

REPORT OF THE CHIEF FINANCE OFFICER

Statement of Accounts for the year ended 31 March 2006

I am pleased to introduce the Council's Statement of Accounts for 2005/06. The publication includes a brief overview of the key achievements in the year together with all the financial statements and disclosure notes required by the Code of Practice.

During 2005/06 the Council has been working hard to deliver efficient services offering value for money in accordance with the Council practices of:

- Children, young people and lifelong learning
- Safer environment
- Cleaner and greener environment
- Including people

The Council's spending during the year has reflected these practices. Please see the section on pages 7 to 10 outlining our successes.

Net expenditure on the Council's services charged to the General Fund was £171.2 million, which was £0.738 million less than originally planned for, and as a consequence of the final position it has been possible to make a contribution to the General Fund Reserve. However, it must be noted that provision has been made to carry some budgets over to 2006/07 to fund commitments entered into in 2005/06. Net expenditure increased by £11.3 million as compared with the previous year, an increase of 7%.

Funding for children's and adult's social care continues to place pressure on the Council's resources. The services experienced a considerable upturn in demand during the year. A number of measures were put in place during the year (eg a recruitment freeze for all but essential posts) in order to contain expenditure within budgets. An increased focus was also placed on environmental services including the introduction of a green waste recycling service and increased frequency of collection of 'blue box' waste. This has resulted in an increase in the volume of recycling: up to 20% from 16.4% in 2004/05.

The provision of education continues to be the focus of Council expenditure. Over £76.1 million was provided to schools in 2005/06. School's balances have increased by £1.4 million leaving the combined total sum of balances held by schools at £6.8 million.

2005/06 also represented the first year of the Council's strategic services partnership with Vertex Data Service Ltd. The partnership has added considerable value to the Council's services and has overseen the creation of a customer services contact centre, the introduction of a new customer relation management system (CRM) and the development of a new financial management system (Oracle Financials), all at no extra cost to the Council.

The Housing Revenue Account (HRA), which deals with expenditure and income on the provision of council housing, achieved a surplus of £1.4 million. This means that the level of reserves is greater than the minimum level set out in the Medium Term Financial Strategy, giving greater flexibility and security for the future.

The Council's capital programme included £7 million of highway improvement and road safety schemes.

In education £15 million was spent on improvements to school and college buildings and £4.7 million on the purchase of land for a new school provision in Purfleet. The housing programme included £6 million spent on replacement central heating and other improvements to the housing stock. Full details of the capital programme can be found in the report considered by Cabinet on 14 June 2006.

The timetable for the closure and reporting of the Council's accounts must comply with the statutory timetable set out in the Accounts and Audit Regulations 2003. For 2005/06 the Council must approve its accounts by 30 June and publish by 30 September. This would not have been achieved without the dedication and professionalism of the finance staff who together with producing these accounts have overseen the implementation of a new financial information system which 'went live' on 3 April 2006. I would like to thank all staff for their assistance in the preparation of these accounts during one of the biggest 'change' years in relation to financial management in the history of Unitary Thurrock Council.

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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, and
- to approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (the Code), and is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2006.

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 7 to 54 present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2006.

Chief Finance Officer

Date:

The Chair's Responsibilities

In accordance with the requirements of S10 of the Accounts and Audit Regulations 2003 I confirm that the Statement of Accounts was approved by resolution of the full Council on 28 June 2006.

The Mayor

Date:

INDEPENDENT AUDITOR'S REPORT TO THURROCK COUNCIL

Opinion on the Financial Statements

I have audited the financial statements of Thurrock Borough Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Thurrock Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective Responsibilities of the Chief Finance Officer and Auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the Statement on Internal Control 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 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of Audit Opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) 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 Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

.....Date.....

Paul King
District Auditor
Audit Commission, Sheffield House, Lytton Way, Stevenage, Hertfordshire, SG13HG

Conclusion on Arrangements for Securing Economy, Efficiency and Effectiveness in the Use of Resources

Authority's Responsibilities

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

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention, which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Thurrock Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

Best Value Performance Plan

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2005/06 on 25 November 2005. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

I certify that I 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.

.....Date.....

Paul King
District Auditor
Audit Commission, Sheffield House, Lytton Way, Stevenage, Hertfordshire, SG13HG

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 Statement of Recommended Practice (SORP) 2005 and the Accounts and Audit Regulations 2003.

2. The Accounts

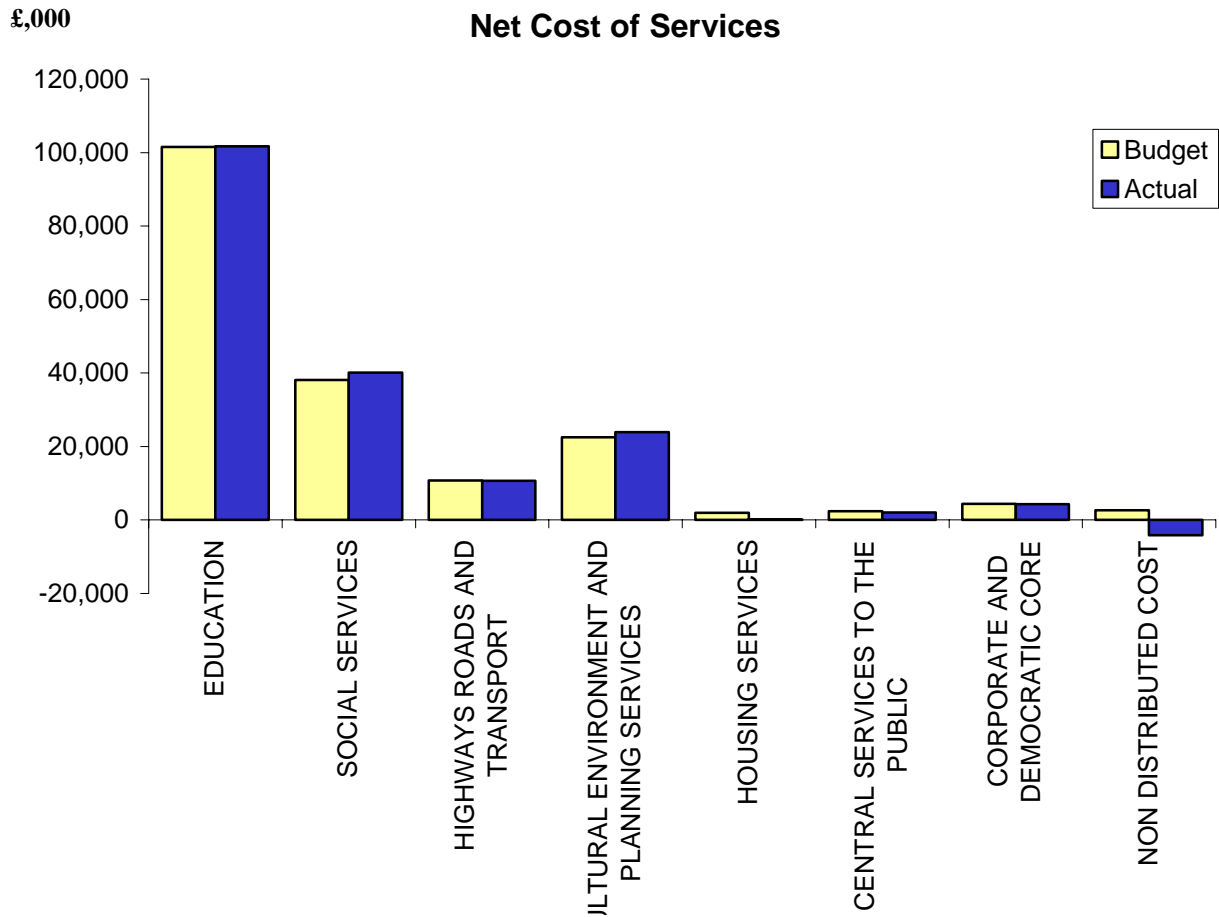
The Council's accounts for the year 2005/06 are set out on the following pages. They consist of:

- (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 Housing Revenue Account 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 while expenditure items include the costs of managing, maintaining and servicing the stock. The Council also bears the cost of negative housing subsidy following the transfer of rent rebates and related subsidies to the General Fund.
- (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 and Fire Authorities 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 31 March 2006. 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 that 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. Consolidated Revenue Account

The amount to be met from Government grants and local taxation (before the use of reserves) was £171.2 million for the year. After accounting for the movement in schools balances, this represents a decrease of £0.738 million as compared to the original estimate. As a consequence, the Council has been able to contribute an additional £0.738 million to its General Fund reserve. A full report on the 2005/06 General Fund and Housing Revenue Account outturn was considered by the Cabinet on 14 June 2006.

The graph below shows a comparison between budgeted and actual expenditure for the services provided by the Council as set out in the Consolidated Revenue Account.

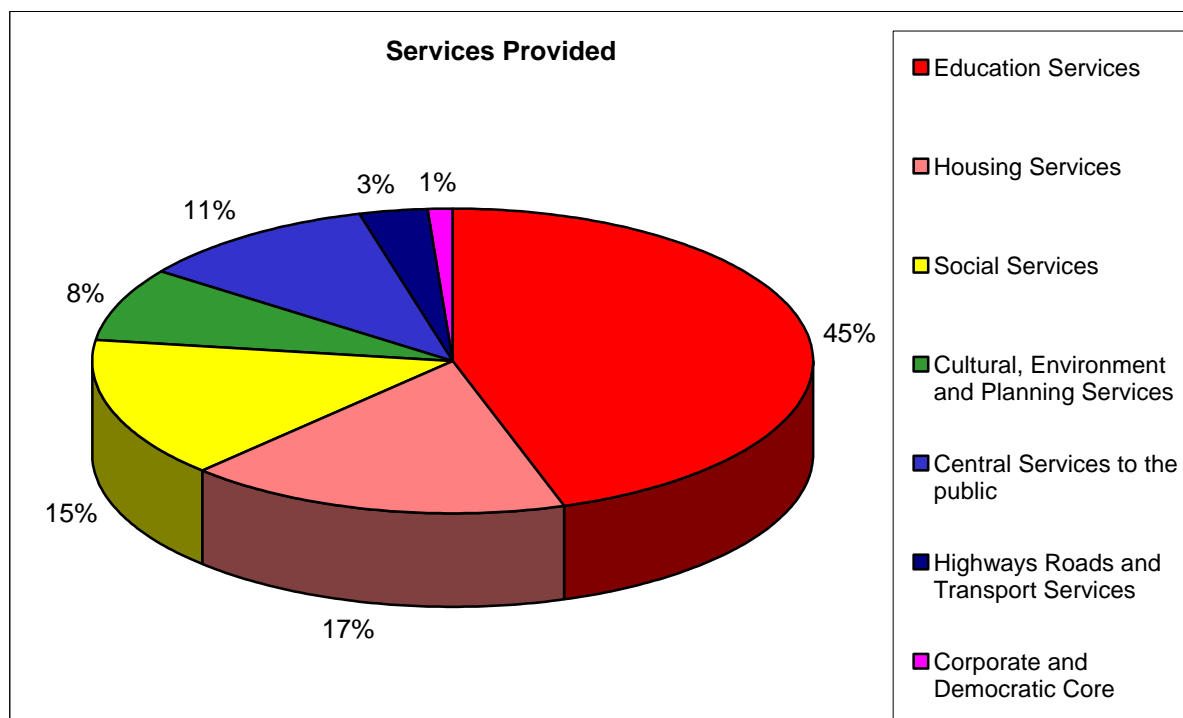


4. Housing Revenue Account

In 2005/06 the HRA recorded a surplus of £1.424 million. The HRA balance increased to £4.861 million as at 31 March 2006.

5. Services Provided

The pie chart below shows the percentage of gross expenditure allocated to Council services as reflected in the Consolidated Revenue Account (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 2005/06 amounted to £43.699 million (compared with £31.798 million in 2004/05). £20.271 million (46%) was spent on Education, £8.728 million (20%) on Highways and Transportation and £8.122 million (19%) on Housing. Financing of the Council's capital expenditure was from a number of sources including £19.317 million from loans, £8.697 million from government grants, £5.246 million from developers' contributions and £2.183 million from capital receipts.

Capital receipts generated from asset sales during the year totalled £4.540 million. Some £2.183 million of receipts were used to finance capital expenditure, leaving a balance of £2.250 million that was paid into the Government pool for redistribution nationally. This leaves £0.107 million of unapplied capital receipts.

7. Borrowing Facilities

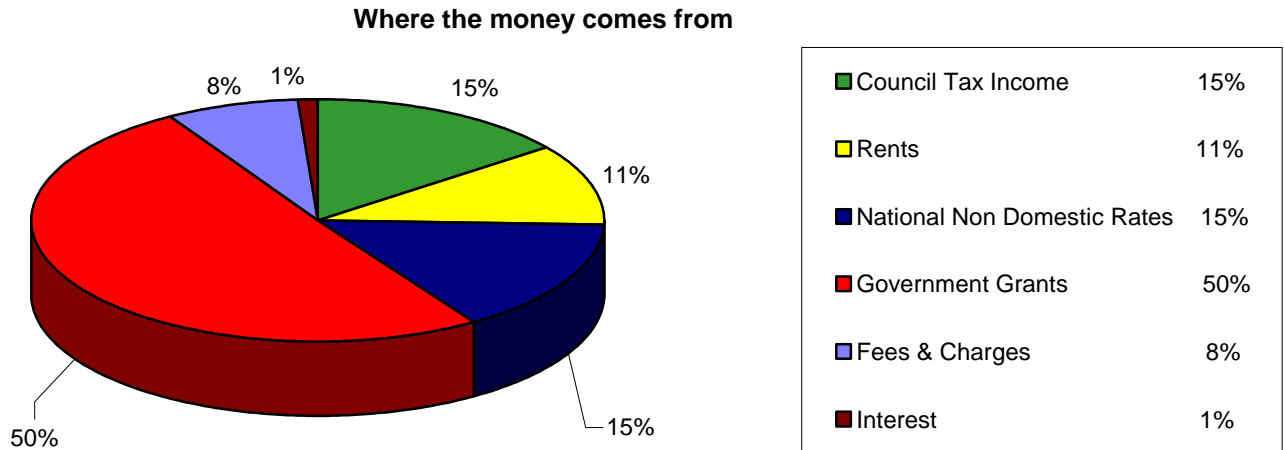
The Council can borrow for any purpose for which it is legally entitled to incur expenditure. Under Section 3(1) of the Local Government Act 2003 the Council may "determine and keep under review how much money it can afford to borrow". In practice the Council sets its own borrowing limits based upon a test of affordability. This is in accordance with the guidelines set out in the CIPFA Prudential Code for Capital Finance in Local Authorities. Full details of the Council's loan transactions are given in Notes 12 and 14 to the Consolidated Balance Sheet (page 41).

8. Summary

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

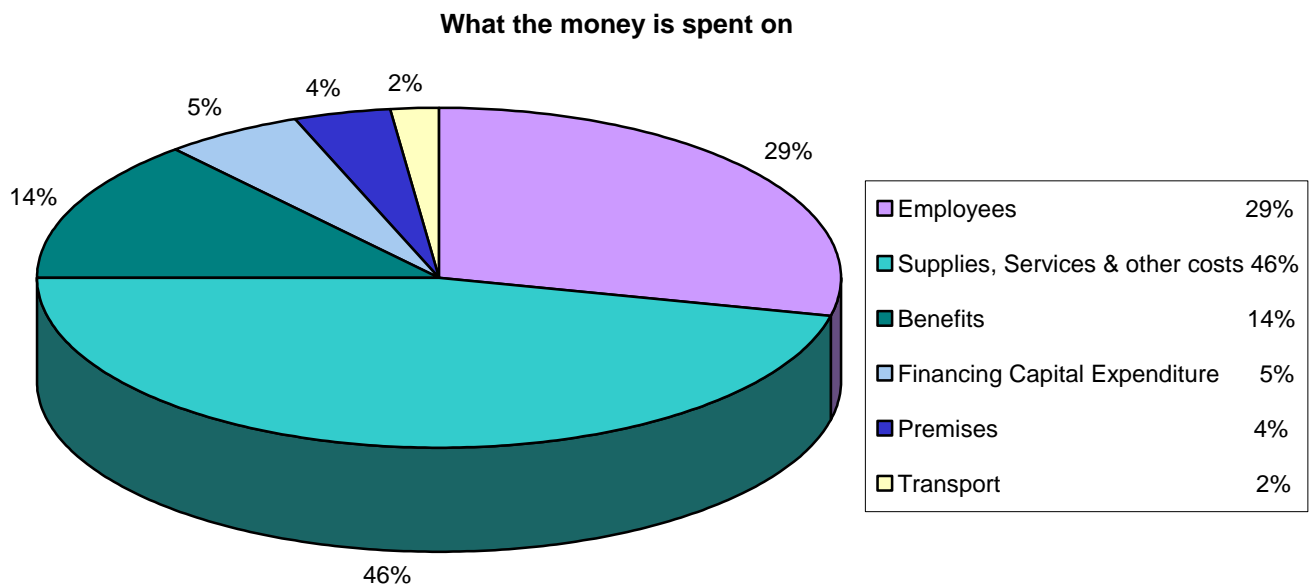
i) Where the money comes from:

The largest single source was Government grants. This accounted for 50% (50% in 2004/05) of the Council's income. The grants include Housing Benefit and Subsidy.



ii) What it is spent on

This pie chart shows an analysis of what the money is spent on.



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 652412).

STATEMENT OF ACCOUNTING POLICIES

1. Introduction

These accounts have been prepared in accordance with the Best Value Accounting Code of Practice (BVACOP) and the Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice (SORP) both published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounts comply, therefore, with proper accounting practices as defined in the Local Government and Housing Act 1989 and the Local Government Act 2003.

The general principles adopted in compiling the accounts are those recommended by CIPFA. All Financial Reporting Standards (FRS) and Statements of Standard Accounting Practice (SSAP), which CIPFA has determined as relevant to local authority accounts, 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. This exception is reported in Note 14 of this Statement of Accounting Policies. This means that activity, subject to this sole exception, has been accounted for in the year that it takes place and not when cash payments are made or received.

2. Consolidation of the Accounts

The consolidation of the accounts has been carried out in accordance with the SORP. The Consolidated Balance Sheet has been prepared by aggregating the account balances of all the Council's services and funds, and by eliminating all internal accounting and transactions between funds. The Consolidated Revenue Account reflects all of the Council's revenue activities including those funded by the General Fund and the Housing Revenue Account.

The Authority has considered whether or not group accounts should be prepared and has concluded that it has no significant or controlling interests in other entities that would have a material impact upon the accounts.

3. Tangible Fixed Assets

Tangible fixed assets have been categorised into classes as follows:

- Operational Assets -
 - Council Dwellings
 - Other Land and Buildings
 - Vehicles, Plant and Equipment
 - Infrastructure Assets
 - Community Assets

- Non-operational Assets –
 - Commercial Properties
 - Assets under Construction
 - Land awaiting Development

All expenditure on the acquisition, creation and enhancement of tangible fixed assets has been accounted for on an accruals basis. This includes assets acquired under finance leases that have been capitalised and included in the Consolidated Balance Sheet on the basis of the outstanding obligations to make future rental payments.

Where assets are used in the pursuit of strategic or service objectives they are classified as operational assets. Infrastructure assets and community assets are included in the Consolidated Balance Sheet at historical cost, net of depreciation, where appropriate. Council dwellings are included in the Consolidated Balance Sheet at market value in existing use. Other operational land and properties and other operational assets are included in the Consolidated Balance Sheet at market value, 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 requirements, are included in the Consolidated Balance Sheet at market value.

When an asset is included in the Consolidated Balance Sheet at current value, it is formally re-valued at intervals of not more than five years and the revised amount included in the Consolidated Balance Sheet. The difference between the value and the amount at which the asset was included in the Consolidated Balance Sheet immediately prior to the latest revaluation is credited or debited to the Fixed Asset Restatement Account. 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.

The Council did not hold any assets for investment purposes only during 2005/06, and, as such, no disclosure is required.

4. Depreciation and Impairment

Provision for depreciation is made by allocating the cost or re-valued amount less the estimated residual value of the assets as fairly as possible over the period of time the Council expects to benefit from using them for the provision of services. Depreciation is provided on a 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 was reviewed in conjunction with the Council's Valuer for the 2004/05 accounts. Although the Valuer has estimated the useful economic lives of buildings to range between 40 and over 60 years, the Chief Finance Officer has considered it more prudent to provide for depreciation over a 30-year period.

Impairment is charged where an asset is subject to a reduced valuation due to obsolescence, physical damage, a decline in the market value of the fixed asset where there is an adverse change in the statutory or regulatory environment in which the Council operates, or where there is a significant decline in the market value of the fixed asset due to general changes in price levels. Normally impairment is charged to the Fixed Asset Restatement Account but in an individual circumstance it can be appropriate to treat impairment as accelerated depreciation chargeable to a service revenue account.

5. Capital Receipts

Capital receipts arising from the disposal of assets are held in the Capital Receipts Unapplied Account until such time as they are used either to finance capital expenditure or to repay debt. Interest on the investment of these sums is credited to the General Fund and Housing Revenue Account, depending on the nature of the receipt. With effect from 1 April 2004 the Council must pay a proportion of specified housing related capital receipts into a Government pool for redistribution. Prior to that date the Council was required to set aside a proportion of its housing capital receipts for debt repayment.

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 their fixed assets are included in the Consolidated Balance Sheet at 1 April 2005. The notional rates of interest used are 3.5% for all assets included in the Consolidated Balance Sheet at current value and 4.95% for infrastructure assets and community assets, which are included in the Consolidated Balance Sheet at historic cost.

7. Intangible Fixed Assets and Deferred Charges

Expenditure on intangible fixed assets that do not have physical substance but are identifiable and controlled by the Council, eg software development and licences, is capitalised when it is expected to bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment on the basis of its historic cost.

Deferred charges encompass expenditure which may properly be capitalised, but which does not result in, or remain matched with, tangible fixed assets. Examples of deferred charges include house renovation grants to private house owners. The policy of the Authority is to amortise the charge to service revenue accounts over a period consistent with the consumption of economic benefits controlled by the Authority. In most cases of such expenditure, the writing out will take place in the year in which the expenditure is incurred.

8. Deferred Capital Receipts

The balance of Deferred Capital Receipts (or Deferred Credits) represents the amount receivable in future years from purchasers of Council houses financed by loans from the Council secured by way of mortgages. The balance is reduced each year by the value of the annual principal repayments. Those annual repayments are then treated as Capital Receipts, which are described in Note 5 of this Statement of Accounting Policies.

9. Government Grants and Contributions

Government grants and other contributions are accounted for on an accruals basis. The income has been credited, in the case of revenue grants, to the appropriate service revenue account or, in the case of capital grants, to the Government Grants Deferred Account. Amounts are released from the Government Grants Deferred Account to offset any provision for depreciation charged to a service revenue account in respect of the assets to which the grants originally related and which they were used to fund.

10. Leases

Leases are treated as finance leases where substantially all of the risks and rewards relating to the leased asset have been transferred to the Council. Assets, which have been acquired by means of a finance lease, are reflected as fixed assets in the Consolidated Balance Sheet. The financing costs associated with finance leases are charged to the Consolidated Revenue Account.

In the case of operating leases, which are defined in SSAP 21 as any leases that are not finance leases, the lease payments are charged to the relevant service revenue account as they become payable, or, where the Council is the lessor rather than lessee, are credited to the relevant service revenue account when receivable.

For more information on the Council's leasing obligations, see Note 7 to the Consolidated Revenue Account and Note 27 to the Consolidated Balance Sheet.

11. Investments

Investments are shown in the Consolidated Balance Sheet at cost or net realisable value, whichever is the lower.

12. Long Term Debtors

Long Term Debtors are shown in the Consolidated Balance Sheet and comprise the balances outstanding on mortgages which were granted under the "Right to Buy" scheme relating to purchases of Council houses and the balances outstanding in respect of car loans due to be repaid over more than one year.

13. Stocks and Work in Progress

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 (which relates primarily to stocks of finished goods for sale) but the effect is not considered to be material. There was no balance of work in progress for Consolidated Balance Sheet purposes at the year-end.

14. Debtors and Creditors

In order to comply with the 'accruals' concept, the Council's service 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 the cash is 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 31 March 2006. However, accounting for public utility payments does 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 public utilities has been

accounted for without the raising of creditors and without apportioning payments and receipts on a strict time basis. This is the sole exception identified in Note 1 to this Statement of Accounting Policies and does not comply with the SORP, 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 requirements or contractual terms, and where, arising from the Council's actions, a valid expectation has been created in the view of another party that the Authority will transfer economic benefit as a result of it accepting certain responsibilities. Full details of the provisions held are included in Note 18 to the Consolidated 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, or are appropriated from the Consolidated Revenue Account to set up or replenish reserves. These transactions are separately identified in Note 5 to the Consolidated Revenue Account.

Capital expenditure is shown before the use of reserves. Any transfers from capital reserves are treated as financing items and are shown in Note 3 to the Consolidated Balance Sheet. Certain capital reserves (or accounts) are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council.

A full list of current usable reserves, revenue and capital, is shown in Note 20 to the Consolidated Balance Sheet.

All movements in reserves are summarised in the Statement of Total Movements in Reserves.

17. Overheads and Support Services

These expenses are allocated over all services, the corporate and democratic core and non-distributed costs in accordance with the principles recommended by CIPFA. The full costs of Support Services have been charged to service revenue accounts in the Consolidated Revenue Account in accordance with the BVACOP. Charges have been made on a variety of bases appropriate to the relevant service. Immaterial balances, which have not been allocated to service revenue accounts, have been charged directly to the Consolidated Revenue Account.

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. Revenue and Customs. Any balance due to the Council is included in the debtors figure shown in the Consolidated Balance Sheet.

19. Pensions

Employees of the Council are members of either of two separate pension scheme -

The Teachers' Pension Scheme, administered by Capita on behalf of the Department for Education and Science, and

The Local Government Pension Scheme administered by Essex County Council.

So far as the Teachers' Scheme is concerned, liabilities for benefits cannot be identified to the Council. Thus no liability for future benefits is recognised in the Consolidated Balance Sheet and the service revenue account is charged only with the cost of employers' contributions payable to the Teachers' Pension Scheme in the year of account.

So far as the Local Government Scheme is concerned, the liabilities of the Scheme are included in the Consolidated Balance Sheet on the basis of an actuarial assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions

about mortality rates, employee turnover, and projected earnings. Liabilities have been discounted to their value at current prices at 31 March 2006 based on the current rate of return on a high quality corporate bond of equivalent currency and term to the Scheme's liabilities (4.9%, equivalent to 2.0% in real terms).

The Council is only permitted to charge to its Consolidated Revenue Account the actual amount payable to the Essex County Pension Fund during the year. There is therefore an appropriation to the Pensions Reserve to remove the notional debits and credits for retirement benefits leaving only the cash paid to the Pension Fund plus any amounts relating to the year of account but unpaid at the year end.

For full details of the impact of the FRS17 disclosure requirements on the accounts, reference should be made to the following notes -

Consolidated Revenue Account - Note 12
Housing Revenue Account – Note 7
Consolidated Balance Sheet - Note 16
Statement of Total Movement in Reserves - Note 4

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 Act 2003 requires that a Minimum Revenue Provision for the redemption of debt should be charged to the Consolidated Revenue Account based on the authority's Capital Financing Requirement (CFR) as defined in that Act. The Council has applied the Minimum Revenue Provision, which is 4% of the CFR, as shown in Note 6 to the Consolidated Revenue Account – Reconciling Amount for Provision for Loan Repayment.

External debt and investments are managed centrally and interest paid and received is accounted for on an accruals basis.

22. Debt Rescheduling/Premature Debt Redemption

Premiums and discounts arising from the premature redemption of long term debt are applied to the Consolidated Revenue Account and Housing Revenue Account over a period of years corresponding to the outstanding life of the relevant replacement debt. This is in line with guidance from CIPFA and the exemptions set out in FRS 4.

23. 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.

24. Long Term Contracts

On 1 April 2005 the Council entered into a strategic partnership with Vertex Data Service Ltd, the customer management arm of United Utilities Plc. Vertex has been allocated responsibility for carrying out the following support services under a major long term contract for a period of 15 years; business administration, centralised customer services team and contact centre, business accounting and financial services, procurement, human resources and payroll, revenues and benefits, ICT services, engineering systems, facilities and property management. Details of the Council's long-term financial commitment are disclosed in Note 18 to the Consolidated Revenue Account. Payments made to Vertex under the contract have been accounted for under the normal arrangements (as set out in Note 14 above) for accounting for income and expenditure with accruals being made where appropriate.

25. Interests in Companies and other Entities

The Council has no material interests in companies or other entities, which could be regarded as subsidiaries, associates or joint ventures. The Council is invited to appoint Members to many entities of local, regional, and national significance. These appointments have been examined, together with Members' own declarations of interest, and reported related parties. As stated, no material reportable interests were identified.

26 Prior Period Adjustments

In preparing this Statement of Accounts, it became apparent that the roundings to the nearest £'000 in the 2004/05 publication had not been treated consistently. These have been corrected in this publication so that the following vary by £1,000 from the figures published last year: the Collection Fund balance, Note 21 to the Consolidated Balance Sheet – Fund Balances and the total in Note 4 to the Statement of Total Movements in Reserves. In addition the total in Note 23 to the Consolidated Balance Sheet – Trust Funds has been corrected, although the figure involved is not part of the Council's own accounts.

STATEMENT ON INTERNAL CONTROL

1. SCOPE OF RESPONSIBILITY

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

- 2.1 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 prioritize 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.
- 2.2 The system of internal control has been in place at Thurrock Council for the year ended 31 March 2006 and up to the date of approval of the accounts.

3. THE INTERNAL CONTROL ENVIRONMENT

3.1 The key elements of the Council's internal control environment are as follows:

- The Authority has a Council that meets approximately monthly, aside from summer and winter recesses and, when there are elections in May, there is no April meeting. The responsibilities of the Council and committees (including Cabinet and the Scrutiny meetings) are set out in the Authority's Constitution. This sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The Authority's budget and policy framework is considered by the Council along with certain other functions reserved to it by legislation. Except for 'exempt' items, the Council meets in public session that is advertised in advance of the meeting, as are all Council committee events. All minutes are published once approved.
- The Overview and Scrutiny Management Committee regularly reviewed specific policy areas, supported by Commissions (sub-committees) covering specific policy areas. On 29 March, the Council agreed to replace these with four Overview and Scrutiny Committees broadly covering the work areas of the four Corporate Directorates. An Overview and Scrutiny Committee can 'call-in' a decision of the Cabinet within five days of the publication of the minutes of the Cabinet meeting.
- A new Audit Committee has been established from March 2006.
- The Standards Committee meets on a regular basis and its Terms of Reference include promoting and maintaining high standards of conduct, and monitoring the whistle blowing policy. The committee has two independent members who are the Chairman and Vice-Chairman.
- Meetings are open to the public except where exempt or confidential matters are being disclosed. In addition, senior officers of the council can make decisions under delegated authority. The Council publishes a Forward Plan which contains details of key decisions to be made by the Cabinet, Cabinet Members and Chief Officers under their delegated powers. A record of delegated decisions by members and key decisions by officers is held which can be inspected to find out which decisions have been made, and who the decision makers were.
- The Council has in place systems for identifying and evaluating all significant risks, developed and maintained with the pro-active participation of all those associated with planning and delivering services. Risk management is built into the service planning process and all items for Corporate Management Team decision have provision for risk issues built into the template. The

Council approved a Risk Management Policy Statement and Strategy. This explains the methodology that provides the framework for the management of risk throughout the Council. A cross-departmental Risk Management Group has been established to develop a comprehensive performance framework for risk management and to embed risk management across the authority. A Risk Register is in place and appropriate staff have been trained in the assessment, management and monitoring of risks. The next phase in the process of developing the risk management strategy is to clearly demonstrate progress made in tackling the issues that give rise to the risk with the objective of eradicating, or substantially reducing the risks.

3.2 Procedures to ensure compliance with established policies, procedures, laws and regulations

- Professionally qualified finance staff in key roles throughout the organisation.
- Regular reports by internal audit, which include the Head of Audit Services independent opinion on the adequacy and effectiveness of the organisation's system of internal control, together with recommendations for improvement. Each audit report includes an audit opinion on the internal control environment.
- Introduction of updated Human Resource procedures, supporting terms and conditions of employment for staff and covering all aspects of good employment.
- The Council holds some externally assessed quality assurance awards such as ISO 14001 (Environmental management) and ISO 9001: 2000 (Quality management).
- The Council has designated the Head of Legal and Democratic Services as Monitoring Officer. She has made arrangements for one of two deputy Heads of Legal Services to act as deputy Monitoring Officer as required. It is the function of the Monitoring Officer to ensure compliance with established procedures, laws and regulations. After consulting with the Managing Director and Chief Finance Officer, the Monitoring Officer must report to the full Council if she considers that any proposal, decision or omission would give rise to unlawfulness or mal-administration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. A Monitoring Officer Protocol has been agreed by Council setting out how the statutory functions will be discharged.
- Through external inspection activity by the Audit Commission and others and by reviews by Audit Services, the Corporate Improvement and Performance Team and various transformational review teams, the Council seeks ways of securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty.
- In collaboration with its Strategic Services Partner, a cross-departmental / organisation Management Team reviewed corporate processes to identify and implement additional efficiencies and income generating opportunities and these were then used in the collation of the submission of the Council's Efficiency Statement which has received national recognition for its high level of targeted savings.

3.3 Financial management of the Authority

- The financial management of the Authority is conducted in accordance with relevant professional guidance such as the CIPFA code on Treasury Management, Prudential Code and the Financial Procedural Rules as set out in the Constitution, which are regularly reviewed with the last major completed in March 2006. The Council has designated the Chief Finance Officer as the Section 151 officer under the Local Government Act 1972. The Council has in place a three-year Financial Strategy, updated annually, to support the medium-term aims of the Corporate Plan.
- The Council approves: the budget, including the allocation of financial resources to different services and projects; contingency plans; the Council tax base; the setting of the Council tax; decisions relating to the Council's overall borrowing requirements; the control of capital expenditure; and the setting of virement limits. Throughout the year there are monthly financial management reports with onward monitoring reports to Members on a quarterly basis.

- The Council has over the last few years enhanced its budgetary control systems to the current system of giving Managers cash envelopes within which they have to operate. For 2005/06 it delivered its services within the overall budget despite increasing demand for its services.
- 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 Performance Monitoring group review progress against the capital scheme plans. Expenditure reports are produced on a monthly basis to service heads as well as financial reports to the Central Management Team. Any reports to management have financial implications built into them, so that early decisions can be made taking account of the financial consequences.
- The Council maintains an internal audit function – Audit Services, which operates to the standards set out in CIPFA's 'Code of Practice for Internal Audit in Local Government 2003' (as required under the Accounts and Audit (Amended) (England) Regulations 2006) and the Accounting Practices Board Guidance for Internal Auditors.
- The Council has an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.

3.4 Performance management

- Services are delivered by trained and experienced people. All posts have a detailed job description and person specification. Training needs are identified through the new Performance Appraisal Scheme, which is being rolled out across the council and informs the corporate training programme managed by Developing Together. This system is reviewed externally and the Council has been awarded the Investors in People (IIP) award.
- The Council has enhanced its performance management framework through the development of a new Performance Management Strategy, which is being reinforced by the new Performance Appraisal System. Further development is driven through the work of the heads of service group.
- The service-planning framework is driven by the ambitions of the new Sustainable Community Strategy. The Corporate and Performance Plan translates the community aspirations into organisational priorities, which are cascaded through directorate, service improvement plans and team / individual plans.
- Regular performance reports are submitted to the Corporate Management Team and Cabinet which show progress against key local and national Performance Indicators. The scrutiny Performance Improvement Commission also monitors these reports and commissions' investigations into areas of poor performance in priority areas.

4. REVIEW OF EFFECTIVENESS

Thurrock Council has responsibility for conducting, at least annually, a review of the system of internal control. The review of the effectiveness of internal control is informed by the work of the internal auditors, comments made by the external auditors and other review agencies and inspectorates in their annual letter and other reports, and the heads of service within the authority who have responsibility for the development and maintenance of the internal control environment who use a self assessment diagnosis checklist of their systems.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

- Assigning responsibility to the Corporate Management Team for the development and maintenance of the internal control environment.
- The Head of Legal and Democratic Services (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution each year.
- The Authority has adopted the Leader and Executive model from the Local Government Act 2000. The Executive (or Cabinet) also meets at least monthly. It considers other Council

business that is not expressly reserved to the Council or other parts of the Authority. It is the main decision-making body of the Council on these issues. A full definition of the Cabinet's functions can also be found in the Council's Constitution. The Cabinet is headed by the Leader of the Council with a further 9 elected Members appointed to the Cabinet by the Leader.

- The Council has four Overview and Scrutiny Committees. They can “call-in” a decision that has been made but not yet implemented, to enable them to consider whether the decision is appropriate. They allow people to have a greater say in Council matters by holding public enquiries into matters of local concern.
- The Council previously delegated to the Performance Improvement Commission, responsibility for the discharging the functions of an audit committee. A separate Audit Committee commenced in March 2006 with the task of reviewing the adequacy of internal controls, monitoring the performance of internal audit and reviewing the external auditor's plans and reports. Audit Services provide the Committee with an independent opinion on the adequacy and effectiveness of the Council's internal control systems.
- The Head of Audit reports to the Commission (Audit Committee from June 2006) annually and at interim periods on internal audit and delivers an opinion of those systems reviewed with an assurance score between 1 and 4 (where a score of 3 or higher indicates that controls are operating effectively). Opinions of 2, or less, are highlighted in the internal audit report to Committee for further consideration by the Committee members. The post of Head of Internal Audit was vacant until September 2005 when an interim manager was appointed. During this period, the Section 151 officer exercised additional supervision in this area with the assistance of an experienced Principal Auditor.
- Audit Services is responsible for monitoring the quality and effectiveness of systems of internal control. Regular meetings with Directors, Heads of Service, and External Audit are used to inform which of the potential auditable areas should go into the annual audit plan. The plan is designed to provide both assurance that the key systems and significant risks are adequately controlled, and also to assist in major areas of development that the Council needs to address in the current year. This plan is reviewed by the Performance Improvement Commission, and in future years by the Audit Committee.
- The reporting process for Audit Services requires a report of each audit to be submitted to the relevant Director, Head of Service, Partner Managers and Section 151 Officer. The report includes recommendations for improvements by a specified date which are included within an action plan and require agreement or rejection by service managers. The process includes follow up audits to ensure that recommendations are acted upon. The report includes an audit opinion of the system of internal control as well as specifically identifying if any areas of corporate significance should be included in this annual Statement of Internal Control. The Head of Audit Services reports to the Performance Commission/Audit Committee annually, and at interim periods, on both internal audit reports and progress on the risk management process.
- The Audit Services section is subject to regular inspection by the Council's external auditors who place reliance on the work carried out by the section. External audit in their annual audit letter comment on financial aspects of corporate governance and performance management and other reports.
- Each year, the Corporate Management Team reviews the strategic risks facing the organization and produces an updated risk assessment. The annual review also assesses performance against the aims and objectives of the Risk Management Strategy.
- The Risk Management Group meets quarterly and provides six-monthly progress reports to the Corporate Management Team, bringing their attention to significant risks. Annual reports to the Performance Improvement Commission are produced. The Risk Management Group also reviews the Council's strategic and operational risk register and associated action plans ensuring that the appropriate management action is taken to minimize / eliminate risk.
- The Corporate Management Team meets on a monthly basis and reviews progress on key risk areas and performance indicators. Under-performing services are identified and it is ensured that corrective action plans are in place.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

Thurrock Council is a large and diverse organisation that faces many competing needs upon its services. It has many systems in place to identify the potential risks that may arise which could have an impact upon its systems of internal control. It 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, issues raised by the Audit Commission inspections and reports raised by the Internal Audit section.

There were areas of further improvement identified as indicated in the table

ISSUE	ACTION TAKEN
The powers of Cabinet and Council should be clearly documented and communicated to members and officers, and where necessary training should be provided to ensure powers are fully understood	<input checked="" type="checkbox"/> The Constitution has been comprehensively revised with the role of Council, Committees and the Cabinet defined. <input checked="" type="checkbox"/> Training and practical guidance given.
Arrangements for the recording and monitoring of pooled capital receipts need reviewing.	<input checked="" type="checkbox"/> Arrangements have been reviewed prior to the completion of the pooling return. These highly detailed records maintained for subsidy purposes are sufficient for the return.
Community leadership role improved	<input checked="" type="checkbox"/> A review of the governance arrangements of the Local Strategic Partnership has been undertaken. A more focused LSP structure has been created which consists of a Partnership Board and 5 programme boards focussing on the delivery of the local / national shared priorities.
Contract monitoring procedures need improving to identify and control budget overspends in individual schemes in Highways and Social Care	<input checked="" type="checkbox"/> Improved contract and budget monitoring <input checked="" type="checkbox"/> Client side officer roles more defined <input checked="" type="checkbox"/> New procedures and IT software support introduced
The Council should develop its approach to analysing the cost and performance of its services that it provides to better demonstrate the value for money that it is providing to local people.	<input checked="" type="checkbox"/> There has been a focus on efficiency, value for money and financial management. <input checked="" type="checkbox"/> The balanced budget achieved in 04-05 has again been achieved in 05-06 and a new revised suite of TOP indicators has been developed which reports on financial performance together with service performance and gives a value for money commentary
Prioritisation is undermined by continuing patterns of overspending and reliance on balances and contingencies to support revenue budgets.	<input checked="" type="checkbox"/> Reduction in spending to bring in a balanced budget with £197,000 being added to reserves.
Strategic Procurement is not fully effective to deliver value for money.	<input checked="" type="checkbox"/> Further development in accordance with the Procurement Strategy and national guidelines. <input checked="" type="checkbox"/> An action list of procurement milestones was produced. <input checked="" type="checkbox"/> An officer Procurement Board was established to develop procurement provisions to meet the milestones.

<p>Need to continue embedding risk management across all services. Still weaknesses in some operational plans, identification of financial requirements and risk.</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Risk assessments built into service planning and fed into the Corporate Risk Register. <input checked="" type="checkbox"/> Reports to management have risk assessment built in to template. Increased development on risk management rather than risk identification. <input checked="" type="checkbox"/> Review framework for 2006/07 Service Improvement Plans involving directorate planning for the high level corporate risks <input checked="" type="checkbox"/> Corporate Risk Register updated
<p>Improvement to the internal control environment required</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Implementation of Internal Audit recommendations improved <input checked="" type="checkbox"/> Risk management process developed moving from identification of risk, to eradication or reduction of risk.
<p>System audits receiving an audit opinion of 2 or less need additional drive to improve</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Specific issues identified to the Performance Improvement Commission on the following audits: <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Abandoned vehicles and fly tipping contract control. <input checked="" type="checkbox"/> Overtime and car mileage expenses <input checked="" type="checkbox"/> Social services contract procedures review <input checked="" type="checkbox"/> BS 7799 Business Continuity <input checked="" type="checkbox"/> Housing rents

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 Corporate Risk Management Group, Corporate Management Team and Performance Improvement Commission, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Signatures of:

Leader of the Council

Date

Managing Director

Date

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CONSOLIDATED REVENUE ACCOUNT

Notes	2004/05 Net Expenditure £'000	2005/06 Gross Expenditure £'000	2005/06 Gross Income £'000	2005/06 Net Expenditure £'000
Expenditure on Services				
Central Services to the Public	2,767	45,943	43,907	2,036
Cultural, Environmental, Planning Services	21,795	32,180	8,244	23,936
Education Services	98,265	186,652	84,927	101,725
Highways, Roads, Transport Services	10,545	12,630	1,925	10,705
Housing Services	23,749	71,650	38,416	33,234
Social Services	37,294	62,159	22,010	40,149
Corporate and Democratic Core	4,477	4,431	128	4,303
Non Distributed Costs	499	700	4,866	(4,166)
Net Cost of Services	199,391	416,345	204,423	211,922
(1) Levies	544			413
(2) Interest and Investment Income	(2,061)			(3,120)
(3) Transfer from Asset Management Revenue Account	(25,374)			(32,087)
(4) Contribution of Housing Capital Receipts to Government Pool	3,823			2,250
Transferred Debt Payment	1,579			1,411
(12) Pensions Interest Cost and Expected Return on Pensions Assets	2,220			3,022
Net Operating Expenditure	180,122			183,811
Appropriations:				
HRA Surplus/(Deficit) Transferred to HRA Balance	818			1,424
(Reduced)/Increased Provision for Bad Debts	153			41
(5) Contributions to/from Earmarked Reserves	(3,485)			(7,471)
(4) Transfer from Usable Capital Receipts equal to the Contribution to Housing Pooled Capital Receipts	(3,823)			(2,250)
Contributions from Capital Reserves: Financing of Capital Expenditure	1,119			1,408
(6) Reconciling Amount for Provision for Loan Repayment	(8,022)			(6,620)
(20) Deferred Charges	(3,422)			(2,253)
(12) Movement on Pensions Reserve	(3,183)			3,102
Amount to be met from Government Grants and Local Taxpayers	160,277			171,192
Sources of Finance:				
Demand on the Collection Fund	(44,286)			(46,538)

General Government Grants	(77,205)	(78,181)
Non Domestic Rate Redistribution	(40,571)	(48,412)
Transfer of Share of Collection Fund Surplus	0	(209)
	<hr/>	<hr/>
Net (Surplus)/Deficit for the year	(1,785)	(2,148)
Transfer to/(from) General Fund Reserve	197	738
General Fund Balance brought forward	(5,837)	(7,425)
	<hr/>	<hr/>
General Fund Balance carried forward	(7,425)	(8,835)
General Fund Balance attributable to Schools	5,425	6,835
General Fund Balance carried forward (net of Schools)	(2,000)	(2,000)
	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

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

	2004/05 £'000	2005/06 £'000
Coroners	110	146
Essex Magistrates	176	0
Kent & Essex Sea Fisheries	17	18
Lee Valley Regional Park	136	144
Flood Defence Committees (Thames and Anglian)	105	105
	<u>544</u>	<u>413</u>

The Magistrates Courts Service became wholly the financial responsibility of the Central Government's Department for Constitutional Affairs from 1 April 2005.

(2) Interest and Investment Income

	2004/05 £'000	2005/06 £'000
Interest on Investments	(2,778)	(3,646)
Less: Interest Allocated to Earmarked Internal Balances	717	526
	<u>(2,061)</u>	<u>(3,120)</u>

(3) Asset Management Revenue Account

	2004/05 £'000	2005/06 £'000
Expenditure:		
External Interest	4,597	5,463
Interest on Finance Leases	15	2
Interest on Deferred Purchase	48	41
Depreciation	<u>18,917</u>	<u>23,941</u>
	23,577	29,447
Less		
Income:		
General Fund Capital Charges	(19,872)	(21,479)
Housing Revenue Account Capital Charges	(27,960)	(38,647)
Deferred Grant written down	<u>(1,119)</u>	<u>(1,408)</u>
Balance on AMRA	<u>(25,374)</u>	<u>(32,087)</u>

(4) Housing Pooled Capital Receipts

This is the second year (2005/06) that the Council has been required to pay a proportion of Housing Capital Receipts into a Government pool for redistribution. The SORP requires the expenditure to be declared below the Net Cost of Services in the Consolidated Revenue Account and the deficit made good by an appropriation from Usable Capital Receipts.

(5) Contributions to/(from) Earmarked Reserves

Transfers to and from Earmarked Reserves, comprising the following, have been made in accordance with the report to Cabinet on 14 June 2006.

	2004/05 £'000	2005/06 £'000
General Fund:		
Best Value Reserve	(559)	(10)
Modernisation Reserve	(283)	283
Single Status	(281)	1,053
Organisational Development Reserve	(75)	0
Electronic Government IT Reserve	(54)	12
On Street Car Parking Reserve	(37)	(81)
Building Control Reserve	18	(15)
Museum Donations Reserve	10	(3)
Developers Contributions	0	(369)
LGR SCA Reserve	373	0
Landfill Credits Reserve	0	66
Waste Development and Recycling Reserve	0	200
	<u>(888)</u>	<u>1,136</u>
HRA Consolidation:		
Major Repairs Reserve	(2,597)	(8,607)
	<u>(3,485)</u>	<u>(7,471)</u>

Further to the above transfers which are all reflected in the Consolidated Revenue Account, an additional transfer £200,000 has been made to the Single Status Reserve from the General Fund Reserve. Details of this transfer are shown in Note 20 to the Consolidated Balance Sheet and in the Statement of Total Movements in Reserves.

(6) Reconciling Amount for Provision for Loan Repayment

	2004/05 £'000	2005/06 £'000
General Fund - 4% of Capital Financing Requirement	1,785	2,129
Minimum Revenue Provision	1,785	2,129
Less: Amount Charged as Depreciation	(9,433)	(8,375)
Amount Provided to Repay LGR SCA	(374)	(374)
Appropriation from Capital Financing Account	<u>(8,022)</u>	<u>(6,620)</u>

(7) Leasing of Assets

Finance Leases -

Council as Lessee -

The Council holds some capital assets, comprising assets in the category of vehicles, plant and equipment, principally automatic public conveniences, acquired under finance leases. Finance lease rentals paid during the year amounted to £14,550, (£14,550 in 2004/05).

Operating Leases -

Council as Lessee -

The Council has the use of capital assets comprising assets in the category of vehicles, plant and equipment under operating leases. Operating lease rentals paid during the year amounted to £922,358, (£956,118 in 2004/05).

The Council also has the use of capital assets in the category of land and buildings through operating leases in respect of which rentals were payable totalling £108,111 as at 31 March 2006.

Council as Lessor -

The Council has granted leases to many organisations for the occupation of property owned by the Council. Total rents receivable as at 31 March 2006 were £571,219 (General Fund) and £1,008,064 (Housing Revenue Account – non-housing assets).

(8) Publicity

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

	2004/05 £000	2005/06 £000
Staff Advertising	<u>403</u>	<u>290</u>

(9) Building Control Trading Account

The Local Authority Building Control Charges Regulations 1998 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 2005/06

	Chargeable 2005/06 £'000	Non- Chargeable 2005/06 £'000	Total 2005/06 £'000
Expenditure:-			
Employees Expenses	260	153	413
Transport	15	9	24
Supplies and Services	23	4	27
Central and Support Service Charges	<u>101</u>	<u>60</u>	<u>161</u>
	399	226	625
Less: Income:-			
Building Regulation Charges	384	0	384
Miscellaneous Income	0	51	51
Deficit/(Surplus) for year	<u>15</u>	<u>175</u>	<u>190</u>

Comparatives for 2004/05

<i>Expenditure</i>	<i>443</i>	<i>216</i>	<i>659</i>
<i>Less Income</i>	<i><u>460</u></i>	<i><u>41</u></i>	<i><u>501</u></i>
	<i><u>(17)</u></i>	<i><u>175</u></i>	<i><u>158</u></i>

(10) Section 137 Expenditure

Section 137 of the Local Government Act 1972 (as amended by the Local Authorities (Discretionary Expenditure Limits) (England) Order 2005) enables a local authority to spend up to £5.30 per head of population for the benefit of people in their area on activities or projects not specifically authorised by other powers. Following amendments under the Local Government Act 2000 the Council is obliged to publish details of grants made to charities in the United Kingdom, not for profit bodies and mayoral appeals. No expenditure was incurred for such purposes in 2005/06.

(11) Local Authority (Goods & Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. During 2005/06 the Council did not provide services of any significant value to such organisations.

(12) Pensions – Local Government Scheme

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 needs 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.

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

	Local Government Pension Scheme	
	2004/05 £'000	2005/06 £'000
Net Cost of Services:-		
Current Service Cost	8,009	6,781
Past Service Costs	245	(5,250)
Net Operating Expenditure:-		
Interest Cost	10,832	11,211
Expected Return on Assets in the Scheme	(8,612)	(8,189)
Amount to be met from Government Grants and Local Taxation:-		
Movement on Pensions Reserve	(3,183)	3,102
	<hr/>	<hr/>
Actual Amount Charged against Council Tax for Pensions in the Year	7,291	7,655
	<hr/>	<hr/>
Employers Contributions Payable to the Scheme	7,291	7,655

Past Service Costs in 2005/06 have been affected by two developments; firstly, the TUPE transfer of relevant staff to Vertex Data Service Ltd (details of which are disclosed in Note 24 of the Statement of Accounting Policies) is estimated to have resulted in a Settlement Gain of £2,300,000 and, secondly, a Past Service Gain of £3,440,000 has arisen due to the provisions of the Local Government Pension Scheme (Amendment) Regulations 2006 issued just before the end of the financial year. The latter allows employees to take a higher lump sum on retirement by commuting part of their pension. The commutation terms are less costly to the Scheme than normal retirement terms and therefore reduce the pension liability. The figures, following guidance from the Actuary (Mercer Human Resource Consulting), are based on 50% of Scheme members taking up this option. An actual increase or decrease over this assumption will result in future years' Accounts in a Past Service Gain or Loss respectively and a corresponding impact on the value of year end liabilities.

Note 16 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this Note. Note 4 to the Statement of Total Movements in Reserves details the costs that have arisen through the year and any adjustments where estimates made in preparing figures for previous years have had to be revised (for example, the expected return on investments).

(13) Pensions – Teachers Scheme

In 2005/06 the Council paid £3.479 million (£3.303 million in 2004/05) to Capita, who manage the Teachers' Pension Scheme on behalf of the Department for Education and Skills, in respect of teachers' pension costs. The contribution 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 £95,955 in 2005/06 (£141,917 in 2004/05).

(14) Related Party Transactions

The Council is required to disclose material transactions with related parties. These are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows an assessment to be made of the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. The Council has decided not to make disclosures with regard to family/household members, on the basis that there is no reasonable expectation of influence over the independent action of Council Members.

Central Government 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, such as those in respect of Housing Benefits. Details of transactions with Government Departments are set out in Note 4 to the Cash Flow Statement.

There were no material transactions with related parties nor has the reported financial position of the Authority been affected by the existence of related parties. However, many Council Members, who have direct control over the Council's financial and operating policies, by virtue of their office have links with organisations that are associated with the Council but have neither pecuniary nor controlling interests in them. The more significant of these include Essex Police Authority and Essex Fire Authority, to which the Council pays over precepted sums, Anglian Regional Flood Defence Committee, to which the Council pays a levied sum, and the Basildon and Thurrock Hospitals NHS Foundation Trust. Following the creation of the Urban Development Corporation, four Council Members were elected to that body, although no financial transactions took place between the Council and the Corporation in 2005/06. Each of these public bodies is ultimately accountable to Central Government.

The Council provided £874,000 financial assistance to Impulse Leisure, which resulted in it having a significant level of influence over their operations.

Impulse Leisure is a charitable trust formed as a consequence of the transfer of former Council run leisure services.

(15) Members' Allowances

The total Members' allowances paid in 2005/06 were £544,085 (£538,603 in 2004/05).

(16) Remuneration of Senior Staff

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

	2004/05	2005/06
£50,001 - £60,000	41	56
£60,001 - £70,000	15	16
£70,001 - £80,000	8	3
£80,001 - £90,000	5	6
£90,001 - £100,000	1	2
£100,001 - £110,000	2	3
£110,001 - £120,000	1	3
£120,001 - £130,000	0	0
£130,001 +	1	1

(17) Audit Costs

In 2005/06 the Council incurred the following fees relating to external audit and inspection.

	£'000
Fees Payable to the Audit Commission:	
- External Audit Services carried out by the External Auditor	245
- Statutory Inspection	50
- Certification of Grant Claims and Returns	133
	<hr/>
Total	428

(18) Long Term Contracts

As noted in Note 24 in the Statement of Accounting Policies, on 1 April 2005 the Council entered into a long-term contract with Vertex Data Service Ltd for the provision of several support service functions. At 31 March 2006 the remaining undischarged financial obligations of the Council under the contract at 2005/06 prices totalled a minimum of £224 million (14 years remaining at £16 million per annum). This is reported as the minimum obligation since in accordance with the agreement the Council may agree additional investment by Vertex subject to its being convinced that there is a sound business case for such proposed investment.

(19) Agency Arrangements

The Council is required to disclose the nature and amount of any significant income or expenditure arising from agency arrangements. In 2005/06 the Council had no such arrangements of material value.

(20) Deferred Charges

	2004/05 £'000	2005/06 £'000
Expenditure:-		
Improvement Grants	745	1,089
Housing Association Grants	1,071	616
Amounts written off to Consolidated Revenue Account	<u>(1,816)</u>	<u>(1,705)</u>
Balance carried forward	<u>0</u>	<u>0</u>

The charge to the Consolidated Revenue Account of £2,253,000 includes in addition to the charge of £1,705,000 above, the write down of Intangible Fixed Assets of £548,000 shown in Note 1 to the Consolidated Balance Sheet.

HOUSING REVENUE ACCOUNT

	2004/05	2005/06
Notes	£'000	£'000
Income		
(1) Dwelling Rents (Gross)	31,637	32,375
Void Properties	(452)	(437)
Dwelling Rents (Net)	31,185	31,938
Non-Dwelling Rents	1,614	1,757
Charges for Services and Facilities	357	386
	<u>33,156</u>	<u>34,081</u>
Other Government Grant	48	48
Total Income	<u>33,204</u>	<u>34,129</u>
Expenditure		
Repairs and Maintenance	10,936	10,856
Supervision and Management	7,382	7,787
Rent Rates Taxes and Other Charges	27	21
(2) Negative Housing Subsidy	5,811	5,723
Movement on Doubtful Debts	133	292
(3) Capital Charges	18,260	22,889
(4) Depreciation on Fixed Assets:		
On Dwellings	8,837	14,841
On Other Assets	646	725
Debt Repayment and Management Expenses	84	18
(5) Sums Directed by the Secretary of State	1,936	1,636
Total Expenditure	<u>54,052</u>	<u>64,788</u>
Net Cost of Services	<u>20,848</u>	<u>30,659</u>
(6) Net HRA Income/Expenditure on AMRA	(18,470)	(23,057)
Transfer from General Fund	(161)	(162)
HRA Investment Income	(256)	(358)
Amortised Premiums	43	17
Net Operating Expenditure/(Income)	<u>2,004</u>	<u>7,099</u>
Appropriations		
Contribution to Single Status Reserve	0	160
(9) Transfer from Major Repairs Reserve	(2,597)	(8,607)
(7) HRA Share of Contributions from the Pensions Reserve	(225)	(76)
Deficit / (Surplus) in year	<u>(818)</u>	<u>(1,424)</u>
Fund Balance brought forward	<u>(2,619)</u>	<u>(3,437)</u>
Fund Balance carried forward	<u>(3,437)</u>	<u>(4,861)</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

(1) Rent Arrears

The level of rent arrears is as follows:-

	<u>2004/05</u>	<u>2005/06</u>
Gross Current Arrears at 31 March	£1,258,616	£1,035,094
As a Proportion of Gross Rent Income Collectable in year	3.98%	3.24%
Former Tenant Arrears at 31 March	£784,004	£545,987

Amounts written off during the year amounted to £323,579 (£229,378 in 2004/05).

There is a provision in the sum of £716,841 for the potential write off of irrecoverable debts.

(2) HRA Subsidy

The calculation of HRA Subsidy reflects the removal of Rent Rebates from the HRA from 1 April 2004. As a consequence, the Council no longer qualifies for HRA Subsidy and the negative subsidy calculated below is payable to the Secretary of State.

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

	<u>2004/05</u>	<u>2005/06</u>
	£'000	£'000
Management Allowance	4,909	4,970
Maintenance Allowance	9,058	10,233
Major Repairs Allowance	6,887	6,959
Charges for Capital	1,065	1,007
Other Items of Reckonable Expenditure	31	26
Less:		
Notional Rent Income	(27,737)	(28,670)
Adjustments to Previous Years' Claims	0	(231)
Interest on Receipts	(24)	(17)
HRA Subsidy	<u>(5,811)</u>	<u>(5,723)</u>

(3) Capital Charges

A capital charge of £22.889 million, representing 3.5% of value of the HRA's assets, is included in the Net Cost of Services.

(4) Depreciation

Depreciation of £15.566 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>2004/05</u>	<u>2005/06</u>
	£'000	£'000
Depreciation on:		
Dwellings	8,837	14,841
Other Land and Buildings	406	484
Non-operational Assets	240	241
	<u>9,483</u>	<u>15,566</u>

(5) Sums Directed by the Secretary of State

The sum of £1.636 million has been recharged to the General Fund as follows:

	<u>2004/05</u>	<u>2005/06</u>
	£'000	£'000
Subsidy Limitation	1,726	1,636
Transitional Payment	<u>210</u>	<u>0</u>
	<u>1,936</u>	<u>1,636</u>

This payment arises as a consequence of the transfer of rent rebates to the General Fund (see Note 2 above). The sum transferred to the General Fund represents the difference between rent rebate expenditure and the related government subsidy.

(6) Net HRA Income on Asset Management Revenue Account

The capital charge of £22.889 million (see 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>2004/05</u>	<u>2005/06</u>
	£'000	£'000
Reversal of Capital Charges	18,260	22,889
Interest on Deferred Purchase Arrangement	(48)	(40)
Interest on HRA Capital Financing Requirement	258	208
	<u>18,470</u>	<u>23,057</u>

(7) Pensions Reserve Movement

At present the Statement of Recommended Practice does not include specific guidance on the application of FRS17 to the Housing Revenue Account. However the Office of the Deputy Prime Minister has issued legal advice and guidance to local authorities. 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.

(8) Housing Stock

The Council was responsible for managing an average of 10,439 dwellings during 2005/06. The Council's actual housing stock as at 31 March 2006 was 10,420 made up as follows -

Number and Types of Properties as at:	<u>31/03/05</u>	<u>31/03/06</u>
Number of Houses and Bungalows	5,731	5,641
Number of Flats and Maisonettes	3,179	3,559
Number of Aged Persons Dwellings	1,547	1,220
	<u>10,457</u>	<u>10,420</u>

The change in the stock can be summarised as follows:

	<u>2004/05</u>	<u>2005/06</u>
Stock at 1 April	10,523	10,457
Less Sales	(66)	(37)
Stock at 31 March	<u>10,457</u>	<u>10,420</u>

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

	<u>2004/05</u> £'000	<u>2005/06</u> £'000
Operational Assets	572,791	695,554
Non-Operational Assets	19,473	19,276
	<hr/>	<hr/>
Balance carried forward	<u>592,264</u>	<u>714,830</u>

The vacant possession value of dwellings within the HRA as at 1 April 2005 was £1,005 million. The difference between the vacant possession value and Consolidated Balance Sheet value of dwellings shows the economic cost to the Government of providing council housing at less than open market rents.

(9) Major Repairs Reserve

	<u>2004/05</u> £'000	<u>2005/06</u> £'000
Balance as at 1 April	0	733
Depreciation	9,483	15,566
Transfer to HRA	(2,597)	(8,607)
Capital Expenditure	<u>(6,153)</u>	<u>(6,288)</u>
Balance as at 31 March	<u>733</u>	<u>1,404</u>

(10) Capital Expenditure

Capital expenditure on land, houses and other property within the HRA in 2005/06 was financed as follows:

	<u>2004/05</u> £'000	<u>2005/06</u> £'000
Borrowing	524	0
Major Repairs Reserve	<u>6,153</u>	<u>6,288</u>
HRA Capital Expenditure	<u>6,677</u>	<u>6,288</u>

(11) Capital Receipts

Sales of assets attributable to the HRA are summarised as follows:

	<u>2004/05</u> £'000	<u>2005/06</u> £'000
Sale of Dwellings	5,250	3,056
Sale of Other Assets	<u>13</u>	<u>142</u>
	<u>5,263</u>	<u>3,198</u>

THE COLLECTION FUND ACCOUNT

Note		2004/05	2005/06	
		£'000	£'000	£'000
	Income			
(2)	Council Tax	45,571	47,637	
	Transfers from General Fund			
	Council Tax Benefits	7,274	7,980	55,617
(3)	Income Collectable from Business Ratepayers	<u>71,819</u>		<u>73,124</u>
		124,664		128,741
	Expenditure			
	Precepts and Demands:			
	Essex Police Authority	4,863	5,203	
	Essex Fire Authority	2,764	2,838	
	Thurrock Borough Council	44,286	<u>46,538</u>	54,579
(3)	Business Rate			
	Payment to National Pool	71,574	72,881	
	Costs of Collection	245	<u>244</u>	73,125
(4)	Provision for Bad Debts:			
	Council Tax	340	262	
	Council Tax Write offs	<u>233</u>	<u>498</u>	760
	Contributions			
	Essex Police Authority		23	
	Essex Fire Authority		13	
	Thurrock Borough Council		209	245
		<u>124,305</u>		<u>128,709</u>
	Surplus for year	359		32
	Fund Balance brought forward	244		603
	Fund Balance carried forward	<u>603</u>		<u>635</u>

NOTES TO THE COLLECTION FUND ACCOUNT

(1) General

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

(2) Council Tax

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

<u>Band</u>	<u>Estimated Number of Taxable Properties after Effect of Discounts</u>	<u>Ratio</u>	<u>Band D Equivalent Dwellings</u>
A*	10	5:9	6
A	5,723	6:9	3,815
B	10,453	7:9	8,130
C	22,716	8:9	20,192
D	9,476	9:9	9,476
E	3,813	11:9	4,660
F	1,841	13:9	2,659
G	703	15:9	1,172
H	27	18:9	54
	54,762		50,164
			501
Council Tax Base			49,663

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

(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 (42.2p in 2005/06). 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 £48.412 million was paid into the Council's General Fund, and this amount has been credited to the Consolidated Revenue Account (page 22).

The total Non-Domestic rateable value at the 31 March 2006 was £221,119,525.

(4) Bad Debts

Amounts written off during the year amounted to £498,468 (£233,247 in 2004/05). There is a provision in the sum of £2.336 million for the potential write off of irrecoverable debts.

CONSOLIDATED BALANCE SHEET

Notes	2004/05 £'000	£'000	2005/06 £'000	£'000
	Fixed Assets			
(1)	Intangible Fixed Assets	800		1,958
(2) to (6)	Tangible Fixed Assets			
	Operational Assets	858,850	1,098,655	
	Non-Operational Assets	40,234	53,238	
	Total Fixed Assets	899,884	1,151,893	1,153,851
(7)	Long Term Debtors	397		278
(8)	Deferred Assets	2,674		2,517
	Total Long Term Assets	902,955		1,156,646
	Current Assets			
(9)	Stocks and Work-in-Progress	269	149	
(10)	Debtors	26,265	35,261	
(11)	Investments	49,351	44,551	
	Cash	874	1,248	81,209
	Less: Current Liabilities			
(12)	Short Term Borrowing	(9,530)	(10,230)	
(13)	Creditors	(26,404)	(24,809)	
	Bank Overdraft	(1,706)	(5,116)	(40,155)
	Current Assets less Current Liabilities	39,119		41,054
	Long Term Liabilities			
(14)	Long Term Borrowing	(63,327)	(81,434)	
(15)	Deferred Liability	(16,177)	(15,530)	
(16)	Liability Relating to Defined Benefit Pension	(84,537)	(80,636)	
(17)	Deferred Purchase Arrangements	(737)	(592)	
	Total Long Term Liabilities			(178,192)
(18)	Provisions	(970)		(622)
	Total Assets less Liabilities	776,326		1,018,886
	Financed by			
	Fixed Asset Restatement Account	(673,425)		(910,272)
	Capital Financing Account	(111,951)		(98,405)
	Government Grants Deferred Account	(39,059)		(53,196)
(19)	Deferred Credits	(297)		(191)
	Deferred Discount	(129)		(107)
	Usable Capital Receipts Reserve	0		(107)
(16)	Pension Reserve	84,537	80,636	
	Major Repairs Reserve	(733)	(1,404)	
(20)	Earmarked Reserves	(23,804)	(21,509)	
(21)	Fund Balances	(11,465)	(14,331)	43,285
(22)	Total Net Worth	(776,326)		(1,018,886)

NOTES TO THE CONSOLIDATED BALANCE SHEET

(1) Intangible Fixed Assets

	2004/05 £'000	2005/06 £'000
Purchase, Development and Implementation of Computer Software;-		
Balance brought forward	0	800
- Expenditure in the year	2,406	1,706
Amounts Written off to Consolidated Revenue Account	(1,606)	(548)
Balance carried forward	<u>800</u>	<u>1,958</u>

(2) Fixed Assets

Movements of Fixed Assets in 2005/06 are summarised as follows -

	Operational Assets £'000	Assets under Construction £'000	Land Awaiting Development £'000	Commercial Properties £'000	Total £'000
<i>Gross Value as at 1 April 2005</i>	906,757	1,629	12,741	28,800	949,927
Additions	30,859	2,508	5,676	2,957	42,000
Disposals	(4,590)	0	0	0	(4,590)
Revaluations	227,070	0	(835)	3,363	229,598
Impairments	(14,274)	0	0	0	(14,274)
Gross Book Value as at 31 March 2006	<u>1,145,822</u>	<u>4,137</u>	<u>17,582</u>	<u>35,120</u>	<u>1,202,661</u>
<i>Depreciation as at 1 April 2005</i>	(49,500)	(36)	0	(1,307)	(50,843)
Charge for year	2,333	10	0	(333)	2,010
Impairments	0	0	0	(1,935)	(1,935)
Depreciation as at 31 March 2006	<u>(47,167)</u>	<u>(26)</u>	<u>0</u>	<u>(3,575)</u>	<u>(50,768)</u>
<i>Net Book Value 1 April 2005</i>	857,257	1,593	12,741	27,493	899,084
Net Book Value 31 March 2006	1,098,655	4,111	17,582	31,545	1,151,893

Operational Assets are sub-analysed as shown below:

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant and Equipment £'000	Community Assets £'000	Infrastructure Assets £'000
<i>Gross Value as at 1 April 2005</i>	585,017	270,676	3,254	9,319	38,491
Additions	5,968	14,782	459	955	8,695
Disposals	(2,536)	(457)	(1,597)	0	0
Revaluations	127,245	99,961	0	(136)	0
Impairments	(2,710)	(11,564)	0	0	0
Gross Book Value at 31 March 2006	<u>712,984</u>	<u>373,398</u>	<u>2,116</u>	<u>10,138</u>	<u>47,186</u>
<i>Depreciation as at 1 April 2005</i>	(23,055)	(20,621)	(2,030)	(1,253)	(2,541)
Charge for year	(2,778)	5,897	713	(312)	(1,187)
Depreciation as at 31 March 2006	<u>(25,833)</u>	<u>(14,724)</u>	<u>(1,317)</u>	<u>(1,565)</u>	<u>(3,728)</u>

Net Book Value 1 April 2005	561,962	250,055	1,224	8,066	35,950
Net Book Value 31 March 2006	687,151	358,674	799	8,573	43,458

The depreciation charge for the year includes a £22.9 million adjustment relating to the writing back of past years' depreciation charges following the revaluation of the related assets. Assets under Construction have previously been included in Operational Assets – Other Land and Buildings, hence the figures brought forward as at 1 April 2005 in respect of the latter have been amended to enable Assets under Construction to be shown separately.

(3) The Capital Financing Requirement

The Capital Financing Requirement (CFR) was introduced with effect from 1 April 2004 in accordance with the Prudential Code on Capital Accounting published by CIPFA. It corresponds to the calculation of the credit ceiling under the previous capital controls arrangements.

	2004/05 £'000	2005/06 £'000
Opening Capital Financing Requirement	65,626	73,788
Capital Investment		
Operational Assets	23,719	31,658
Non-Operational Assets	3,856	8,631
Deferred Charges	4,222	3,410
Sources of Finance		
Capital Receipts	(2,743)	(2,183)
Government Grants and Contributions	(9,643)	(8,697)
Revenue Provision (including MRP)	(11,249)	(15,631)
Closing Capital Financing Requirement	<u>73,788</u>	<u>90,976</u>
Explanation of Movements in year:		
Increase in Underlying Need for Borrowing (Supported by Government Financial Assistance)	8,162	15,795
Increase in Underlying Need for Borrowing (Unsupported by Government Financial Assistance)	0	1,393
Increase in Capital Financing Requirement	<u>8,162</u>	<u>17,188</u>

(4) Capital Commitments

As at 31 March 2006 the Council had authorised expenditure in future years of £20.149 million. These commitments include the following significant schemes -

Schemes	Expenditure Approved for 2006/07 £'000
West Thurrock Primary School – Land Purchase	5,000
Special Educational Needs	1,764
Reconstruction of Stifford Railway Bridge	1,746
Stonehouse Corner Roundabout	1,686
West Thurrock Ring Road	1,046
Gateway Community College	863
Manor Way	620

These schemes include the following contractual commitments as well as schemes for which Members have agreed a programme and for which it is prudent to make provision -

Contractor	Scheme	£'000
Fitzpatrick Contractors Ltd	Reconstruction of Stifford Rail Bridge	1,746
Union Railway Ltd	West Thurrock Ring Road	1,046
Ringways	Manor Way	620

(5) Statement of Physical Assets

The following assets were owned as at 31 March 2006:

LAND AND BUILDINGS	3	Sports Centres	VEHICLES, PLANT & EQUIPMENT	1	Vehicles - Finance lease	
	15	Village Halls		13	Vehicles - Other	
	4	Community Halls		0	Plant - Finance lease	
	18	Offices/Depots, etc.		14	Plant - Other	
	20	Car and Lorry Parks		3	Computer Equipment	
	2,826	Garages				
	10	Automatic Toilets				
	1	Theatre				
	57	Schools/Colleges		COMMUNITY	91	Parks
	26	Other Education Assets			8	Burial Grounds
	4	Residential Homes			33	Allotment Sites
	11	Other Social Services Assets			10	War Memorials
	7	Libraries			1	Historic Building
	1	Magistrates Court			17	Highways Land Infrastructure
1	Registry Office					
1	Golf Course	NON-OPERATIONAL	71	Shops		
COUNCIL DWELLINGS	5,641	Houses and Bungalows	8	Other Commercial		
	3,559	Flats and Maisonettes	20	Vacant Sites		
	1,220	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. The considerable reduction in numbers of vehicles, plant and equipment reported above compared with the figures in the Statement of Accounts for 2004/05 is attributable to the transfer of responsibility for these items to Vertex.

(6) Fixed Asset Valuation

The freehold and leasehold properties which comprise the Council's property portfolio have been valued as at 31 March 2006 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 market value for existing use.

Other properties regarded by the authority as operational have been valued on the basis of 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 market value.

Community Assets have been valued at historic cost and vehicles, plant and equipment at market value in existing use.

(7) Long Term Debtors

	2004/05 £'000	2005/06 £'000
Mortgages	257	151
Car Loans	9	0
Private Sector Renewal Loans	126	127
Other Loans	5	0
	<hr/>	<hr/>
Net Long Term Debt	<u>397</u>	<u>278</u>

(8) Deferred Assets

Premature redemption of loans has resulted in a premium being incurred. The amount chargeable to the General Fund is amortised over a number of years.

(9) Stocks and Work in Progress

	2004/05 £'000	2005/06 £'000
Stores	199	147
Other	70	2
	<hr/>	<hr/>
	<u>269</u>	<u>149</u>

(10) Debtors

	2004/05 £'000	2005/06 £'000
H.M. Revenue and Customs	2,693	3,314
Local Authorities	4	1
Government Departments	6,288	15,262
Council Tax Payers	3,745	3,918
Non-Domestic Ratepayers	2,472	1,654
Housing Rents	2,043	1,705
Car Loans to Employees	19	13
Miscellaneous Loans	66	66
Sundry Debtors	12,165	12,827
	<hr/>	<hr/>
<i>Sub-total</i>	29,495	38,760
Less Provision for Bad Debts:		
Council Tax	(2,096)	(2,357)
NNDR	(134)	(134)
Housing Rents	(749)	(717)
Sundry Debtors	(251)	(291)
	<hr/>	<hr/>
	<u>26,265</u>	<u>35,261</u>

(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 31 March 2006, £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

	<i>Balance 31/03/05 £'000</i>	<i>Loans Raised £'000</i>	<i>Loans Transferred £'000</i>	<i>Loans Repaid £'000</i>	<i>Balance 31/03/06 £'000</i>
Short Term Borrowing	9,500	71,105	0	(70,405)	10,200
Long Term Debt Maturing within one year	30	0	19	(19)	30
	<u>9,530</u>	<u>71,105</u>	<u>19</u>	<u>(70,424)</u>	<u>10,230</u>

(13) Creditors

	<i>2004/05 £'000</i>	<i>2005/06 £'000</i>
Government Departments	2,449	3,862
Port of London Authority Tilbury	498	529
Council Tax Payers	387	399
Non-Domestic Ratepayers	761	342
Rent Payers	566	600
Sundry Creditors	21,743	19,077
	<u>26,404</u>	<u>24,809</u>

(14) Long Term Borrowing

	<i>Balance 31/03/05 £'000</i>	<i>Loans Raised £'000</i>	<i>Loans Transferred £'000</i>	<i>Balance 31/03/06 £'000</i>
PWLB	33,323	18,126	(19)	51,430
Annuities	4	0	0	4
Other Long Term Borrowing	30,000	0	0	30,000
Total Long Term Borrowing	<u>63,327</u>	<u>18,126</u>	<u>(19)</u>	<u>81,434</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	2,466
Maturing in more than ten years	78,968
	<u>81,434</u>

Loans Transferred comprises Long Term Debt maturing within one year, which is treated as Short Term Borrowing in Note 12 to the Consolidated Balance Sheet above.

(15) Deferred Liabilities

On becoming a Unitary Authority, the Council has assumed liability for the payment of a proportion of Essex County Council's debt charges (£16.177 million at 1 April 2005, £15.530 million at 31 March 2006).

(16) Pension Liability – Movement in Liability relating to Defined Benefit Pension Scheme

Note 12 of the Consolidated Revenue Account contains the details of the Authority's participation in Pension Schemes providing staff with retirement benefits.

The underlying assets and liabilities in the Essex County Council Pension Fund for retirement benefits attributable to the Authority at 31 March 2006 are as follows -

	<i>Balance 2004/05 £'000</i>	<i>Balance 2005/06 £'000</i>
Funded Benefits under LGPS Regulations	(216,908)	(231,926)
Unfunded Discretionary Benefits Awarded by Means of Additional Benefits under the LGPS Regulations	<u>(8,843)</u>	<u>(9,221)</u>
Actuarial Value of Fund Liabilities	(225,751)	(241,147)
Market Value of Fund Assets	<u>141,214</u>	<u>160,511</u>
Deficit in the Fund	<u>(84,537)</u>	<u>(80,636)</u>

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £80.636 million has a substantial impact on the net worth of the authority as recorded in the Consolidated 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 31 March 2004.

The effect of the change in the actuarial assumptions as at 1 April 2004 in accordance with CIPFA LAAP guidance has been to increase the value of future liabilities. The net change in the year arising from actuarial gains and losses amounts to £0.799 million.

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

	<i>31/03/05 %</i>	<i>31/03/06 %</i>
Inflation	2.90	2.90
Discount Rate (Pre-retirement)	5.40	4.90
Discount Rate (Post-retirement)	5.40	4.90
Expected Return on Assets	6.88	6.44
Expected Rate of Salary Increases	4.40	4.40
Rates of Pension Increases in Payment	2.90	2.90
Rates of Pension Increases in Deferment	2.90	2.90
Proportion of employees opting to take commuted sum	N/A	50.00

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

	<i>2004/05</i>		<i>2005/06</i>	
	<i>Market Value £'000</i>	<i>Expected Rate of Return % p.a.</i>	<i>Market Value £'000</i>	<i>Expected Rate of Return % p.a.</i>
Equities	97,296	7.50	113,160	7.00
Government Bonds	15,534	4.70	16,693	4.30
Other Bonds	8,332	5.40	8,989	4.90
Property	16,098	6.50	18,619	6.00

Cash/Liquidity	3,954	4.75	3,050	4.50
Total	141,214	6.88	160,511	6.44

The above figures have been provided by the Actuary 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 mean that the results of actuarial valuations 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.

(17) Deferred Purchase Arrangements

Certain items of capital expenditure have been financed through a deferred purchase facility. These were:

	<i>Balance 31/03/05 £'000</i>	<i>Repayments in Year £'000</i>	<i>Balance 31/03/06 £'000</i>
Housing Improvements	737	145	592
	<u>737</u>	<u>145</u>	<u>592</u>

(18) Provisions

	<i>Balance 31/03/05 £'000</i>	<i>Income in the Year £'000</i>	<i>Expenses or Reduction in Year £'000</i>	<i>Balance 31/03/06 £'000</i>
S117 Mental Health Act Insurance Provision	169 801	0 317	169 496	0 622
	<u>970</u>	<u>317</u>	<u>665</u>	<u>622</u>

The Insurance Provision represented a sum set aside towards meeting the value of insurance claims lodged with Council.

The S117 Mental Health Act provision has been fully utilised during 2005/06 in the settlement of all known outstanding claims.

(19) Deferred Credits

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

The difference between Deferred Credits and the Mortgages (Note 7 to the Consolidated Balance Sheet - £40,000) represents (i) non-capital items included in the loan and taken to the Consolidated Revenue Account in the year to which they relate and (ii) the recognition of Deferred Capital Receipts on a cash basis only.

(20) Earmarked Reserves

	<i>Balance 31/03/05 £'000</i>	<i>Balance 31/03/06 £'000</i>
Revenue Reserves:		
General Fund Reserve	3,826	4,364
LGR/SCA Reserve	2,343	2,343
Single Status Reserve	1,813	3,066
Electronic Government IT Reserve	1,224	1,236
MMI Reserve	290	290
Modernisation Reserve	191	474
Landfill Credits Reserve	0	66
Building Control Reserve	94	91
Best Value Reserve	100	90
On Street Car Parking Reserve	81	0
Museum Donations	18	15
The Saltings	2	2
Waste Development Reserve	0	200
	<hr/> 9,982	<hr/> 12,237
Capital Reserves:		
Developers Contributions and Commuted Sums	8,350	5,250
Capital Expenditure Reserve	3,071	2,756
Grants	2,337	1,202
Historic Buildings Reserve	64	64
	<hr/> 13,822	<hr/> 9,272
Total Reserves	<hr/> 23,804	<hr/> 21,509

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

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

The Best Value Reserve has been set up to provide a resource to finance the cost of work required to achieve 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 that Company to permit the orderly winding up of its business. The Council has approximately £1.275 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 under the Road Traffic Regulation Act 1984 (amended 1991) and the latter under the Building (Local Authority Charges) Regulations 1998. Any surpluses arising from revenue accounts are held to finance future operations.

The Single Status Reserve was set up at the Cabinet meeting of 25 July 2002 in order to meet the costs associated with implementing its commitment to single status and the associated job evaluation scheme. The Cabinet at its meeting on 14 June 2006 to review the 2005/06 outturn agreed to transfer £200,000 from the General Fund Reserve to the Single Status Reserve to fund the shortfall in provision required to fund Job Evaluation back-pay in 2005/06.

The Modernisation Reserve was set up at the Cabinet meeting of 25 July 2002 in order to meet the costs associated with modernising council services.

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

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

The Landfill Credits Reserve has been set up following the Government's new arrangements for incentivising the recycling of waste. The Reserve has been set up on the basis of the Council exceeding its targets in 2005/06. The Reserve can be used either to offset any under performance of targets in future years or can be sold to other local authorities to enable them to meet the costs of any penalties payable to the Government. CIPFA has issued an accounting procedure note, LAAP 64 prescribing this accounting treatment.

The Waste Development Reserve has been set up in accordance with the decision of the Cabinet meeting on 22 March 2006 to meet the costs of the procurement process for a long-term waste solution.

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

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

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).

(21) Fund Balances

	<i>Balance 31/03/05 £'000</i>	<i>Income in Year £'000</i>	<i>Expenses in Year £'000</i>	<i>Balance 31/03/06 £'000</i>
General Fund Working Balance	2,000	0	0	2,000
HRA Balance	3,437	1,424	0	4,861
Schools Balances	5,425	1,410	0	6,835
Collection Fund	603	32	0	635
	<u>11,465</u>	<u>2,866</u>	<u>0</u>	<u>14,331</u>

School balances are made up of amounts in hand from their delegated budgets or from monies made available to them directly from the Department for Education and Science. Such balances are ring fenced for spending on the Education service.

(22) Net Assets Employed

	<i>Balance 31/03/05 £'000</i>	<i>Balance 31/03/06 £'000</i>
General Fund	282,095	399,053
Housing Revenue Account	494,231	619,833
Total	<u>776,326</u>	<u>1,018,886</u>

(23) Trust Funds

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

	<i>Balance 31/03/05 £</i>	<i>Income in Year £</i>	<i>Expenses in Year £</i>	<i>Balance 31/03/06 £</i>
Miss Grover's Charity	17,421	940	0	18,361

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

b). Two Environmental Trusts invest funds with the Council, which are then used on a temporary basis in the running of the Council.

Cory Environmental Trust	£ 1,189,065
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(24) Receiverships

The Council holds funds on behalf of individuals who are unable to manage their financial affairs and for whom the Courts have identified that the Council should be named receiver or appointee to manage the individual's finances. The total of such funds at 31 March 2006 was £550,151. These are not Council monies and do not appear in these accounts.

(25) Contingent Liability

The Council is a shareholder in Essex Careers and Business Partnership, a company that is in liquidation. The Council is currently considering legal advice with regard to the potential liability for the debts of the company that might fall upon the Council.

(26) Euro Costs

The Council is required to disclose details of any specific or exceptional costs incurred in the light of possible future accommodation of the single currency. No specific costs were incurred in 2005/06, although the Council continued to ensure that any financial software acquired was Euro compatible.

(27) Leasing

Finance Leases

Council as Lessee -

The commitments from 2006/07 onwards under finance leases are estimated to be no greater per annum than the expenditure incurred in 2005/06, which was £14,550 as reported in Note 7 to the Consolidated Revenue Account.

Operating Leases

Council as Lessee -

The commitments from 2006/07 onwards under operating leases are -

	Vehicles, Plant, and Equipment £	Other Land and Buildings £
Expiring in 2006/07	179,288	
Expiring between 2007/08 and 2010/11	1,989,330	108,111
Expiring after 2010/11	3,309	

Council as Lessor -

The value of assets subject to operating leases and the accumulated depreciation charges where the Council has granted a leasehold interest to a third party is as follows -

	£
Value of Assets where the Council is Lessor	45,673,697
Accumulated Depreciation at 31 March 2006	<u>1,666,020</u>
Net Book Value	<u>44,007,677</u>

(28) Post Balance Sheet Events

Under the requirements of FRS 21 the Council is required to disclose any post balance sheet events that may have a material effect on the account balances and financial position shown in these accounts. The accounts were authorised for issue by the Council on 28 June 2006, at which date there were no known events transpiring after 31 March that were material to these accounts.

THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

Notes	<u>2004/05</u>	<u>2005/06</u>
	£'000	£'000
Surplus/(Deficit) for the Year:		
(1) General Fund	197	738
(2) Housing Revenue Account	818	1,424
(3) Add Back Movements on Specific Revenue Reserves and Balances	1,066	2,831
(4) Appropriation (from)/to Pensions Reserve	(3,183)	3,102
(4) Actuarial Gains and (Losses) relating to Pensions	(33,278)	799
	<hr/>	<hr/>
Total Increase/(Decrease) in Revenue Resources	(34,380)	8,894
Increase/(Decrease) in Usable Capital Receipts	0	107
(5) Increase/(Decrease) in Unapplied Capital Grants and Contributions	(279)	(3,879)
	<hr/>	<hr/>
Total Increase/(Decrease) in Realised Capital Resources	(279)	(3,772)
(6) Gains/(Losses) on Revaluation of Fixed Assets	148,745	241,437
Impairment Losses on Fixed Assets due to General Changes in Prices	0	0
	<hr/>	<hr/>
Total Increase/(Decrease) in Unrealised Value of Fixed Assets	148,745	241,437
(7) Value of Assets Sold, Disposed of or Decommissioned	(4,425)	(4,590)
(8) Capital Receipts set aside	2,743	2,183
(9) Revenue Resources set aside	(9,668)	(15,729)
(10) Movement on Government Grants Deferred	8,523	14,137
	<hr/>	<hr/>
Total Increase/(Decrease) in Amounts set aside to Finance Capital Investment	1,598	591
Total Recognised Gains and Losses	111,259	242,560
	<hr/>	<hr/>

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	Balance 2004/05 £'000	Surplus/ Deficit in Year £'000	Appropriations to and from Revenue and other reserves £'000	Actuarial Gains and Losses Relating to Pensions £'000	Balance 2005/06 £'000	
Movements in Revenue Resouces						
(1	General Fund Reserve	3,826	738	(200)	0	4,364
)						
(2	HRA Balance	3,437	1,424	0	0	4,861
)						
		7,263	2,162	(200)	0	9,225
Specific Revenue Reserves and Fund Balances						
	Electronic Government IT Reserve	1,224	0	12	0	1,236
	LGR/SCA Reserve	2,343	0	0	0	2,343
	Single Status	1,813	0	1,253	0	3,066
	Best Value Reserve	100	0	(10)	0	90
	Modernisation Reserve	191	0	283	0	474
	MMI Reserve	290	0	0	0	290
	Waste Development Reserve	0	0	200	0	200
	Landfill Credits Reserve	0	0	66	0	66
	On Street Car Parking Reserve	81	0	(81)	0	0
	Building Control Reserve	94	0	(3)	0	91
	Museum Donations	18	0	(3)	0	15
	The Saltings	2	0	0	0	2
	Deferred Credits	297	(106)	0	0	191
	Deferred Discounts	129	(22)	0	0	107
	General Fund Working Balance	2,000	0	0	0	2,000
	Schools Balances	5,425	1,410	0	0	6,835
	Collection Fund	603	32	0	0	635
(3	Total Specific Revenue Reserves and Fund Balances	14,610	1,314	1,717	0	17,641
)						
(4	Pensions Reserve	(84,537)	0	3,102	799	(80,636)
)						
	Total	(62,664)	3,476	4,619	799	(53,770)

The movements on the Pensions Reserve over the four year period to 2005/06 may be summarised as follows:-

	2002/03 £'000	2003/04 £'000	2004/05 £'000	2005/06 £'000
Expected Return/(Loss)	(8,020)	7,297	8,612	8,189
Actual Gain/(Loss) (as a % of Assets)	(29,222) (30.4%)	16,168 (13.1%)	6,391 (4.5%)	24,814 (15.5%)
Liability Gain/(Loss) (as a % of Liabilities)	0 0	0 0	(2,221) (1.0%)	(5,652) (2.3%)
Changes in Assumptions (as a % of Liabilities)	0 0	0 0	(37,448) (16.6%)	(18,363) (7.6%)
Net Gain/(Loss) (as a % of Liabilities)	(29,222) (18.5%)	16,168 (9.4%)	(33,278) (14.7%)	(3,982) (1.7%)

	Usable Capital Receipts £'000	Unapplied Capital Grants and Contributions £'000
(5 Movements in Realised Capital Resources)		
Amounts Receivable in 2005/06	2,290	(12,576)
Amounts Applied to Finance New Capital Investment in 2005/06	(2,183)	8,697
Total Increase/(Decrease) in Realised Capital Resources in 2005/06	<u>107</u>	<u>(3,879)</u>
Balance brought forward at 1 April 2005	0	14,555
Balance carried forward at 31 March 2006	<u>107</u>	<u>10,676</u>

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

	Fixed Asset Restatement Account £'000
(6) Movements in Unrealised Value of Fixed Assets	
Gains/Losses on Revaluation of Fixed Assets in 2005/06	255,711
Impairment Losses on Fixed Assets due to General Changes in Prices in 2005/06	<u>(14,274)</u>
Total Increase/(Decrease) in Unrealised Capital Resources in 2005/06	241,437
(7) Value of Assets, Disposed of or Decommissioned	
Amounts Written off Fixed Asset Disposals in 2005/06	<u>(4,590)</u>
Total Movement of Reserve in 2005/06	236,847
Balance brought forward at 1 April 2005	<u>673,425</u>
Balance carried forward at 31 March 2006	<u>910,272</u>

Notes 6 and 7 together reflect the movement on the Fixed Asset Restatement Account and represent an approximation of the value of the increase in the Authority's asset portfolio.

	Capital Financing Account £'000	Government Grants Deferred £'000	Total £'000
(8) Movement in Amounts Set Aside to Finance Capital Investment			
Capital Receipts set aside in 2005/06	0	0	0
Reserve Receipts			
Usable Capital Receipts	<u>2,183</u>	0	<u>2,183</u>
Total Capital Receipts set aside in 2005/06	2,183	0	2,183
Revenue Resources set aside in 2005/06			
Capital Expenditure Financed from Revenue	(9,109)	0	(9,109)
Reconciling Amount for Provision for Loan Repayment	<u>(6,620)</u>	0	<u>(6,620)</u>
(9) Total Revenue Resources set aside in 2005/06	(15,729)		(15,729)
Grants Applied to Capital Investment in 2005/06	0	15,545	15,545
Amounts Credited to Asset Management Revenue Account in 2005/06	0	(1,408)	(1,408)
(10) Movement on Government Grants Deferred	0	<u>14,137</u>	<u>14,137</u>
Total Increase/(Decrease) in Amounts set aside to Finance Capital Investment			591
Total Movement on Reserve in 2005/06	(13,546)	14,137	
Balance brought forward at 1 April 2005	<u>111,951</u>	<u>39,059</u>	
Balance carried forward at 31 March 2006	<u>98,405</u>	<u>53,196</u>	

The Capital Financing Account and Government Grants Deferred Account represent sums that 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	2004/05		2005/06		
	£'000	£'000	£'000	£'000	
Revenue Activities					
Cash Outflows					
	Cash Paid to and on behalf of Employees	(105,645)		(96,483)	
	Housing Benefit Paid out	(10,515)		(13,917)	
	Precepts Paid	(8,171)		(8,512)	
	Non-Domestic Rates Paid to National Pool	(72,064)		(73,124)	
	Payments to Capital Receipts Pool	(3,823)		(2,250)	
	Other Operating Cash Payments	(119,921)	(320,139)	(144,230)	(338,516)
Cash Inflows					
	Council Tax Receipts	44,431		46,995	
	Rents (after Rebate)	17,242		17,658	
	National Non-Domestic Rate Receipts from National Pool	40,571		48,412	
	Non-Domestic Rate Receipts	70,442		73,523	
(4)	Revenue Support Grant	77,205		78,181	
(4)	Housing Benefit	35,740		38,343	
(4)	Housing Subsidy	(6,216)		(5,510)	
(4)	Other Government Grants	35,243		30,422	
	Cash Received for Goods and Services	8,581		7,911	
	Other Operating Cash Receipts	2,390		8,136	
			325,629		344,071
(1)	Net Cashflow from Revenue Activities		5,490		5,555
Returns from Investment and Servicing of Finance					
Cash Outflows					
	Interest Paid	(5,271)		(5,760)	
	Interest Element of Finance Lease Rentals	(14)		(14)	
		(5,285)		(5,774)	
Cash Inflows					
	Interest Received	1,487	(3,798)	1,894	(3,880)
Capital Activities					
Cash Outflows					
	Purchase of Fixed Assets	(31,797)		(43,699)	
	Purchase of Investments	(4,180)		0	
		(35,977)		(43,699)	
Cash Inflows					
	Sale of Fixed Assets	6,566		4,540	
	Capital Grants Received	5,604		8,441	
	Sale of Investments	0		4,800	
	Other Capital Cash Receipts	3,672		3,192	
		15,842	20,135	20,973	(22,726)
(2)	Net Cash Inflow before Financing		(18,443)		(21,051)

Notes	2004/05		2005/06	
	£'000	£'000	£'000	£'000
Financing				
Cash Outflows				
Repayments of Amounts Borrowed	(804)		(778)	
Capital Element of Finance Lease Rentals	(14)		(14)	
	<u>(818)</u>		<u>(792)</u>	
Cash Inflows				
New Loans Raised	28,038		18,126	
New Advances	0		0	
	<u>28,038</u>		<u>18,126</u>	
Net Change in Long Term Borrowing	27,220		17,334	
Management Of Liquid Resources				
Cash Outflows				
Repayments of Amounts Borrowed	(69,136)		(70,424)	
Cash Inflows				
New Loans Raised	65,080		71,105	
	<u>65,080</u>		<u>71,105</u>	
Net Increase(+)/Decrease(-) in Short Term Deposits	<u>(4,056)</u>		<u>681</u>	
Movement in Net Debt		23,164		18,015
(3) Increase/(Decrease) in Cash		<u>4,721</u>		<u>(3,036)</u>

NOTES TO THE CASH FLOW STATEMENT

Note	2004/05		2005/06	
	£'000	£'000	£'000	£'000
(1) Reconciliation of Revenue Cash Flow				
Consolidated Revenue Account Surplus / (Deficit)		1,785		2,148
Collection Fund Surplus / (Deficit)		359		31
		<hr/>		<hr/>
		2,144		2,179
Add Back:				
Items not Involving Movement of Funds				
Minimum Revenue Provision		1,786		2,129
Transfer from General Fund Reserve to Single Status Reserve		0		(200)
Claims Settled from Insurance Reserve		(527)	(496)	
S117 Claims Settled			(169)	(665)
Transfers to and (from) Reserves:				
Revenue Contributions to Capital		0		52
HRA Balance		818		1,424
Major Repairs Allowance		6,886		6,959
Interest Credited on Reserve Balances		361		207
Organisational Development Reserve		(75)		0
LGR Reserve		373		0
Insurance Reserve		289		317
Electronic Government IT Reserve		(54)		12
Car Parking Reserve		(37)		(81)
Building Control Reserve		18		(3)
Museum Donations Reserve		10		(3)
Political Structure		(283)		282
Single Status		(281)		1,253
Developers Contributions		0		(369)
Best Value Reserve		(559)		(10)
Waste Development Reserve		0		200
Landfill Credits Reserve		0		66
Transfer from Usable Capital Receipts equal to the Contribution to Housing Pooled Capital Receipts		(3,823)		(2,250)
Provision for ECC Debt Repayment		673		647
		<hr/>		<hr/>
		4,316		8,703
		7,719		12,146
Add back:				
(Increase)/Decrease in Stocks		(3)		120
(Increase)/Decrease in Revenue Debtors		(9,859)		(8,996)
Increase /(Decrease) in Revenue Creditors		3,835		(1,595)
		<hr/>		<hr/>
		(6,027)		(10,471)
		<hr/>		<hr/>
		1,692		1,675
Financing Items shown below Revenue Activities				
External Interest Charged		5,285		5,774
External Interest Received		(1,487)		(1,894)
		<hr/>		<hr/>
		3,798		3,880
		<hr/>		<hr/>
Net Cash Flow from Revenue Activities		5,490		5,555

(2) Analysis of Changes in Debt

	<u>As at</u> <u>31/03/04</u> £000	<u>As at</u> <u>31/3/05</u> £000	<u>Movement</u> £000	<u>As at</u> <u>31/3/05</u> £000	<u>As at</u> <u>31/3/06</u> £000	<u>Movement</u> £000
Cash Balance	589	874	285	874	1,248	374
Bank Balance	(6,142)	(1,706)	4,436	(1,706)	(5,116)	(3410)
	(5,553)	(832)	4,721	(832)	(3,868)	(3,036)
Debt Due within 1 year	(7,780)	(9,530)	(1,750)	(9,530)	(10,230)	(700)
Debt Due after 1 year	(58,828)	(80,241)	(21,413)	(80,241)	(97,556)	(17,315)
Net Cash Inflow before Financing	(72,161)	(90,603)	(18,442)	(90,603)	(111,654)	(21,051)

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

(Increase)/Decrease in Cash for Period	3,036
Cash Received from Increase in Debt	17,314
Cash Used to Decrease Liquid Resources	700
Change in Debt	21,051
Net Debt at 1 April 2005	90,603
Net Debt at 1 April 2006	111,654

(4) Analysis of Government Grants

	<u>2004/05</u>		<u>2005/06</u>	
	£000	£000	£000	£000
Revenue Support Grant	77,205		78,181	
Housing Benefit	35,740		38,343	
Housing Subsidy	(6,216)		(5,510)	
		106,729		111,014
Asylum Seekers	1,577		538	
Childrens Social Services	442		894	
Education Standards Fund	9,683		10,077	
Supporting People	2,427		2,273	
Students Awards	109		45	
New Opportunities Fund	445		134	
Schools Standards Grant	2,545		2,771	
Transitional Support Grant	1,685		843	
Early Years Funding	2,035		1,097	
Teachers Performance Pay	1,713		1,784	
Schools Cluster Funding	1,639		1,621	
Other Grants	10,943		8,345	
		35,243		30,422
Total		141,972		141,436

(5) Liquid Resources

For the purposes of the Cash Flow statement and the accompanying notes liquid resources refers to short term borrowing (i.e. sums falling due to be repaid within one year)

GLOSSARY OF TERMS

Balances

The working balances on specified funds brought forward at the year-end.

Capital Receipts

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

Pooled Capital Receipts

The proportion of housing capital receipts paid over to Central Government.

Collection Fund

A statutory account that 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

Deferred charges arise where capital expenditure is incurred but does not generate the creation of a tangible asset (e.g. improvement grants). The deferred charge is written off over the period in which the Council derives economic benefit (normally the year in which expenditure is incurred)

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 another Authority for monies collected on its behalf by this Council. Essex Fire and Police Authorities both have the power to raise precepts on the residents of Thurrock which are collected by Thurrock Council.

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.