	
(360)	• Revaluation gains reversing previous losses (PPE)	(1,229)	
245	• Amortisation of intangible assets	734	
840	• Revenue expenditure funded from capital under statute (REFCUS) - net of Funding	8,784	
1,329	• Revenue expenditure funded from capital under Capital Direction	0	

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	
0	• Deferred Purchase	0	
338	• PPE written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	10,235	
895	• 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	934	
(298)	• Accumulated gains on assets sold or scrapped	(101)	
109,063		**81,231**	
(721)	Adjusting amounts written out of the Revaluation Reserve		(552)
108,342	**Net written out amount of the cost of non current assets consumed in the year**		**80,679**
	Capital financing applied in the year:		
(58)	• Use of the Capital Receipts Reserve to finance new capital expenditure	(1,351)	
(3,556)	• Use of the Major Repairs Reserve to finance new capital expenditure	(9,088)	
0	• Capital grants and contributions credited to the CIES that have been applied to capital financing	0	
(6,393)	• Application of grants to capital financing from the Capital Grants Unapplied Account	(20,149)	
0	• Voluntary provision for repayment of debt	0	
(5,724)	• Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances (including finance lease liabilities)	(6,844)	
	• Statutory repayment of debt (finance lease liabilities)		
	• Capital expenditure charged against the General Fund and HRA balances (DRC)		
	HRA Self financing Reform	160,889	
(522)	• Other Adjustments	0	
(16,253)		**123,457**	
0	Assets transferred from Development corporation		(53,337)

0	Movements in the market value of Investment Properties debited or credited to the CIES	1,004
70	Movements in assets held for sale debited or credited to the CIES	83
(680,569)	**Balance at 31 March**	**(528,684)**

(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. When rescheduled in 2010/11 the remaining life of the loans repaid ranged from 3–48 years. Therefore the balance on this account will be cleared over a period of 48 years with currently a further 47 years remaining.

2010/11 £000		**2011/12 £000**
(1,793)	**Balance at 1 April**	**15,505**
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
(1,793)		**15,505**
17,298	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	(189)
15,505	**Balance at 31 March**	**15,316**

(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.

2010/11 £000		2011/12 £000
135,555	**Balance at 1 April**	**104,936**
(15,758)	Actuarial gains or losses on pensions assets and liabilities	53,292
(3,678)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	6,499
(11,183)	Employer's pensions contributions and direct payments to pensioners payable in the year	(11,148)
104,936	**Balance at 31 March**	**153,579**

(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.

2010/11 £000		2011/12 £000
239	**Balance at 1 April**	**591**
352	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	345
591	**Balance at 31 March**	**936**

(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.

2010/11 £000		2011/12 £000
2,305	**Balance at 1 April**	**2,176**
(2,305)	Settlement or cancellation of accrual made at the end of the preceding year	(2,176)
2,176	Amounts accrued at the end of the current year	1,784
(129)	N.B. 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	(392)
2,176	**Balance at 31 March**	**1,784**

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 2011	Increase in Year	Decrease in Year	Balance as at 31 March 2012
	£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 2011	Increase in Year	Decrease in Year	Balance as at 31 March 2012
	£000	£000	£000	£000
Cory Environmental Trust	(1,093)	(2)	678	(417)
Veolia Environmental Services Cleanaway Mardyke	(1,302)	(218)	490	(1,030)
Total	**(2,395)**	**(220)**	**1,168**	**(1,447)**

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 2011/12 the Council paid a total of £6.717m, including £2.085m actual teachers' contributions, (£8.447m in 2010/11) 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 £24.811m in 2011/12 (£21.672m in 2010/11). These benefits are accrued for in the Council's Pensions Liability in the Balance Sheet.

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 42.

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 2010/11 £000	Unfunded Benefits 2010/11 £000		Unfunded Benefits 2011/12 £000	Local Government Pension Scheme 2011/12 £000
		Comprehensive Income and Expenditure Statement		
		Cost of Services:		
9,122	0	• current service costs	0	9,025
(19,234)	(496)	• past service costs/ (gains)	0	0

0	0	• settlements and curtailments	0	(5,554)
		Financing and Investment Income and Expenditure:		
18,327	545	• interest cost	(478)	16,647
(11,893)	0	• expected return on scheme assets		(13,619)
(3,678)	**49**	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**(478)**	**6,499**
		Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
(15,758)		• actuarial (gains) and losses		53,292
(19,436)		**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**		**59,791**
		Movement in Reserves Statement		
3,678	(49)	• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(478)	(6,499)
		Actual amount charged against the General Fund Balance for pensions in the year:		
11,183	617	• employers' contributions payable to scheme	629	11,148
0	(617)	• retirement benefits payable to pensioners	(629)	0

The cumulative amount of actuarial gains and losses, since 1 April 2005 recognised in the Comprehensive Income and Expenditure Statement to 31 March 2012 is a £37.534m 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) 2010/11 £000	Unfunded Benefits 2010/11 £000		Unfunded Benefits 2011/12 £000	Local Government Pension Scheme (all benefits) 2011/12 £000
325,352	**(10,035)**	**Opening balance at 1 April**	**(8,997)**	**308,195**
9,122		Current service cost		9,025
18,327	(545)	Interest cost	(478)	16,647
3,199	0	Contributions by scheme participants	0	2,870
0		Liabilities extinguished on settlements	0	(10,444)
(20,086)	470	Actuarial (gains) and losses	(1,233)	41,930
(8,485)	617	Benefits/Transfers paid	629	(10,946)
(19,234)	496	Past service costs/ (gains)	0	0
0	0	Entity combinations	0	0
0	0	Curtailments & Settlements	0	672
308,195	**(8,997)**	**Closing balance at 31 March**	**(10,079)**	**357,949**

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

Local Government Pension Scheme (all benefits) 2010/11 £000		Local Government Pension Scheme (all benefits) 2011/12 £000
189,797	**Opening balance at 1 April**	**203,259**
11,893	Expected rate of return	13,619
(4,328)	Actuarial gains and (losses)	(11,362)
11,183	Employer contributions	11,148
3,199	Contributions by scheme participants	2,870
(8,485)	Benefits/Transfers paid	(10,946)
0	Entity combinations	0
0	Receipt/(Payment) of bulk transfer value	(4,218)
203,259	**Closing balance at 31 March**	**204,370**

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 £2.258m (£18.504m in 2010/11).

Scheme History

The scheme history is summarised as follows:

	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Present value of liabilities:					
Local Government Pension Scheme (all Benefits):	271,862	233,819	325,352	308,195	357,949
Fair value of assets in the Local Government Pension Scheme:					

Local Government Pension Scheme (all Benefits):	(168,126)	(135,766)	(189,797)	(203,259)	(204,370)
Surplus/(deficit) in the scheme:	**103,736**	**98,053**	**135,555**	**104,936**	**153,579**

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 £357.949m 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 2013 is £10.548m.

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 2010/11		**Local Government Pension Scheme 2011/12**
	Long-term expected rate of return on assets in the scheme:	
7.50%	Equity investments	6.40%
4.40%	Government Bonds	3.30%
5.10%	Other Bonds	4.60%
6.50%	Property	5.40%
0.50%	Cash/Liquidity	0.50%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.6 yrs	Men	22.7 yrs
25.2 yrs	Women	25.3 yrs

	Longevity at 65 for future pensioners:	
24 yrs	Men	24.1yrs
26.8 yrs	Women	26.8 yrs
2.90%	Rate of inflation (CPI)	2.50%
4.40%	Rate of increase in salaries	4.30%
2.90%	Rate of increase in pensions	2.50%
5.50%	Rate for discounting scheme liabilities	4.60%
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 March 11 %		**31 March 12 %**
70	Equity investments	70
7	Government Bonds	4
10	Other Bonds	10
11	Property	14
3	Cash/Liquidity	2
100		**100**

History of Experience of Gains and Losses

The actuarial gains which are identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012 and the previous four years.

	2007/08 %	**2008/09 %**	**2009/10 %**	**2010/11 %**	**2011/12 %**
Differences between the Expected and Actual Return on Assets	(13)	(35)	(21)	(2)	(5)
Experience of gains and losses on liabilities	2	0	0	6	0

Note 43 OPERATING ACTIVITIES CASH FLOW STATEMENT

2010/11 £000		2011/12 £000
711	Interest Received	671
70	Interest Received Opening Debtor	78
78	Interest Received Closing Debtor	65
(21,425)	Interest paid	(1,811)
4	Adjustments for differences between EIR and actual interest payable	8
1,794	Interest Paid Opening Creditor	966
966	Interest Paid Closing Creditor	505

Note: the table above only includes interest received and interest paid in line with the disclosure requirements of the Code of Practice 2011/12, 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:

2010/11 £'000		2011/12 £'000
(21,131)	Purchase of property, plant and equipment, investment property and intangible assets	(16,452)
352	New Finance Leases	0
0	Capital grant repaid	(5,000)
(1,138)	Opening Capital Creditors	(1,539)
1,539	Closing Capital Creditors	4,304
(12,000)	Purchase of short-term and long-term investments	
	Other payments for investing activities	
1,807	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,981
17,831	Proceeds from shot-term and long-term investments	16,000
14,008	Other receipts from investing activities (including capital grants)	17,386
1,268	**Net cash flows from investing activities**	**16,680**

Note 45 FINANCING ACTIVITIES CASH FLOW STATEMENT

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

2010/11 £'000		2011/12 £'000
533,300	Cash receipts of short and long-term borrowing	508,389
9,986	Billing Authorities - Council Tax and NNDR adjustments	2,305
0	Other receipts from financing activities	0
620	Cash payments for the reduction of the outstanding liabilities (finance leases)	672
(541,419)	Repayments of short- and long-term borrowing	(364,600)
0	Other payments for financing activities	0
2,487	**Net cash flows from financing activities**	**146,766**

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 2010/11 and 2011/12.

2010/11 £000 Restated		2011/12 £000
	Credited to Taxation and Non Specific Grant Income	
	Revenue	
(56,986)	Council Tax (include surplus/deficit on collection fund))	(56,502)
(52,187)	National Non Domestic Rates	(47,009)
(7,578)	Revenue Support Grant	(8,293)
(9,121)	Local Area Based Grant	(5,762)
	New Homes Bonus	(485)
	Council Tax Freeze Grant	(1,434)
	Early Intervention Grant	(7,568)
	Learning Disability and health reform	(4,408)
	Council Tax Benefit Admin Grant	(1,364)
	Preventing Homelessness Grant	(153)
	Fisheries and Flood defence	(132)
	Capital	
(3)	East of England Development Agency	0
(1,724)	Department for Transport	(3,046)
(291)	Section 106	(634)
(104)	Department for Environment, Food and Rural Affairs	0
(2,972)	Department for Education	(7,460)
(215)	Department of Health	0
(136)	Department of Communities and Local Government	(45)
(32)	Thurrock Thames Gateway Development Corporation	(120)
(477)	Other	(271)
(131,826)	**Total**	**(144,686)**
	Credited to Services	
	Revenue	

(64,837)	Housing and Council Tax Benefit	(67,937)
0	LSTF	(435)
(97,352)	Dedicated Schools Grant	(94,611)
(10,924)	Standards Fund	(606)
0	Music Education Grant	(425)
0	Adult Leaning	(686)
(5,959)	Surestart	0
(4,459)	School Standards Fund	0
(1,310)	Devolved Formula Capital	0
(2,563)	Basic Need Safety Valve	0
(2,016)	Other school capital grants	0
0	Workforce Planning	(342)
(126)	Aids Support Grant	0
(711)	Refugees' Grant - Children	0
(59)	DAT Grant	(45)
(90)	DOH Grant	(1,548)
(125)	Young Persons' Substance Misuse Grant	(81)
0	Safer Communities Fund	(130)
0	TCAC Pump Priming Grant	(145)
0	LPSA Reward Grant	(58)
(1,447)	LAA Grants	0
0	Positive Activities for Young People Grant	0
(74)	Aim Higher Funding	(12)
0	Targeted Mental Health in Schools	0
(1,500)	Health Authority Joint Funding	0
(4,630)	LD Section 28A Partnership	0
0	Inter Agency Finance	(94)
0	Refugee Grant	(293)
0	Youth Justice Board	(370)
0	Sports Development	0
0	Public Transport	(12)
0	Contributions from Other Local Authorities	0
(3,677)	Contributions from Other Bodies	0
0	ERDF Knowledge	(149)
0	ERDF Low Carbon	(511)
0	National Standard Cycling	(68)
0	Re-ablement Grant	(2,656)

0	YPLA	(1,601)
	Credited to Schools:	
	Pupil Premium Grant	(1,550)
(156)	Grants	(79)
(58)	Contributions from Other Bodies	0
(525)	Donations	0
(202,598)	**Total**	**(174,445)**

N.B. In the financial statements for 2010/11 housing subsidy was incorrectly included in the above table. As this is not a grant from central government it has been removed from the comparative 2010/11 column of the table.

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:

31 March 2011 £000		**31 March 2012 £000**
	Capital Grants & Contributions - Receipts in Advance	
(1,197)	Section 106	(1,092)
(11,071)	Department for Education	(4,771)
(338)	Department of Communities and Local Government	(221)
(177)	Environmental Trusts	(155)
(722)	Port of London Authority	(725)
(13,505)	**Total**	(6,964)

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 has met the government arrangements with the Department for Communities and Local Government (DCLG) and the monies are being spent against targeted priorities in the forthcoming year.

Note 48 CONTINGENT LIABILITIES

The Council has an outstanding dispute with Take 4 Personnel for the sum of £50,000. Take 4 Personnel provided the Council with agency care staff to cater for Adult Social Care needs within the period of April 2011 to March 2012.

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 liabilities being transferred.

The Council also have a material contingent liability fund set side in respect of insurance claims. The Council is unable to identify with accuracy at this point which insurance claims we may have to make a payment to in the future. However a ***MMI Reserve*** has been 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;

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 Service 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	**Sustainable Communities**	**People Services**	**Delivery Unit**	**Transformation**	**Finance and Corporate Governance**	**Housing General Fund**	**Housing Revenue Account**	**Core Accountancy**	**Total**
2011/12 Figures	**£000**	**£000**	**£000**	**£000**	**£000**			**£000**	**£000**
Fees, charges & other service income	(11,944)	(74,481)	(1,419)	(33,535)	(8,991)	(479)	(45,716)	0	**(176,565)**
Government Grants	(514)	(99,620)	(703)	0	(68,236)	(783)	0	0	**(169,856)**
Earmarked Reserves	0	0	0	0	0	0	0	4,755	**4,755**
Total Income	**(12,458)**	**(174,101)**	**(2,122)**	**(33,535)**	**(77,227)**	**(1,262)**	**(45,716)**	**4,755**	**(341,666)**
Employee expenses	7,764	62,904	1,225	1,040	(1,944)	642	5,363	0	**76,994**
Other service expenses	27,954	217,920	3,437	31,213	77,800	1,881	210,221	0	**570,426**
Support service recharges	3,271	10,452	149	2,168	8,118	165	1,995	0	**26,318**
Deferment of Expenditure	0	0	0	0	0	0	0	0	**0**
Total Expenditure	**38,989**	**291,276**	**4,811**	**34,421**	**83,974**	**2,688**	**217,579**	**0**	**673,738**
Net Expenditure	**26,531**	**117,175**	**2,689**	**886**	**6,747**	**1,426**	**171,863**	**4,755**	**332,072**

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

2010/11 £000	Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	2011/12 £000
113,813	Net expenditure in the Directorate Analysis	332,072
0	Net expenditure of services and support services not included in the Analysis	0
93,866	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	0
(14,121)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(4,755)
0	Other amounts and transfers	0
193,558	**Cost of Services in Comprehensive Income and Expenditure Statement**	**327,317**

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.

2011/12 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	(171,810)	0	0	0	0	**(171,810)**	0	**(171,810)**
Interest and investment income	0	0	0	0	0	**0**	(872)	**(872)**
Income from council tax	0	0	0	0	0	**0**	(56,502)	**(56,502)**
Government grants and contributions	(169,856)	0	0	(4,755)	0	**(174,611)**	(88,184)	**(262,795)**
Total Income	**(341,666)**	**0**	**0**	**(4,755)**	**0**	**(346,421)**	**(145,558)**	**(491,979)**

Employee expenses	76,994	0	0	0	0	**76,994**	0	**76,994**
Other service expenses	507,962	0	0	0	0	**507,962**	3,028	**510,990**
Support Service recharges	26,318	0	0	0	0	**26,318**	0	**26,318**
Depreciation, amortisation and impairment	62,464	0	0	0	0	**62,464**	0	**62,464**
Interest Payments	0	0	0	0	0	**0**	2,171	**2,171**
Precepts & Levies	0	0	0	0	0	**0**	518	**518**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	**0**	1,409	**1,409**
(Gain) or Loss on Disposal of Fixed Assets	0	0	0	0	0	**0**	9,176	**9,176**
Total expenditure	**673,738**	**0**	**0**	**0**	**0**	**673,738**	**16,302**	**690,040**
Surplus or deficit on the provision of services	**332,072**	**0**	**0**	**(4,755)**	**0**	**327,317**	**(129,256)**	**198,061**

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.

Directorate Income and Expenditure	**Sustainable Communities**	**Children, Eduction and Families**	**Community Well-being**	**Transformation**	**Finance and Corporate Governance**	**Core Accountancy**	**Total**
2010/11 Figures Comparative	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£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**
Deferment of Expenditure							
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**

2010/11 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	(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**

Note 50 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue on 29 June 2012. 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 2012, 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 the 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 51 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 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					
Balance outstanding at 31 March 2011	**59**	**10**	**16**	**56**	**141**
Purchases	905	14	7	137	**1,063**
Recognised as an expense in the year	(667)	(4)	(6)	(9)	**(686)**
Written off balances					
Reversals of write-offs in previous years					
Balance outstanding at 31 March 2012	**297**	**20**	**17**	**184**	**518**

Note 52 CONTINGENT ASSETS

In the 2010/11 statement a contingent asset was listed in regard to the pending transfer of asset from the Development Corporation. The transfer was effective from 30 March 2012 and the details are included in note 5.

There are no material contingent assets to report in 2011/12.

Note 53 SOFT LOANS

As at the 31st March 2012 the council had no outstanding soft loans due.

Note 54 POOLED BUDGETS

The Authority has entered into a pooled budget arrangement with South West Essex PCT for the provision of mental health services to meet the needs of people living in the Thurrock Council area, the services being provided by the Authority or the Trust depending upon the mix required by clients. The Authority and the Trust have an agreement in place for funding these services that will run for five years from 2010/11, with the partners contributing funds to the agreed budget equal to 40% and 60% of the budget respectively. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

Funding provided to the pooled budget:		2010-11 £'000		2011-12 £'000
The Authority		5,460		5,102
The Trust	3,412		3,189	
Expenditure met from the pooled budget	(8,872)			(8,291)
The Authority	5,460		5,103	
The Trust	3,412		2,470	
Net Surplus/(Deficit) arising on the		0		718
pooled budget during the year		0		718
Authority share of 50% of the net surplus		0		359
arising on the pooled budget		0		0

Note 55 INTERESTS IN COMPANIES AND OTHER ENTITIES

During the year the council had no interest in any company or entity.

Note 56 PARTNERSHIPS

During the year the Council had an interest and also worked with its partners in delivering services, and operates under 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. Europa are employed as a sub-contractor for Vertex, therefore Europa do not have a partnership contract with the Council. However Europa also helps maintain in the Council delivering such services.

The Council have a partnership with Essex Police to provide public protection. The Council, part-funds 14 posts for the role of Police Community Support Officers within the area.

The Council has a partnership agreement with the London Borough of Havering, in which they manage the Council’s catering service. The Council are charge £40,000 per annum as a management charge. The catering staff, continue to be employed by the Council.

The Council has an agreement of commissioning of services through the Children and Young Peoples Partnership and other providers which is undertaken to ensure a range of services and support are available for children aged 0-5 years and their families. Examples of these include parenting support and advice, stay and play sessions to promote early attachment and development. And also the commissioning of early years provision for eligible two, three and four year olds in the private and voluntary sector.

The Council benefits from sharing legal services and the Monitoring Officers with Barking and Dagenham Council.

The Council under the Crime and Disorder Act 1998 is required to establish a partnership with the Youth Offending Service. The Council works in partnership with Essex Probation Service, Essex Police Authority and the South East and South West Primary Care Trusts (PCTs) to run this service. These partnership agencies along with our youth offending team, are working to support the aim of the Youth Justice System – the prevention of offending by children and young people.

Note 57 HERITAGE ASSETS THREE YEAR SUMMARY OF TRANSACTIONS

For 2011/12 the Authority has been required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community Assets (that are now to be classified as Heritage assets) that were donated to the authority were held at valuation as a proxy for historical cost. The Authority's accounting policies for recognition and measurement of heritage assets are set out in the Authority's summary of significant accounting policies.

In applying the new accounting policy, the Authority has identified that the assets that were previously held as community assets within property, plant and equipment at £0.551m should now be recognised as heritage assets and measured with other artefacts at a total of £20.8 million with a corresponding increase in the Revaluation Reserve. These assets relate to buildings, Art, a coin collection, Ship models and antiques.

Again, this increase is also recognised in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £19.383 million. The element that was previously recognised in property, plant and equipment has been reclassified and written down by £0.6 million. The revaluation reserve has increased by £19.4 million.

The fully restated 1 April 2011 Balance Sheet is provided on page 16. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Cost of Acquisitions of Heritage Assets	2009-10 £'000	2010-11 £'000	2011-12 £'000
Buildings	19,261	19,879	20,751
Collection including Art	122	123	122
Total Value of Assets	19,393	20,002	20,873

58 HERITAGE ASSETS FURTHER INFORMATION ON THE MUSEUMS COLLECTION

Heritage assets are valued where material and in a collection of over 500,000 items only a few are material. As at 31st March 2012 the buildings and values were as follows

Buildings	31/3/12 £
Barrel Store Purfleet	998,000
Clock Tower Purfleet	149,000
Magazine No 5 Purfleet	4,500,000
Stink Pipe	95,000
Pound Orsett	9,000
Coalhouse Fort	15,000,000
Total Buildings	**20,751,000**
Artefacts	
Painting English School, Belhus, 18th Century	12,000
Painting English School, 'Wind against tide' 19th Century	2,000
Painting English School, circa 1820, 'Tilbury Fort' Essex	700
8 Items Heraldic Glass	4,700
Regency Brass Octagonal hall lantern	6,000
Belhus Fireplace	8,000
West Thurrock Amphora burial	2,000
Wooden Ship Model MV 'British Confidence'	4,000
Victorian Wooden Training Ship Model	1,500
Wooden Ship Model 'SS Glenroy'	8,000
Large brass ships Bell 'HMS Essex'	1,500
Collection of Potin Coins	58,890
Medieval Stone Head of a man	1,500
15th Century carved oak four panel screen	2,000
Victorian Silver Medal	1,200
Thurrock Urban District Council Mayors regalia 1	800
Thurrock Urban District Council Mayors regalia 2	4,000
19th Century Town Hall Clock	2,000
George III brass bound mahogany w3riting box	1,200
Total	**121,990**
Grand Total	**20,872,990**

Note 59 HERITAGE ASSETSCHANGE IN ACCOUNTING POLICY

The change in stated figures is as stated elsewhere, there have been no significant impairments of assets and therefore no material adjustments are needed in the MiRs. The additional values have been placed in the balance sheet with restated figures for 2010/11

Note 60 Financial Guarantees

The Council is required to disclose any financial guarantee's it may have. Within the time period of 2010/11 and 2011/12 the Council had no financial guarantees of material value.

Note 61 Onerous Contracts

The Council is required to disclose any onerous contracts it may have. Within the time period of 2010/11 and 2011/12 the Council had no onerous contracts of material value.

HOUSING REVENUE ACCOUNT 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		2010/11 £'000	2011/12 £'000
	EXPENDITURE		
	Repairs and Maintenance	11,985	13,175
	Supervision and Management	15,560	16,244
	Rents, Rates, Taxes and Other Charges	44	77
2	Negative Subsidy Payable	12,621	12,632
3	Depreciation and Impairment of Non Current Assets	93,278	15,039
	Debt Management Costs	22	203
	Movement in the Allowance for Bad Debts	702	(168)
	Deferred Purchase Capital Payment	0	0
10	HRA Self Finance Payment	0	160,889
	Total Expenditure	**134,212**	**218,091**
	INCOME		
1	Gross Rent from Dwellings	(36,300)	(38,762)
	Less Voids	302	738
	Net Rent from Dwellings (sub total)	**(35,998)**	**(38,024)**
	Non Dwelling Rents:		
	Shop Rents	(768)	(793)
	Garage Rents	(816)	(769)
	Premises Income	(32)	(213)
	Non Dwelling Rents (sub-total)	**(1,616)**	**(1,775)**
	Charges for Services and Facilities:		
	Water Charges	(4,643)	(4,964)
	Supervision and Management	(571)	0
	Central Heating Charges	(37)	(38)
	Charges for Services and Facilities (sub total)	**(5,251)**	**(5,002)**
	Contributions Towards Expenditure:		
	General Fund Transfer: Use of Housing Amenities	(23)	(23)
	Leaseholder Charges	(517)	(487)
	Tenants Service Charges	(1,870)	(1,961)
	Transfer from Holding Account	(109)	0
	Contributions Towards Expenditure (sub total)	**(2,519)**	**(2,471)**
	Miscellaneous Income	(350)	0
	Total Income	**(45,734)**	**(47,272)**
	Net Cost of Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	**88,478**	**170,819**
	HRA services' share of Corporate and Democratic Core and Non Distributed Costs	85	68
	Net (Income)/ Expenditure for HRA Services Service's	**88,563**	**170,887**

Notes	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	(485)	8,027
	Interest payable and similar charges (Deferred Purchase Interest)	0	0
	Amortisation of Premiums and Discounts (Premium on Debt Restructuring)	21	24
	Income and expenditure in relation to investment properties and changes in their fair value	(128)	0
	Interest and Investment Income	61	(12)
4	Pensions interest cost and expected return on Pension Assets	423	0
	Capital Grants and Contributions Receivable	0	(573)
	(Surplus)/ Deficit for the Year on HRA Services	**88,455**	**178,353**

Included within the expenditure amount is an exceptional payment of £160.889m relating to the housing revenue account self financing reform of Housing Subsidy.

MOVEMENT ON HRA BALANCE

Notes		2010/11 £'000	2011/12 £'000
	Balance on HRA at 1 April	**(2,409)**	**(2,898)**
	(Surplus)/ Deficit for the Year on HRA Services	88,455	178,353
	Adjustments Between Accounting Basis and Funding Basis under Statute:		
5	Transfers to/ (from) Accumulated Absences Account	0	(20)
	Gain or (loss) on sale of HRA non-current assets	485	(8,027)
	Capital Expenditure Funded by HRA	0	0
	Transfer to/ (from) Pension Reserve	(617)	(205)
	Net (Increase)/ Decrease before Transfers to/ (from) Reserves	**88,323**	**170,101**
	Transfer to/ (from) Reserves:		
7	Transfer to/ (from) Major Repairs Reserve	(2,075)	1,596
	Transfer to/ (from) Capital Adjustment Account	(86,737)	(169,846)
	(Increase)/ Decrease in the Year on the HRA Balance	**(489)**	**1,851**
	Balance on HRA at 31 March	**(2,898)**	**(1,047)**

NOTES TO THE HOUSING REVENUE ACCOUNT

Note 1 GROSS RENT INCOME

The level of rent arrears was as follows:

Rent Arrears	**2010/11**	**2011/12**
	£000	**£000**
Gross Current Arrears at 31 March	973	1,043
As a Proportion of Gross Rent Income Collectable in the Year	2.69%	2.69%
Former Tenant Arrears at 31 March	670	402

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	**2010/11**	**2011/12**
	£000	**£000**
Management Allowance	5,752	5,878
Maintenance Allowance	11,933	12,170
Major Repairs Allowance	7,465	7,677
MRA Adjustment from Pre-Budget Report 2008	(3,000)	0
Charges for Capital	1,140	515
Other Items of Reckonable Expenditure	0	0
Less:		
Notional Rent Income	(35,909)	(38,869)
Prior Year Adjustments	0	0
Interest on Receipts	(2)	(3)
HRA Subsidy Payable	**(12,621)**	**(12,632)**

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. Of the amount charged to the Capital Adjustment Account £169.846m the sum of £160.889m related to the HRA self Financing payment in respect of the HRA subsidy reform (Note 10).

Analysis of Depreciation and Impairment Charges	**2010/11**	**2011/12**
	£000	**£000**

Analysis of Depreciation and Impairment Charges	2010/11	2011/12
	£000	£000
Depreciation:		
Dwellings	5,744	5,736
Other Land and Buildings	164	165
Plant and Equipment	534	86
Non-Operational Property, Plant and Equipment	99	93
Impairment of Property, Plant and Equipment	86,737	8,959
Total for Year	**93,278**	**15,039**

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 10,311 dwellings during 2011/12. The Council's housing stock as at 31 March 2012 was 10,299 and comprised:

Number and Types of Properties at 31 March	31 March 2011	31 March 2012
Number of Houses and Bungalows	5,562	5,557
Number of Flats and Maisonettes	3,528	3,520
Number of Aged Person Dwellings	1,222	1,222
Total at 31 March	**10,312**	**10,299**

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

Change in Stock of Properties	2010/11	2011/12
Stock at 1 April	10,322	10,312
Less Sales	(10)	(20)
Additions	0	7
Stock at 31 March	**10,312**	**10,299**

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	2010/11	2011/12
	£000	£000
Operational Non-Current Assets:		
Dwellings and other land and buildings	457,067	442,246
Non-Operational Non-Current Assets	13,232	10,396
Totals	**470,299**	**452,642**

The vacant possession value of dwellings within the HRA as at 1st April 2012 was £1.096bn. 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	2010/11	2011/12
	£000	£000
Balance as at 1 April	(2,897)	(3,807)
Depreciation	(6,541)	(6,080)
Transfer to HRA	2,075	(1,596)
Financing of Capital Expenditure	3,556	9,089
Balances as at 31 March	**(3,807)**	**(2,394)**

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	2010/11	2011/12
	£000	£000
Major Repairs Reserve	3,556	9,089
Totals	**3,556**	**9,089**

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	2010/11	2011/12
	£'000	£'000

Sales of Dwellings	943	1,905
Sales of Other Non Current Assets	500	
	1,443	**1,905**

Note10 HRA SELF FINANCING PAYMENT

The one off expense of £160.889m is part of the Housing Revenue Account (HRA) subsidy reform. This is the cost of exiting the subsidy system towards the new self financing regime by which the council keeps all the rents and is not in receipt of or makes payment into the housing subsidy system. The overall benefit to the HRA is estimated to be circ. £6m.

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		2010/11 £'000	2011/12 £'000	2011/12 £'000
	INCOME			
2	Council Tax	(56,852)	(57,210)	
	Transfers from General Fund:			
	Council Tax Benefits	(11,052)	(11,047)	
3	Income Collectable from Business Ratepayers	(96,909)	(98,815)	
		(164,813)		**(167,072)**
	EXPENDITURE			
	Precepts and Demands:			
	Essex Police Authority	6,811	6,854	
	Essex Fire Authority	3,424	3,446	
	Thurrock Borough Council	56,998	57,212	
	Precepts and Demands (sub-total)	67,233		67,512
	Business Rates:			
	Payment to National Pool	96,677	98,583	
	Costs of Collection	232	232	
	Business Rates (sub-total)	96,909		98,815
	Provision for Bad Debts:			
	Change in Provision	251	424	
4	Write offs	1,517	1,399	
	Provision for Bad Debts (sub-total)	1,768		1,823
	CONTRIBUTIONS			
	Essex Police Authority	(69)	(85)	
	Essex Fire Authority	(35)	(43)	
	Thurrock Borough Council	(578)	(710)	
	Contributions (sub-total)	(682)		(838)
	Total Expenditure	**165,228**		**167,312**
	(Surplus)/ Deficit for Year	**415**		**240**
	Fund Balance Brought Forward	**281**		**696**
5	Fund Balance Carried Forward	**696**		**936**

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 2011/12 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*	11	5:9	6
A	6,022	6:9	4,015
B	11,071	7:9	8,611
C	23,496	8:9	20,885
D	10,173	9:9	10,173
E	4,021	11:9	4,915
F	1,931	13:9	2,789
G	733	15:9	1,222
H	27	18:9	54
	57,485		**52,670**
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.			790
Council Tax Base			**51,880**

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 2011/12 42.6p was the small business multiplier and 43.3p the large business multiplier (40.7p small business multiplier and 41.4p large business multiplier in 2010/11). 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 £47.009m 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 £97.329m.

The total Non-Domestic rateable value at the 31 March 2012 was £255,997,881 (£257,851,266 at 31 March 2011).

Note 4 BAD DEBTS

The Council Tax amounts written off during the year amounted to £1.399m (£1.517m in 2010/11). There is a provision in the sum of £2.757m 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
795	94	47	936

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THURROCK COUNCIL

Opinion on the Authority financial statements

I have audited the financial statements of Thurrock Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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 Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial 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 financial statements sufficient to give reasonable assurance that the financial 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 Director of Finance and Corporate Governance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Thurrock Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception
I report to you if:
• in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
• I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
• I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
• I exercise any other special powers of the auditor under the Audit Commission Act 1998.
I have nothing to report in these respects

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

Respective responsibilities of the Authority and the auditor

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.
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.

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

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 2011, 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 2012.
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.

Conclusion
On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, 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 ended 31 March 2012.

Delay in certification of completion of the audit

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

Debbie Hanson
Officer of the Audit Commission
Audit Commission
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28 September 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 rateable 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.