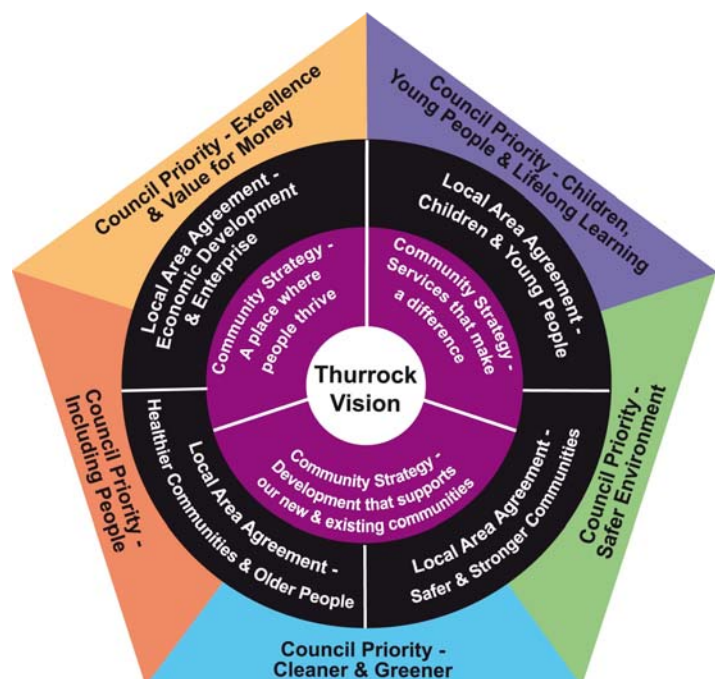


*putting residents first....*

# ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2006/07



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

**The Chief Finance Officer  
PO Box 1  
Civic Offices  
New Road  
Grays Thurrock  
Essex  
RM17 6LT**

**Telephone: 01375 652412**

## REPORT OF CHIEF FINANCE OFFICER

I am pleased to introduce the Council's Annual Report and Statement of Accounts for 2006/07. The publication includes an overview of the key achievements in the year together with all the financial statements and disclosure notes required by the Code of Practice.

During 2006/07 the Council has been working hard to deliver efficient services offering value for money in accordance with the Council key priorities

The net cost of the Council's services charged to the General Fund was £204.5million, which was £0.474 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 2007/08 to fund commitments entered into in 2006/07. Net expenditure increased by £30.1 million as compared with the previous year, an increase of 17.3%.

2006/07 represented the second 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. All financial transactions have been recorded in the new Oracle Financial system and the accounts prepared accordingly.

The Housing Revenue Account (HRA), which deals with expenditure and income on the provision of council housing, achieved a surplus of £0.491million. 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 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 2006/07 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 worked through the implementation of the new financial information system. 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.



.....  
**Andrew Hardingham CPFA**  
**Chief Finance Officer**

## **ANNUAL REPORT**

We are please to present The Council's Annual Report and Statement of Accounts for 2006/07.

2006/07 saw a number of changes. There were senior management changes, which included welcoming Angie Ridgwell as our new Chief Executive, taking over the reins from Andrew Hardingham our Acting Managing Director. We further welcomed Julien Kramer as interim Director for Children Education and Families, and Lorna Payne as our new Director for Community Well-being.



Despite these changes the Council continued to provide leadership and worked with partners to deliver key local agendas, including the development of a new generation Sustainable Community Strategy and our first Local Area Agreement, which will be the main delivery vehicle for the Strategy between 2007-10.

We continued our focus on providing value for money services for residents. Our Council Tax Band D rate ranks Thurrock as the 39<sup>th</sup> lowest out of 46 unitary councils and the Council Tax increase set for 2006-07 was 3.97%. We involved residents, schools and businesses in setting the budget as part of our commitment to take on board the views of Thurrock's community. We continued our focus on efficiency and the cumulative total of savings realised through our efficiency programme now stands at £10.618m.

Other notable achievements included:

### **Youth Conference**

Around 150 young people, representing all secondary schools and several other groups, attended the Youth Conference in February. As well as participating in a number of events and activities delivered in conjunction with our partners, young people also participated in a range of consultation exercises and in a highly successful 'speed dating' session with elected Members.

### **Supporting People Programme**

Through our supporting people programme we have put in place floating support workers to develop a 'Sure Start' approach to provide housing related support and advice to our older residents on how to access other local services

### **Educational attainment**

The results for Thurrock at A\*-C for GCSE moved above the 50% target threshold for the first time and now 55% of our young people attained 5 or more GCSEs at A\*-C grade

### **School provision**

In partnership with the Learning & Skills Council we have agreed a new 14-19 Strategy with one of the key priorities being to return sixth forms to schools. Work also started on our new Gateway Academy, which is the first of its kind to be built by a local authority. The Academy is due to be completed in late 2007.

### **Deterring anti social behaviour**

We continued to tackle anti-social behaviour as part of our high level priority of creating a safer environment. We have improved opportunities for residents to report anti social behaviour - in July 2006 we

set up an anti-social behaviour web-site - [www.unwelcome.co.uk](http://www.unwelcome.co.uk) - which provides a one-stop shop for on-line reporting giving advice, support and information on action being taken. Furthermore a Member- led initiative, responding to resident concerns, saw the funding of several Police led operations aimed at seizing motorcycles and issuing warnings to riders - the outcome of this initiative resulted in nine vehicles being seized and 75 warnings issued

## **Building Stronger Communities**

With our partners in Shaping Thurrock we published our Social Inclusion Strategy, which sets out our approach to strengthening communities. The refreshed strategy has 8 strategic objectives and has already made positive differences in seeking to create cohesive communities - through targeting resources on those who are excluded, or at risk of exclusion.

Our new Corporate Equality Plan was launched and together with supporting strategies – such as the Race Equality Scheme and Disability Equality Scheme – includes clear objectives and actions to ensure the progressive mainstreaming of equality in the way we design and deliver services. This will help us as we build cohesive and stronger communities in Thurrock.

## **Community Engagement and involvement**

We further improved involvement and engagement with our communities. We:

- developed a new compact with our partners in the voluntary and community sector to ensure their contribution to the development of services to and for the community
- expanded the number of community forums to 22 to enable more residents to have an opportunity to get involved – each forum has a delegated budget and funds are used to pay for community initiatives including minor environmental enhancements
- created a lunch club for black and minority ethnic community groups as an opportunity to consult and engage
- hosted family ‘fun days’ at which we have been able to engage with adults with a low reading age

## **Creating a Cleaner and Greener Thurrock**

Our work to create a cleaner and greener Thurrock continues. The kerbside green waste collection service has now been completed, a pilot for the collection of kitchen waste is now underway and every house has a blue recycling box with a rollout to all flat accommodation also underway. A second civic amenity site has been agreed and will be located in the west of the borough.

## **Better transparency and accountability**

Our governance arrangements have been further improved. We carried out an ethical governance review led by external experts and as a result our ethical framework is fully compliant with legislation.

We have also invested in support provided to Members to help them with their roles as executive and non-executive Councillors. Scrutiny Members have involved themselves in reviews of services and improvements have arisen – for example the review of anti social behaviour ‘What’s our problem?’ led to funding from partners to address anti-social behaviour.

## **Crime reduction**

With our partners we have targeted priority areas of burglary, vehicle crime and violent crime that has led to a 19% reduction in the British Comparator Survey of crime by August 2006 against the 2003-04 baseline (Home Office iQuanta data ) We are on target to meet further challenging reduction targets agreed with the Home Office

## **Our priorities for 2006/07 were:**

- **Delivering excellence and achieving value for money**  
Arising from a political desire to put residents first through leading our community, addressing low public satisfaction levels and improving the value for money our services offer
- **Children, young people and lifelong learning**  
Arising from historic low levels of attainment and a desire to move away from a low skilled, low wage local economy - 19% of Thurrock workers have no qualifications. Consultation reveals that residents



are concerned about education for all and not just children. 13% of Thurrock's workers have undertaken post 19 education and are educated at degree level

- **Including people**

Arising from a need to create stronger, more cohesive and tolerant communities and reduce Thurrock's health inequalities. Reflecting growth projections we will work to ensure our services are shaped to meet peoples needs

- **Cleaner and greener Thurrock**

Arising from a need to balance the regeneration agenda with resident desires to see the greenbelt protected, a good transport network together with cleaner streets and less litter and pollution

- **Safer environment**

Arising from consultation that identified that 80% consider crime and addressing antisocial behaviour important together with a prevailing trend of higher than regional and national averages – although rates are falling

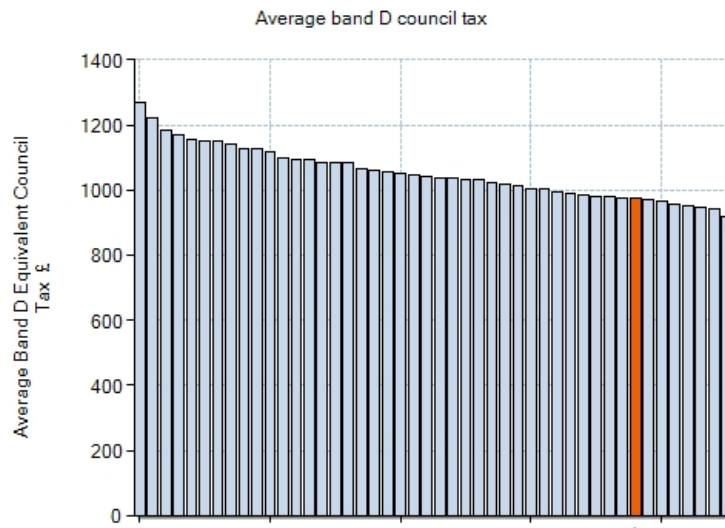
The following paragraphs provide a financial and performance commentary under each of the five priorities

## **DELIVERING EXCELLENCE AND ACHIEVING VALUE FOR MONEY**

### **Financial and performance commentary**

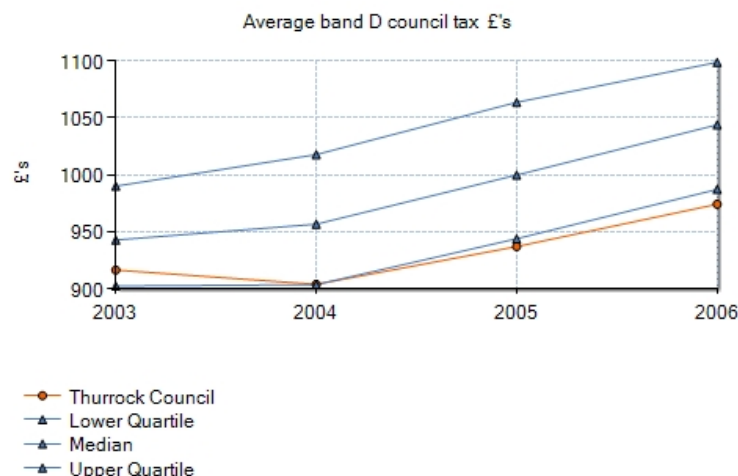
In 2006/7 we spent £431m of public money raised through both national and local taxation to meet community ambitions.

In 2006/7 the total funding accrued from council tax was £49.4m The property band D council tax level was £974.25 which compared us with the unitary average (excluding parishes) of £1,048 - ranking us 39th out of 46 unitary councils.



The overall level of council tax increase for 2006/07 was restricted to 3.97%, whilst maintaining a balanced and sustainable budget supported by savings and efficiencies.

A low level of Council Tax is a political requirement and our property band D council tax level has been consistently above the unitary upper quartile figure since 2004/05 as shown below.



In order for us to meet our ambitions resources need to be deployed as effectively as possible. We are therefore placing great emphasis on efficient working. Our target of achieving efficiency savings of £8.8m by 2008 (from a 2005 baseline) has already been met and the cumulative total at the end of the 2006/07 financial year was £10.618m

This has been achieved in the context of strong financial management and for the third year in a row a balanced budget has been achieved. General Fund balances now stand at £5.522m or 5.6% of net general fund budget.

In terms of cost comparisons we know from benchmarking, based on nationally published data in April 2007, that in comparison with other unitary councils:

- Total expenditure on services per head of population is relatively low with our level of spend placing us in the middle of the third quartile.
- The level of spend apportioned to central services (including overheads and contingencies) and the corporate and democratic core is high, placing Thurrock in the upper quartile. However over heads are allocated in line with CIPFA's best value accounting code of practice and there is a clear allocation of central overheads to services. It should be noted that comparisons of overhead levels between councils are difficult due to different classifications being applied
- Expenditure per head of population on housing and culture is low and below the 4th quartile threshold
- Expenditure for social services per head of population is in the third quartile
- Expenditure for environment, planning and transport per head of population is in the third quartile

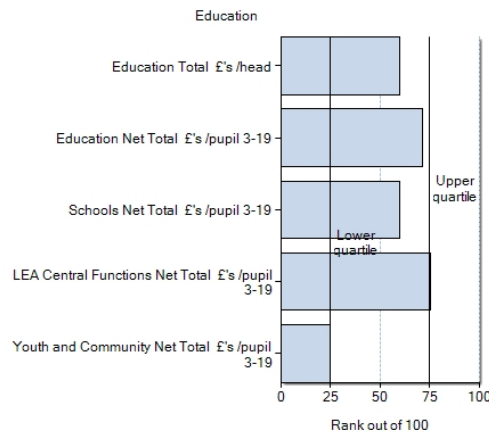
## CHILDREN, YOUNG PEOPLE AND LIFELONG LEARNING

### Financial and performance commentary

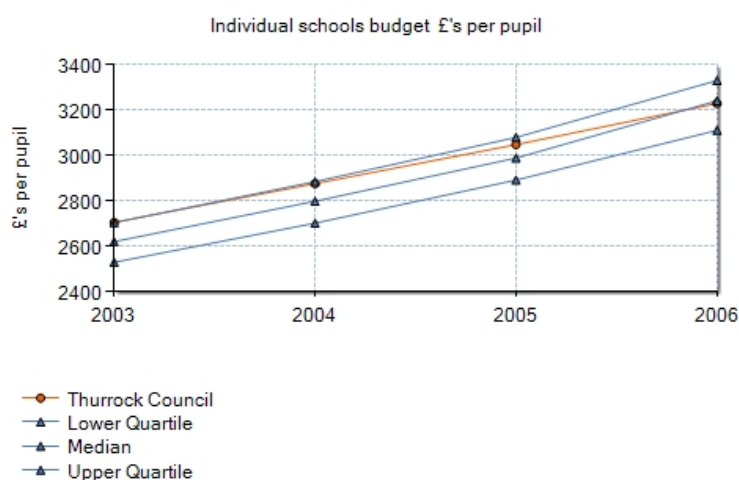
Education is our largest single area of spending accounting for more than 26.3% of total planned spending on services. In 2006/07 we spent £113.5 million of which £73.2 million was passported directly to schools.

In 2006 external assessors assessed the Council's performance in providing children's services, including education, at grade 2 (adequate performance – only at minimum requirements) out of a possible 4. This informed our CPA scorecard published in February 2007.

The spread of expenditure in respect of key education functions is shown below in comparison with other unitary councils:



In 2006/07 expenditure per pupil, as shown within the individual schools budget was £3,300 per pupil – the median in comparison with other unitary councils. This is a school's core funding and is part of the Dedicated Schools Grant which is delegated to schools through the school funding formula.

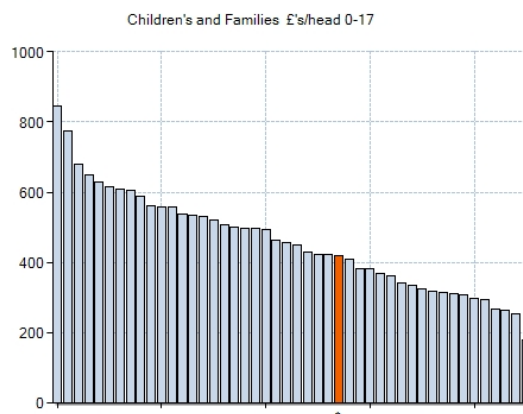
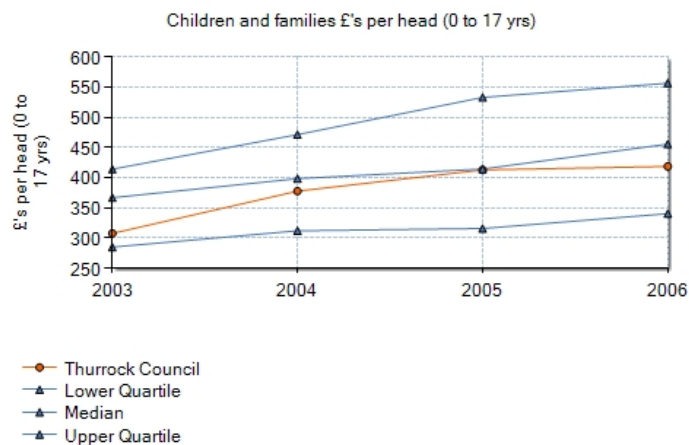


Further financial benchmarking reveals that:

- Our individual schools budget was in the upper quartile compared to our CIPFA nearest neighbour group and has been since 2003/04
- Expenditure to provide an appropriate education infrastructure was generally higher than councils in our comparator groups. Thurrock was ranked in the upper quartiles for expenditure towards access, transport, behaviour support services and education welfare service
- Our funding per pupil delegated to schools is within the upper quartile

Spending on services for children and families services accounts for approximately 25% of our expenditure on social services. A significant amount of this expenditure is informed by our commitments to children who are looked after. Our expenditure ranks us in the upper quartile compared to our nearest neighbour group and Q3 compared to other unitary councils.





## INCLUDING PEOPLE

### Financial and performance commentary

In 2006/07 our budget for adult social care was £26.3m and this accounts for 26% of total spending on services.

The 2006 CPA scorecard rated our performance in providing social care services for adults, at grade 3 (performing well – consistently above minimum requirements) out of a possible 4. In addition to the CPA Score card CSCI's annual star rating assessed our social services as a '3 star service serving most people well' for the second year running – only 20% of councils achieved this.

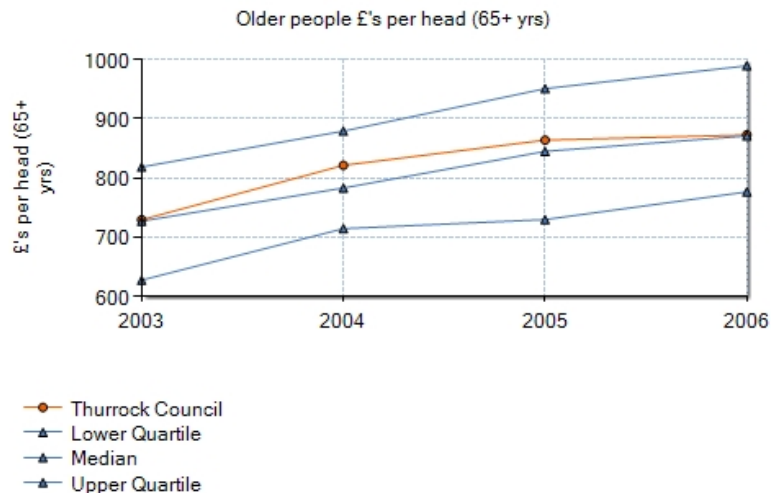
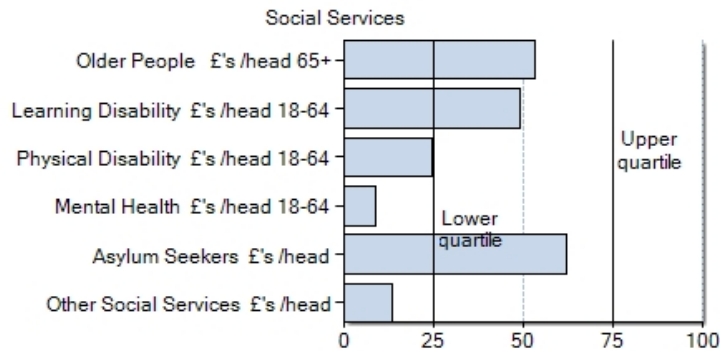
The Council delivers social care in a challenging environment:

- It's geographical position of being a high cost area, with unit costs for social care being over 20% higher than the average for its socio economic family of similar councils
- An ageing population – the over 85's are five times more likely to need social care than those in the 75-84 age group. There is a rapid growth in the over 85 age group nationally, and in Thurrock it is rising at twice the national average

The spread of expenditure in respect of key social care functions is shown opposite top in comparison with other unitary councils.

Spending per head on older people aged over 65 is just above median level at £872.66 and reflects the level of provision of two key services – residential and domiciliary care.

We commission most of these services from the independent sector and achieve better value for money in doing so. For example we now have only one residential care home (provided at lower cost) and have had an emphasis on helping people to live at home – 72% although this is below average for other unitary councils.



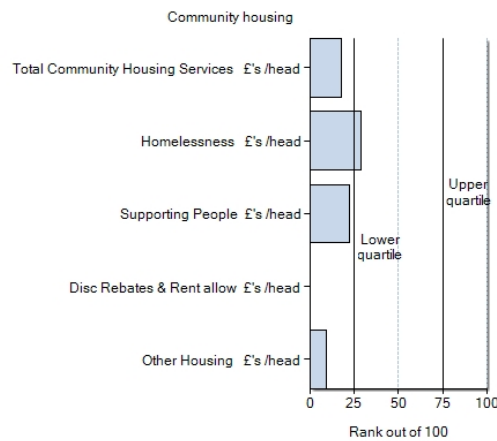
There is national pressure on the numbers and costs of older people with increasing restrictions on the eligibility and criteria being experienced nationally. Additional funding of £0.950m has been made available in 2007/08 to help meet some of these demands. The cost of adult learning disability services is causing increased pressure on the Adult Social Care budget, which is following a national trend that is estimated to be increasing by 10% per annum. In 2007/08 we have increased budgets by £0.375m to support the provision of these services in two ways:

1. By increasing the capacity to meet the additional costs of care
2. Enabling investment in preventative support services so as to reduce the number of people requiring expensive residential care

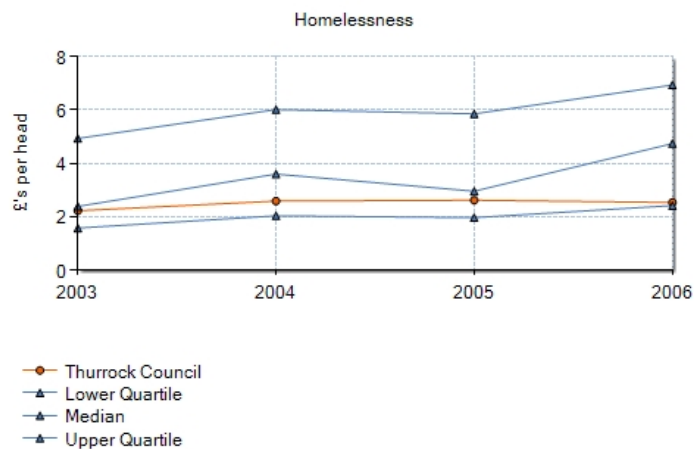
The Council operates a housing stock of around 10,400 homes. The average weekly cost of managing the stock is £14.41 per unit and the average weekly cost of maintenance is £17.06 – both ranking Thurrock in Q2 compared to unitary councils.

In 2006 the Audit Commission assessed the Council's performance in providing community housing and housing management at grade 4 (performing strongly – well above minimum requirements) out of a possible 4. This informed our 2006 CPA scorecard.

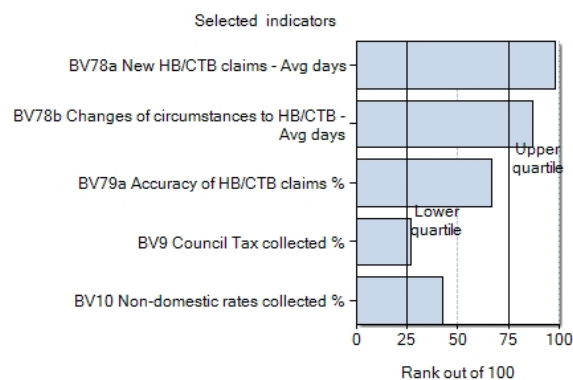
The spread of expenditure in respect of key community housing functions is shown below in comparison with other unitary councils.



Spend per head of population on community housing (homelessness, supporting people, private sector housing) is low - £22.05 and lower quartile compared to unitary councils.



The revenue and benefits service is managed by Vertex. Investments have been made in the service including transformation projects to improve processing times. Spend per head of population on providing key elements of the service places us in the third quartile. The performance of key measures related to administration of housing and council tax and benefits is generally above average and is reflected in a Benefits rating of 3 stars. However this is not yet matched by satisfaction levels, which remain low.



## A SAFER ENVIRONMENT

### Financial and performance commentary

In 2006/07 our Community Safety budget was supported by an increase of £1,000 in the young persons substance misuse grant.

The Council was therefore able to increase drug and alcohol interventions to deter and prevent young people misusing substances. In addition, the increase in DIP funding enabled additional resources for the 'criminal justice to treatment service'.

The expansion of the Council's CCTV system, together with our joint work with the police on CCTV has seen a reduction in crime and increase in detection rates of drug and violent crime offences although the percentage of people who feel safe, if alone, has dropped.

In contributing to making Thurrock safer, the Council will continue the funding arrangements put in place in 2005/06 to work in partnership with the police to reduce crime and disorder through the allocation of £270,000 in 2007/08.

In order to also improve safety on and around streets a further £0.100m has been included in the highways budget for 2007/08 to allow for the removal of redundant street light stumps, repairing of damaged street furniture and cleaning signs and street names.

## A CLEANER AND GREENER ENVIRONMENT

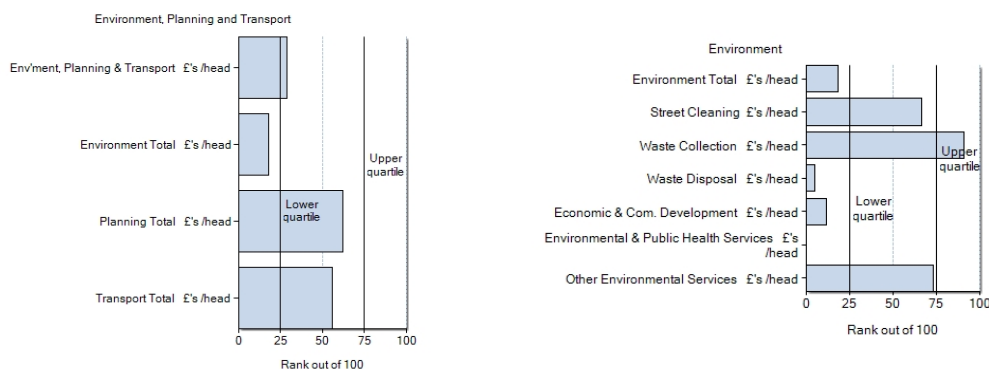
### Financial and performance commentary

The 2006/07 budget increased spending in respect of cleaning and greening services by £2.26m. This was a conscious decision and involved moving resources to focus on what local people told us they think is important. A further shift in resources involved restructuring the former street warden service to being one of street enforcement with officers having a wider brief to include an enforcement role for littering etc.

This shifting in resources has seen performance improvements in respect of cleaning and greening – recycling in Thurrock is now at its highest level ever and is top quartile in comparison with other unitary councils and streets are generally cleaner.

The CPA Scorecard for 2006 assessed our 'environmental services' at level 3 (performing well – consistently above minimum standards) out of a possible 4

The spread of expenditure in respect of key environmental functions is shown below in comparison with other unitary councils:



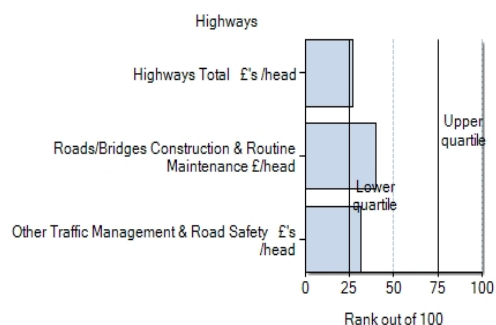
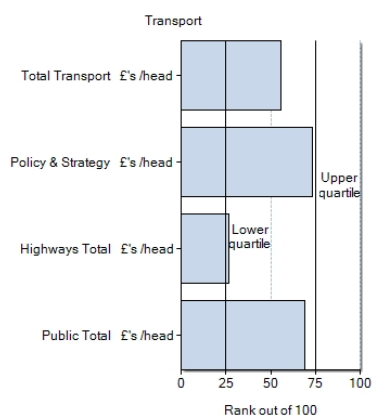
Waste collection and waste disposal are the two largest areas of spending among this group of services:

Other comparative data shows that:

- Spending on street cleaning per head of population was £13.49 placing Thurrock Q2 compared to unitary councils. Satisfaction with cleanliness however was 62% (BV89) - below average and Q3
- The cost of waste collection per head of population was £31.03 ranking Thurrock in the upper quartile compared to unitary councils. Cost remains high due to the waste contract legacy however volumes of waste collected are low which is appropriate and places our performance in the upper quartile
- The cost of waste disposal per head of population is low. £19.06 ranking Thurrock 44<sup>th</sup> out of 46 unitary councils
- Planning delivery grant for Thurrock is 30% of the planning budget. This ranks Thurrock in the upper quartile compared to unitary councils

The total cost of the planning service per head of population is also above average – £14.19.

Spending on transport is made up principally of spending on highways and spending on public transport – including parking and our concessionary fare scheme:



## Chief Executive and Leader



Angie Ridgwell  
Chief Executive



Councillor Terry Hipsey  
Leader of the Council

# 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 2007.

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 19 to 67 present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2007.

Chief Finance Officer

Date: 27 June 2007

## 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 27 June 2007.

The Mayor

Date: 27 June 2007



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

### **Opinion on the financial statements**

- 1** I have audited the financial statements of Thurrock Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These financial statements have been prepared under the accounting policies set out within them.
- 2** This report is made solely to Thurrock Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 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 auditor**

- 3** 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 2006 are set out in the Statement of Responsibilities.
- 4** My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).
- 5** I report to you my opinion as to whether the financial statements present 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 2006.
- 6** 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' issued in 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 Council's corporate governance procedures or its risk and control procedures
- 7** 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 content of the Annual Report. 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**

- 8** 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 Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.
- 9** 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

- 10** 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 2006, the financial position of Thurrock Council as at 31 March 2007 and its income and expenditure for the year then ended.

Paul King

District Auditor

Audit Commission

Sheffield House

Lytton Way

Stevenage

SG1 3HG

25 September 2007

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

### **Authority's Responsibilities**

- 11** 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.
- 12** 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**

- 13** 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.
- 14** 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**

- 15** I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006. I am satisfied that, in all significant respects, Thurrock Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

### **Best Value Performance Plan**

- 16** I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 20 October 2006. 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**

- 17** 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.

Paul King

Audit Commission

Sheffield House

Lytton Way

Stevenage

SG1 3HG

25 September 2007

# **THURROCK COUNCIL STATEMENT ON INTERNAL CONTROL 2006/07**

## **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 assist the Authority in achieving its policies, aims and objectives by managing risks to a reasonable level, rather than eliminating all risk of failure. Therefore, it can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks against 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 2007 and up to the date of approval of the annual report and 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 arising from legislation. Except for 'exempt' items, the Council meets in public session. These are advertised in advance of the meeting, as are all Council committee events. All minutes are published once approved.
  - Four Overview and Scrutiny Committees regularly reviewed specific policy areas. The Committees broadly cover 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 five independent members who of which two 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 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 approved a revised Risk Management Policy and Strategy in July 2005. This explains the methodology that provides the framework for the management of risk throughout the Council.
  - The Council has systems in place for identifying and evaluating all significant risks, developed and maintained with the pro-active participation of all those associated with planning and delivering services.

- All major Committee reports include a risk assessment element to support and inform the decision making process, with central guidance and advice available to managers and report authors.
- Risk Management is built into the strategic and service planning processes of the Council. Strategic and corporate risk reviews are undertaken on a quarterly basis with the Corporate Management Team and the outcomes reported to the Audit Committee.
- A cross-departmental Risk Management Group is in place to enhance the understanding of risk management and embed the process across the Council.
- A centralised risk register is in place and appropriate staff have been trained in the assessment, management and monitoring of risks.

### **3.2 Procedures to ensure compliance with established policies, procedures, laws and regulations, include:**

- Professionally qualified finance staff in key roles throughout the organisation.
- Regular reports by internal audit, which include the Head of Audit's 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 HR 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), ISO 9001: 2000 (Quality management) and LEXCEL.
- The Council has designated the Head of Legal and Democratic Services as Monitoring Officer. Arrangements are in place for one of the two Deputy Heads of Legal Services to act as deputy Monitoring Officer when required. It is the function of the Monitoring Officer to ensure compliance with established procedures, laws and regulations. After consulting with the Chief Executive and Chief Finance Officer, the Monitoring Officer must report to the full Council if it is considered that any proposal, decision or omission would give rise to unlawfulness or maladministration. 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. Lawyers are allocated to Council Committees and all reports must have legal and financial implications included.
- Through external inspections and by reviews by Internal 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-department/organisation team reviewed corporate processes to identify and implement additional efficiencies and income generating opportunities. These were then used in the collation of the submission of the Council's Annual Efficiency Statement.

### **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 Procedure Rules as set out in the Constitution, which are regularly reviewed with the last major review being 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; the setting of virement limits etc. Throughout the year there are monthly financial management reports with onward monitoring reports to Members on a quarterly basis.
- 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.
- 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 through a partnership arrangement with Bentley Jennison who successfully tendered for the contract, which commenced in October 2006. Internal Audit operates to the standards set out in the CIPFA's 'Code of Practice for Internal Audit in Local Government 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 a Performance Appraisal Scheme, which has been rolled out across the Council and informs the corporate training programme managed by Developing Together. This system is reviewed externally and the Council has the Investors in People (IIP) award.
- The Council has enhanced its performance management framework through the development of a new Performance Management Strategy and this is being reinforced by the new Performance appraisal system. A Reporting Framework is in place to support the Performance Management Strategy. This sets out clear standards and guidelines for performance reporting to drive continuous improvement. The Council has piloted a balanced scorecard in one directorate and has rolled out to all directorates and to the Local Strategic Partnership (LSP). 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 down through directorate, service improvement, 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 Performance and Improvement Overview and Scrutiny Committee also monitor these reports and commissions investigations into areas of poor performance in priority areas.

## **4. REVIEW OF EFFECTIVENESS**

- 4.1 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 in their annual audit letter and the findings of other review agencies/inspectorates. The Heads of Service within the authority, who have responsibility for the development and maintenance of the internal control environment, use a self-assessment questionnaire to review their own systems of internal control and inform the review process.
- 4.2 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 periodically and has done so in 2003, 2004 and 2006.
  - The Authority has adopted the Leader and Executive model from the Local Government Act 2000. The Executive (or Cabinet) 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 8 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.
  - In March 2006, the Council appointed a dedicated Audit Committee which was tasked with reviewing the adequacy of internal controls, monitoring the performance of Internal Audit and reviewing the external Auditor's plans and reports. Internal Audit provides the Committee with

an independent opinion on the adequacy and effectiveness of the Council's internal control systems.

- The Head of Audit reports to the Audit Committee annually and at interim periods on internal audit and delivers an opinion on those systems reviewed, with an assurance score between 1 and 4 (where a score of 3 or higher indicates that controls are operating effectively). An audit opinions of 2 or less, is highlighted in the internal audit report to Committee, for further consideration by Members.
- Internal Audit 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 an audit needs assessment process, which identifies potential auditable areas, as part of a three-year strategic and annual audit planning process. The plan is designed to provide both assurance that the key systems and significant risks are adequately controlled, and also to assist in major areas of development that the Council needs to address in the current year. The Audit Committee review progress against this plan at each of their quarterly meetings.
- The reporting process of Internal Audit requires a report of each audit be submitted to the relevant Director, Head of Service, Partner Managers and Section 151 Officer. The report includes recommendations for improvements by specified dates, which are included within an action plan and require agreement or rejection by service managers. Internal Audit seek assurance from management that recommendations have been implemented within the agreed timescales. The report includes an audit opinion of the system of Internal Control, as well as specifically identifying areas of corporate significance that should be included in this Annual Statement of Internal Control.
- Internal Audit is subject to regular review 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 the financial aspects of corporate governance and performance management, and other areas of concern.

## 5. SIGNIFICANT INTERNAL CONTROL ISSUES

- 5.1 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 the Corporate Management Team, issues raised by external inspections and reports raised by the Internal Audit section.
- 5.2 The first of the two tables below identifies improvements that have been actioned for issues identified during 06/07. The second shows those areas where internal control issues have been identified which need to be addressed during the current year, including those identified through the Heads of Service self-assessment questionnaire.

ISSUE	ACTION TAKEN IN 06/07
Improvement required to the corporate governance arrangements between the Monitoring Officer, Members and other Officers of the Council.	<input checked="" type="checkbox"/> The Council adopted a Monitoring Officer Protocol to clarify where responsibilities lie and make clear the relationships between the Monitoring Officer, Members and other Officers of the Council. <input checked="" type="checkbox"/> The first Annual Monitoring Officer Report was published and presented to full Council on 24 <sup>th</sup> January 2007.
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"/> Following the comprehensive revision of the Constitution in March 2006, on-going changes are being made and agreed by Council to ensure compliance with legislation and best practice. <input checked="" type="checkbox"/> Training and practical guidance continue to be provided if required.

<p>The proposed National Code of Conduct for Officers needs to be adopted.</p>	<p><input checked="" type="checkbox"/> This code was adopted ahead of the required timescales. In addition, an Officer's Register of Interests was implemented and the Register of Gifts and Hospitality was publicised and maintained.</p>
<p>The Council needs to adopt clear procedures for dealing with ethical standards that require local investigations and determinations to be carried out by the Standards Committee.</p>	<p><input checked="" type="checkbox"/> Procedures were approved for investigations, formation of panels and hearings.</p> <p><input checked="" type="checkbox"/> Training was provided by way of a "mock trial" and was well attended by Members of the Standards Committee and other members.</p> <p><input checked="" type="checkbox"/> An overview guide has been produced which provides an effective and easy to understand summary of the Ethical Governance Framework. This has included the development of briefing notes on a variety of ethical governance issues such as planning, site visits, friendships etc.</p> <p><input checked="" type="checkbox"/> An Ethical Governance Audit was carried out by Rockpools (external assessors) to assess the extent to which the Council's ethical governance arrangements complied with legislation and conform to best practice. They concluded that the infrastructure for good ethical governance is in place and provided some suggestions for improvement.</p>
<p>Community leadership role improved</p>	<p><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.</p> <p><input checked="" type="checkbox"/> Produced a Sustainable Community Strategy based on 3 themes, 12 strategic objectives and a new 10 year vision for Thurrock</p> <p><input checked="" type="checkbox"/> Developed and adopted a Local Area Agreement</p> <p><input checked="" type="checkbox"/> Undertaken a widespread consultation exercise across Thurrock to inform the development of the Community Strategy.</p> <p><input checked="" type="checkbox"/> Developed a new Compact with our community and voluntary partners to drive improved partnership working</p> <p><input checked="" type="checkbox"/> Refreshed our Citizens Panel to ensure it is representative of Thurrock's make-up and can effectively inform policy as a consultation body</p> <p><input checked="" type="checkbox"/> Developed 10 principles of engagement with key partners that will inform how the Council and partners consult and involve local people</p>

Strengthen Performance Management arrangements	<input checked="" type="checkbox"/> Developed a new Performance Management Strategy <input checked="" type="checkbox"/> Developed a new Reporting Framework focused on monitoring and continuous improvement <input checked="" type="checkbox"/> Implemented a pilot balanced scorecard in Community Well-being directorate and used learning to inform a Council wide approach <input checked="" type="checkbox"/> Provided training to 150 key officers in the use of Inphase Performance Plus, the corporate Performance Management System <input checked="" type="checkbox"/> Produced a web-based Thurrock Profile to provide key data about Thurrock to support service planning and understanding the needs of local people
Contract monitoring procedures need improving to identify and control budget overspends in individual schemes in Highways.	<input checked="" type="checkbox"/> Improved contract and budget monitoring. <input checked="" type="checkbox"/> Client side officer roles more defined.
Revenue budget control, monitoring and reporting needs to be improved.	<input checked="" type="checkbox"/> Adopted a risk management approach to budget monitoring. <input checked="" type="checkbox"/> Action Plans to mitigate potential overspends. <input checked="" type="checkbox"/> Monthly Cabinet reports produced. <input checked="" type="checkbox"/> New procedures and IT software support introduced
The Council should continue to 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.
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"/> The re-launch of the Corporate Procurement Strategy 2006 – 2009.
Risk Management embedded into decision-making process around the Strategic Services Partnership (SSP).	<input checked="" type="checkbox"/> Risk register set up for the SSP, which is managed through monthly meetings of the Vertex/Client Leadership Team (VCLT). <input checked="" type="checkbox"/> Regular meetings are also held at an operational level where action taken and issues identified are placed into an issues log, which is monitored by the VCLT.
Performance data and management information needs to be more focussed to improve the management of the business.	<input checked="" type="checkbox"/> A number of transformation programmes have been implemented (e.g. debt collection, HR and UU Services including Engineering and Property). <input checked="" type="checkbox"/> Service improvements and the visibility and availability of information has increased allowing management to target poorly performing services e.g. bailiff service for debt collection.
Improvement to the Internal Control Environment required.	<input checked="" type="checkbox"/> Implementation of Internal Audit recommendations improved <input checked="" type="checkbox"/> Risk management process developed further to move from identification of risk, to eradication or reduction of risk.

System audits receiving an Audit opinion of 2 or less need additional work to improve the internal control environment	<input checked="" type="checkbox"/> Specific issues are identified to the Audit Committee at each meeting. The following audit were highlighted during 06/07: <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Social Care IT Application Review – Carefirst System</li> <li><input checked="" type="checkbox"/> Duplicate Payments</li> <li><input checked="" type="checkbox"/> BVPI08 (Prompt payment of Invoices)</li> <li><input checked="" type="checkbox"/> Creditors</li> <li><input checked="" type="checkbox"/> Recruitment</li> <li><input checked="" type="checkbox"/> CRB Checks</li> <li><input checked="" type="checkbox"/> Network Security – Operating system</li> <li><input checked="" type="checkbox"/> Management of ICT assets and mobile phones</li> <li><input checked="" type="checkbox"/> Call Centre (CRM)</li> <li><input checked="" type="checkbox"/> Warren Primary School</li> </ul>
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ISSUE	ACTION TO BE TAKEN 07/08
Improvement required to the corporate and ethical governance arrangements, by providing further member development to support councillors	<p>New model code of Member Conduct, which becomes legislation from 3 May 2007 to be formally adopted by the Council.</p> <p>Monitoring Officer to follow-up and implement recommendations from report to embed ethical framework across the Council (members and officers).</p> <p>Undertake the key actions set out in the Member Development Strategy. Provide effective learning and development for councillors in the areas of community leadership, partnership working, the wider public agenda (including the White Paper implications) and social cohesion to build councillors' strategic skills and capacity. Ensure councillors are provided with appropriate officer support.</p>
Further focus performance management on outcomes and targets	<p>Complete and embed the new balanced scorecard process. Provide training and support for councillors to challenge performance. Develop LSP monitoring process and link with council monitoring. Further use of benchmarking to compare performance.</p>
Model the organisational (including workforce planning), infrastructure and financial implications of the challenges facing the council in the medium and longer term.	<p>Develop long term MTFS 2008-2011. Develop a new 3 year business planning process fully aligned to the MTFS. Undertake/commission a study to model the financial impact of the growth agenda on the council's current and projected capacity to deliver the children's agenda, social care, waste and transport. Develop a Workforce Planning Strategy in collaboration with partners to map current and projected capacity to deliver priorities in partnership.</p>

Need to build the capacity of the voluntary and community sectors.	Embed the new Compact working agreement and ensure principles are adopted by all partners. Develop a Capacity Building Strategy and Funding Strategy to support, develop and resource the voluntary and community sector. Review/develop service level agreements for key funded groups to ensure contribution to service delivery.
Further embedding of the performance appraisal process into the organisation.	More work required in monitoring the compliance of managers with the requirements of the performance appraisal process. Monitoring needs to be refined and more targeted to poorly performing areas.
Effective management of demand led services e.g. Adult Social Care	Implementation of control recommendations agreed with the Head of Corporate Finance.
Network Security and Operating System	Implement improvements agreed with management following Internal Audit report, according to risk prioritisation.

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 Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

**Signatures of:**

**Leader of the Council**

**Date**            **27 June 2007**

**Chief Executive**

**Date**            **27 June 2007**



# 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) 2006 and the Accounts and Audit Regulations 2003.

## 2. The Accounts

The Council's accounts for the year 2006/07 are set out on the following pages. They consist of:

### (i) The Income and Expenditure Account

This Account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed (depreciation and impairment) and the real projected value of retirement benefits earned by employees in the year.

The balance on this account is not in accordance with the statutory provisions that specify the net expenditure that Councils need to take into account when setting local taxes. In order to give a full presentation of the financial performance of the Council during the year and the actual spending power carried forward, the balance on this account needs to be reconciled in the Statement of Movement on the General Fund Balance to the amount established by the relevant statutory provision.

### (ii) Statement of the Movement on the General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

### (iii) Statement of Total Recognised Gains and Losses

This replaces the "Statement of Total Movements in Reserves" and discloses the movements on reserves. This is a primary statement and is required by FRS 3 Reporting Financial Performance to show all gains and losses incurred by a local authority and measures the increase in the balance sheet net worth of the authority.

### (iv) Balance Sheet

This statement is fundamental to the understanding of an authority's financial position at the 31<sup>st</sup> March 2007. It shows the balances and reserves at an authority's disposal, its long-term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held. Explanations and further information regarding many of the items listed are contained in the notes, which follow the Balance Sheet.

(v) **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.

(vi) **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.

(vii) **The Cash Flow Statement**

This statement summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties.

**3. Income and Expenditure Account**

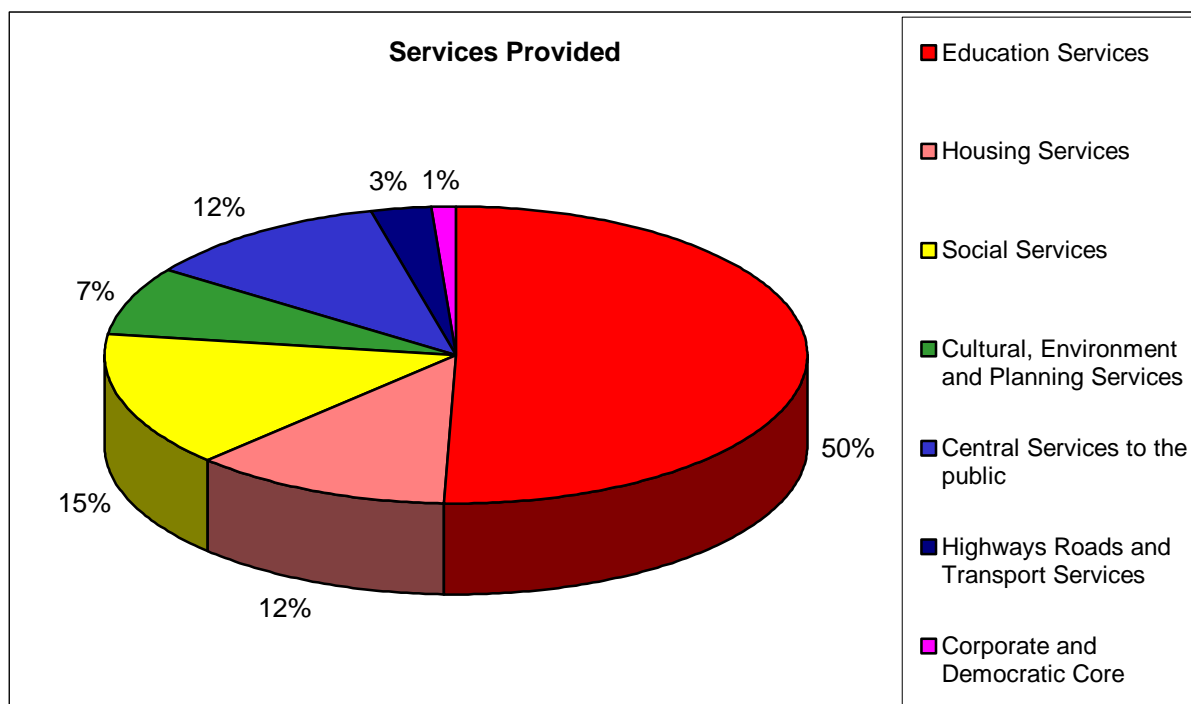
The amount to be met from Government grants and local taxation (before the use of reserves) was £121.0 million for the year. After accounting for the movement in schools balances, this represents a decrease of £0.444 million as compared to the original estimate. As a consequence, the Council has been able to contribute this amount to its General Fund reserve. A full report on the 2006/07 General Fund and Housing Revenue Account outturn was considered by the Cabinet on 20 June 2007.

**4. Housing Revenue Account**

In 2006/07 the HRA recorded a deficit of £0.613 million after use of some of the balances. The HRA balance decreased to £4.249 million as at 31 March 2007.

**5. Services Provided**

The pie chart below shows the percentage of gross expenditure allocated to Council services as reflected in the Income and Expenditure Account (clockwise from the top).



## 6. Capital Expenditure

Note 14 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 2006/07 amounted to £56.573 million (compared with £43.699 million in 2005/06). £34.481 million (61%) was spent on Education, £8.677 million (15%) on Highways and Transportation and £11.817 million (21%) on Housing.

Financing of the Council's capital expenditure was from a number of sources including £18,018 million from loans, £24.769 million from government grants and contributions, £2.021million from developers' contributions and £1.242 million from capital receipts.

Capital receipts generated from asset sales during the year totalled £5.840 million. Some £1.242 million of receipts were used to finance capital expenditure, leaving a balance of £3.299 million that was paid into the Government pool for redistribution nationally. This leaves £1.299 million of unapplied capital receipts.

## 7. Borrowing Facilities

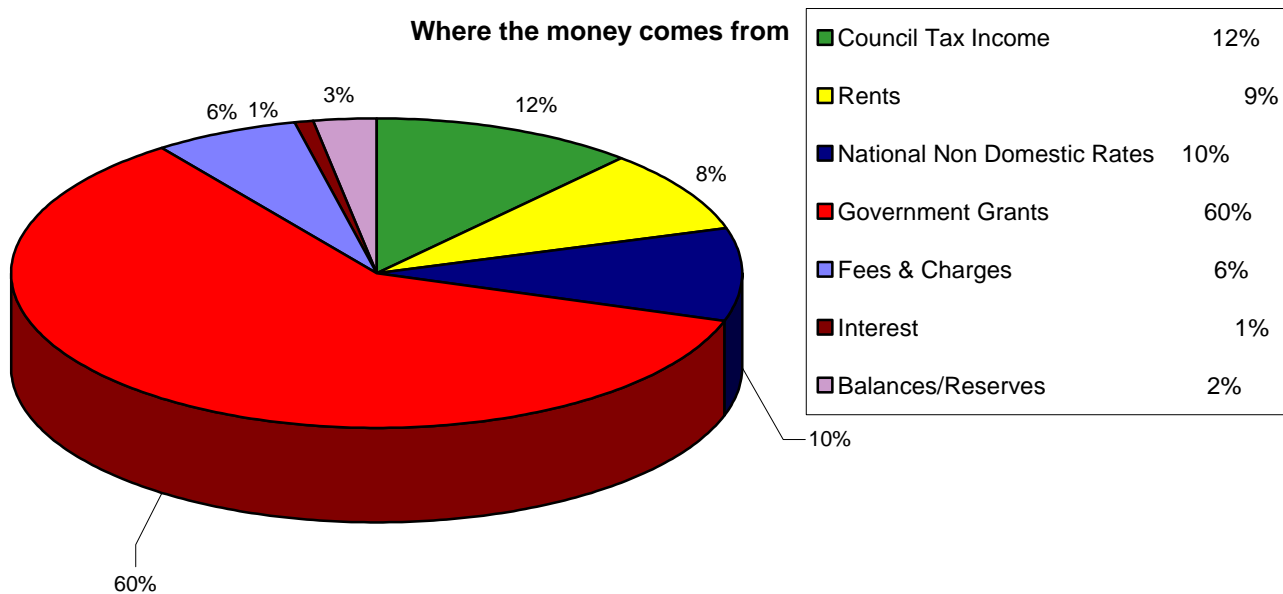
The Council can borrow for any purpose for which it is legally entitled to incur expenditure. Under Section 3(1) of the Local Government Act 2003 the Council may "determine and keep under review how much money it can afford to borrow". In practice the Council sets its own borrowing limits based upon 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 Note 23 to the financial statements (page 47).

## 8. Summary

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

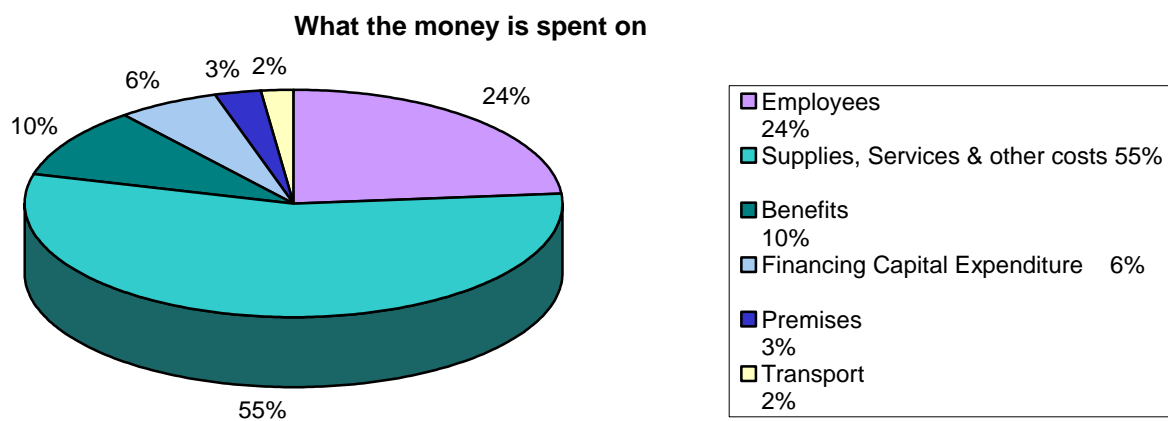
i) Where the money comes from:

The largest single source was Government grants. This accounted for 60% (50% in 2005/06) 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 13 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 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 Income and Expenditure 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 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 Balance Sheet at historical cost, net of depreciation, where appropriate. Council dwellings are included in the Balance Sheet at market value in existing use. Other operational land and properties and other operational assets are included in the 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 Balance Sheet at market value.

When an asset is included in the 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 Balance Sheet. The difference between the value and the amount at which the asset was included in the Balance Sheet immediately prior to the latest revaluation is credited or debited to 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 2006/07, 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 2005/06 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. 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, e.g. 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.

## **7. 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.

## **8. 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.

## **9. 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 Balance Sheet. The financing costs associated with finance leases are charged to the Income and Expenditure 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 Notes 18 and 19 to the financial statements

## **10. Investments**

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

## **11. Long Term Debtors**

Long Term Debtors are shown in the 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.

## **12. 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 Balance Sheet purposes at the year-end.

## **13. 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 2007. 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.

## **14. 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 24 to the Accounts.

## **15. 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 Income and Expenditure Account to set up or replenish reserves. These transactions are separately identified in Note 11 to Accounts.

Capital expenditure is shown before the use of reserves. Any transfers from capital reserves are treated as financing items and are shown in Note 11 to the Accounts. 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.

## **16. 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 Income and Expenditure 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 Income and Expenditure Account.

## **17. 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 Balance Sheet.

## **18. 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 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 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 2007 based on the current rate of return on a high quality corporate bond of equivalent currency and term to the Scheme's liabilities (5.4%, equivalent to 2.3% in real terms).

The Council is only permitted to charge to its Income and Expenditure 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 Note 31.

## **19. Interest**

External interest payable is debited to the Income and Expenditure Account. External interest receivable is credited to the Income and Expenditure Account. Interest is accounted for on an accruals basis.

## **20. 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 Income and Expenditure 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 11 to the Accounts – 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.

#### **21. Debt Rescheduling/Premature Debt Redemption**

Premiums and discounts arising from the premature redemption of long term debt are applied to the Income and Expenditure 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.

#### **22. Deferred Purchase**

Assets acquired under deferred purchase arrangements are reflected in the 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 Income and Expenditure Account.

#### **23. 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 1 to the Accounts. Payments made to Vertex under the contract have been accounted for under the normal arrangements (as set out in Note 13 above) for accounting for income and expenditure with accruals being made where appropriate.

#### **24. 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.

#### **25. Disposal of Assets**

The Council disposes of assets at market value, unless a decision has been made to dispose of the assets at a value in excess or less than market value, subject to any legislative requirements for example the Right to Buy Legislation.

#### **26. Intangible Assets**

Assets that do not result in the creation of a tangible asset, but are identifiable and are controlled by the Council, are classified as intangible assets. This expenditure is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the life of the asset.

#### **27. Landfill Allowances Trading Scheme**

The Department for Environment, Food and Rural Affairs issues the Council with Landfill Allowances for Biodegradable Municipal Waste. The Council is required to value the unused allowances at the average traded price, for 2006/07 the price used was £19.14 per tonne.

## INCOME AND EXPENDITURE ACCOUNT

Notes	2005/06 Net Expenditure £'000	2006/07 Gross Expenditure £'000	2006/07 Gross Income £'000	2006/07 Net Expenditure £'000
<b>Expenditure on Services</b>				
Central Services to the Public	2,033	49,500	(47,161)	2,339
Cultural, Environmental, Planning Services	22,186	31,717	(8,864)	22,853
Education Services	91,824	217,284	(202,490)	14,794
Highways, Roads, Transport Services	8,621	12,092	(2,963)	9,129
Housing Services	10,155	51,413	(39,400)	12,013
Social Services	39,918	63,972	(20,529)	43,443
Corporate and Democratic Core	3,799	4,334	(16)	4,318
Non Distributed Costs	(4,166)	992	(502)	490
<b>Net Cost of Services</b>	<b>174,370</b>	<b>431,304</b>	<b>(320,684)</b>	<b>109,379</b>
Loss/Surplus on disposal of fixed assets	0			0
Levies	413			388
Interest Payable and similar charges	5,506			6,551
Contribution of Housing Capital Receipts to Government Pool	2,250			3,299
Interest and Investment Income	(3,120)			(3,287)
31 Pensions Interest Cost and Expected Return	3,022			2,116
on Pensions Assets				
Transferred Debt Payment	1,411			1,354
<b>Net Operating Expenditure</b>	<b>183,852</b>			<b>119,800</b>
<b>Sources of Finance:</b>				
Demand on the Collection Fund	(46,538)			(49,354)
General Government Grants	(78,181)			(7,434)
Non Domestic Rate Redistribution	(48,412)			(40,862)
Transfer of Share of Collection Fund Surplus	(209)			(306)
<b>Net (Surplus)/Deficit for the year</b>	<b>10,512</b>			<b>21,844</b>

# Statement of Movement on the General Fund Balance

	2005/06	2006/07
	£'000	£'000
(Surplus)/Deficit for the Year on the Income and Expenditure Account	10,512	21,844
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year.	(11,922)	(22,464)
Increase in General Fund Balance for the year	(1,410)	(620)
General Fund balance brought Forward	(7,425)	(8,835)
General Fund balance carried forward	(8,835)	(9,455)
Amount of General Fund Balance held by governors under schemes to Schools	6,835	7,455
Amount of General Fund Balance generally available for new expenditure	(2,000)	(2,000)

## Note of Reconciling Items for the Statement of Movement on the General Fund Balance

<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the Year</b>		<b>2005/06</b>	<b>2006/07</b>
		<b>£'000</b>	<b>£'000</b>
Amortisation of intangible fixed assets		(548)	(245)
Depreciation and impairment of fixed assets		(8,375)	(8,198)
Government Grants Deferred Amortisation		1,408	1,926
Write down of deferred charges to be financed from capital resources		(1,705)	(1,347)
Net charges made for retirement benefits in accordance with FRS17		(4,553)	(11,009)
		(13,773)	(18,873)
 <b>Amounts not included in the Income and Expenditure account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>			
Minimum revenue provision for capital financing		1,755	2,843
Capital Expenditure Charged in year to the General Fund Balance			1,241
Transfer from the Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool		(2,250)	(3,299)
Employer's contributions payable to the Essex County Council Pension Fund and retirement benefits payable direct to pensioners		7,655	8,689
31		7,160	9,474
 <b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year.</b>			
Housing Revenue Account Balance		1,424	(613)
Voluntary revenue provision for capital financing		0	1,048
11	Net transfer to or from earmarked reserves	(6,733)	(13,500)
		(5,309)	(13,065)
<b>Total</b>		<b>(11,922)</b>	<b>(22,464)</b>

## Statement of Total Recognised Gains and Losses

	<b>2005/06</b>	<b>2006/07</b>
	<b>£'000</b>	<b>£'000</b>
IE (Surplus)/Deficit for the year	10,512	21,844
Surplus from revaluation of fixed assets	(241,437)	(83,902)
Actuarial gains/losses	(799)	(14,188)
Increase in Council Tax surplus	(236)	(90)
 Total Recognised Gains and Losses for the year	 (231,960)	 (76,336)

## BALANCE SHEET

Notes	2005/06 £'000	£'000	2006/07 £'000	£'000
	<b>Fixed Assets</b>			
	Intangible Fixed Assets	1,958		1,713
	Tangible Fixed Assets			
12	Operational Assets	1,098,655	1,177,057	
12	Non-Operational Assets	53,238	80,811	
			<b>1,257,868</b>	
	<b>Total Fixed Assets</b>	<b>1,153,851</b>		<b>1,259,581</b>
	Long Term Debtors	278		240
	Deferred Assets	2,517		2,362
	<b>Total Long Term Assets</b>	<b>1,156,646</b>		<b>1,262,183</b>
	<b>Current Assets</b>			
	Stocks and Work-in-Progress	149	92	
	Debtors	35,261	27,979	
	Investments	44,551	47,281	
	Cash	1,248	927	76,279
	<b>Less: Current Liabilities</b>			
	Short Term Borrowing	(10,230)	(7,830)	
	Creditors	(24,849)	(28,913)	
	Bank Overdraft	(5,116)	(2,306)	(39,049)
	<b>Current Assets less Current Liabilities</b>	<b>41,014</b>		<b>37,230</b>
	<b>Long Term Liabilities</b>			
22	Long Term Borrowing	(81,434)	(96,377)	
	Provisions	(622)	(804)	
	Government Grants Deferred Account and Capital Contributions Unapplied	(57,028)	(79,714)	
	Deferred Liability	(15,530)	(14,908)	
	Deferred Discount	(191)	(153)	
	Deferred Credits	(107)	(375)	
31	Liability Relating to Defined Benefit Pension	(80,636)	(68,768)	
	Deferred Purchase Arrangements	(592)	(448)	
	<b>Total Long Term Liabilities</b>	<b>(236,140)</b>		<b>(261,547)</b>
	<b>Total Assets less Liabilities</b>	<b>961,520</b>		<b>1,037,867</b>
	<b>Financed by</b>			
25	Fixed Asset Restatement Account	(910,272)	(987,922)	
25	Capital Financing Account	(98,405)	(89,386)	
25	Usable Capital Receipts Reserve	(107)	(1,413)	
25	Major Repairs Reserve	(1,404)	(115)	
25	Pension Reserve	80,636	68,768	
25	Earmarked Reserves	(17,677)	(13,716)	
25	Fund Balances	(14,291)	(14,082)	
	<b>Total Net Worth</b>	<b>(961,520)</b>		<b>(1,037,867)</b>



## CASH FLOW STATEMENT

Notes	2005/06		2006/07	
	£'000	£'000	£'000	£'000
<b>Revenue Activities</b>				
Cash Outflows				
	Cash Paid to and on behalf of Employees	(96,483)	(92,240)	
	Housing Benefit Paid out	(13,917)	(13,877)	
	Precepts Paid	(8,512)	(9,012)	
	Non-Domestic Rates Paid to National Pool	(73,124)	(85,509)	
	Payments to Capital Receipts Pool	(2,250)	(3,299)	
	Other Operating Cash Payments	(144,230)	(338,516)	(288,070)
Cash Inflows				
	Council Tax Receipts	46,995	49,421	
	Rents (after Rebate)	17,658	13,700	
	National Non-Domestic Rate Receipts from National Pool	48,412	40,862	
	Non-Domestic Rate Receipts	73,523	85,598	
36	Revenue Support Grant	78,181	7,434	
36	Housing Benefit	38,343	41,781	
36	Housing Subsidy	(5,510)	(7,014)	
36	Other Government Grants	30,422	61,822	
	Cash Received for Goods and Services	7,911	6,045	
	Other Operating Cash Receipts	8,136	8,111	
		344,071		307,760
33	<b>Net Cashflow from Revenue Activities</b>	<b>5,555</b>		<b>19,690</b>
<b>Returns from Investment and Servicing of Finance</b>				
Cash Outflows				
	Interest Paid	(5,760)	(7,283)	
	Interest Element of Finance Lease Rentals	(14)	0	
		(5,774)	(7,283)	
Cash Inflows				
	Interest Received	1,894	3,544	(3,739)
<b>Capital Activities</b>				
Cash Outflows				
	Purchase of Fixed Assets	(43,699)	(56,573)	
	Purchase of Investments	0	(2,730)	
		(43,699)	(59,303)	
Cash Inflows				
	Sale of Fixed Assets	4,540	5,954	
	Capital Grants Received	8,441	19,170	
	Sale of Investments	4,800	0	
	Other Capital Cash Receipts	3,192	8,940	
		20,973	(22,726)	(25,239)
34	<b>Net Cash Inflow before Financing</b>	<b>(21,051)</b>		<b>(9,288)</b>

Notes	2005/06		2006/07	
	£'000	£'000	£'000	£'000
<b>Financing</b>				
Cash Outflows				
Repayments of Amounts Borrowed	(778)		(767)	
Capital Element of Finance Lease Rentals	(14)		0	
	<u>(792)</u>		<u>(767)</u>	
Cash Inflows				
New Loans Raised	18,126		51,127	
New Advances	0		0	
	<u></u>		<u></u>	
Net Change in Long Term Borrowing	<b>17,334</b>		<b>50,360</b>	
<b>Management Of Liquid Resources</b>				
Cash Outflows				
Repayments of Amounts Borrowed	(70,424)		(155,884)	
Cash Inflows				
New Loans Raised	71,105		117,300	
	<u></u>		<u></u>	
Net Increase(+)/Decrease(-) in Short Term Deposits	<b>681</b>		<b>(38,584)</b>	
<b>Movement in Net Debt</b>		<b>18,015</b>		<b>11,776</b>
		<u></u>		<u></u>
35 <b>Increase/(Decrease) in Cash</b>		<b>(3,036)</b>		<b>2,488</b>
		<u></u>		<u></u>

## NOTES

### (1) 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 2007 the remaining undischarged financial obligations of the Council under the contract at 2006/07 prices totalled a minimum of £208 million (13 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.

### (2) Section 137 Expenditure

Section 137 of the Local Government Act 1972, as amended, empowers a local authorities to make contributions to certain charitable funds, not for profit bodies providing a public service in the United Kingdom and Mayoral appeals. No expenditure was incurred for such purposes in 2006/07.

### (3) Publicity

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

	2005/06 £000	2006/07 £000
Publicity	<u>290</u>	<u>341</u>

### (4) 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 2006/07

	Chargeable 2006/07 £'000	Non- Chargeable 2006/07 £'000	Total 2006/07 £'000
Expenditure:-			
Employees Expenses	234	137	371
Transport	14	8	22
Supplies and Services	23	7	30
Central and Support Service Charges	<u>106</u>	<u>63</u>	<u>169</u>
	377	215	592
Less: Income:-			
Building Regulation Charges	(444)	(11)	(455)
Miscellaneous Income			
Deficit/(Surplus) for year	<u>(67)</u>	<u>204</u>	<u>137</u>

Comparatives for 2005/06

Expenditure	399	226	625
Less Income	<u>(384)</u>	<u>(51)</u>	<u>(435)</u>
	<u>15</u>	<u>175</u>	<u>190</u>

**(5) Agency Arrangements**

The Council is required to disclose the nature and amount of any significant income or expenditure arising from agency arrangements. In 2006/07 the Council had no such arrangements of material value.

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

The Council is empowered by this Act to provide goods and services to other public bodies. During 2006/07 the Council did not provide services of any significant value to such organisations.

**(7) Members' Allowances**

The total Members' allowances paid in 2006/07 were £574,057 (£544,085 in 2005/06).

**(8) Remuneration of Senior Staff**

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

	2005/06	2006/07
£50,001 - £60,000	56	62
£60,001 - £70,000	16	17
£70,001 - £80,000	3	7
£80,001 - £90,000	6	5
£90,001 - £100,000	2	1
£100,001 - £110,000	3	1
£110,001 - £120,000	3	4
£120,001 - £130,000	0	0
£130,001 - £140,000	1	0
£140,001 - £280,000	0	0
£280,001 +	0	1

**(9) 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 grants received from Government Departments are set out in Note 37.

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, the Council did pay Trans-Vol £247,000 and Thurrock MIND £146,000 for services. 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, Thurrock PCT and the Basildon and Thurrock Hospitals NHS Foundation Trust and the Gateway Academy which the Council is building but is funded by the Department for Children, School and Families. 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 2006/07. Each of these public bodies is ultimately accountable to Central Government. One member has carried out CPA Inspections on behalf of the Audit Commission.

The Council provided £749,075 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.

#### (10) Audit Costs

In 2006/07 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	299
- Statutory Inspection	61
- Certification of Grant Claims and Returns	<u>127</u>
Total	<u><u>487</u></u>

#### (11) Movement on General Fund Balance

The SORP requires the expenditure to be declared below the Net Cost of Services in the Income and Expenditure account and the deficit made good by an appropriation from Usable Capital Receipts.

Transfers to and from Earmarked Reserves, comprising the following, have been made in accordance with the report to Cabinet on 20 June 2007.

	2005/06 £'000	2006/07 £'000
General Fund:		
General Fund	738	(451)
Best Value Reserve	(10)	(7)
Modernisation Reserve	283	(25)
Single Status	1,053	(2,701)
Electronic Government IT Reserve	12	49
On Street Car Parking Reserve	(81)	0
Building Control Reserve	(15)	67
Museum Donations Reserve	(3)	(3)
Developers Contributions	(369)	(300)
Landfill Credits Reserve	66	25
Waste Reserve	200	350
Contribution from schools balances	0	(552)
	<u>1,874</u>	<u>(3,548)</u>
HRA Consolidation:		
Major Repairs Reserve	(8,607)	(9,952)
	<u>(6,733)</u>	<u>(13,500)</u>
	2005/06 £'000	2006/07 £'000
General Fund - 4% of Capital Financing Requirement	<u>2,129</u>	<u>2,843</u>
Minimum Revenue Provision	2,129	2,843
Less: Amount Charged as Depreciation	(8,375)	(7,664)
Amount Charged as Impairment	0	(531)
Amount Provided to Repay LGR SCA	<u>(374)</u>	<u>0</u>
Appropriation from Capital Financing Account	<u><u>(6,620)</u></u>	<u><u>(5,352)</u></u>

## (12) Fixed Assets

Movements of Fixed Assets in 2006/07 are summarised as follows -

	Operational Assets	Assets under Construction	Land Awaiting Development	Commercial Properties	Total
	£'000	£'000	£'000	£'000	£'000
<i>Gross Value as at 1 April 2006</i>	1,145,822	4,137	17,582	35,120	1,202,661
Additions	34,748	20,599	1,627	369	57,343
Disposals	(6,249)	0	0	0	(6,249)
Revaluations	65,432	0	5,325	136	70,898
Impairments	(6,706)	0	0	0	(6,706)
<b>Gross Book Value as at 31 March 2007</b>	<b>1,233,052</b>	<b>24,736</b>	<b>24,534</b>	<b>35,625</b>	<b>1,317,947</b>
<i>Depreciation as at 1 April 2006</i>	(47,167)	(26)	0	(3,575)	(50,768)
Charge for year	(8,298)	26	0	(508)	(8,780)
Impairments	(531)	0	0	(0)	(531)
<b>Depreciation as at 31 March 2007</b>	<b>(55,996)</b>	<b>0</b>	<b>0</b>	<b>(4,083)</b>	<b>(60,079)</b>
<i>Net Book Value 1 April 2006</i>	1,098,655	4,111	17,582	31,545	1,151,893
<i>Net Book Value 31 March 2007</i>	1,177,056	24,736	24,532	31,542	1,257,868

Operational Assets are sub-analysed as shown below:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant and Equipment	Community Assets	Infrastructure Assets
	£'000	£'000	£'000	£'000	£'000
<i>Gross Value as at 1 April 2006</i>	712,984	373,398	2,116	10,138	47,186
Additions	10,358	14,203	1,138	376	8,673
Disposals	(3,851)	(1,975)	0	0	(423)
Revaluations	(4,139)	69,571	0	0	0
Impairments	0	(6,706)	0	0	0
<b>Gross Book Value at 31 March 2007</b>	<b>715,352</b>	<b>448,496</b>	<b>3,254</b>	<b>10,514</b>	<b>55,436</b>
<i>Depreciation as at 1 April 2006</i>	(25,833)	(14,724)	(1,317)	(1,565)	(3,728)
Charge for year	(8,571)	2,503	(471)	(349)	(1,410)
Impairments	0	(531)	0	0	0
<b>Depreciation as at 31 March 2007</b>	<b>(34,404)</b>	<b>(12,752)</b>	<b>(1,788)</b>	<b>(1,914)</b>	<b>(5,138)</b>
<i>Net Book Value 1 April 2006</i>	687,151	358,674	799	8,573	43,458
<i>Net Book Value 31 March 2007</i>	680,948	435,744	1,466	8,600	50,298

The depreciation charge for the year includes a £12.5 million adjustment relating to the writing back of past years' depreciation charges following the revaluation of the related assets.

### (13) 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.

	2005/06 £'000	2006/07 £'000
<b>Opening Capital Financing Requirement</b>	73,788	90,976
<b>Capital Investment</b>		
Operational Assets	31,658	34,253
Non-Operational Assets	8,631	20,973
Deferred Charges	3,410	1,347
<b>Sources of Finance</b>		
Capital Receipts	(2,183)	(1,242)
Government Grants and Contributions	(8,697)	(24,769)
Revenue Provision (including MRP)	(15,631)	(15,534)
<b>Closing Capital Financing Requirement</b>	90,976	106,004
<b>Explanation of Movements in year:</b>		
Increase in Underlying Need for Borrowing (Supported by Government Financial Assistance)	15,795	14,947
Increase in Underlying Need for Borrowing (Unsupported by Government Financial Assistance)	1,393	81
<b>Increase in Capital Financing Requirement</b>	17,188	15,028

### (14) Deferred Charges

	2005/06 £'000	2006/07 £'000
<b>Expenditure:-</b>		
Improvement Grants	1,089	1,227
Housing Association Grants	616	120
Amounts written off to Income and Expenditure Account	(1,705)	(1,347)
<b>Balance carried forward</b>	0	0

The charge to the Income and Expenditure Account of £1,592,000 includes in addition to the charge of £1,347,000 above, the write down of Intangible Fixed Assets of £245,000 shown in Note 21.

## (15) Capital Commitments

As at 31 March 2007 the Council had authorised expenditure in future years of £46.223 million. These commitments include the following significant schemes -

Schemes	Expenditure Approved for 2007/08 £'000
Special Educational Needs	6,964
Stonehouse Corner Roundabout	443
Resurfacing of A13	1,721
Gateway Community College	21,388
Various Children's Centres	2,165
Chafford Hundred Extension	600
Tudor Court Primary	2,182
Aveley Secondary Extra Places	2,972
Ockendon Secondary Extra Places	2,780

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
Kiers	Gateway	27,700
Haymills	Special Schools	10,800

## (16) Statement of Physical Assets

The following assets were owned as at 31 March 2007:

<b>LAND AND BUILDINGS</b>	3	Sports Centres	<b>VEHICLES, PLANT &amp; EQUIPMENT</b>	0	Vehicles - Finance lease
	14	Village Halls		14	Vehicles - Other
	4	Community Halls		0	Plant - Finance lease
	19	Offices/Depots, etc.		10	Plant - Other
	20	Car and Lorry Parks		6	Computer Equipment
	2,779	Garages		6	Equipment - Other
	0	Automatic Toilets			
	1	Theatre			
	55	Schools/Colleges		93	Parks
	22	Other Education Assets		8	Burial Grounds
	4	Residential Homes		32	Allotment Sites
	9	Other Social Services Assets		10	War Memorials
	8	Libraries		1	Historic Building
	1	Magistrates Court		25	Highways Land Infrastructure
<b>COUNCIL DWELLINGS</b>	1	Registry Office	<b>NON-OPERATIONAL</b>		
	1	Golf Course		49	Shops
	5,611	Houses and Bungalows		23	Other Commercial
	3,536	Flats and Maisonettes		3	Assets under Construction
	1,222	Aged Persons Dwellings		21	Vacant Sites
	3	Gypsy Sites			



## **(17) Leasing of Assets**

Finance Leases -

Council as Lessee -

No Finance lease rentals were paid in 06/07.

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 £898,742, (£922,358 in 2005/06).

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 £105,610 as at 31 March 2007.

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 2007 were £449,504 (General Fund) and £1,230,859 (Housing Revenue Account – non-housing assets).

## **(18) Leasing**

Finance Leases

Council as Lessee -

The commitments from 2007/08 onwards under finance leases are estimated to be zero.

Operating Leases

Council as Lessee -

The commitments from 2007/08 onwards under operating leases are -

	Vehicles, Plant and Equipment	Other Land and Buildings
	£	£
Expiring in 2007/08	216,877	0
Expiring between 2008/09 and 2011/12	1,072,847	108,111

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	69,890,777
Accumulated Depreciation at 31 March 2007	<u>2,024,636</u>
Net Book Value	<u>67,866,141</u>

## **(19) Fixed Asset Valuation**

The freehold and leasehold properties which comprise the Council's property portfolio have been valued as at 31 March 2007 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.

**(20) Intangible Fixed Assets**

	2005/06 £'000	2006/07 £'000
Purchase, Development and Implementation of Computer Software;-		
Balance brought forward	800	1,958
- Expenditure in the year	1,706	0
Amounts Written off to Income and Expenditure Account	(548)	(245)
Balance carried forward	1,958	1,713

**(21) Net Assets Employed**

	Balance 31/03/06 £'000	Balance 31/03/07 £'000
General Fund	341,687	419,661
Housing Revenue Account	619,833	618,206
Total	961,520	1,037,867

**(22) Long Term Borrowing**

	Balance 31/03/06 £'000	Loans Raised £'000	Loans Transferred £'000	Balance 31/03/07 £'000
PWLB	51,430	51,127	(36,184)	66,373
Annuities	4			4
Other Long Term Borrowing	30,000			30,000
Total Long Term Borrowing	81,434	51,127	(36,184)	96,377

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	93,911
	96,377

Loans Transferred comprises Long Term Debt maturing within one year.

**(23) Insurance Provision**

	<i>Balance 31/03/06</i>	<i>Income in the Year</i>	<i>Expenses or Reduction in Year</i>	<i>Balance 31/03/07</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Insurance Provision	622	675	(493)	804
	<u>622</u>	<u>675</u>	<u>(493)</u>	<u>804</u>

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

**(24) Provisions**

The Council has no provisions other than the Insurance Provision.

**(25) Detailed Movement on Reserves**

	<i>01/04/06</i>	<i>Movement in year</i>	<i>31/03/07</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Fixed Asset Restatement Account	(910,272)	(77,650)	(987,922)
Capital Financing Account	(98,405)	9,019	(89,386)
Usable Capital Receipts	(107)	(1,306)	(1,413)
Pensions Reserve	80,636	(11,868)	68,768
Housing Revenue Account	(4,861)	613	(4,248)
Major Repairs Reserve	(1,404)	1,289	(115)
General Fund	(2,000)	0	(2,000)
Other Reserves	(25,107)	3,556	(21,551)
	<u>(961,520)</u>	<u>(76,347)</u>	<u>(1,037,867)</u>
	<b>Usable Capital Receipts £'000</b>	<b>Unapplied Capital Grants and Contributions £'000</b>	
<b>Movements in Realised Capital Resources</b>			
Amounts Receivable in 2006/07	2,548	29,861	
Amounts Applied to Finance New Capital Investment in 2006/07	(1,242)	(24,770)	
Total Increase/(Decrease) in Realised Capital Resources in 2006/07	<u>1,306</u>	<u>(5,091)</u>	
Balance brought forward at 1 April 2006	107	10,676	
<b>Balance carried forward at 31 March 2007</b>	<u>1,413</u>	<u>5,585</u>	

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

	<b>Fixed Asset Restatement Account £'000</b>
<b>Movements in Unrealised Value of Fixed Assets</b>	
Gains/Losses on Revaluation of Fixed Assets in 2006/07	90,608
Impairment Losses on Fixed Assets due to General Changes in Prices in 2006/07	<u>(6,706)</u>
<b>Total Increase/(Decrease) in Unrealised Capital Resources in 2006/07</b>	<b>83,902</b>
<b>Value of Assets, Disposed of or Decommissioned</b>	
Amounts Written off Fixed Asset Disposals in 2006/07	<u>(6,248)</u>
Total Movement of Reserve in 2006/07	77,654
Balance brought forward at 1 April 2006	<u>910,272</u>
<b>Balance carried forward at 31 March 2007</b>	<b><u>987,926</u></b>

The movement on the Fixed Asset Restatement Account represents an approximation of the value of the increase in the Authority's asset portfolio.

	<b>Capital Financing Account £'000</b>	<b>Government Grants Deferred Account £'000</b>	<b>Total £'000</b>
<b>Movement in Amounts Set Aside to Finance Capital Investment</b>			
Capital Receipts set aside in 2006/07	0	0	0
Reserve Receipts			
Usable Capital Receipts	<u>1,241</u>	0	<u>1,241</u>
<b>Total Capital Receipts set aside in 2006/07</b>	<b><u>1,241</u></b>		<b><u>1,241</u></b>
Revenue Resources set aside in 2006/07			
Capital Expenditure Financed from Revenue	(5,059)	0	(5,059)
Reconciling Amount for Provision for Loan Repayment	<u>(5,201)</u>	0	<u>(5,201)</u>
<b>Total Revenue Resources set aside in 2006/07</b>	<b><u>(10,260)</u></b>		<b><u>(10,260)</u></b>
Grants Applied to Capital Investment in 2006/07	0	27,128	27,128
Amounts Credited to Services		(1,926)	(1,926)
<b>Movement on Government Grants Deferred</b>	<b>0</b>	<b><u>25,202</u></b>	<b><u>25,202</u></b>
<b>Total Increase/(Decrease) in Amounts set aside to Finance Capital Investment</b>			<b>14,942</b>
Total Movement on Reserve in 2006/07	(9,019)	25,202	
Balance brought forward at 1 April 2006	<u>98,405</u>	<u>53,196</u>	
<b>Balance carried forward at 31 March 2007</b>	<b><u>89,386</u></b>	<b><u>78,398</u></b>	

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 reserve cannot be used to fund future spending programmes.

**(26) Contingent Liability**

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

The Council has received a number of equal pay claims at the time of publication, the value of these claims is yet to be determined. The Council is in litigation regarding these claims

**(27) Authorisation of the accounts**

The Accounts were authorised by the Council on 27 June 2007.

**(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 11 June 2007, at which date there were no known events transpiring after 31 March that were material to these accounts.

**(29) Trust Funds and Receiverships**

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

	<i>Balance 31/03/06 £</i>	<i>Income in Year £</i>	<i>Expenses in Year £</i>	<i>Balance 31/03/07 £</i>
Miss Grover's Charity	18,361	1,323	0	19,684

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.

	<i>£</i>
Cory Environmental Trust	579,903
Cleanaway Mardyke Environmental Trust	650,296

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

**(30) Fund Balances**

	<i>Balance 31/03/06 £'000</i>	<i>Income in Year £'000</i>	<i>Expenses in Year £'000</i>	<i>Balance 31/03/07 £'000</i>
General Fund Working Balance	2,000	0	0	2,000
HRA Balance	4,861	0	(613)	4,248
Schools Balances	6,835	620	0	7,455
Collection Fund	635	105	(359)	381
	<u>14,331</u>	<u>725</u>	<u>(972)</u>	<u>14,084</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.

### (31) 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 Income and Expenditure Account after Net Operating Expenditure. The following transactions have been made in the Income and Expenditure Account during the year.

	Local Government Pension Scheme	
	2005/06 £'000	2006/07 £'000
Net Cost of Services:-		
Current Service Cost	6,781	8,463
Past Service Costs	(5,250)	430
Net Operating Expenditure:-		
Interest Cost	11,211	11,893
Expected Return on Assets in the Scheme	(8,189)	(9,777)
Amount to be met from Government Grants and Local Taxation:-		
Movement on Pensions Reserve	3,102	(2,320)
	<hr/>	<hr/>
Actual Amount Charged against Council Tax for Pensions in the Year	7,655	8,689
	<hr/>	<hr/>
Employers Contributions Payable to the Scheme	7,655	8,689

The underlying assets and liabilities in the Essex County Council Pension Fund for retirement benefits attributable to the Authority at 31 March 2007 are as follows -

	Balance 2005/06 £'000	Balance 2006/07 £'000
Funded Benefits under LGPS Regulations	(231,926)	(235,545)
Unfunded Discretionary Benefits Awarded by Means of Additional Benefits under the LGPS Regulations	(9,221)	(8,819)
	<hr/>	<hr/>
Actuarial Value of Fund Liabilities	(241,147)	(244,364)
Market Value of Fund Assets	160,511	175,596
	<hr/>	<hr/>
Deficit in the Fund	(80,636)	(68,768)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £68.768 million has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the Scheme will be made good by increased contributions over the remaining working life of employees as assessed by the Scheme Actuary.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme liabilities have been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries, estimates of the Fund being based upon the latest full valuation of the Scheme as at 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 £14.188 million.

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

	31/03/06	31/03/07
	%	%
Inflation	2.90	3.10
Discount Rate (Pre-retirement)	4.90	5.40
Discount Rate (Post-retirement)	4.90	5.40
Expected Return on Assets	6.44	6.92
Expected Rate of Salary Increases	4.40	4.60
Rates of Pension Increases in Payment	2.90	3.10
Rates of Pension Increases in Deferment	2.90	3.10
Proportion of employees opting to take commuted sum	50.00	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.

	2005/06		2006/07	
	Market Value	Expected Rate of Return	Market Value	Expected Rate of Return
	£'000	% p.a.	£'000	% p.a.
Equities	113,160	7.00	121,687	7.50
Government Bonds	16,693	4.30	17,384	4.70
Other Bonds	8,989	4.90	11,063	5.40
Property	18,619	6.00	21,950	6.50
Cash/Liquidity	3,050	4.50	3,512	5.25
Total	160,511	6.44	175,596	6.92

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. The movements on the Pensions Reserve over the five year period to 2006/07 may be summarised as follows:-

	2002/03 £'000	2003/04 £'000	2004/05 £'000	2005/06 £'000	2006/07 £'000
Expected Return/(Loss)	(8,020)	7,297	8,612	8,189	9,777
Actual Gain/(Loss) (as a % of Assets)	(29,222) (30.4%)	16,168 (13.1%)	6,391 (4.5%)	24,814 (15.5%)	1,935 (1.1%)
Liability Gain/(Loss) (as a % of Liabilities)	0	0	(2,221) (1.0%)	(5,652) (2.3%)	0
Changes in Assumptions (as a % of	0	0	(37,448 ) (16.6%)	(18,363) (7.6%)	12,253 (5.0%)

Liabilities)

Net Gain/(Loss)	(29,222)	16,168	(33,278 )	(3,982)	14,188
(as a % of Liabilities)	(18.5%)	(9.4%)	(14.7%)	(1.7%)	(5.8%)

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.

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 Income and Expenditure Account after Net Operating Expenditure. The following transactions have been made in the Income and Expenditure Account during the year.

### **(32) Pensions – Teachers Scheme**

In 2006/07 the Council paid £7.566 million (£7.481 million in 2005/06) 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% until April to December 2006 and 14.1% from January to March 2007. In addition, the Council is responsible for all pension payments relating to added years' benefits it has awarded. These amounted to £60,777 in 2006/07 (£95,955 in 2005/06).



**(33) Reconciliation of surplus/deficit on Cash Flow**

Note	2005/06		2006/07	
	£'000	£'000	£'000	£'000
<b>Reconciliation of Revenue Cash Flow</b>				
Surplus/(Deficit) on Income and Expenditure Account		(10,512)		(21,844)
Amounts included from Income and Expenditure Account, but excluded in movement in the General Fund Balance		13,773		18,873
Amounts excluded from Income and Expenditure Account, but included in movement in the General Fund Balance		(7,160)		(9,474)
Transfers to or from the General Fund Balance that are required in determining the movement in the General Fund Balance		5,309		12,621
Collection Fund Surplus / (Deficit)		31		(253)
		<hr/>		<hr/>
		1,441		(77)
Add Back:				
Items not Involving Movement of Funds				
Minimum Revenue Provision		2,129		2,843
Claims Settled from Insurance Reserve	(496)			(495)
S117 Claims Settled	(169)	(665)		0
Transfers to and (from) Reserves:				
Revenue Contributions to Capital	52		1048	
Contributions to the General Fund Balance	738		444	
Contributions from the General Fund Reserve	(200)		(905)	
HRA Balance	1,424		(612)	
Major Repairs Allowance	6,959		6,945	
Interest Credited on Reserve Balances	207		0	
Insurance Reserve	317		570	
Electronic Government IT Reserve	12		49	
Car Parking Reserve	(81)		0	
Building Control Reserve	(3)		67	
Museum Donations Reserve	(3)		(3)	
Political Structure	282		(25)	
Single Status	1,253		(2,700)	
Developers Contributions	(369)		(300)	
Best Value Reserve	(10)		(8)	
Waste Development Reserve	200		350	
Landfill Credits Reserve	66		15	
Repairs and Renewals Reserve			20	
Transfer from Usable Capital Receipts equal to the Contribution to Housing Pooled Capital Receipts	(2,250)		(3,299)	
Provision for ECC Debt Repayment	647		622	
		<hr/>		<hr/>
		9,441		2,271
		<hr/>		<hr/>
		12,146		4,549
Add back:				
(Increase)/Decrease in Stocks	120		57	
(Increase)/Decrease in Revenue Debtors	(8,996)		7,282	
Increase /(Decrease) in Revenue Creditors	(1,595)		4,064	
		<hr/>		<hr/>
		(10,471)		11,403
		<hr/>		<hr/>
		1,675		15,952
Financing Items shown below Revenue Activities				
External Interest Charged	5,774		7,283	
External Interest Received	(1,894)		(3,545)	
		<hr/>		<hr/>

	3,880	3,738
<b>Net Cash Flow from Revenue Activities</b>	<u>5,555</u>	<u>19,690</u>

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

	<u>As at</u> <u>31/3/05</u> £000	<u>As at</u> <u>31/3/06</u> £000	<u>Movement</u> £000	<u>As at</u> <u>31/3/06</u> £000	<u>As at</u> <u>31/3/07</u> £000	<u>Movement</u> £000
Cash Balance	874	1,248	374	1,248	927	(321)
Bank Balance	(1,706)	(5,116)	(3410)	(5,116)	(2,307)	2,809
	(832)	(3,868)	(3,036)	(3,868)	(1,380)	2,488
Debt Due within 1 year	(9,530)	(10,230)	(700)	(10,230)	(7,800)	2,430
Debt Due after 1 year	(80,241)	(97,556)	(17,315)	(97,556)	(111,762)	(14,206)
					)	)
Net Cash Inflow before Financing	(90,603)	(111,654)	(21,051)	(111,654)	(120,942)	(9,288)

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

	<u>2005/06</u> £000	<u>2006/07</u> £000
(Increase)/Decrease in Cash for Period	3,036	(2,488)
Cash Received from Increase in Debt	17,314	14,207
Cash Used to Decrease Liquid Resources	700	(2,430)
Change in Debt	21,050	9,289
Net Debt at 1 April	90,603	111,654
Net Debt at 31 <sup>st</sup> March	111,653	120,943

**(36) Analysis of Government Grants**

	<u>2005/06</u> £000	<u>2006/07</u> £000
Revenue Support Grant	78,181	7,432
Housing Benefit	38,343	41,781
Housing Subsidy	(5,510)	(7,014)
	111,014	42,199
Asylum Seekers	538	0
Childrens Social Services	894	1,123
Dedicated Schools Grant	0	84,337
Education Standards Fund	10,077	9,734
Supporting People	2,273	2,273
Students Awards	45	0
New Opportunities Fund	134	0
Schools Standards Grant	2,771	3,487
Transitional Support Grant	843	0
Early Years Funding	1,097	2,139
Teachers Performance Pay	1,784	0
Schools Cluster Funding	1,621	0
Other Grants	8,345	510
	30,422	103,603
Total	141,436	145,802

**(37) 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)

**(38) Deployment of Dedicated Schools Grant**

The council's expenditure on schools is funded by grant monies provided by the Department for Education & Skills, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. The central expenditure element of the Schools Budget is within the statutory minimum of the central expenditure limit. Over- and underspends on the two elements are required to be accounted for separately.

	<b>Schools Budget Funded by Dedicated Schools Grant</b>		
	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Original grant allocation to Schools Budget for 2006/07 in the authority's budget	11,882	73,224	85,106
Adjustment to finalised grant allocation	(769)	0	(769)
DSG receivable for 2006/07	11,113	73,224	84,337
Actual Expenditure for 2006/07	(10,689)	(73,224)	(83,913)
(Over) / underspend for 2006/07	424	0	424
(Over) / underspend carried forward to 2007/08	424	0	424

## HOUSING REVENUE ACCOUNT (HRA)

Notes <b>HRA Income and Expenditure Account</b>		2005/06 £'000	2006/07 £'000
<b>Income</b>			
<b>DWELLING RENTS</b>			
1.	Gross Rent From Dwellings	32,374	33,443
	Less Voids	(436)	(367)
4.	Transfer To General Fund (Re Rent Rebates)	(1,636)	(677)
		<b>30,302</b>	<b>32,399</b>
<b>NON DWELLING RENTS</b>			
	Shop Rents	830	818
	Garage Rents	687	697
	Premises Income	208	192
		<b>1,725</b>	<b>1,707</b>
<b>CHARGES FOR SERVICES AND FACILITIES</b>			
	Central Heating Charges	32	33
		<b>32</b>	<b>33</b>
<b>CONTRIBUTION TOWARDS EXPENDITURE</b>			
	Transfer From General Fund: Use Of Housing Amenities	162	162
	Leaseholders Charges	386	345
	Government Grant	48	38
		<b>596</b>	<b>545</b>
	<b>Total Income</b>	<b>32,655</b>	<b>34,684</b>
<b>EXPENDITURE</b>			
	Repairs And Maintenance	10,855	12,046
	Supervision and Management	7,787	8,636
	Rents, rates, taxes and other charges	21	30
2.	Negative housing revenue account subsidy payable	5,723	7,014
3.	Depreciation and impairment of fixed assets	15,566	16,897
	Debt Management Costs	18	18
	Increase in bad debt provision	292	211
	<b>Total Expenditure</b>	<b>40,262</b>	<b>44,853</b>
	<b>Net Cost of HRA Services per Authority Income and Expenditure Account</b>	<b>7,607</b>	<b>10,168</b>
	HRA Share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services	160	0
	<b>NET COST OF HRA SERVICE</b>	<b>7,767</b>	<b>10,168</b>
	Gain or loss on sale of HRA fixed assets	0	0
	Interest Payable and similar charges (deferred purchase interest)	41	34

Amortisation of premiums and discounts (Premium on Debt Restructuring)	17	17
Interest and investment income	(566)	(477)
Pension interest cost and expected return on pension assets	(76)	(225)
<b>(Surplus) or deficit for the year on HRA Services</b>	<b>7,183</b>	<b>9,517</b>

#### Statement of Movement on the HRA Balance

	£'000	£'000
(Surplus) or Deficit for the year on the HRA income and Expenditure Account	7,183	9,517
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the Year	(8,607)	(8,904)
<b>(Increase) or decrease in the HRA balance</b>	<b>(1,424)</b>	<b>612</b>
<b>HRA surplus brought forward</b>	<b>(3,437)</b>	<b>(4,861)</b>
<b>HRA Surplus carried forward</b>	<b>(4,861)</b>	<b>(4,249)</b>

#### Note to the Statement of Movement on the HRA Balance

	2005/06 £'000	2006/07 £'000
Transfer to / (from) Major Repairs Reserve	(8,607)	(9,952)
Capital Expenditure funded by the HRA	0	1,048
Net Amount required by statute to be debited or (credited) to the HRA balance for the year	<b>(8,607)</b>	<b>(8,904)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT SUMMARY

### (1) Gross Rent Income

The level of rent arrears is as follows:-

	2005/06	2006/07
Gross Current Arrears at 31st March	£1,035,094	£1,020,933
As a proportion of Gross Rent Income collectable in year	3.24%	3.05%
Former Tenant Arrears at 31st March	£545,897	£451,678

Amounts written off during the year amounted to £301,778.

There is a provision in the sum of £625,508 for the potential write off of irrecoverable debts.

### (2) HRA Subsidy

The negative HRA subsidy, payable to the secretary of state is detailed below

	2005/06 £000	2006/07 £000
Management Allowance	4,970	5,253
Maintenance Allowance	10,233	10,831
Major Repairs Allowance	6,959	6,944
Charges for Capital	1,007	1,045
Other Items of Reckonable Expenditure	26	25
Admissible Allowance	0	36
Less:		
Notional Rent Income	(28,670)	(31,038)
Prior Year Adjustments	(231)	(100)
Interest on Receipts	(17)	(10)
HRA Subsidy	<u>(5,723)</u>	<u>(7,014)</u>

### (3) Depreciation

Depreciation of £16.897 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.

	2005/06 £'000	2006/07 £'000
Depreciation on:		
Dwellings	14,841	16,124
Other Land and Buildings	484	346
Non-Operational Assets	241	427
	<u>15,566</u>	<u>16,897</u>

### (4) Sums Directed by the Secretary of State

The sum of £0.677 million has been recharged to the General Fund as follows:

	2005/06 £'000	2006/07 £'000
Subsidy Limitation	1,636	677

This payment arises as a consequence of the transfer of rent rebates to the General Fund. The sum transferred to the General Fund represents the difference between rent rebates expenditure and the related government subsidy.

## (5) Pension Reserve Movement

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

## (6) Housing Stock

The Council was reasonable for managing on average 10,395 dwellings during 2006/07. The Council's actual housing stock as at 31st March 2007 was 10,369, and was made up as follows:-

Number and types of properties as at:	2005/06	2006/07
Number of Houses and Bungalows	5,641	5,611
Number of Flats and Maisonettes	3,559	3,536
Number of Aged Person Dwellings	1,220	1,222
	<b>10,420</b>	<b>10,369</b>

The change in the stock can be summarised as follows:

	2005/06	2006/07
Stock at 1st April	10,457	10,420
Less Sales	(37)	(51)
Stock at 31st March	<b>10,420</b>	<b>10,369</b>

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

	2005/06 £'000	2006/07 £'000
Operational Assets	695,554	694,876
Non-Operational Assets	19,276	19,176
Balance carried forward	<b>714,830</b>	<b>714,052</b>

The vacant possession value of dwellings within the HRA as at 1st April 2006 was £1,220million. The vacant possession value and Balance Sheet value of dwellings show the economic cost to the Government of providing Council housing at less than open market rents.

## (7) Major Repairs Reserve

	2005/06 £'000	2006/07 £'000
Balance as at 1st April	733	1,404
Depreciation	15,566	16,897
Transfer to HRA	(8,607)	(9,952)
Capital Expenditure	(6,288)	(8,234)



Balance as at 31st March	<b>1,404</b>	<b>115</b>
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## **(8) Capital Expenditure**

Capital expenditure on land, houses and other properties within the HRA in 2006/07 was financed as follows:

	2005/06 £'000	2006/07 £'000
Major Repairs Reserve	6,288	8,234
HRA Capital Expenditure	<b>6,288</b>	<b>8,234</b>

## **(9) Capital Receipts**

	2005/06 £'000	2006/07 £'000
Sales of Dwellings	3,056	4,586
Sale of Other Assets	142	614
	<b>3,198</b>	<b>5,200</b>

## THE COLLECTION FUND ACCOUNT

Note		2005/06 £'000	2006/07 £'000	£'000
	<b>Income</b>			
(2)	Council Tax	47,637	50,257	
	Transfers from General Fund			
	Council Tax Benefits	7,980	8,384	<b>58,641</b>
(3)	Income Collectable from Business Ratepayers	<u>73,124</u>		<u><b>85,509</b></u>
		128,741		<b>144,150</b>
	<b>Expenditure</b>			
	Precepts and Demands:			
	Essex Police Authority	5,203	5,622	
	Essex Fire Authority	2,838	2,950	
	Thurrock Borough Council	46,538	<u>49,354</u>	<b>57,926</b>
(3)	Business Rate			
	Payment to National Pool	72,881	85,271	
	Costs of Collection	244	<u>238</u>	<b>85,509</b>
(4)	Provision for Bad Debts:			
	Council Tax	262	352	
	Council Tax Write offs	<u>498</u>	<u>258</u>	<b>610</b>
	<b>Contributions</b>			
	Essex Police Authority	23	34	
	Essex Fire Authority	13	19	
	Thurrock Borough Council	209	306	<u><b>359</b></u>
		<u>128,709</u>		<u><b>144,404</b></u>
	Surplus for year	32		<b>(254)</b>
	Fund Balance brought forward	603		<b>635</b>
	Fund Balance carried forward	<u><u>635</u></u>		<u><u><b>381</b></u></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*	9	5:9	5
A	5,879	6:9	3,919
B	10,689	7:9	8,314
C	23,004	8:9	20,448
D	9,758	9:9	9,758
E	3,852	11:9	4,708
F	1,901	13:9	2,746
G	728	15:9	1,213
H	29	18:9	58
	<hr/> 55,849		<hr/> 51,169

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.

(511)

Council Tax Base

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50,658

### (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 (43.3p in 2006/07). 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 £40.862 million was paid into the Council's General Fund, and this amount has been credited to the Income and Expenditure Account (Page 17).

The total Non-Domestic rateable value at the 31 March 2007 was £225,373,622.

### (4) Bad Debts

Amounts written off during the year amounted to £257,812 (£498,468 in 2006/07). There is a provision in the sum of £2.710 million for the potential write off of irrecoverable debts.

## **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.

### **Balance Sheet**

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

### **Income and Expenditure 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.