

2003/2004



**THURROCK COUNCIL  
STATEMENT OF ACCOUNTS  
2003/2004**

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Further information about the accounts is available from:

The Chief Finance Officer  
P.O. Box 1  
Civic Offices  
New Road  
Grays Thurrock  
Essex  
RM17 6LT

Telephone: (01375) 652652

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**REPORT OF THE CHIEF FINANCE OFFICER**

**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2004**

I am pleased to introduce the Council's Statement of Accounts for 2003/04. The publication includes all the financial statements and disclosure notes required by Accounting Code of Practice.

During 2003/04 the Council has been working hard to deliver services to the people of Thurrock to achieve its priorities of:

- Children at School
- Improving the Environment
- Supporting Vulnerable People

The Council's spending during the year has reflected these priorities.

Net expenditure on the Council's services charged to the General Fund was £913,000 greater than was estimated for in setting the original budget (or £445,000 excluding schools spending). However, net expenditure increased by £19.8 million as compared with the previous financial year, an increase of 14.55%. This reflects the increased demand for Council Services, including an increased focus on Environmental Services as well as services relating to children as provided by both Social Services and Education Services. The provision of education continues to be the focus of Council expenditure. Over £66 million was provided for schools in 2003/04. In addition to this, schools drew on their balances resulting in a net reduction of £0.469 million leaving the combined total sum of balances held by schools at £3.8 million.

Expenditure plans set out in the 2003/04 budget continue to reflect the growing demand. The Education budget once again matched the Government's Formula Spending Share (FSS). The increased provision (£2.5 million) was channelled into schools to reflect the priority of supporting children at school. The Council is determined to work with schools to improve the quality and raise attainment standards. The 2003/04 budget also incorporated a 22% increase in the budget for Social Services in order to achieve significant service improvements in that area. Additionally, the Council has made a significant investment in improving waste collection, disposal and recycling. It has also sought to develop the street wardens and community development programmes by increasing the number of posts.

The Housing Revenue Account (HRA), which deals with expenditure and income on the provision of Council housing, experienced a deficit of £2.3 million, thereby reducing its balance to £2.6 million. Much of this resulted from service improvements and increasing costs of repairs and maintenance. Service improvements to the value of £0.49 million were approved for the year and were the subject of tenant consultation. However, the rent increase was held at 2.9%.

The Council's Capital Programme for 2003/04 included a number of significant schemes. For example, the Transport programme included expenditure of £5.5 million on a major highway scheme designed to bring relief to West Thurrock's roads. In Education £7.2 million was spent on improvements to school and college buildings. The Housing programme included a sum of £4.1 million spent on window renewal in the Council's housing stock and £1 million spent on replacement central heating.

I am pleased to report that the Council has successfully closed its accounts in accordance with the revised statutory deadline. This would not have been possible without the hard work and professionalism of the finance staff. I thank all staff for their assistance in the preparation of these accounts.

Andrew Hardingham CPFA  
Chief Finance Officer

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### *The Authority's Responsibilities*

The authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

### *The Chief Finance Officer's Responsibilities*

The Chief Finance Officer is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year (ended 31st March 2004).

In preparing this statement of accounts the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the Code.

The Chief Finance Officer has also

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

### *The Chief Finance Officer's Certificate*

I certify that the statement of accounts set out on pages 9 to 50 present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2004.



Chief Finance Officer

Date: 28 July 2004

### *The Chair's Responsibilities*

In accordance with the requirements of S10 of the Accounts and Audit Regulations I confirm that the Statement of Accounts was approved by resolution of the full Council on 28th July 2004.



Leader of the Council

Date: 28 July 2004



## **INDEPENDENT AUDITOR'S REPORT TO THURROCK COUNCIL**

We have audited the statement of accounts on pages 20 to 50 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 9 to 13. This report is made solely to Thurrock Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

### **Respective Responsibilities of the Chief Finance Officer and Auditor/Auditors**

As described on page 2 the Chief Finance Officer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2003. Our responsibilities, as independent auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the statement of accounts present fairly:

- the financial position of the Council and its income and expenditure for the year,

We review whether the statement on internal control on pages 14 to 19 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2nd April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

### **Basis of audit opinion**

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

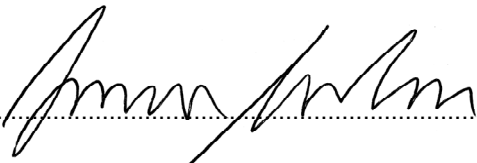
An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the financial statements.

### **Opinion**

In our opinion the statement of accounts present fairly the financial position of Thurrock Council as at 31st March 2004 and its income and expenditure for the year then ended.

**Certificate**

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

Signature:  .....

Date: 24 / 11 / 04 .....

Name: SIMON COOKSON .....

Audit Commission  
Sheffield House  
Lytton Way  
Stevenage. SG1 3HB

2003/2004



## EXPLANATORY FOREWORD

### 1. Introduction

This foreword provides a brief explanation of the financial position of the Council's outturn and highlights the significant features of its financial position. The Council adopts the accounting practices recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting, the Local Government SORP 2003 and the Accounts and Audit Regulations 2003.

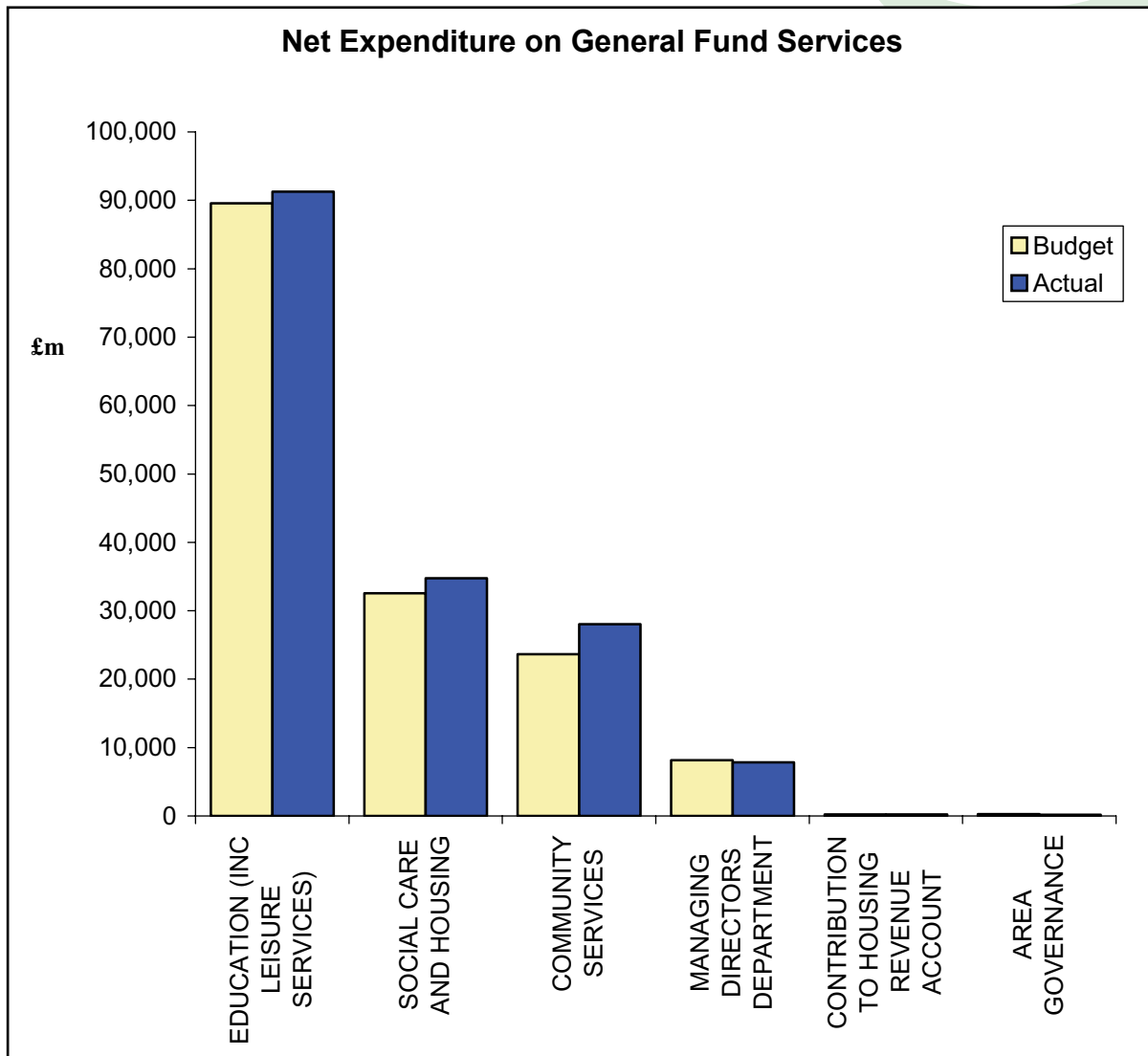
### 2. The Accounts

The Council's accounts for the year 2003/04 are set out on the following pages. They consist of:

- (i) *The Consolidated Revenue Account*  
This is the main revenue account of the Council which shows the expenditure and income of the various services for the year. Gross expenditure and income on the Council's General Fund and HRA is consolidated within the account.
- (ii) *Housing Revenue Account*  
The Housing Revenue Account sets out the expenditure and income arising from the provision, management and maintenance of the Council's housing stock. The Local Government and Housing Act 1989 introduced changes designed to "ring fence" the account; that is, to make it self supporting. Income items to the account include rents and Government subsidy while expenditure items include the costs of managing, maintaining and servicing the stock, and the cost of rent rebates to the Council's tenants.
- (iii) *The Collection Fund*  
The Collection Fund Income and Expenditure Statement shows the sources of income and the payments made by the Fund; principally precepts paid to Essex Police Authority and the demand by Thurrock Borough Council. Income and expenditure to the Collection Fund are prescribed by the Local Government Finance Act 1988 and the relevant regulations, directions and specifications issued as statutory instruments under the Act.
- (iv) *The Consolidated Balance Sheet*  
The Consolidated Balance Sheet sets out the Council's assets and liabilities as at 31st March 2004. Explanations and further information regarding many of the items listed are contained in the notes which follow the Balance Sheet.
- (v) *The Statement of Total Movements in Reserves*  
The Statement of Total Movements in Reserves brings together all recognised gains and losses of the Council during the period and identifies those which have and have not been recognised in the Consolidated Revenue Account. The statement separates the movements between revenue and capital.
- (vi) *The Cash Flow Statement*  
This statement summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties.

### 3. General Fund Revenue Expenditure

The net expenditure on General Fund services (before the use of balances) was £156.8 million for the year. This represents an increase of £1 million as compared to the original estimate. This sum has been met from the General Fund reserve. Included within net operating expenditure is the net expenditure on General Fund services, which totalled £162.3 million. A full report on the 2003/04 revenue out-turn was submitted to Cabinet on 14th July 2004. The graph below shows a comparison between the original budgeted expenditure on General Fund Services and the actual expenditure.



### 4. Housing Revenue Account

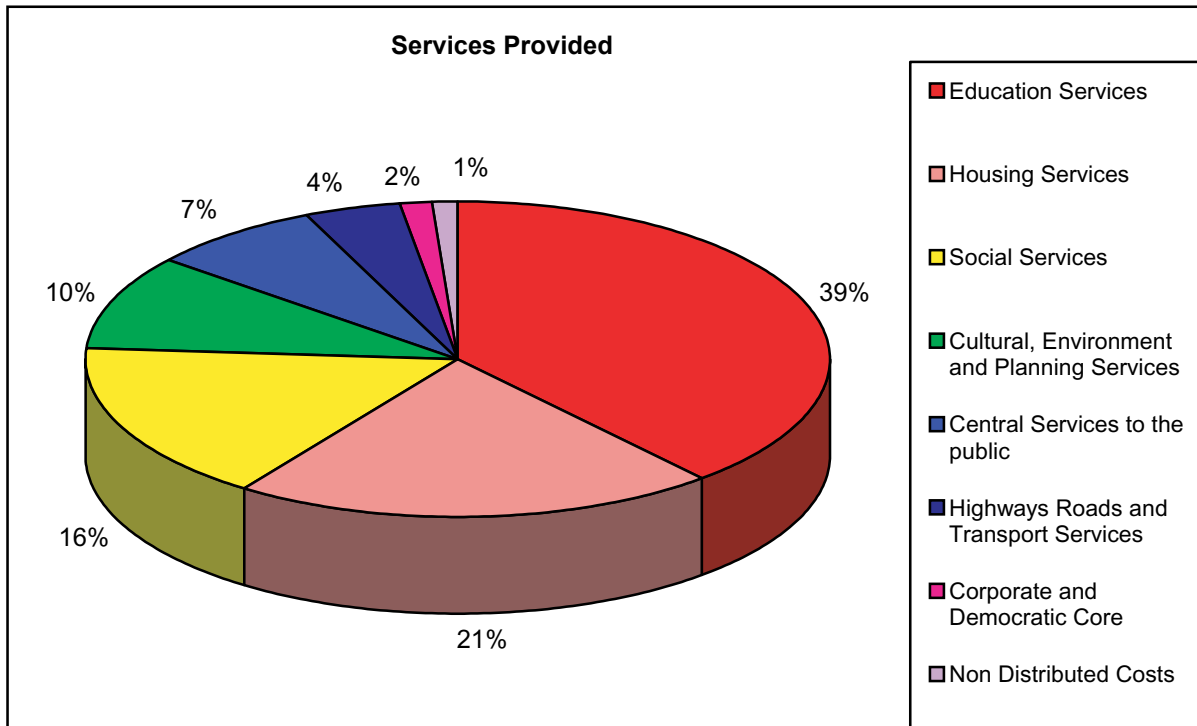
In 2003/04 the HRA recorded a deficit of £2.308 million. The HRA balance reduced to £2.621 million as at 31st March 2004.





**5. Services Provided**

The pie chart below shows how the expenditure referred to in paragraphs 3 and 4 above is incurred over the services provided (clockwise from the top).



**6. Capital Expenditure**

Note 3 to the Consolidated Balance Sheet contains details of the Council's capital expenditure (e.g. land acquisition, construction and improvements of buildings, purchase of vehicles, plant and equipment) and shows how it was financed. Total capital expenditure in 2003/04 amounted to £33.329 million (compared with £22.655 million in 2002/03). £7.214 million (21%) was spent on Education, £10.954 million (33%) on Highways and Transportation and £11.351 million (34%) on Housing. Financing of the Council's capital expenditure was from a number of sources including £11.952 million from loans, £8.172 million from Government Grants, £0.489 million from Developers' Contributions and £3.105 million from Capital Receipts (principally arising from the sale of Council houses).

Capital receipts generated from asset sales during the year totalled £11.341 million. Some £3.105 million of receipts were used to finance capital expenditure leaving a balance at the year end of £8.236 million compared with £6.568 million for the previous year. This balance represents receipts set aside in accordance with the requirements of the Local Government and Housing Act 1989 to meet debt repayment.

**7. Borrowing Facilities**

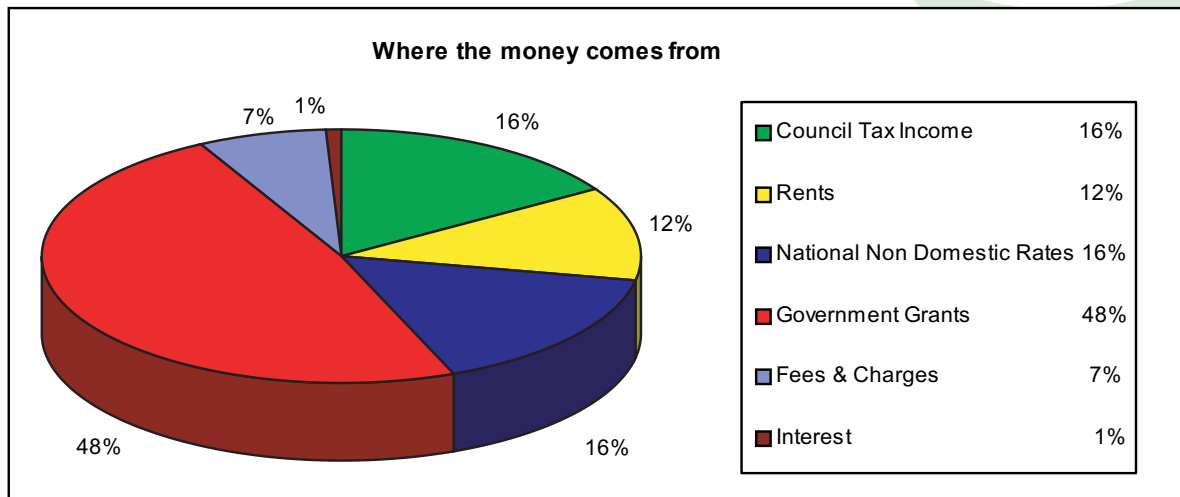
The Council can borrow for any purpose for which it is legally entitled to incur expenditure. Total borrowing is, however, limited both by Government regulation, the Aggregate Credit Limit, and by limits which the Council must set for itself each year. Within these limits, loans are raised not only for new capital requirements and to replace maturing debt, but also to meet short term revenue deficits or for cost saving restructuring of existing debt. Full details of the Council's loan transactions are given in Notes 12 and 14 to the Balance Sheet (page 38).

## 8. Summary

The following two pie charts show in broad terms where the Council's money comes from and what it is spent on.

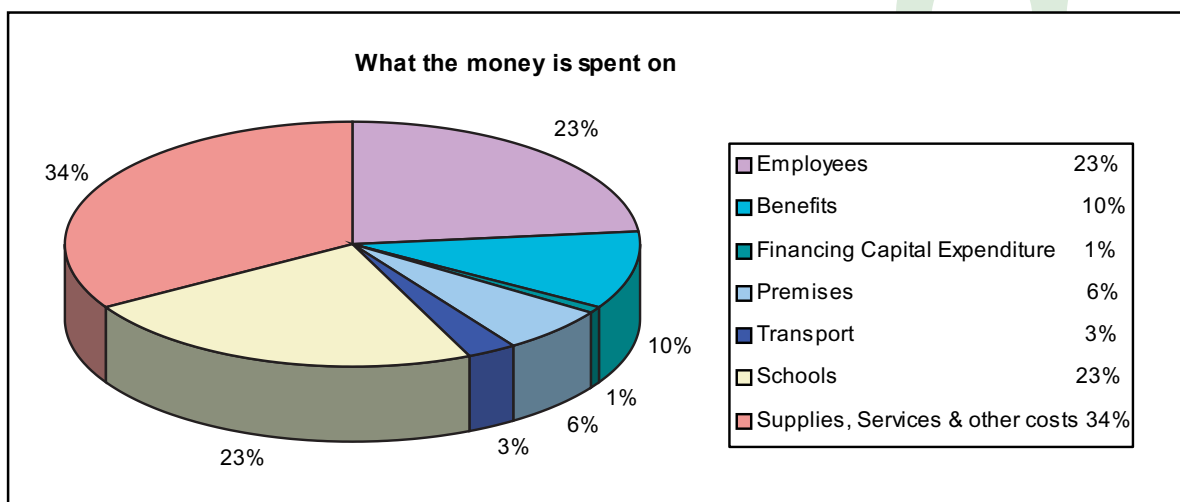
### *Where the money comes from*

The largest single source was Government grants. This accounted for 48% (42% in 2002/03) of the Council's income. The grants include Housing Benefit and Subsidy.



### *What it is spent on*

This pie chart shows an analysis of what the money is spent on, the largest area being the purchase of supplies and services.



## 9. Further Information

Further information about the accounts is available from the Chief Finance Officer, P.O. Box 1, Civic Offices, New Road, Grays Thurrock, RM17 6LT (Telephone 01375 652652).



## STATEMENT OF ACCOUNTING POLICIES

### 1. Introduction

The accounts have been prepared in accordance with the 2003 Code of Practice on Local Authority Accounting, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the guidance notes on those statements of standard accounting practice with the CIPFA guidance notes on accounting standards (SSAPs and FRSs) relevant local authorities. They comply, therefore, with proper accounting practice under the terms of the Local Government and Housing Act 1989.

The general principles adopted in compiling the accounts are those recommended by CIPFA. All Statements of Standard Accounting Practice which CIPFA has so far determined as being relevant to local authority accounts, and the Code of Practice on local authority accounting published by CIPFA, have been followed. The only exception to this is in relation to certain revenue transactions where the accruals concept has not been applied as the change from year to year is recurring in nature and the sums involved are not material compared with total expenditure and income.

### 2. Consolidation of Accounts

The consolidation of the accounts has been carried out in accordance with the Code of Practice. The Consolidated Balance Sheet is prepared by aggregating account balances for all the Council's services and funds, and by eliminating all inter-account/fund transactions. The Consolidated Revenue Account reflects all of the Council's revenue activities including both the General Fund and the Housing Revenue Account.

It is now a requirement of the SORP for local authorities to prepare group accounts where they have material interests in subsidiaries, associated companies and joint ventures. The Council considers that no such relationship existed during 2003/04 and, as such, there is no need to produce consolidated group accounts.

### 3. Fixed Assets

Fixed assets are categorised into classes as follows:

- Operational assets -
  - Council dwellings
  - Other land and buildings
  - Vehicles, plant and equipment
  - Infrastructure assets
  - Community assets

#### Non-operational assets

All expenditure on the acquisition, creation or enhancement of fixed assets has been accounted for on an accruals basis. This includes assets acquired under finance leases which have been capitalised and included in the balance sheet on the basis of the outstanding obligation to make future rental payments.

Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation, where appropriate. Council dwellings are included in the Balance Sheet at open market value in existing use. Operational land and properties and other operational assets are included in the balance sheet at open market value or open market value in existing use, net of depreciation where appropriate or at depreciated replacement cost. Non-operational land and properties and other non-operational assets, including investment properties and assets that are surplus to requirement, are included in the balance sheet at market value.

When an asset is included in the balance sheet at current value, it is formally revalued at intervals of not more than five years and the revised amount included in the balance sheet. The difference between the value and the amount at which the asset was included in the balance sheet immediately prior to the latest revaluation is credited or debited to a fixed asset restatement reserve. The Council has a rolling programme in place to revalue 25% of its property assets each year. The assets are valued either by the Council's Lands Officer or by external valuers commissioned to do the work.

#### **4. Depreciation**

Where applicable, assets are being depreciated over their useful economic lives. Depreciation is provided using the straight line basis. Computers are on average depreciated over 4 years, vehicles, plant and equipment over 7 years and buildings over 30 years. This policy is being reviewed in conjunction with the Council's valuer for the 2004/05 accounts.

#### **5. Capital Receipts**

Capital receipts from the disposal of assets are held in the Capital Receipts Unapplied Account until such time as they are used to finance either capital expenditure or repay debt. Interest on the investment of these sums is credited to the General Fund and Housing Revenue Account. The Council is required by the Local Government and Housing Act 1989, to set aside a proportion of its Housing capital receipts for the repayment of debt. Unapplied capital receipts are therefore split according to the prescribed percentages between those capital receipts available for use and those to be set aside as a Provision for Credit Liabilities.

#### **6. Capital Charges**

The capital charges made to service revenue accounts and central support services equate to the sum of depreciation plus a notional interest charge based on the net amount at which the fixed asset is included in the Balance Sheet at 1st April 2003. The notional rates of interest used are 3.5% for all assets included in the Balance Sheet at current value and 4.625% for infrastructure assets and community assets which are included in the Balance Sheet at historical cost.

#### **7. Deferred Charges**

This encompasses expenditure which may properly be capitalised, but which does not result in, or remain matched with, tangible assets. Examples would include house renovation grants. The policy of the authority is to amortise the charge to service revenue account over an appropriate period on the basis of the benefit obtained by the service from the expenditure. In most cases of such expenditure, the writing out will take place in the year of expenditure.

#### **8. Deferred Capital Receipts**

The Deferred Capital Receipts balance represents the amount receivable in future years from purchasers of Council houses. It is reduced each year by the repayments made in that year.

#### **9. Government Grants**

Government grants are accounted for on an accruals basis and income has been credited, in the case of revenue grants, to the appropriate revenue account or, in the case of capital grants, to a Government Grants - Deferred Account. Amounts are released from the Government Grants - Deferred Account to offset any provision for depreciation charged to the revenue account in respect of assets to which the grants relate.

#### **10. Leasing**

The Council has acquired a variety of assets ranging from vehicles to computer equipment by means of leases. The value of assets acquired under finance leases is included in the Balance Sheet. The amount of finance lease rentals paid during the year and an estimate of the undischarged leasing obligations is also shown as a note to the Consolidated Revenue Account. All finance lease rentals are now in their secondary period at peppercorn rentals and are therefore charged to services. All operating leases are charged to services in the period in which the benefit has been obtained.



## 11. Investments

Investments are shown at cost or net realisable value, whichever is the lower.

## 12. Long Term Debtors

Long Term Debtors shown in the Consolidated Balance Sheet refer to the outstanding mortgages granted under the "Right to Buy" scheme relating to the purchase of Council houses and outstanding car loans due to be repaid over more than one year.

## 13. Current Assets

Stocks and stores are valued at the lower of cost and average price paid and not the net realisable value. This is not in accordance with SSAP.9 but the effect is not considered to be material.

## 14. Debtors and Creditors

In order to comply with the 'accruals' concept, the Council's Revenue accounts are prepared on an income and expenditure basis, that is to say debtors - sums due to the Council - are accounted for when the sums become due and not when received, and creditors - sums owed by the Council - are raised at the year end for the cost of goods received and services rendered to the Council but not paid for by 31st March. However, wages and public utility payments do not strictly follow the "accruals" concept. In compiling the accounts, and in accordance with previous accounting practice, a full year's payments or receipts in respect of wages and public utilities has been accounted for without the raising of creditors and without apportioning payments and receipts on a strict time basis. This does not comply with the Code of Practice, but the effect is not considered to be material.

## 15. Provisions

Provisions are included in the accounts where the Council has a present obligation as a result of a past event that either binds the authority to transfer economic benefit as a result of statutory provisions or contractual terms, or arising from the Council's actions, creates a valid expectation amongst another party that the authority will transfer economic benefits as a result of it accepting certain responsibilities. Full details of the provisions held are included in Note 17 to the Balance Sheet.

## 16. Reserves

The Council has agreed to set aside certain sums to meet the future costs of specific initiatives, service developments and general contingencies. They have been created from appropriations, surpluses (and deficits) arising in previous years. Capital reserves are not available for revenue purposes and are separately identified. Expenditure is not charged directly to reserves. Sums are appropriated from revenue reserves to meet relevant expenditure and are separately identified in the Consolidated Revenue Account (see also CRA note 4). Capital expenditure is shown before the use of reserves. Transfers from capital reserves are treated as financing items (see also CBS note 3).

A full list of current reserves is shown in note 18 to the Consolidated Balance Sheet.

## 17. Overheads

These expenses are allocated over all services, corporate and democratic core or unapportionable central overheads in accordance with the principles recommended by CIPFA. The full costs of Support Services have been charged to services in the CRA in accordance with the Best Value Accounting Code of Practice. Charges have been made on a variety of bases.

## 18. Value Added Tax

All transactions are shown net of any Value Added Tax. As in the case of all local authorities, the Council is able to recover a major part of Value Added Tax incurred from H.M. Customs and Excise. Any balance due to the Council is included in the debtors figure shown in the Consolidated Balance Sheet.

## 19. Pensions

Employees' and employer's contributions are paid into Essex County Council's Superannuation Fund, in accordance with the regulations relating to the Local Government Pension Scheme. The accounting treatment of pensions costs has been made in accordance with the provisions of FRS17 "accounting for retirement costs". This represents a change in accounting treatment, phased in over three years, culminating in full disclosure in 2003/04. The comparative figures for 2002/03 have therefore been amended to reflect the impact of full disclosure.

For full details of the impact of the FRS17 disclosure requirements on the accounts, please refer to the following notes:-

Consolidated Revenue Account notes 11 and 12  
Consolidate Balance Sheet note 20  
Statement of Total Movement in Reserves note 1  
Housing Revenue Account note 6

These accounting policies represent a change to those applied in prior years. Previous policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to the pensioners for which we were directly responsible. The new policies better reflect our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

The change has had the following effects on the results of the prior and current periods:

- the overall amount to be met from Government grants and local taxation has remained unchanged, but the costs disclosed for individual services are 0.4% lower after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 1.1% higher than it would otherwise have been.
- the requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the authority by 7.8%.

## 20. Interest

External interest payable is debited to the Asset Management Revenue Account. External interest receivable is credited to the Consolidated Revenue Account. Interest is accounted for on an accruals basis.

## 21. Provision for Redemption of Debt and Interest Charges

The Local Government and Housing Act 1989 requires that the provision for debt redemption is made in two ways; by a minimum charge to revenue based on the authority's credit ceiling (defined in the Act) and by setting aside a proportion of the proceeds of the sale of capital assets. This Council applies the Minimum Revenue Provision which is 2% of the credit ceiling for Housing Revenue Account items and 4% for the General Fund.

External debt and investments are managed centrally and interest paid and received is accounted for on an accruals basis. Premiums and discounts arising from the premature redemption of long term debt are applied to the revenue account over a period of years corresponding to the outstanding life of the relevant replacement debt. This is in line with CIPFA guidance and the exemptions set out in FRS4.



**22. Deferred Purchase**

Assets acquired under deferred purchase arrangements are reflected in the Consolidated Balance Sheet. The liability under the agreement is treated as long term borrowing. This is in accordance with FRS 5 "Reporting the substance of transactions". Interest payable under this agreement is charged to the Consolidated Revenue Account.



## STATEMENT ON SYSTEM OF INTERNAL CONTROL

### 1. Scope of Responsibility

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

In discharging this overall responsibility, Thurrock Council is also responsible for ensuring that there is sound systems of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

### 2. The Purpose of the System of Internal Control

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

The system of internal control has been in place at Thurrock Council for the year ended 31st March 2004 and up to the date of approval of the statement of accounts.

### 3. The Internal Control Environment

The internal control environment can be described under the following headings:

(i) *Establishing and monitoring the achievement of the authority's objectives*

The Council has published its Best Value Performance Plan (BVPP) which supports the "ASPIRE" Community Strategy. The BVPP document includes action plans and establishes short and medium term targets. Corporate objectives are fed through into the service planning process where Heads of Service identify and plan how to deliver these objectives. Communication routes are set up to advise staff on objectives, how they can contribute, and any training needs they may have. This system is reviewed externally and the Council has been awarded the Investors in People award (IIP).

Requests for funding are classified and compared to how they match the Corporate objectives. Where bids for resources exceed budgets available, then schemes are prioritised. Revenue and Capital schemes are then fed into action plans and individual schemes. A Capital Monitoring group review progress against the capital scheme plans.

A Corporate Management Team reviews the performance of the Council against the set targets and reports this on to both Cabinet and Scrutiny Members.

(ii) *The facilitation of policy and decision making*

The Council has a Constitution, which sets out, in full, the processes by which its policies are made and its decisions taken. In summary:

- the full Council approves the budget and policy framework
- the Cabinet takes significant decisions on policy and operational matters
- there is an extensive scheme of delegation to officers, who are bound by Council policy, budget limits, and the requirements of the law in taking decisions





(iii) Compliance with established policies, procedures, laws and regulations

There are many policies, laws and regulations that apply to local government. The Council employs many specialist officers across the range of its activities that as part of their professional duties are responsible for complying with relevant requirements.

The Monitoring Officer role is to check and advise the Council on legal compliance.

The Council operates an Audit Services Department that as part of individual audits checks compliance with policies, procedures, laws and regulations.

The Council has approved a Corporate Risk strategy. Risk management is in the process of embedding into the annual service planning process. Training and facilitation has been provided through running workshops with managers at both a strategic and operational level to identify the Council's risks. The Council operates a Risk Management Group with representatives across all Directorates, advised by the Council's Senior Risk Management Officer. From this management action plans are produced, held in a Risk register and achievements against them are monitored and reported to the Corporate Management Team.

In addition there are external bodies' inspectorates such as Social Services, Ofsted, Health & Safety, who check the activities of the Council.

(iv) Continuous improvement and economical, effective and efficient resource use

A series of Best Value reviews are being carried out over a 5-year period of all of the Council's services. Project teams are set up to complete each review. At the end of the review, reports are produced to Cabinet identifying service improvements and related management action plans to achieve them. External Best Value inspectors (The Audit Commission) then independently review the current quality of the service provided, and assess the likelihood of improvement through the Service Improvement Plans. They then publish their report, rankings, and an action plan of where the Council needs to make further changes.

(v) Financial management of the authority

The full Council approves the budget, including the allocation of financial resources to different services and projects; contingency plans; the Council Tax base; the setting of the Council Tax; decisions relating to the Council's overall borrowing requirements; the control of capital expenditure; and the setting of virement limits. The procedures under which these matters are dealt with are set out in the financial procedure Rules of the Constitution.

Financial Regulations set out the rules for the control and management of the Council's finances and assets. Throughout the year there was monthly financial management reporting with onward monitoring reports to Members.

The Council has over the last few years enhanced its budgetary control systems. It has moved from historical budgeting, through zero budgeting, to the current system of giving managers cash envelopes within which they have to operate. The Council has a budget setting system which considers all requests for funding and then prioritises them according to the potential funding available. Key risk areas such as capital expenditure has a separate planning strategy as well as a Capital Performance Monitoring Group to review expenditure programmes. Expenditure reports are produced on a monthly basis to service heads as well as financial reports to the Corporate Management Team. Any reports to management have financial implications built in so that early decisions can be made taking account of financial consequences.

(vi) Performance management

The Council operates a performance monitoring system that ensures regular reporting of Best Value Performance Indicators and locally set indicators through to Corporate Management Team and Members.

The Council recognises the need to continually improve, and to this end has introduced a "Performance Toolkit" of recommended best practices. It has also established a "Performance Improvement Group" of officers to identify key issues and drive through change; purchased new performance management software and initiated a change to its Employee Development Scheme with the PRIDE system which will give all employees individual performance targets linking into Corporate objectives. The effects of these three initiatives will be seen in the 2004/05 year.

**4. Review of Effectiveness**

Thurrock Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the Audit Services Department and also by findings of the Audit Commission and other review agencies and inspectorates. Corporate Management Team have responsibility for the development and maintenance of the internal control environment.

Audit Services also provide an independent opinion on the adequacy and effectiveness of the Council's core of financial systems. In the Head of Audit's opinion, the above arrangements were adequate and effective in 2003/04, with sound controls in all key areas.

The Leader of the Council has Executive powers over the Audit function and during the 2003/04 year the Member role was enhanced by the establishment of an Audit Scrutiny Panel which reviewed the plans and outcomes of Internal Audit work and risk management arrangements.

**5. Significant Internal Control Issues**

In addition to the actions taken in response to the ten corporate risks identified in Corporate Management Team's risk assessment exercise, actions have been undertaken to address matters raised by the Audit Commission:

Improvements have taken place on providing assurance available for FRS17- Accounting for Pension Costs.

Submission of grant claims and supporting documentation is being improved to ensure that all deadlines in future will be met.

Procedures improved to address reconciliation issues with the Saffron Rents system, changes in accounting policy for School balances, and the production of a formal trial balance to reconcile the Financial ledger system directly to the statement of accounts.

Thurrock Council is a large and diverse organisation which faces many competing needs upon its services. It has many systems in place to identify the potential risks which may arise which could have an impact upon its systems of internal control, and is taking active steps on how to manage those risks as indicated in the table below, resulting from a review of risk undertaken by Corporate Management Team in January 2004.




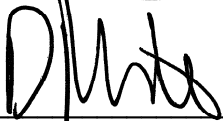
Risk	Impact	Action Taken
<p>Successful service delivery is dependent upon effective Performance Management</p>	<ul style="list-style-type: none"> <li>• Service improvement and effective PM culture not developed</li> <li>• Continuous improvement not achieved</li> <li>• Resources wasted</li> <li>• User satisfaction declines</li> <li>• Ineffective service and action planning</li> </ul>	<ul style="list-style-type: none"> <li>• Performance Improvement Group formed</li> <li>• Performance Toolkit given to staff</li> <li>• System being developed which links Corporate objectives, through service planning to individual personal targets</li> <li>• Service planning template changed in collaboration with I&amp;dea to incorporate performance management and risk management</li> <li>• Personal appraisal system (PRIDE) being introduced</li> </ul>
<p>Potential loss of Council influence - Opportunity for the development of the Borough's social infrastructure could be lost if Urban Development Corporation does not pick up on the communities agenda</p>	<ul style="list-style-type: none"> <li>• Quality of life not at heart of development agenda</li> <li>• Work of both Urban Development Corporation and Thurrock Borough Council not harmonised</li> <li>• Damage to social cohesion</li> <li>• Lack of effective infrastructure development</li> </ul>	<ul style="list-style-type: none"> <li>• Formal links between the Council and Urban Development Corporation have been established</li> <li>• Detailed work on financial modelling will take place once Urban Development Corporation Master plan in place</li> </ul>
<p>Rigours of Project Management not always adopted</p>	<ul style="list-style-type: none"> <li>• Projects fail to deliver objective, not managed to time or budget</li> <li>• Benefits to community lost</li> <li>• Poor track record of capacity to improve</li> <li>• Increased costs of delivery</li> <li>• Loss of ownership of project</li> </ul>	<ul style="list-style-type: none"> <li>• Project management training courses provided</li> <li>• Performance management systems and setting personal targets being set up</li> <li>• The Council has set up a Capital Programme Performance Group to ensure that slippages do not occur in the support of the Community Plan</li> </ul>
<p>Area Governance - lack of buy in, not effective</p>	<ul style="list-style-type: none"> <li>• Lack of engagement and community support leading to reduction in user satisfaction and increasing criticism of Council</li> </ul>	<ul style="list-style-type: none"> <li>• Long term planning improved through new Community Strategy "ASPIRE"</li> <li>• Following community concerns over the Fear of Crime, action taken place with a Safer Thurrock partnership to fund 17 Community Support Workers, 15 Neighbourhood Wardens</li> <li>• Development of consultation with community groups to assess user needs and perceived quality of service provided</li> </ul>
<p>If a decision is taken to go ahead with a Strategic Services Partnership, there is a risk that it does not materialise or fails</p>	<ul style="list-style-type: none"> <li>• Council fails to achieve improvement to customer services and support service enhancements</li> <li>• Lack of capacity for performance improvement</li> <li>• Organisation does not move forward</li> </ul>	<ul style="list-style-type: none"> <li>• A detailed project plan is being followed to manage all the steps of this complex process</li> <li>• Members and staff are being involved and regularly updated</li> <li>• Appropriate external advice is being taken</li> </ul>

Risk	Impact	Action Taken
<p>Failure to deliver continuous improvement</p> <p>Lack of understanding of external inspection process leads to poor preparation and ineffective self review mechanisms</p>	<ul style="list-style-type: none"> <li>• Thurrock is perceived as a failing authority</li> <li>• Critical inspections could lead to increased intervention</li> <li>• Member/officer/tensions</li> <li>• Loss of funding opportunities</li> <li>• Loss of key staff</li> </ul>	<ul style="list-style-type: none"> <li>• Undertaken Pathfinder CPA assessment with the Audit Commission</li> <li>• The Council has improved its procedures over the production of BVPIs by assigning resources to provide quality control</li> <li>• Council's proven capacity to improve has been strengthened by staff development programmes including the First Line Academy and the Transformational leadership programme</li> </ul>
<p>Recruitment and Retention</p> <p>Key post remain unfilled or take time to fill</p> <p>Local Council work not seen as an attractive career option especially compared to buoyant private sector</p>	<ul style="list-style-type: none"> <li>• Unfilled posts adversely impacts on service delivery, puts pressure on existing staff, causes activities to be ineffectively carried out, causes adverse publicity and damages image of Council</li> <li>• Reliance on agency, temporary staff, use of external consultants who do not know area or Council ethos</li> <li>• Staff costs escalate from agency, overtime, offering lucrative retention packages</li> </ul>	<ul style="list-style-type: none"> <li>• Retention and recruitment packages</li> <li>• Drive to become an Employer of Choice</li> <li>• Investment in training, recognised in IIP award</li> <li>• Pay and reward scheme being developed</li> <li>• Job Evaluation scheme to remove old anomalies</li> <li>• Exploring the benefits of entering into a strategic partnership to access a large skills base and can offer benefits to transferring staff</li> </ul>
<p>Job Evaluation scheme outcomes causing employment relations issues</p>	<ul style="list-style-type: none"> <li>• Morale suffers</li> <li>• Performance reduces</li> <li>• Other modernisation initiatives impeded</li> <li>• Employer of Choice status not achieved</li> <li>• Pending transfers to partner affected</li> <li>• Equal Pay claims lodged tying up resources and increasing costs</li> </ul>	<ul style="list-style-type: none"> <li>• Appointment of external consultant expertise to project manage</li> <li>• consultation strategy formed to keep staff fully informed and involved in process</li> <li>• Trade Unions part of team</li> <li>• Felt Fair panels set up to independently review results</li> <li>• Two stage appeals process set up</li> <li>• Banding criteria released to enable staff to compare</li> <li>• Pay protection provided for existing post holders whose grade may go down</li> </ul>
<p>Diversity - Representation at senior level unbalanced</p>	<ul style="list-style-type: none"> <li>• Decisions taken are not representative of all relevant views</li> <li>• Section of the local community are not provided services that meet needs and consequently are dissatisfied</li> </ul>	<ul style="list-style-type: none"> <li>• Diversity issues being embedded into mainstream processes, e.g. service planning, CMT/Cabinet items</li> <li>• Equality strategy plan produced, and on target</li> <li>• Corporate and Directorate Diversity teams set up</li> <li>• Diversity champions across all Directorates</li> <li>• Diversity training programmes set up</li> <li>• Diversity co-ordinator appointed</li> <li>• Equality Impact assessments and consultation with community groups conducted</li> <li>• Council progressed from level 1 to 2, with targets in place for next stages</li> </ul>



I/we have been advised on the implications of the result of the review of the effectiveness of the system of internal control within the authority through the Performance Improvement Group, Corporate Risk Management Group, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

(Signed):  Date: 28 July 2004  
(Leader of the Council)

(Signed):  Date: 28 July 2004  
(Managing Director)

## CONSOLIDATED REVENUE ACCOUNT

Notes	2002/03 Net Expenditure £'000	2003/04 Gross Expenditure £'000	2003/04 Gross Income £'000	2003/04 Net Expenditure £'000
<b>Expenditure on Services</b>				
Social Services	26,756	48,811	16,889	31,922
Education Services	87,580	115,727	25,192	90,535
Education Services - Exceptional item	(861)	0	0	0
Highways Roads and Transport Services	7,370	12,084	3,408	8,676
Cultural, Environment & Planning Services	18,347	29,397	8,937	20,460
Housing Services	21,711	62,904	43,276	19,628
Central Services to the Public	2,726	22,368	19,649	2,719
Corporate and Democratic Core	4,890	4,579	139	4,440
Non Distributed Costs	(53)	3,029	2,559	470
<b>Net Cost of Services</b>	<b>168,466</b>	<b>298,899</b>	<b>120,049</b>	<b>178,850</b>
(1) Levies	5,360			5,759
(2) Interest and Investment Income	(3,013)			(2,570)
(3) Transfer from Asset Management Revenue Account	(31,601)			(19,497)
Benefit Subsidy Limitation	0			0
Transferred Debt Payment	1,710			1,615
Pensions interest cost and expected return on pensions assets	(166)			2,448
<b>Net Operating Expenditure</b>	<b>140,756</b>			<b>166,605</b>
<b>Appropriations:</b>				
HRA surplus/(deficit) transferred to HRA balance	154			(2,308)
Reduction in provision for bad debts	(96)			(34)
(4) Contributions to/(from) Earmarked Reserves	(693)			(2,424)
Contributions to/(from) Capital Reserves:				
Financing of Capital expenditure	1,488			2,494
(5) Provision for Repayment of External Loans	(4,180)			(4,261)
Deferred Charges	(1,571)			(1,776)
(11) Movement on pensions reserve	1,545			(1,734)
<b>Amount to be met from Government Grants and Local Taxpayers</b>	<b>137,403</b>			<b>156,562</b>
<b>Sources of Finance:</b>				
Demand on the Collection Fund	(36,560)			(44,297)
Government Grants	(57,915)			(67,970)
Non-Domestic Rate Income	(41,773)			(43,382)
<b>Net (Surplus)/Deficit for the year</b>	<b>1,155</b>			<b>913</b>
Transfer from General Fund Reserve	(12)			(445)
General Fund Balance brought forward	(7,448)			(6,305)
(17) <b>General Fund Balance carried forward</b>	<b>(6,305)</b>			<b>(5,837)</b>
<b>General Fund Balance attributable to schools</b>	<b>4,305</b>			<b>3,837</b>
<b>General Fund Balance carried forward (net of Schools)</b>	<b>(2,000)</b>			<b>(2,000)</b>



**NOTES TO THE CONSOLIDATED REVENUE ACCOUNT**

**(1) Levies and Contributions to Joint Committees and Joint Bodies**

	2002/03 £'000	2003/04 £'000
Fire	4,115	4,425
Coroners	113	108
Essex Magistrates	139	165
Kent & Essex Sea Fisheries	13	13
Lee Valley Regional Park	125	130
Flood Defence	855	918
	<u>5,360</u>	<u>5,759</u>

**(2) Interest and Investment Income**

	2002/03 £'000	2003/04 £'000
Interest on Investments	3,332	2,903
Less: Interest allocated to earmarked internal balances	(319)	(333)
	<u>3,013</u>	<u>2,570</u>

**(3) Asset Management Revenue Account**

	2002/03 £'000	2003/04 £'000
Expenditure:		
External Interest	2,362	4,283
Interest on Finance Leases	32	14
Interest on Deferred Purchase	65	45
Depreciation	12,813	14,065
	<u>15,272</u>	<u>18,407</u>
Less		
Income:		
General Fund Capital Charges	(19,243)	(14,762)
Housing Revenue Account Capital Charges	(26,960)	(22,322)
Deferred Grant written down	(670)	(820)
	<u>(31,601)</u>	<u>(19,497)</u>
Balance on AMRA	<u>(31,601)</u>	<u>(19,497)</u>



(4) **Contributions to/(from) Earmarked Reserves**

Transfers to and from Reserves, comprising the following, have been made in accordance with the Cabinet report on 14th July 2004.

	2002/03 £'000	2003/04 £'000
Modernisation Reserve	240	(488)
Depot Reserve	0	(308)
Best Value Reserve	(37)	(130)
Developers Contributions	(142)	(87)
Organisational Development Reserve	(110)	(54)
On Street Car Parking Reserve	0	42
Building Control Reserve	(40)	75
Electronic Government IT Reserve	(261)	159
LGR SCA Reserve	374	374
Single Status	731	507
	<u>755</u>	<u>90</u>
<i>HRA Consolidation</i>		
Major Repairs Reserve	(1,448)	(2,514)
	<u>(693)</u>	<u>(2,424)</u>

(5) **Provision for Repayment of External Loans**

	2002/03 £'000	2003/04 £'000
Non-Housing amount - 4% of credit ceiling	874	1,256
Housing amount - 2% of credit ceiling	212	76
	<u>1,086</u>	<u>1,332</u>
Minimum Revenue Provision	1,086	1,332
Less: Amount charged as depreciation	(4,892)	(5,219)
Amount provided to repay LGR SCA	(374)	(374)
	<u>(4,180)</u>	<u>(4,261)</u>
Appropriation from Capital Financing Reserve		

(6) **Leasing of Assets**

*Finance Leases*

The Council holds some capital assets, principally automatic public conveniences, acquired under finance lease. Finance lease rentals paid during the year amounted to £14,183.08. Rentals are not estimated to exceed this amount in future years.

*Operating Leases*

The Council has the use of capital assets under operating leases. Operating lease rentals paid during the year amounted to £754,377.90 (2002/03 £791,570.15). The annualised cash payments for 2004/05 under these leases are:

Expiring within 1 year	£ 241,661
Expiring within 2 to 5 years	£2,762,005
Expiring in over 5 years	£ 220,697





**(7) Publicity**

Section 5 of the Local Government Act 1986 requires a record to be kept of expenditure on publicity.

	2002/03 £000	2003/04 £000
Staff advertising	<u>460</u>	<u>558</u>

**(8) Building Control Trading Account**

The local authority Building Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

**Building Regulations Charging Account 2003/04**

	Chargeable 2003/04 £'000	Non- Chargeable 2003/04 £'000	Total 2003/04 £'000
Expenditure:			
Employees expenses	232	174	406
Transport	12	9	21
Supplies and Services	11	7	18
Central and Support Service Charges	<u>81</u>	<u>59</u>	<u>140</u>
	336	249	585
Less: Income:			
Building Regulation Charges	411	0	411
Miscellaneous Income	0	47	47
Deficit for year	<u>(75)</u>	<u>202</u>	<u>127</u>

**Comparatives for 2002/03**

Expenditure	377	189	566
Less Income	<u>336</u>	<u>68</u>	<u>404</u>
	<u>41</u>	<u>121</u>	<u>162</u>

**(9) Section 137 Expenditure**

Section 137 of the Local Government Act 1972 enables a local authority to spend up to £3.80 per head of population for the benefit of people in their area on activities or projects not specifically authorised by other powers. All expenditure previously incurred under Section 137 powers is now covered by other powers inherited as a consequence of becoming a unitary authority. The total amount that could be spent in 2003/04 using these powers was £551,893. However, this power was not required in 2003/04.

**(10) Local Authority (Goods & Services) Act 1970**

The Council is empowered by this Act to provide goods and services to other public bodies. During 2003/04 the Council did not provide services of any significant value to such organisations.

(11) **Retirement Pensions**

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

The Authority participates in the Local Government Pension Scheme administered by Essex County Council. This is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based upon the cash payable in the year, so the real cost of retirement benefits is reversed out of the CRA after Net Operating Expenditure. The following transactions have been made in the CRA during the year.

	Local Government Pension Scheme	
	2002/03 £'000	2003/04 £'000
<i>Net Cost of Services:</i>		
Current service cost	4,944	5,642
Past service costs	37	421
<i>Net Operating Expenditure:</i>		
Interest cost	7,850	9,745
Expected return on assets in the scheme	(8,016)	(7,297)
<i>Amounts to be met from Government grants and local taxation</i>		
Movement on pensions reserve	1,545	(1,734)
	<hr/>	<hr/>
<i>Actual amount charged against Council Tax for pensions in the year</i>	6,360	6,777
	<hr/>	<hr/>
Employers contributions payable to the scheme	6,360	6,777

Note 20 in the Consolidated Balance Sheet contains details of the assumption made in estimating the figures included in this note. Note 1 to the Statement of Total Movements in Reserves details the costs that have arisen through the year and where estimates made in preparing figures for previous years have had to be revised (e.g. the expected return on investments).

(12) **Prior Year Adjustment - Retirement Pensions**

In accordance with FRS17 - 'Retirement pensions' the Council is required to reflect the cost of pension provision within the Consolidated Account with effect from 1st April 2003. The 2002/03 accounts have been restated for comparative purposes so as to reflect the costs as they would have been shown if FRS17 had been fully implemented in that year. The adjustments required to restate the 2002/03 accounts are shown below.



	£'000	£'000
Net Cost of Services as per published accounts 2002/03		168,701
Less contributions paid	(6,360)	(6,360)
Add current service cost	4,944	4,944
Add past service costs	37	37
	<hr/>	<hr/>
Restated Net Cost of Services 2002/03		167,322
Net Operating Expenditure as per published accounts 2002/03		141,157
Less Movement in Net Cost of Services		(1,379)
Deduct pensions interest cost and expected return on pension assets	(166)	(166)
	<hr/>	<hr/>
Restated Net Operating Expenditure as per published accounts 2002/03		139,612
Movement on Pensions Reserve	1,545	
	<hr/>	
<i>Change in amounts to be met from Government grants and local taxation</i>	<u>0</u>	

### (13) Teachers Pensions

In 2003/04 the Council paid £3.222 million (previous year £3.002 million) to the Department of Education and Skills in respect of teachers' pension costs. The contributions rate was 13.5%. In addition, the Council is responsible for all pension payments relating to added years' benefits it has awarded. These amounted to £79,965 in 2003/04 (previous year £24,657).

### (14) Members Allowances and Related Party Transactions

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess 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.

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, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Housing Benefits). Details of transactions with Government Departments are set out in the Cash Flow statement.

The total Members' allowances paid in 2003/04 were £489,469 (£435,792 in 2002/03). There were no material transactions with related parties. However, many Council Members by virtue of their office have links with organisations throughout the Borough that are connected with the Council but have no pecuniary interest.

With the exception of six former Councillors and four serving Councillors, all senior officers and Councillors have completed a declaration of related parties return. There are no relationships which require declaration within the accounts.

Assisted Organisations - The Council provided financial assistance to the following organisations which enables it to achieve a significant level of influence over their operations.

	£000
Impulse Leisure	989
Tilbury Port	376
Thameside Windows	4,687

Impulse Leisure are a charitable trust formed as a consequence of the transfer of former Council owned Leisure Centres and associated business. Tilbury PORT was established as a consequence of Central Government initiatives for regeneration, in particular the Single Regeneration Budget. Thameside Windows are a company dealing with the manufacture and installation of uPVC windows. The Council is the major customer of the company.

Following the creation of the Urban Development Corporation, four Council members were elected to that body. No transactions took place between the Council and the Corporation during 2003/04.

**(15) Remuneration of Senior Staff**

The numbers of staff whose remuneration fell within the following ranges were:

	2002/03	2003/04
£50,001 - £60,000	19	26
£60,001 - £70,000	7	8
£70,001 - £80,000	5	8
£80,001 - £90,000	2	1
£90,001 - £100,000	1	3
£100,001 - £110,000	0	0
£110,001 - £120,000	1	0
£120,001 - £130,000	0	1
£130,001 +	0	0

**(16) Audit Costs**

In 2003/04 the Council incurred the following fees relating to external audit and inspection.

	£'000
Fees payable to the Audit Commission	
- with regard to external audit services carried out by the external auditor	242
- in respect of statutory inspection	119
- for the certification of grant claims and returns	168
- in respect of any other services provided by the appointed auditor	<u>0</u>
Total	<u>529</u>

**(17) Schools Balances**

The General Fund balance brought forward has been restated in order to include balances held by schools. The corresponding figure for 2002/03 has been restated for comparative purposes.



**HOUSING REVENUE ACCOUNT**

Notes	2002/03 Actual £'000	2003/04 Actual £'000	
<b>Income</b>			
(1)	Dwelling Rents (Gross)	30,703	30,732
	Void Properties	(460)	(452)
	Dwelling Rents (Net)	30,243	30,280
	Non-dwelling Rents	1,590	1,669
	Charges for Services and Facilities	284	314
		<u>32,117</u>	<u>32,263</u>
(2)	Housing Revenue Account Subsidy	9,029	8,790
	Other Government Grant	48	48
	Housing Benefit Transfers	34	47
		<u>41,228</u>	<u>41,148</u>
<b>Expenditure</b>			
	Repairs and Maintenance	10,188	11,284
	Supervision and Management	6,637	7,315
	Rent Rates Taxes and Other Charges	24	17
	Rent Rebates	16,376	16,910
	Movement on Doubtful Debts	426	305
(3)	Capital Charges	19,038	13,477
(4)	Depreciation on Fixed Assets:		
	On dwellings	7,603	8,248
	On other assets	318	597
	Debt Repayment and Management Expenses	91	89
		<u>60,701</u>	<u>58,242</u>
	<b>Net Cost of Services</b>	<u>19,473</u>	<u>17,094</u>
(5)	Net HRA income/expenditure on AMRA	(18,525)	(13,443)
	Transfer from General Fund	(152)	(156)
	HRA Investment Income	(304)	(341)
	Amortised Premiums	11	10
		<u>503</u>	<u>3,164</u>
	<b>Net Operating Expenditure/(Income)</b>		
	Appropriations		
	HRA Contribution to Minimum Revenue Provision	212	76
	Revenue Contributions to Capital	652	1,674
	Transfer from Major Repairs Reserve	(1,448)	(2,514)
(6)	Movement on pensions reserve	(73)	(92)
		<u>(154)</u>	<u>2,308</u>
	Deficit / (Surplus) in Year		
	Fund Balance brought forward	(4,775)	(4,929)
(7)	<b>Fund Balance carried forward</b>	<u>(4,929)</u>	<u>(2,621)</u>

## NOTES TO THE HOUSING REVENUE ACCOUNT SUMMARY

### Notes

#### (1) Gross Rent Income

The gross rent income due for the year is normally based upon a 52 week accounting period. Exceptionally, the financial year 2002/03 was a 53 week year. As a consequence, the HRA was credited with an additional week's income of £0.577 million in 2002/03.

#### Rent Arrears

The level of rent arrears is as follows:-

	<u>2002/03</u>	<u>2003/04</u>
Gross Current Arrears at 31st March	£1,082,931	£1,201,360
As a proportion of Gross Rent Income collectable in year	3.53%	3.91%
Former Tenant Arrears at 31st March	£325,439	£648,659

Amounts written off during the year amounted to £250,539

There is a provision in the sum of £901,134 for the potential write off of irrecoverable debts.

#### (2) HRA Subsidy

The amount for HRA subsidy included in the accounts is made up as follows:

	<u>2002/03</u>	<u>2003/04</u>
	£'000	£'000
Management Allowance	4,549	4,868
Maintenance Allowance	7,707	8,023
Major Repairs Allowance	6,473	6,332
Charges for Capital	1,533	1,146
Rent Rebates	15,124	15,355
Other Items of Reckonable Expenditure	80	45
Less:		
Notional Rent Income	(26,389)	(26,945)
Interest on Receipts	(48)	(34)
HRA Subsidy	<u>9,029</u>	<u>8,790</u>

#### (3) Capital Charges

A capital charge of £13.477 million representing 3.5% of value of the HRA's operational assets and 4.625% for non-operational assets is included in the net cost of services.

#### (4) Depreciation

Depreciation of £8.845 million was charged to the HRA in relation to operational assets comprising dwellings and other land and buildings. There were no charges in respect of impairment.

	<u>2002/03</u>	<u>2003/04</u>
	£'000	£'000
Depreciation on:		
Dwellings	7,603	8,248
Other Land and Buildings	186	452
Non-operational Assets	132	145
	<u>7,921</u>	<u>8,845</u>



**(5) Net HRA Income on Asset Management Revenue Account**

The Capital Charge of £13.477 million (note 3 above) is an internal charge which does not impact upon the HRA balance. A capital asset charges accounting adjustment is required to be made in order to replace it with the HRA share of interest repayments due on outstanding debt.

	<u>2002/03</u> £'000	<u>2003/04</u> £'000
Reversal of Capital Charges	19,038	13,477
Interest on Deferred Purchase Arrangement	(63)	(44)
Interest on HRA Mid-Year Credit Ceiling	<u>(450)</u>	<u>10</u>
	<u>18,525</u>	<u>13,443</u>

**(6) Pensions Reserve Movement**

At present the code of practice does not include specific guidance on the application of FRS17 to the Housing Revenue Account. In order to comply with proper practices the current service costs of pensions have been included in the HRA. The impact has been reversed out through the pensions reserve leaving no overall impact upon the HRA. The 2002/03 comparatives have been restated to reflect the impact of FRS17.

**(7) Analysis of Housing Revenue Account Balance**

	<u>2002/03</u> £'000	<u>2003/04</u> £'000
Amount available for Revenue purposes	4,735	2,621
Amount available for Capital purposes	194	0
	<u>4,929</u>	<u>2,621</u>
Balance carried forward	<u>4,929</u>	<u>2,621</u>

**(8) Housing Stock**

The Council was responsible for managing on average 10,608 dwellings during 2003/04. The Council's actual housing stock as at 31st March 2004 was 10,526 made up as follows:-

Number and types of properties as at:	<u>31/3/03</u>	<u>31/3/04</u>
Number of Houses and Bungalows	5,876	5,773
Number of Flats and Maisonettes	3,267	3,206
Number of Aged Persons Dwellings	1,547	1,547
	<u>10,690</u>	<u>10,526</u>

The change in the stock can be summarised as follows:

	<u>2002/03</u>	<u>2003/04</u>
Stock at 1st April	10,862	10,690
Less Sales/Demolitions	(172)	(164)
	<u>10,690</u>	<u>10,526</u>
Stock at 31st March	<u>10,690</u>	<u>10,526</u>

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

	<u>2002/03</u> £'000	<u>2003/04</u> £'000
Operational Assets	311,465	436,741
Non-Operational Assets	8,488	19,714
	<hr/>	<hr/>
Balance carried forward	<u>319,953</u>	<u>456,455</u>

The vacant possession value of dwellings within the HRA as at 1st April 2003 was £546.4 million. The vacant possession value and Balance Sheet value of dwellings show the economic cost to the Government of providing Council housing at less than open market rents.

Non-operational assets valued at £5.544 million in 2002/03 have been reclassified operational assets. The comparative figures have been restated accordingly.

(9) **Major Repairs Reserve**

	<u>2002/03</u> £'000	<u>2003/04</u> £'000
Balance as at 1st April 2003	369	0
Depreciation	7,921	8,845
Transfer to HRA	(1,448)	(2,514)
Capital Expenditure	<u>(6,842)</u>	<u>(6,331)</u>
Balance as at 31st March 2004	<u>0</u>	<u>0</u>

(10) **Capital Expenditure**

Capital Expenditure on land, houses and other property within the HRA in 2003/04 was financed as follows:

	<u>2002/03</u> £'000	<u>2003/04</u> £'000
Revenue Contributions to Capital		1,674
	652	
Other Capital Expenditure	890	796
Borrowing	248	350
Major Repairs Reserve	<u>6,842</u>	<u>6,331</u>
HRA Capital Expenditure	<u>8,632</u>	<u>9,151</u>

The 2002/03 comparatives exclude Housing General Fund expenditure of £1.668 million as shown in note 9 of the 2002/03 accounts.

(11) **Capital Receipts**

	<u>2002/03</u> £'000	<u>2003/04</u> £'000
Sale of Dwellings	8,701	10,718
Sale of Other Assets	<u>28</u>	<u>407</u>
	<u>8,729</u>	<u>11,125</u>





**THE COLLECTION FUND  
INCOME AND EXPENDITURE ACCOUNT**

Note		2002/03 £'000	2003/04 £'000	2003/04 £'000
	<b>Income</b>			
(2)	Council Tax	35,661	<b>42,914</b>	
	Transfers from General Fund			
	- Council Tax Benefits	5,243	<b>6,677</b>	<b>49,591</b>
(3)	Income collectable from Business Ratepayers	<u>66,993</u>		<u>71,913</u>
		107,898		121,504
	<b>Expenditure</b>			
	Precepts and Demands:			
	Essex Police Authority	3,706	<b>4,493</b>	
	Thurrock Borough Council	36,560	<b>44,298</b>	<b>48,791</b>
(3)	Business Rate			
	- Payment to National Pool	66,745	<b>71,674</b>	
	- Costs of Collection	249	<b>240</b>	<b>71,914</b>
(4)	Provision for Bad Debts:			
	Council Tax	518	<b>93</b>	
	Council Tax write offs	120	<b>462</b>	<b>555</b>
		<u>107,898</u>		<u>121,260</u>
	Surplus for Year	0		<b>244</b>
	Fund Balance B/Fwd.	0		<b>0</b>
	Fund Balance C/Fwd.	<u>0</u>		<u><b>244</b></u>

## NOTES TO THE COLLECTION FUND ACCOUNTS

(1) **General**

This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund. The account is consolidated with the Council's accounts.

(2) **Council Tax**

The Council's tax base, i.e. 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:

<u>Band</u>	<u>Estimated number of taxable properties after effect of discounts</u>	<u>Ratio</u>	<u>Band D Equivalent Dwellings</u>
A*	11	6:9	6
A	5,697	6:9	3,798
B	10,405	7:9	8,093
C	22,510	8:9	20,009
D	9,054	9:9	9,054
E	3,596	11:9	4,395
F	1,675	13:9	2,419
G	595	15:9	992
H	26	18:9	52
	53,569		48,818

Less adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation banding, new properties, demolitions, Disabled persons relief and exempt properties.

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Council Tax Base

48,330

(3) **Income from Business Ratepayers**

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 (44.4p in 2003/04). 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 £43.382 million was paid into the Council's General Fund (see page 18).

The total Non-Domestic rateable value at the 31st March 2004 was £194,799,457.

(4) **Bad Debts**

Amounts written off during the year amounted to £461,531. There is a provision in the sum of £1.736 million for the potential write off of irrecoverable debts.



**CONSOLIDATED BALANCE SHEET**

Notes	2002/03 £'000	£'000	2003/04 £'000	£'000
(1) to (6) <b>Fixed Assets</b>				
Operational Assets	559,483		707,368	
Non-Operational Assets	13,823		36,775	
<b>Net Fixed Assets</b>	<u>573,306</u>		<u>744,143</u>	
(7) <b>Deferred Charges</b>	15			0
(8) <b>Long Term Debtors</b>	479			423
<b>Deferred Assets</b>	<u>1,119</u>			<u>1,019</u>
<b>Long Term Assets</b>	574,919			745,585
<b>Current Assets</b>				
(9) Stocks and Work-in-Progress	296	267		
(10) Debtors	16,072	18,293		
(11) Investments	72,070	45,171		
Cash	631	589	64,320	
<b>Less: Current Liabilities</b>				
(12) Short Term Borrowing	(21,770)	(7,780)		
(13) Creditors	(20,141)	(22,804)		
Bank Overdraft	(7,451)	(6,142)	(36,726)	
<b>Current Assets less Current Liabilities</b>	39,707			27,595
<b>Long Term Borrowing</b>				
(14) Loans Outstanding	(48,114)	(41,094)		
(15) Deferred Liability	(17,552)	(16,851)		
(20) Pension Liability	(62,510)	(48,076)		
(2) Deferred Purchase Arrangements	(1,162)	(883)		
			(106,904)	
(16) Capital Receipts - Deferred Loan Rescheduling Discount	(361) (171)	(268) (150)		
(17) <b>Provisions</b>	(1,457)		(418) (1,209)	(108,531)
<b>Total Assets less Liabilities</b>	<u>483,299</u>			<u>664,649</u>
<b>Financed By</b>				
(21) Fixed Asset Restatement Reserve	375,222			529,105
Government Grants Deferred	22,577			30,536
(21) Capital Financing Reserve	111,401			118,876
Usable Capital Receipts Unapplied	0		0	
Major Repairs Reserve	0		0	
(20) Pension Reserve	(62,510)		(48,076)	
(18) Earmarked Reserves	25,301		25,507	
(19) Fund Balances	11,308		8,701	(13,868)
<b>Total Equity</b>	<u>483,299</u>			<u>664,649</u>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### (1) Fixed Assets

#### Movements of Fixed Assets 2003/04

	Operational Assets £'000	Land Awaiting Development £'000	Commercial Properties £'000	Total £'000
Gross Value as at 1st April 2003	595,739	4,213	10,632	610,584
Additions	30,434	0	1,126	31,560
Disposals	(9,265)	0	0	(9,265)
Revaluations	134,017	8,528	13,281	155,826
Gross Book Value as at 31st March 2004	750,925	12,741	25,039	788,705
Depreciation as at 1st April 2003	(36,256)	0	(1,022)	(37,278)
Charge for Year	(7,301)	0	17	(7,284)
Depreciation as at 31st March 2004	(43,557)	0	(1,005)	(44,562)
Net Book Value 1st April 2003	559,483	4,213	9,610	573,306
Net Book Value 31st March 2004	707,368	12,741	24,034	744,143

Operational Assets are sub-analysed as shown below:

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant and Equipment £'000	Community Assets £'000	Infrastructure £'000
Gross Value as at 1st April 2003	323,475	238,536	2,867	8,301	22,560
Additions	9,550	8,738	408	420	11,318
Disposals	(8,925)	0	(340)	0	0
Revaluations	129,926	4,091	0	0	0
Gross Book Value at 31st March 2004	454,026	251,365	2,935	8,721	33,878
Depreciation as at 1st April 2003	(21,063)	(12,118)	(1,611)	(684)	(780)
Charge for Year	(2,587)	(3,645)	(100)	(277)	(692)
Depreciation as at 31st March 2004	(23,650)	(15,763)	(1,711)	(961)	(1,472)
Net Book Value 1st April 2003	302,412	226,418	1,256	7,617	21,780
Net Book Value 31st March 2004	430,376	235,602	1,224	7,760	32,406



**(2) Deferred Purchase Arrangements (Memorandum Account)**

Included in the details above, certain items of capital expenditure have been financed through a deferred purchase facility. These were:

	Balance 01/04/03 £'000	Repayments in Year £'000	Balance 31/03/04 £'000
Tilbury Leisure Centre	30	30	0
Housing Improvements	1,132	249	883
	<u>1,162</u>	<u>279</u>	<u>883</u>

**(3) The Capital Expenditure was financed as follows:**

	2002/03 £'000	2003/04 £'000
<b>Expenditure by Service:</b>		
Social Services	272	771
Education	2,861	7,214
Highways and Transportation	7,547	10,954
Housing	1,668	2,200
HRA Housing	8,632	9,151
Other Services	1,675	3,039
	<u>22,655</u>	<u>33,329</u>
<b>Financing:</b>		
New Borrowing	7,333	11,952
Revenue Contributions	852	1,543
Capital Receipts	2,857	3,105
Government Grants	3,641	8,172
Environmental Trusts	545	117
Other Reserves	7,143	7,951
Developers Contributions	284	489
	<u>22,655</u>	<u>33,329</u>

**(4) Capital Commitments**

As at 31st March 2004 the Council had authorised expenditure in future years of £11.7 million. These commitments include the following significant schemes:

	Expenditure Approved for 2004/05 £'000
West Thurrock Relief Road	1,353
Grant to Thurrock CVS	1,058
Tilbury Primary School Improvements	579
Tilbury Enterprise Workshops	3,222
West Thurrock Centre	1,536
Payments to Housing Associations	1,104
The Gateway Community College	258
Nursery Education	246
Stifford Clays Primary School class bases	180

These schemes include contractual commitments as well as schemes for which Members have agreed a programme and it is prudent to provide for.

		£'000
Jackson Construction Ltd.	West Thurrock Relief Road	669
William Verry	Tilbury Enterprise Workshops	3,222
Hutton Construction	West Thurrock Centre	1,327
Swan Housing Association	Payments to Housing Associations	1,104
Lakeside Contracts Ltd.	Stifford Clays Primary School class bases	146

(5) **Statement of Physical Assets**

The following assets were owned as at 31st March 2004:

<b>LAND AND BUILDINGS</b>	3	Sports Centres	<b>VEHICLES, PLANT &amp; EQUIPMENT</b>	36	Vehicles - Finance lease
	15	Village Halls		30	Vehicles - Other
	4	Community Halls		8	Plant - Finance lease
	20	Offices/Depots, etc.		23	Plant - Other
	21	Car & Lorry Parks		1,197	Computer Equipment
	817	Garages			
	10	Automatic Toilets			
	1	Theatre			
	1	Golf Course			
	61	Schools/Colleges			
	24	Other Education Assets			
	4	Residential Homes			
	8	Other Social Services Assets			
	6	Libraries			
1	Magistrates Court				
1	Registry Office				
			<b>COMMUNITY</b>	89	Parks
				8	Burial Grounds
				34	Allotment Sites
				10	War Memorials
				1	Historic Building
				15	Highways Land Infrastructure
			<b>NON-OPERATIONAL</b>	65	Shops
<b>COUNCIL DWELLINGS</b>	5,773	Houses and Bungalows		9	Other Commercial
	3,206	Flats and Maisonettes		19	Vacant Sites
	1,547	Aged Persons Dwellings			
	3	Gypsy Sites			

Included in the above table are vehicles and plant acquired through Finance leases. These leases are now in their secondary period at peppercorn rentals.

(6) **Fixed Asset Valuation**

The freehold and leasehold properties which comprise the Council's property portfolio have been valued as at 31st March 2004 by the Council's Lands Officer - P.J. McGreal, MRICS, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors.

Plant and machinery seen as an integral part of the buildings have been included in the valuations.

Council dwellings were valued on the basis of open market value for existing use.

Properties regarded by the authority as operational were valued on the basis of open market value for existing use or, where this could not be assessed because there was no market for the asset, the depreciated replacement cost.

Properties regarded by the Council as non-operational have been valued on the basis of open market value.



Community Assets have been valued at historic cost and Vehicles, Plant and Equipment at open market value in existing use.

(7) **Deferred Charges**

	2002/03 £'000	2003/04 £'000
Balance brought forward	15	15
Expenditure - Improvement Grants	911	1,099
- Housing Association Grant	660	676
Amounts written off to Capital Finance Reserve	0	(15)
Amounts written off to Consolidated Revenue Account	(1,571)	(1,775)
	<hr/>	<hr/>
Balance carried forward	15	0

(8) **Long Term Debtors**

	2002/03 £'000	2003/04 £'000
Mortgages	433	339
Car Loans	44	41
Other Loans	2	43
	<hr/>	<hr/>
Net Long Term Debt	479	423

(9) **Stocks and Stores**

	2002/03 £'000	2003/04 £'000
Stores	276	244
Other	20	23
	<hr/>	<hr/>
	296	267

(10) **Debtors**

	2002/03 £'000	2003/04 £'000
H.M. Customs & Excise	1,625	1,697
Local Authorities	71	31
Government Departments	367	3,435
Council Tax Payers	2,867	2,993
Non-Domestic Ratepayers	1,969	1,435
Housing Rents	1,408	1,850
Car Loans to Employees	68	28
Miscellaneous Loans	69	66
Sundry Debtors	10,652	9,802
	<hr/>	<hr/>
<i>Sub-total</i>	19,096	21,337
Less Provision for Bad Debts:		
Council Tax	(1,664)	(1,757)
NNDR	(186)	(151)
Housing Rents	(846)	(845)
Sundry Debtors	(327)	(292)
	<hr/>	<hr/>
	16,073	18,293

(11) **Investments**

The Council's fund balances and reserves in so far as they are not required in the short term, are invested with financial institutions, mainly banks and building societies and other local authorities. As at 31st March 2004, £37.5 million was invested in Gilts and Certificates of Deposit through cash management schemes operated by Investec and Invesco Asset Management.

(12) **Short Term Borrowing**

	Balance 01/04/03 £'000	Loans Raised £'000	Loans Transferred £'000	Loans Repaid £'000	Balance 31/03/04 £'000
Short Term Borrowing	0	56,870	0	56,120	750
Long Term Debt Maturing within one year	21,770	0	7,018	21,758	7,030
	<u>21,770</u>	<u>56,870</u>	<u>7,018</u>	<u>77,878</u>	<u>7,780</u>

(13) **Creditors**

	2002/03 £'000	2003/04 £'000
Government Departments	3,112	3,173
Inland Revenue	0	0
Port of London Authority Tilbury	446	472
Council Tax Payers	305	399
Non-Domestic Ratepayers	941	568
Rent Payers	486	622
Sundry Creditors	14,851	17,570
	<u>20,141</u>	<u>22,804</u>

(14) **Loans Outstanding**

	Balance 01/04/03 £'000	Loans Raised £'000	Loans Transferred £'000	Balance 31/03/04 £'000
PWLB	24,360	0	7,019	17,341
Annuities	4	0	0	4
Other Long Term Borrowing	23,750	0	0	23,750
	<u>48,114</u>	<u>0</u>	<u>7,019</u>	<u>41,095</u>

Long Term External Borrowing by Maturity

	£'000
Maturing in more than one year and less than two years	0
Maturing in more than two years and less than five years	0
Maturing in more than five years and less than ten years	1,000
Maturing in more than ten years	40,095
	<u>41,095</u>

Loans Transferred also includes Long Term Debt maturing within one year (see Note 12).





**(15) Deferred Liabilities**

On becoming a Unitary Authority, the Council has assumed liability for payment of a proportion of Essex County Council's debt charges (£17.552 million at 1st April 2003, £16.851 million at 31st March 2004).

**(16) Capital Receipts - Deferred**

Capital Receipts - Deferred are amounts derived from the sale of dwellings which were financed by way of Council mortgage. As such, the capital receipt will be received over a period of time corresponding to the repayment of the loan.

The difference between Capital Receipts - Deferred and the Mortgages (Note 8) (£71,000) represents (i) non-capital items included in the loan and taken to the Revenue Account in the year to which they relate and (ii) the recognition of Capital Receipts - Deferred on a cash basis only.

**(17) Provisions**

	Balance 01/04/03	Income in the Year	Expenses or Reduction in Year	Balance 31/03/04
	£'000	£'000	£'000	£'000
S117 Mental Health Act Insurance Provision	169 1,288	0 242	0 491	169 1,039
	<u>1,457</u>	<u>242</u>	<u>491</u>	<u>1,208</u>

The Insurance Provision represents a sum set aside towards meeting the value of insurance claims lodged but not paid at 31st March 2004. Should claims in excess of the provision be made, these will be met from the General Fund.

(18) **Earmarked Reserves**

	Balance 01/04/03 £'000	Balance 31/03/04 £'000
<i>Revenue Reserves:</i>		
General Fund Reserve	4,073	3,628
Single Status Reserve	1,587	2,094
LGR/SCA Reserve	1,596	1,970
Electronic Government IT Reserve	1,119	1,279
Best Value Reserve	789	659
Modernisation Reserve	963	474
MMI Reserve	290	290
Organisational Development Reserve	128	75
On Street Car Parking Reserve	76	118
Building Control Reserve	1	76
Museum Donations	8	8
The Saltings	2	2
	<hr/>	<hr/>
	10,632	10,673
<i>Capital Reserves:</i>		
Capital Expenditure Reserve	7,398	6,063
Developers Contributions & Commuted Sums	4,694	5,256
Grants	2,206	3,451
DSO Depot Reserve	308	0
Historic Buildings Reserve	64	64
	<hr/>	<hr/>
	14,670	14,834
	<hr/>	<hr/>
<b>Total Reserves</b>	<b>25,301</b>	<b>25,507</b>

The balance held on the General Fund Reserve has been set aside to assist with future years' budgets.

The Single Status Reserve was set up at the Cabinet meeting of 25th July 2002 in order to meet the costs associated with implementing its commitment to single status and the associated job evaluation scheme.

The Electronic Government IT Reserve has been set up to fund projects to promote electronic government in accordance with the Government's agenda.

The Modernisation Reserve was set up at the Cabinet meeting of 25th July 2002 in order to meet the costs associated with establishing the new structure.

The Organisational Development Reserve (PR63 6.10.92), the Best Value Reserve (PR13 29.6.93) have been set up to meet organisational development costs and to provide a resource to finance the cost of work required to prepare the Council for the introduction of "Best Value" throughout the Council.

The MMI reserve was set up (Council minute PR136 2.3.94) to meet any levy or reductions in claims under the MMI Scheme of Arrangement drawn up by the Company to permit the orderly winding up of the company. The Council has approximately £1.687 million of outstanding claims.

The On Street Car Parking Reserve and the Building Control Reserve have both been established in accordance with legislation; the former, The Road Traffic Regulation Act 1984 (amended 1991) and the later The Building (Local Authority Charges) Regulations 1998. Any surpluses arising from revenue accounts are held to finance future operations.

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



The Saltings represents income earned set aside to finance future work at the site.

The Capital Expenditure Reserve is used to supplement the resources available to finance future capital expenditure.

Commutated sums represent money received from developers earmarked to fund specific works.

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. (Council minute PR48 4.8.92).

The DSO Depot Reserve was set up to meet the costs associated with the removal and reinstatement of computer systems and depot equipment should the depot be relocated (Council minute PR44 2.8.94 refers). The reserve was written back to the Consolidated Revenue Account as a consequence of a decision to dispose of the site. The sale took place in 2004/05.

**(19) Fund Balances**

	Balance 01/04/03 £'000	Income in Year £'000	Expenses in Year £'000	Balance 31/03/04 £'000
General Fund Working Balance	2,000	0	0	2,000
HRA Balance	4,928	0	2,308	2,620
Schools Balances	4,306	0	469	3,837
HPA Balance	74	0	74	0
Collection Fund	0	244	0	244
	<b>11,308</b>	<b>244</b>	<b>2,851</b>	<b>8,701</b>

**(20) Pension Costs (FRS17 disclosure)**

Note 11 of the Consolidate Revenue Account contains the details of the Authority's participation in providing staff with retirement benefits.

The underlying assets and liabilities for retirement benefits attributable to the authority at 31st March 2004 are as follows:

	Balance 2002/03 £m	Balance 2003/04 £m
Funded benefits under LGPS regulations	(151,699)	(164,314)
Unfunded discretionary benefits awarded by means of additional benefits under the LGPS regulations	<u>(6,825)</u>	<u>(6,835)</u>
Actuarial value of fund liabilities	(158,524)	(171,149)
Market value of fund assets	<u>96,014</u>	<u>123,073</u>
Deficit in the fund	(62,510)	(48,076)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £48.076 million has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority 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.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme liabilities have been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries, estimates of the Fund being based upon the latest full valuation of the scheme as at 31st March 2001.

The main financial assumptions used for the period are as follows:

	31/03/03	31/03/04
	%	%
Inflation	2.50	2.80
Discount rate (pre-retirement)	6.10	6.30
Discount rate (post-retirement)	6.10	6.30
Expected return on assets	7.46	6.89
Expected rate of salary increases	4.30	4.60
Rates of pension increases in payment	2.50	2.80
Rates of pension increases in deferment	2.50	2.80

The fair values of assets held by the pension scheme analysed by class are disclosed below, along with the expected rates of returns.

	2002/03		2003/04	
	Market Value £m	Expected Rate of Return % p.a.	Market Value £m	Expected Rate of Return % p.a.
Equities (UK)	67,978	8.50	84,920	7.50
Government Bonds	20,355	4.50	10,707	4.70
Other Bonds	0	5.50	11,692	5.50
Property	5,377	7.00	13,292	6.50
Other	2,304	4.00	2,462	4.00
<b>Total</b>	<b>96,014</b>	<b>7.46</b>	<b>123,073</b>	<b>6.89</b>

The above figures have been provided by the actuaries to the Essex Pension Scheme using information provided by the scheme and assumptions determined by the actuary on behalf of the Council.

Actuarial calculations involve post balance sheet events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.

Further information can be found in Essex County Council's Pension Fund Annual Report, which is available upon request from Essex County Council, Treasurer's Department, P.O. Box 4, County Hall, Chelmsford, Essex CM1 1JZ.

## 21. Fixed Asset Restatement Reserve and the Capital Financing Reserve

The opening Balances on these reserves have been restated as below to reflect an impairment adjustment relating to 2002/03.

	2002/03 £'000	Prior Year Adj £'000	2003/04 £'000
Fixed Asset Restatement Reserve	374,957	265	375,222
Capital Financing Reserve	111,666	(265)	111,401

## 22. Trust Funds

The Council administers one Trust Fund which is not included in the Consolidated Balance Sheet:

	Balance 01/04/03 £	Income in Year £	Expenses in Year £	Balance 31/03/04 £
Miss Grover's Charity	15,506	1,013	0	16,519



**23. Environmental Trusts**

The Council invests funds on behalf of two environmental trusts which are then used on a temporary basis in the running of the Council.

	£
Cory Environmental Trust	1,672,448
Cleanaway Mardyke Environmental Trust	988,590

**24. Receivership Accounts**

The Council holds funds on behalf of individuals who are unable to manage their financial affairs and for whom the Court has identified that the Council should be named receiver or appointee to manage the individual's finances. The amounts held as at 31 March 2004 were £303k.

**25. Provision for Credit Liabilities (Memorandum Account)**

In accordance with statutory requirements the Council is required to set aside sums as a provision to repay external loans and finance leases and other limited purposes. The Council does not keep an account within the accounting records for the PCL as there is no need to do so but maintains a memorandum account which is set out below.

	<u>Housing</u>	<u>General</u>	<u>Total</u>
	£'000	<u>Fund</u> £'000	£'000
Balance at 1st April 2003	82,729	15,564	98,293
Reserved Capital Receipts in year	8,236	0	8,236
MRP	76	1,256	1,332
Balance at 31st March 2004	<u>91,041</u>	<u>16,820</u>	<u>107,861</u>

**26. Contingent Liability**

The Council has a 8.2% shareholding in the Essex Careers and Business Partnership Ltd., a company which is in liquidation. The Council is currently considering legal advice with regard to the potential liability for the debts of the company which might fall upon the Council. The timing and value of any liability is uncertain.

**27. Post Balance Sheet Event**

The Council signed a fifteen year contract entering into a strategic services partnership on the 11 November 2004 which is due to take effect from 1 April 2005. The value of the services transferring to the partnership is £16.32 million per annum.

## THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

Notes	<u>2002/03</u> £'000	<u>2003/04</u> £'000
Surplus/(deficit) for the year:		
General Fund	(1155)	(913)
Housing Revenue Account	153	(2,308)
Add back movements on specific revenue reserves and balances	843	655
Appropriation from pensions reserve	1,545	(1,734)
Actuarial gains and (losses) relating to pensions	(29,200)	16,168
<b>(1) Total increase/(decrease) in revenue resources</b>	<b>(27,814)</b>	<b>11,868</b>
Increase/(decrease) in usable capital receipts	0	0
Increase/(decrease) in unapplied capital grants and contributions	2,001	165
<b>(2) Total increase/(decrease) in realised capital resources</b>	<b>2,001</b>	<b>165</b>
Gains/(losses) on revaluation of fixed assets	10,673	155,826
Impairment losses on fixed assets due to general changes in prices	0	0
<b>(3) Total increase/(decrease) in unrealised value of fixed assets</b>	<b>10,673</b>	<b>155,826</b>
<b>(4) Value of assets sold, disposed of or decommissioned</b>	<b>(6,003)</b>	<b>(1,943)</b>
Capital receipts set aside	9,425	11,341
Revenue resources set aside	(4,274)	(3,866)
Movement on Government Grants deferred	3,799	7,959
<b>(5) Total increase/(decrease) in amounts set aside to finance capital investment</b>	<b>8,950</b>	<b>15,434</b>
<b>Total recognised gains and losses</b>	<b>(12,193)</b>	<b>181,350</b>



**NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES**

	Balance 2002/03	Surplus/ Deficit in Year	Appropriations to and from Revenue	Actuarial Gains and losses relating to pensions	Balance 2003/04
	£'000	£'000	£'000	£'000	£'000
<b>(1) Movements in Revenue Reserves</b>					
Electronic Government IT Reserve	1,119	0	160	0	1,279
LGR/SCA Reserve	1,596	0	374	0	1,970
Single Status	1,587	0	507	0	2,094
Best Value Reserve	789	0	(130)	0	659
New Political Structure	963	0	(489)	0	474
MMI Reserve	290	0	0	0	290
Organisational Development Reserve	128	0	(53)	0	75
On Street Car Parking Reserve	76	0	42	0	118
Building Control Reserve	1	0	75	0	76
Museum Donations	8	0	0	0	8
The Saltings	2	0	0	0	2
General Fund Reserve	4,073	(445)	0	0	3,628
	10,632	(445)	486	0	10,673
<b>Fund Balances</b>					
General Fund Working Balance	2,000	0	0	0	2,000
HRA Balance	4,928	(2,308)	0	0	2,620
Schools Balances	4,306	0	(469)	0	3,837
HPA Balance	74	0	(74)	0	0
Collection Fund	0	244	0	0	244
	11,308	(2,064)	(543)	0	8701
<b>Pensions Reserve</b>	(62,510)	0	(1,734)	16,168	(48,076)
<b>Total</b>	(40,570)	(2,509)	(1,791)	16,168	(28,702)
			<b>Usable Capital Receipts £'000</b>	<b>Unapplied Capital Grants &amp; Contributions £'000</b>	
<b>(2) Movements in Realised Capital Resources</b>					
Amounts receivable in 2003/04		3,105		16,894	
Amounts applied to finance new capital investment in 2003/04		(3,105)		(16,729)	
Total increase/(decrease) in realised capital resources in 2003/04		0		165	
Balance brought forward at 1st April 2003		0		14,669	
<b>Balance carried forward at 31st March 2004</b>		<b>0</b>		<b>14,834</b>	

Realised capital resources represent sums which have been set aside to fund capital expenditure in future years

## NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES Continued

	Fixed Asset Restatement Reserve £'000
(3) <b>Movements in Unrealised Value of Fixed Assets</b>	
Gains/Losses on revaluation of fixed assets in 2003/04	155,826
Impairment losses on fixed assets due to general changes in prices in 2003/04	<u>0</u>
<b>Total increase/(decrease) in unrealised capital resources in 2003/04</b>	155,826
(4) <b>Value of Assets, Disposed of or Decommissioned</b>	
Amounts written off fixed asset disposals in 2003/04	<u>(1,943)</u>
Total movement of reserve in 2003/04	153,883
Balance brought forward at 1st April 2003	<u>375,222</u>
<b>Balance carried forward at 31st March 2004</b>	<b><u>529,105</u></b>

Notes 3 and 4 together reflect the movement on the Fixed Asset Restatement Reserve and represent an approximation of the value of the increase in the Authority's Asset portfolio.

	Capital Financing Reserve £'000	Government Grants Deferred £'000	Total £'000
(5) <b>Movement in Amounts Set Aside to Finance Capital Investment</b>			
Capital receipts set aside in 2003/04			
Reserve receipts	8,236		
Usable capital receipts	<u>3,105</u>		
<b>Total capital receipts set aside in 2003/04</b>	<b>11,341</b>		<b>11,341</b>
Revenue resources set aside in 2003/04			
Capital expenditure financed from revenue	1,543		
Reconciling amount for provisions for loan repayment	<u>(5,409)</u>		
<b>Total revenue resources set aside in 2003/04</b>	<b>(3,866)</b>		<b>(3,866)</b>
Grants applied to capital investment in 2003/04		8,779	
Amounts credited to asset management revenue account in 2003/04		<u>(820)</u>	
<b>Movement on Government Grants Deferred</b>		<b>7,959</b>	<b>7,959</b>
<b>Total increase/(decrease) in amounts set aside to finance capital investment</b>			<b>15,434</b>
Total movement on reserve in 2003/04	7,475	7,959	
Balance brought forward at 1st April 2003	<u>111,401</u>	<u>22,577</u>	
<b>Balance carried forward at 31st March 2004</b>	<b><u>118,876</u></b>	<b><u>30,536</u></b>	

The capital financing reserve and Government Grants deferred represent sums which have been set aside from capital and revenue to finance capital expenditure. As such, these reserves cannot be used to fund future spending programmes.





**CASH FLOW STATEMENT**

Notes	2002/03		2003/04	
	£'000	£'000	£'000	£'000
<b>Revenue Activities</b>				
Cash Outflows				
	(55,008)		(61,312)	
	(8,343)		(10,562)	
	(9,066)		(10,253)	
	(66,923)		(71,913)	
	(142,085)	(281,425)	(160,776)	(314,816)
Cash Inflows				
	40,400		49,096	
	16,506		14,732	
	118,520		114,034	
(4)	57,915		67,970	
(4)	13,729		15,127	
(4)	8,697		9,219	
(4)	22,384		40,496	
	20,723		15,129	
		298,874		325,803
(1)	<b>Net Cashflow from Revenue Activities</b>	17,449		10,987
<b>Returns from Investment and Servicing of Finance</b>				
Cash Outflows				
	(4,618)		(4,886)	
	(32)		(14)	
	(4,650)		(4,900)	
Cash Inflows				
	2,416	(2,234)	1,523	(3,377)
<b>Capital Activities</b>				
Cash Outflows				
	(22,655)		(33,329)	
	(5,860)		0	
	(28,515)		(33,329)	
Cash Inflows				
	9,425		11,341	
	4,442		9,769	
	0		26,899	
	2,141		967	
	16,008	(12,507)	48,976	15,647
	<b>Net cash inflow before financing</b>	2,708		23,257

## CASH FLOW STATEMENT continued

Notes	2002/03		2003/04	
	£'000	£'000	£'000	£'000
<b>Financing</b>				
Cash Outflows				
Repayments of amounts borrowed	(1,008)		(981)	
Capital element of finance lease rentals	0		0	
	<u>(1,008)</u>		<u>(981)</u>	
Cash Inflows				
New loans raised	0		0	
New advances	0		0	
	<u>0</u>		<u>0</u>	
Net Change in long term borrowing	(1,008)		(981)	
<b>Management Of Liquid Resources</b>				
Cash Outflows				
Repayments of amounts borrowed	(23,270)		(77,879)	
Cash Inflows				
New loans raised	18,074		56,870	
	<u>18,074</u>		<u>56,870</u>	
Net increase(+)/decrease(-) in short term deposits	<u>(5,196)</u>		<u>(21,009)</u>	
MOVEMENT IN NET DEBT		(6,204)		(21,990)
(2) <b>Increase/(Decrease) in Cash</b>		<u>(3,496)</u>		<u>1,267</u>

**NOTES TO THE CASH FLOW STATEMENT**

Note	2002/03		2003/04	
	£'000	£'000	£'000	£'000
<b>(1) Reconciliation of Revenue Cash Flow</b>				
Consolidated Revenue Account (Deficit)		(1,155)		(913)
Collection Fund Surplus / (Deficit)		0		244
		<hr/>		<hr/>
		(1,155)		(669)
Add Back:				
Items not involving movement of funds				
Minimum Revenue Provision		1,086		1,332
Claims settled from Insurance Reserve		(238)		(491)
Transfers to and (from) Reserves:				
Revenue Contributions to capital	1,488		2,494	
HRA Balance	153		(2,308)	
HRA Deferred charges	0		(74)	
Major Repairs Allowance	6,473		6,331	
Interest credited on reserve balances	151		192	
DSO Depot Reserve	0		(308)	
Organisational Development Reserve	(110)		(53)	
LGR Reserve	374		374	
Insurance Reserve	220		242	
Provision re S117 Mental Health Act	169		0	
Electronic Government IT Reserve	(261)		159	
Car Parking Reserve	0		75	
Building Control Reserve	(40)		42	
Modernisation Reserve	240		(489)	
Single Status	731		507	
Developers Contributions	(142)		(87)	
Best Value Reserve	(37)		(130)	
		<hr/>	<hr/>	
		9,409		6,967
		9,102		7,139
Add back:				
(Increase)/Decrease in Stocks	26		29	
(Increase)/Decrease in Revenue Debtors	6,739		(2,221)	
Increase /(Decrease) in Revenue Creditors	(652)		2,663	
		<hr/>	<hr/>	
		6,113		471
		<hr/>	<hr/>	
		15,215		7,608
Financing Items shown below Revenue Activities				
External Interest Charged	4,650		4,900	
External Interest Received	(2,416)		(1,523)	
		<hr/>	<hr/>	
		2,234		3,377
		<hr/>	<hr/>	
<b>Net Cash Flow from Revenue Activities</b>		<b>17,449</b>		<b>10,987</b>

(2) **Analysis of Changes in Debt**

	<u>As at</u> 31/03/02 £000	<u>As at</u> 31/3/03 £000	<u>Movement</u> £000	<u>As at</u> 31/3/03 £000	<u>As at</u> 31/3/04 £000	<u>Movement</u> £000
Cash balance	388	631	243	631	589	(42)
Bank balance	(3,711)	(7,450)	(3,739)	(7,451)	(6,142)	1,309
	(3,323)	(6,819)	(3,496)	(6,820)	(5,553)	1,267
Debt due within 1 year	(5,207)	(21,770)	(16,563)	(21,770)	(7,780)	13,990
Debt due after 1 year	(89,596)	(66,829)	22,767	(66,828)	(58,828)	8,000
	(98,126)	(95,418)	2,708	(95,418)	(72,161)	23,257
Net Cash Inflow before financing						

The comparatives for 2002/03 have been restated in order to present the correct classification of debt due to be repaid.

(3) **Reconciliation of Net Cashflow to Movement in Net Debt**

(Increase)/Decrease in cash for period	(1,267)
Cash received from increase in debt	(7,020)
Cash used to decrease liquid resources	(14,970)
Change in debt	(23,257)
Net debt at 1st April 2003	95,418
Net debt at 1st April 2004	72,161

(4) **Analysis of Government Grants**

	2002/03		2003/04	
	£000	£000	£000	£000
Revenue Support Grant	57,915		67,970	
Housing Benefit	13,729		15,127	
Housing Subsidy	8,697		9,219	
		80,341		92,316
Social Services: Promoting Independence	391		1,168	
Asylum Seekers	3,163		2,660	
Childrens Social Services	1,416		1,190	
Education Standards Fund	9,695		16,124	
Supporting People	0		2,489	
Students Awards	169		138	
New Opportunities Fund	607		676	
Schools Standards Grant	1,965		2,716	
Early Years Funding	2,336		2,105	
Teachers Performance Pay	1,140		1,469	
Schools Cluster Funding	427		612	
Other Grants	1,075		9,149	
		22,384		40,496
Total		102,725		132,812



## **GLOSSARY OF TERMS**

### **Balances**

Revenue reserves and provisions available to the Council.

### **Capital Receipts**

The proceeds from the sale of surplus assets, e.g. land, buildings, etc.

### **Collection Fund**

A statutory account which receives the Council Tax and related Government grants. A transfer is made from this fund to the Revenue Account to fund the cost of the services provided by the Council.

### **Consolidated Balance Sheet**

A statement of all the assets, liabilities and balances of the Authority at the end of the accounting period.

### **Consolidated Revenue Account**

The account reports the income and expenditure for all services provided by the Council.

### **Deferred Charges**

These arise where expenditure is charged to capital and met from loan but there is no tangible asset, e.g. improvement grants, and also where an asset is sold but there remains outstanding debt. The charges are written down as the loan is repaid.

### **Housing Revenue Account (HRA)**

A statutory account recording income and expenditure relating to the provision of Council housing.

### **Minimum Revenue Provision (MRP)**

The amount that has to be charged to revenue to provide for the redemption of debt.

### **National Non-Domestic Rate (NNDR)**

This is a charge payable on all business premises and is calculated by multiplying the rateable value of the property by a nationally set multiplier. Non-Domestic Rates are paid into a pool controlled by the Government. This money is then distributed to Local Authorities on the basis of adult population.

### **Precept**

A demand made by Essex Police Authority for monies collected on its behalf by this Council.

### **Provision for Credit Liabilities**

A fund set aside for the redemption of loan debt.

### **Provisions**

These are set up to meet expenditure which is likely or certain to be incurred, but the date at which it will be spent is unknown.

### **Reserves**

These are sums of money earmarked for specific purposes and to meet programmed expenditure.

### **Revenue Support Grant**

The main grant paid by the Government to Local Authorities.

### **Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRSs)**

Accounting practice recommended for adoption by the accountancy profession.



INVESTOR IN PEOPLE

## THURROCK COUNCIL

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