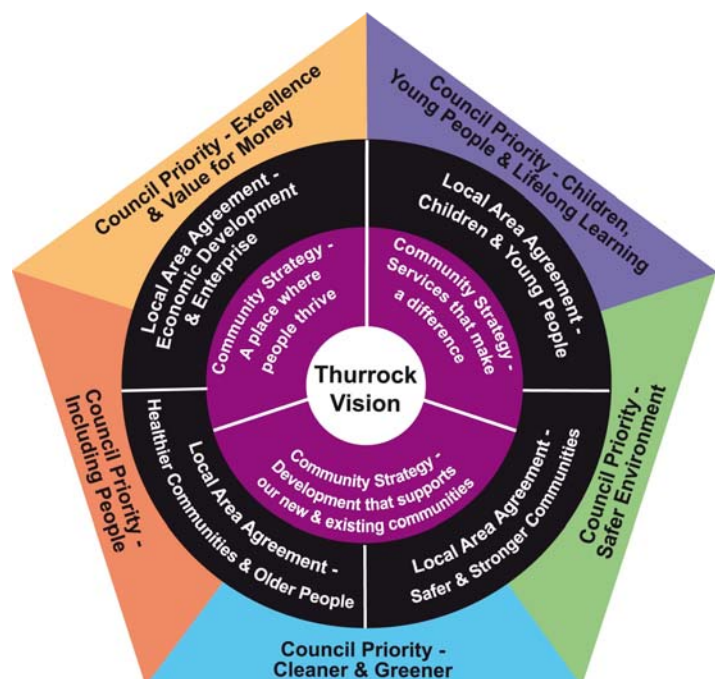


putting residents first....

STATEMENT OF ACCOUNTS 2007/08



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Further information about the accounts is available from:

**The Corporate Director of Resources
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RM17 6LT**

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REPORT OF CORPORATE DIRECTOR OF RESOURCES

I am pleased to introduce the Council's Statement of Accounts for 2007/08. The publication includes financial statements and disclosure notes required by the Code of Practice as well as the Annual Governance Statement.

During 2007/08 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 was £185.3 million. Net expenditure increased by £75.9 million as compared with the previous year, an increase of 69.4%. A large proportion of this increase is as a result of a change in the accounting treatment for Fixed Assets.

In terms of performance, the General Fund underspent its budget by £0.862 million, which included £0.937 million to carry forward to budget in 2008/09. The Housing Revenue Account (HRA), which deals with expenditure and income on the provision of council housing, used £0.576m of reserves to support its 2007/08 spend. However, reserves still remain greater than the minimum level set out in the Medium Term Financial Strategy.

2007/08 represented the third 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 timetable for the closure and reporting of the Council's accounts must comply with the Accounts and Audit Regulations. I would like to thank finance staff for their dedication and professionalism in producing these accounts and would also like to thank all staff for their assistance in the preparation of these accounts during what again has been a year of significant change for Thurrock Council.



.....
Andrew Hardingham CPFA
Corporate Director of Resources

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 Corporate Director of Resources,
- 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 Corporate Director of Resources' Responsibilities

The Corporate Director of Resources 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 2008.

In preparing this Statement of Accounts the Corporate Director of Resources has:

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

The Corporate Director of Resources 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 Corporate Director of Resources' Certificate

I certify that the Statement of Accounts set out on pages 20 to 52 present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2008.

Corporate Director of Resources

Date: 26 November 2008

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 26 November 2008.

The Mayor

Date: 26 November 2008

Independent auditor's report to the Members of Thurrock Council

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Thurrock Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE 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 governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the Authority accounting statements, and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Explanatory Foreword and the content of the Annual Report¹. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority accounting statements and related notes 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 Authority accounting statements and related notes.

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Qualified conclusion

I have undertaken my audit in accordance with the Code of Audit Practice. In so doing, I was unable to obtain sufficient appropriate evidence that Thurrock Council had a comprehensive asset management plan in place covering all assets.

Having regard to relevant criteria specified by the Audit Commission for principal local authorities, 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 2008 except that it did not put in place:

- arrangements for the management of its asset base.

Best Value Performance Plan

I have issued our statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 12 December 2007. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

Paul King
District Auditor

Audit Commission

Atlantic Business Centres

Lyttleton House

64 Broomfield Rd

Chelmsford

Essex

CM1 1SW

30 January 2009

1. SCOPE OF RESPONSIBILITY

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

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems and processes and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Thurrock Council for the year ended 31 March 2008 and up to the date of approval of the annual report and statement of accounts.

3. THE GOVERNANCE FRAMEWORK

- 3.1 The key elements of the systems and processes that comprise the Council's governance arrangements are:
 - 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. Except for 'exempt' items, the Council meets in public session. These are advertised in advance of the meeting, as are all Council committee events. All minutes are published once approved.
 - A Sustainable Community Strategy that sets out the Council's vision and community strategy for the next ten years. The strategy was developed by the Local Strategic Partnership is made up of public, voluntary, community and private sector organisations.
 - 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 Destination 2012 agenda that sets out the Council's ambitions to deliver against 5 Council priorities in the short, medium and long term. These priorities are: Children, Young People and Lifelong Learning; Including People; Safer Environment; Cleaner and Greener Environment; and Delivering excellence and achieving value for money.
 - A medium term financial strategy, which is reviewed and updated annually to support the achievement of the Council's corporate priorities.
 - 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.
 - A formal Performance Management Framework, which works on the "Plan-Do-Review-Revise" cycle and covers all areas of performance management including the balanced scorecard process, corporate planning cycle, risk management, accountability etc.

- A risk management strategy that sets out the processes for identifying, assessing and managing risks to the achievement of the Council's objectives.
- The 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.
- A scheme of delegation for both officers and portfolio holders setting out the functions that chief officers and members may discharge on behalf of the Council.
- Four Overview and Scrutiny Committees regularly review specific policy areas, supported by Commissions (sub-committees) covering 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.
- An Audit Committee which is independent of both the executive and the overview and scrutiny function, and whose role includes maintaining an overview of the Council's governance framework, performance of key Council functions and regular review of the risk management process.
- A Standards Committee which is responsible for promoting high standards of conduct by councillors, monitoring the operation of the Members Code of Conduct, and maintaining an overview of ethical standards across the Council. The committee has two independent members who are the Chairman and Vice-Chairman.
- A Monitoring Officer whose functions include maintaining the Constitution, overseeing compliance with legislation, reporting to full Council on any potential unlawfulness or maladministration, and supporting the Standards Committee.
- A Chief Financial Officer who is responsible for the proper administration of the Council's financial affairs and for ensuring the lawfulness and financial prudence of decision-making.
- A set of Financial Procedure and Contract Procedure Rules, which stipulate how the financial management of the Council is to be conducted.
- An internal audit service whose role includes reviewing the effectiveness of the Council's control systems in accordance with the standards set out in the Code of Practice for Internal Audit in Local Government.
- An anti-fraud and corruption strategy which outlines the Council's commitment to preventing and detecting fraud and corruption and includes the whistleblowing policy which provides protection to staff wishing to raise concerns about potential malpractice in the organisation.
- A corporate complaints handling procedure that sets out how complaints will be investigated, recorded, and monitored and ensures compliance with statutory requirements.
- A Human Resources framework which sets out the Council's approach to employee relations, its policies and procedures for performance management and the required standards of employee conduct.

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

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

- The Council has developed a Local Area Agreement (LAA) to promote delivery of the Community Strategy. The Council is the accountable body for the LAA and performance is managed through 5 thematic programme boards and overseen by the Local Strategic Partnership Executive Group. There is also an annual review by GoEast and performance against the LAA is monitored by the Performance and Improvement Overview and Scrutiny Committee.

4. REVIEW OF EFFECTIVENESS

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

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

- Assigning responsibility to the Corporate Management Team for the development and maintenance of the internal control environment. The Corporate Management Team meet on a weekly basis.
- The Head of Legal Services (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution each year.
- 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 Leader of the Council heads the Cabinet, with a further 9 elected Members appointed to the Cabinet by the Leader.
- Regular meeting of the Council's 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.
- Regular meetings of the Standards Committee on a range of matters including the Code of Conduct for Members, member training, member/officer protocols and ethical governance issues.
- Corporate Directors/Heads of Service within the authority, who have responsibility for the development and maintenance of the internal control environment, complete a self-assessment questionnaire to review their own systems of internal control and inform the review process.

4.2 During the year, a number of actions were taken to strengthen the Council's governance framework, including:

- Updating key policies and regulations, particularly around issues arising from the implementation of the single status agreement i.e. One-to-One Performance & Development Review, Pay Progression Policy, Pay Protection Policy, Acting Up Allowances etc.
- Progressing initiatives aimed at informing and engaging the community including consultations on Limiting Landfill, Positive Parenting, Priorities and Spending, the Local Development Framework and Building Maintenance.
- An improved system introduced by Democratic Services for monitoring petitions and questions from members of the community and ensuring appropriate responses are sent out.
- Further enhancements to the CMIS system which provides better access to decisions and is accessible to members of the community through the Council's website.

4.3 Management and the Audit Committee also monitored progress against the significant internal control issues raised in the 2006/07 statement of internal control. Improvements have been made across all areas and, in particular, action has been taken to:

- Adopt a new Code of Conduct, which was formally approved by the Council on 27th June 2007.
- Provide additional training and for members and officers, on the ethical framework, between September and November 2007.
- Introduce a formal Member Development Programme to provide general and specific training to address the needs of Councillors.
- Focus performance management on outcomes and targets through the completion and introduction of the balanced scorecard process. This is now embedded into 2 directorates and the Local Strategic Partnership.
- Embed the performance appraisal process across the organisation, with substantial improvement in the number of appraisals being carried out.

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

Internal Audit

- The internal audit service undertook a risk-based programme of audits during the year to provide the Council with assurance on the adequacy of the system of internal control. The majority of reports have a positive impact upon the annual opinion provided by the Head of Internal Audit. However, there were a number of important areas where the auditor considered that improvements were required to strengthen the Council's control framework. These included: Security of the Oracle E-business Suite; Performance Indicators; Payroll; Environmental Health; the Election Section; and HR Overtime Claims. The Council has developed action plans to address these issues and they will be reviewed as part of the audit plan for 2008/09.
- A dedicated Audit Committee which meets 4 times per year and is tasked with reviewing the adequacy of internal controls, monitoring the performance of Internal Audit and reviewing the external Auditor's plans and reports. Internal Audit provides the Committee with an independent opinion on the adequacy and effectiveness of the Council's internal control systems.
- The Head of Audit reports to the Audit Committee annually and at interim periods on internal audit and delivers an assurance opinion on those systems reviewed. Assurance levels are substantial, adequate or limited. Audits with limited assurance are highlighted in the internal audit report to Committee, for further consideration by Members.
- Regular meetings with Directors, Heads of Service, and External Audit are used to inform an audit needs assessment process, which identifies potential auditable areas, as part of a three-year strategic and annual audit planning process. The plan is designed to provide both assurance that the key systems and significant risks are adequately controlled, and also to assist in major areas of development that the Council needs to address in the current year. The Audit Committee review progress against this plan at each of their 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, 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.
- Internal Audit is subject to regular review by the Council's External Auditors who place some reliance on the work carried out by the section.

External audit and inspection

- The Council is subject to an annual programme of independent external audits and statutory inspections. The external auditor reports on the Council's governance, performance and accounting arrangements.

- The auditor's Corporate Assessment report states "Thurrock Council is performing adequately and is improving in relation to some of its core priorities". It flags a number of areas for improvement including the need to develop the strategic skills and capacity of councillors to deliver a regeneration agenda of national importance, increased capacity needs to be developed for the delivery of longer term ambitions, greater focus on the needs of disadvantaged groups and performance management needs to be more focussed on outcomes and impact. The Council is taking action to address these issues.
- The annual Use of Resources Assessment examines the Council's arrangements against five themes - financial reporting, financial management, financial standing, internal control and value for money. The Council has been assessed as having an overall score of 2 for 2007. Two areas have improved from a score of 2 to a score of 3 (financial standing and internal control) but this does not affect the overall assessment.
- The auditor's annual governance report issued an unqualified opinion on the financial statements. It flags the need to maintain a central list of working papers matched to those required by the auditors for preparing the accounts, statement of accounts to be read and checked for consistency prior to being submitted to the Audit Committee, required changes to accounting policies as a result of changes to the SORP are included within the statement of accounts, all items shown on declaration forms are included in the related party transactions disclosure note and feeder systems are reconciled to the general ledger on a regular basis during the financial year to enable any errors to be identified and corrected at an early stage.

4.5 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the audit committee and a plan to address weaknesses and ensure continuous improvement of the system is being developed

5. SIGNIFICANT GOVERNANCE ISSUES

ISSUE	ACTION TO BE TAKEN 08/09
Improve the corporate governance arrangements using best practice guidance.	A code of corporate governance to be approved and adopted, which will be consistent with the principles of the CIPFA/SOLACE Framework <i>Delivering Good Governance in Local Government</i> .
Monitor progress against issues raised by the Annual Governance Statement.	Whilst a 6 monthly progress report is provided to the Audit Committee, a Corporate Governance Group should be set up (to include Section 151 Officer, Monitoring Officer and Head of Audit or their representatives), to review progress on a more regular basis and to have responsibility for drafting the AGS and evaluating the self-assessment questionnaires and evidence assurances. Progress should be periodically reported to the Corporate Management Team.
Review the arrangements around the Regulation of Investigatory Powers Act (RIPA).	Monitoring Officer given responsibility over RIPA enquiries. Arrangements need to be tightened. Policy review to be carried out during 08/09.
CRB checks for Councillors.	Monitoring Officer to instigate CRB checks for Councillors who are likely to have contact with vulnerable groups.
Further improve Member Development to support Councillors	Roll out further training to Members and develop knowledge/skills training in specialist areas e.g. Planning, Licensing etc.
Further focus performance management on outcomes and targets	Complete and embed the new balanced scorecard process across the 3 directorates where it is not embedded (brought forward from previous year, has been embedded within 2 directorates and LSP).
Model the organisational, infrastructure and financial implications of the challenges facing the council in the medium and longer term.	The MTFs 2008-2011 has been developed and presented to the Performance and Improvement Overview and Scrutiny Committee. However, this needs to be refreshed to take into account the 3-year CSR07 local government settlement and be taken to Cabinet (brought forward from previous year but has progressed).

ISSUE	ACTION TO BE TAKEN 08/09
Need for greater focus on black and minority ethnic and other potentially disadvantaged groups to maintain cohesion and ensure policy and services meet all community needs	Continue to focus on disadvantaged groups through the development and implementation of a Cohesion Strategy. Implement actions from the review carried out in March 08 to achieve a level 3 for the Equality Standard (previous recommendation but progress has been made and actions are in place).
Internal Audit reports with Limited Assurance - Security of the Oracle E-business Suite; One-to-One Appraisal Process; Performance Indicators; Payroll; Environmental Health; the Election Section; Bankers Automated Clearing System (BACS) and HR Overtime Claims	Implement improvements agreed with management following Internal Audit reports, according to risk prioritisation.
Heads of Service responses from the self-assessment questionnaires identified a number of concerns over internal control within their departments. However, only 4 responses were received back from the 25 issued so no meaningful information could be obtained.	It is recommended that the non-respondents are chased up to complete their self-assessments and any issues identified can be reported to CMT and back to the Audit Committee at the six-monthly review. Action plans can then be put in place to address these issues.

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

Terence Hipsey
Leader of the Council

Date 26 November 2008

Mike Rowan
Chief Executive

Date 26 November 2008

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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) 2007 and the Accounts and Audit Regulations 2003.

2. The Accounts

The Council's accounts for the year 2007/08 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 31st March 2008. 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

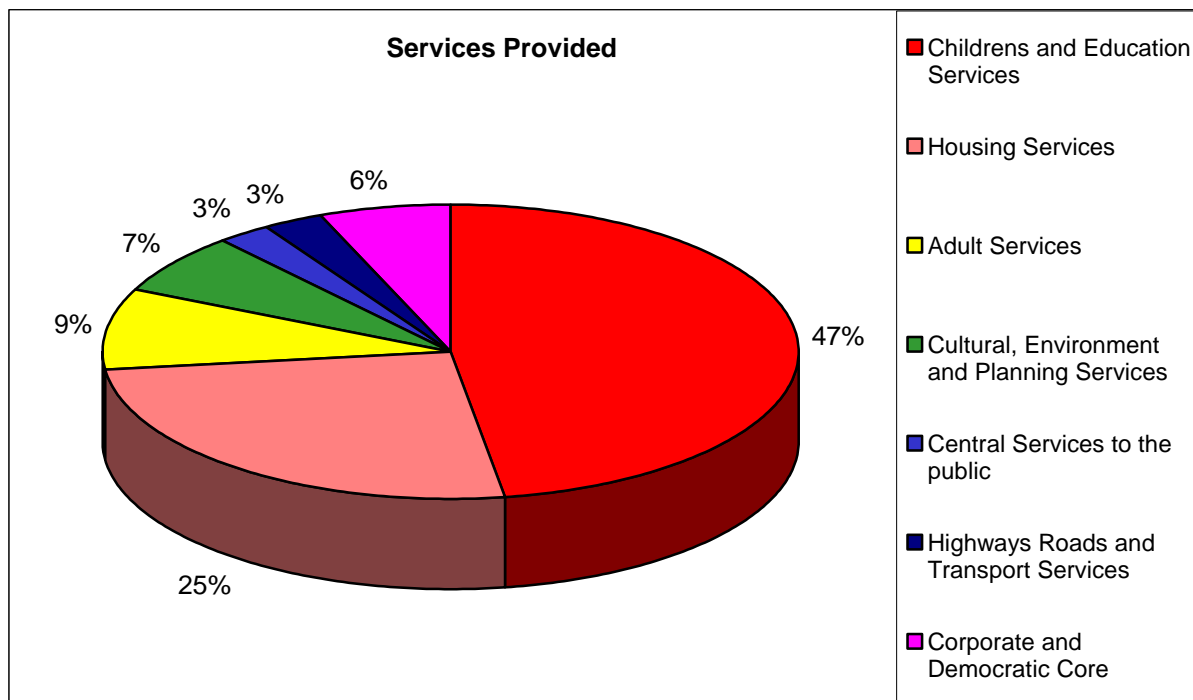
The amount to be met from Government grants and local taxation (before the use of reserves) was £104.0 million for the year. After accounting for the movement in schools balances, this represents a decrease of £1.174 million as compared to the original estimate. As a consequence, the Council has been able to contribute this amount to its General Fund reserve. A full report on the 2007/08 General Fund and Housing Revenue Account outturn was considered by the Cabinet on 11 June 2007 where £0.937 million of this sum was agreed to be carried forward to the 2008/09 budget.

4. Housing Revenue Account

In 2007/08 the HRA recorded a deficit of £0.576 million after use of some of the balances. The HRA balance decreased to £3.673 million as at 31 March 2008.

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

Total capital expenditure in 2007/08 amounted to £54.037 million (compared with £56.573 million in 2006/07). £35.485 million (66%) was spent on Education, £5.439 million (10%) on Highways and Transportation and £11.108 million (21%) on Housing.

Financing of the Council's capital expenditure was from a number of sources including £18.627 million from loans, £31.148 million from government grants and contributions, £1.430 million from revenue and £2.215 million from capital receipts.

7. Borrowing Facilities

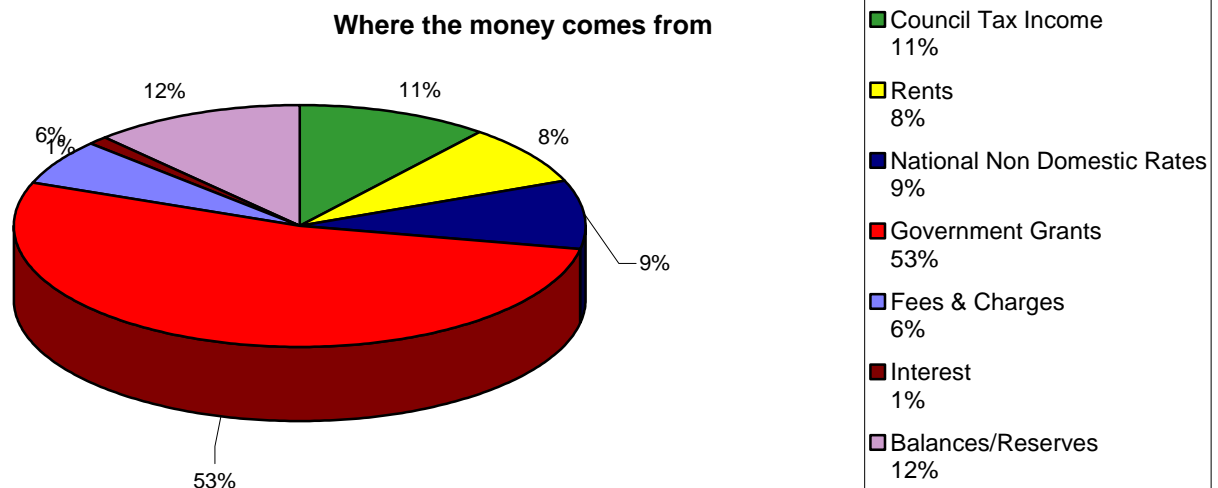
The Council can borrow for any purpose for which it is legally entitled to incur expenditure. Under Section 3(1) of the Local Government Act 2003 the Council may "determine and keep under review how much money it can afford to borrow". In practice the Council sets its own borrowing limits based upon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

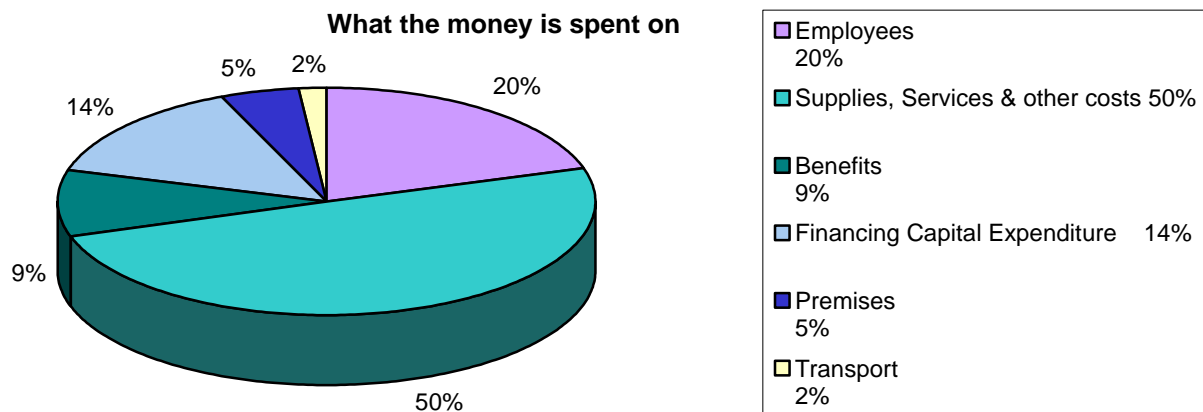
i) Where the money comes from:

The largest single source was Government grants. This accounted for 53% (60% in 2006/07) 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 Corporate Director of Resources, 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, Vehicles, plant and equipment 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 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 difference between the value and the amount at which the asset was included in the Balance Sheet immediately prior to the latest revaluation is treated differently depending if it is an increase or a decrease in value. In the case of an increase in value the amount is credited to the Revaluation Reserve with no other adjustment through the Income and Expenditure Account. In the case of reduction in value the amount is written off to the relevant Service Account. The costs are then reversed out of the Income and Expenditure Account via the Statement of Movement on the General Fund Balance and charged to the Capital Adjustment Account.

The Revaluation Reserve only came into existence in 2007/08, but in future years if there is an amount held in the reserve for an asset that has suffered a decrease in valuation, if the reason for the reduction is the same as the previous increase (e.g. economic conditions), the reduction will be written off against the Revaluation Reserve to the extent of the amount held in the reserve for that asset. Otherwise normal treatment will take place with the write off against the relevant Service Account.

The Council did not hold any assets for investment purposes only during 2007/08, 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 Corporate Director of Resources has considered it more prudent to provide for depreciation over a 30-year period.

Any reduction in asset values resulting from impairment has been accounted for in accordance with FRS11. All assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review it is accounted for as follows:

If the impairment is attributable to the clear consumption of economic benefits it is charged to the relevant service revenue account.

Otherwise, it is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there are accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to that value has been transferred from the Revaluation Reserve to the Capital Adjustment Account.

Revaluation gains are also depreciated, the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account. Provision for depreciation does not affect the sums raised from Council Tax or housing rents, as each charge is reversed out again to the Capital Adjustment Account in the Statement of Movement in the General Fund or Housing Revenue Account Balance, as the case may be.

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

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.

7. Deferred Charges

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 charge Service Revenue Accounts in the year in which the expenditure is incurred.

8. Deferred Capital Receipts

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

9. Government Grants and Contributions

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

10. Leases

Leases are treated as finance leases where substantially all of the risks and rewards relating to the leased asset have been transferred to the Council. Assets, which have been acquired by means of a finance lease, are reflected as fixed assets in the 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

11. Investments

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

12. 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.

13. Stocks and Work in Progress

Stocks and stores are valued at the lower of cost and average price paid and not the net realisable value. This is not in accordance with SSAP 9 (which relates primarily to stocks of finished goods for sale) but the effect is not considered to be material. There was no balance of work in progress for Balance Sheet purposes at the year-end.

14. Debtors and Creditors

In order to comply with the 'accruals' concept, the Council's service revenue accounts are prepared on an income and expenditure basis, that is to say debtors, sums due to the Council, are accounted for when the sums become due and not when the cash is received, and creditors, sums owed by the Council, are raised at the year end for the cost of goods received and services rendered to the Council, but not paid for, by 31 March 2008. However, accounting for public utility payments does not strictly follow the "accruals" concept. In compiling the accounts, and in accordance with previous accounting practice, a full year's payments or receipts in respect of public utilities has been accounted for without the raising of creditors and without apportioning payments and receipts on a strict time basis. This is the sole exception identified in Note 1 to this Statement of Accounting Policies and does not comply with the SORP, but the effect is not considered to be material.

15. Provisions

Provisions are included in the accounts where the Council has a present obligation as a result of a past event that either binds the Authority to transfer economic benefit as a result of statutory requirements or contractual terms, and where, arising from the Council's actions, a valid expectation has been created in the view of another party that the Authority will transfer economic benefit as a result of it accepting certain responsibilities. Full details of the provisions held are included in Note 24 to the Accounts.

16. Reserves

The Council has agreed to set aside certain sums to meet the future costs of specific initiatives, service developments and general contingencies. They have been created from appropriations, surpluses and deficits arising in previous years. Capital reserves are not available for revenue purposes and are separately identified. Expenditure is not charged directly to reserves. Sums are appropriated from revenue reserves to meet relevant expenditure, or are appropriated from the 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.

17. Overheads and Support Services

These expenses are allocated over all services, the corporate and democratic core and non-distributed costs in accordance with the principles recommended by CIPFA. The full costs of Support Services have been charged to service revenue accounts in the 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.

18. Value Added Tax

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

19. Pensions

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

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

The Local Government Pension Scheme administered by Essex County Council.

So far as the Teachers' Scheme is concerned, liabilities for benefits cannot be identified to the Council. Thus no liability for future benefits is recognised in the 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 2008 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.

20. Interest

Interest payable and receivable on borrowings is accounted for in the year to which it relates. However, in line with the SORP 2007, interest due or payable at the year end is now reflected within the carrying value of the loan or investment. Previously these costs were included on the Balance Sheet as a debtor or creditor.

21. Provision for Redemption of Debt and Interest Charges

The Local Government Act 2003 requires that a Minimum Revenue Provision for the redemption of debt should be charged to the 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 12 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.

22. Financial Instruments

The 2007 SORP has adopted FRS 25, FRS 26 and FRS 28 which deals with the recognition, measurement, disclosure and presentation of financial instruments and has resulted in one of the most significant changes to local authority accounting in recent years.

A financial Instrument is defined as "any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another". The term financial instrument covers both assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables (short term debtors) and trade payables (short term creditors) and the most complex ones such as derivatives and embedded derivatives. This section will outline how the Council has accounted for its longer term and/or more complex financial instruments. Further details are also given in Financial Instruments Disclosure note.

The SORP has introduced the concept of amortised cost and fair value.

Financial Liabilities are required to be categorised under the following categories:

Amortised Cost
Fair value through profit and Loss

All the Council's financial liabilities are included on the Balance Sheet at amortised cost and charges to and from the revenue account are based on an effective interest rate.

Financial Assets are required to be categorised under the following categories:

Available for Sale
Fair value through profit and loss
Held- to-maturity

All the Council's financial assets, with the exception of short term debtors where an allowance is made for the uncollectability of debt and externally managed funds which are valued at fair value

through the income and expenditure account, are classified as loans and receivables and are included on the Balance Sheet at amortised cost and charges to and from the revenue account are based on an effective interest rate.

The SORP requires financial instruments to be measured at fair value, adjusted for directly attributable transaction costs with the costs written down to revenue based on an effective interest rate. Transaction costs include fees and commission paid to agents, advisors and brokers.

The Council has surplus cash balances that are held in short term deposits with financial institutions and other public bodies. In accordance with the new SORP requirements investments are shown in the Balance Sheet at amortised cost using the effective Interest Rate method. Thus the carrying value of investments on the Balance Sheet is adjusted for accrued interest due at year end. The fair value of investments as at 31 March 2008 and the methods and assumptions in valuation techniques is outlined in the Financial Instruments disclosure note.

Interest

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

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

- Interest and dividends received are shown below the cost of services in the Income and Expenditure Account.
- Interest payable is also shown below the cost of services in the Income and Expenditure Account. Part of this cost relates to the financing of the Housing Revenue Account capital programme, and a recharge is made to the HRA for interest costs in line with a formula prescribed by Regulations.

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

Borrowing

Previously, accrued interest on borrowing was shown as a creditor within the Balance Sheet. Under the new SORP requirements, accrued interest is now shown as part of the carrying value of the loan.

In accordance with the SORP the Council's loans are reflected in the Balance Sheet at amortised cost based on the Effective Interest Rate method. The fair value of the loans as 31 March 2008 and the methods and assumptions in valuation techniques are outlined in the Financial Instruments Disclosure note.

Premiums and Discounts from debt restructuring

In previous years Councils' were permitted to write off premiums incurred as a result of debt restructuring over the full life of the loan, and discounts over a maximum ten year period. Under the new SORP, this treatment is only permitted where the new loan meets a strict modification test. Where this test is not met, the full premium or discount must be written off to the Income and Expenditure account on completion of the transaction. In order to ensure there is no impact on Council tax levels from this change in accounting requirements, Regulations have been enacted that allow the effects of this treatment to be reversed out via the STMGFB and charged to a new account within the Balance Sheet, the Financial Instruments Adjustment Account.

All overhanging premiums and discounts at 31 March 2007 have been derecognised on 1 April 2007 and charged to the General Fund or HRA balance as appropriate. The effects have then been reversed out to the Financial Instruments Adjustment Account using the statutory override.

23. 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.

24. Long Term Contracts

On 1 April 2005 the Council entered into a strategic partnership with Vertex Data Service Ltd, the customer management arm of United Utilities Plc. Vertex has been allocated responsibility for carrying out the following support services under a major long term contract for a period of 15 years; business administration, centralised customer services team and contact centre, business accounting and financial services, procurement, human resources and payroll, revenues and benefits, ICT services, engineering systems, facilities and property management. Details of the Council's long-term financial commitment are disclosed in Note 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.

25. Interests in Companies and other Entities

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

26. 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.

When an asset is disposed of, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Similarly, any receipts from disposal are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any accumulated revaluation gains in the Revaluation Reserve for that asset are transferred to the Capital Adjustment Account.

The written-off value of disposals is not a charge against Council Tax as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

27. Landfill Allowances Trading Scheme

The Department for Environment, Food and Rural Affairs issues the Council with Landfill Allowances for Biodegradable Municipal Waste. In Accordance with the SORP 2007 the Council values the allowances at the lower of cost and net realisable value.

INCOME AND EXPENDITURE ACCOUNT

Notes	2006/07 Net Expenditure £'000	2007/08 Gross Expenditure £'000	2007/08 Gross Income £'000	2007/08 Net Expenditure £'000
Expenditure on Services				
Adult Services	28,564	45,889	(18,867)	27,022
Central Services to the Public	900	13,211	(11,142)	2,069
Children's and Education Services	28,925	249,708	(231,716)	17,992
Cultural, Environmental, Planning Services	23,249	35,255	(9,595)	25,660
Highways, Roads, Transport Services	9,080	14,005	(4,213)	9,792
Housing Services - Housing Revenue Account	9,675	138,054	(43,356)	94,698
Housing Services - Other	2,836	43,972	(43,501)	471
Corporate and Democratic Core	5,658	32,096	(26,656)	5,440
Non Distributed Costs	491	2,757	(647)	2,110
Net Cost of Services	109,378	574,947	(389,693)	185,254
Loss/Surplus on disposal of fixed assets	0			0
Levies	388			377
Interest Payable and similar charges	6,552			3,331
Contribution of Housing Capital Receipts to Government Pool	3,299			2,145
Interest and Investment Income	(3,287)			(5,215)
31 Pensions Interest Cost and Expected Return	2,116			1,670
on Pensions Assets				
Transferred Debt Payment	1,354			729
Net Operating Expenditure	119,800			188,291
Sources of Finance:				
Demand on the Collection Fund	(49,354)			(51,723)
General Government Grants	(7,434)			(7,299)
Non Domestic Rate Redistribution	(40,862)			(43,493)
Transfer of Share of Collection Fund Surplus	(306)			(234)
Net (Surplus)/Deficit for the year	21,844			85,542

Statement of Movement on the General Fund Balance

	2006/07	2007/08
	£'000	£'000
(Surplus)/Deficit for the Year on the Income and Expenditure Account	21,844	85,542
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year.	(22,464)	(87,638)
Increase in General Fund Balance for the year	(620)	(2,096)
General Fund balance brought Forward	(8,835)	(9,455)
General Fund balance carried forward	(9,455)	(11,551)
Amount of General Fund Balance held by governors under schemes to Schools	7,455	9,551
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

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		2006/07	2007/08
		£'000	£'000
	Amortisation of intangible fixed assets	(245)	(245)
	Depreciation and impairment of fixed assets	(8,198)	(96,842)
	Excess depreciation charged to the HRA	0	(10,395)
	Government Grants Deferred Amortisation	1,926	15,294
	Write down of deferred charges to be financed from capital resources	(1,347)	(1,154)
	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receiveable to be recognized under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt		3,436
	Net charges made for retirement benefits in accordance with FRS17	(11,009)	(10,727)
		(18,873)	(100,633)
 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			
	Minimum revenue provision for capital financing	2,843	4,159
	Capital Expenditure Charged in year to the General Fund Balance	1,241	1,301
	Transfer from the Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(3,299)	(2,145)
31	Employer's contributions payable to the Essex County Council Pension Fund and retirement benefits payable direct to pensioners	8,689	9,243
		9,474	12,558
 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.			
	Housing Revenue Account Balance	(613)	(576)
	Voluntary revenue provision for capital financing	1,048	0
12	Net transfer to or from earmarked reserves	(13,500)	1,013
		(13,065)	437
	Total	(22,464)	(87,638)

Statement of Total Recognised Gains and Losses

	2006/07	2007/08
	£'000	£'000
Deficit for the year on the Income and Expenditure Account	21,844	85,542
Surplus arising on revaluation of fixed assets	(83,902)	(57,474)
Actuarial (gains)/losses on pension fund assets and liabilities	(14,188)	33,316
Increase in Collection Fund Balance	(90)	(176)
Total Recognised Gains and Losses for the year	(76,336)	61,208
Financial Instruments Adjustment Account (entries via Statement of Movement on the General Fund balances)	-	1,128
Other (mainly of receipts (capital) to the top half of the balance sheet)	-	1,974
Movement in Net Worth as reflected on Balance Sheet	(76,336)	64,310

BALANCE SHEET

Notes	2006/07 £'000	£'000	2007/08 £'000	£'000
Fixed Assets				
Intangible Fixed Assets	1,713		1,468	
Tangible Fixed Assets				
Operational Assets				
- Council Dwellings	680,949	607,716		
- Other Land and Buildings	435,744	472,360		
- Vehicles, Plant, Furniture & Equipment	1,466	3,102		
- Infrastructure Assets	50,298	54,118		
- Community Assets	8,600	8,647		
	1,177,057		1,145,943	
Non-Operational Assets				
- Investment Properties	31,543	32,682		
- Assets Under Construction	24,736	51,723		
- Land Awaiting Development	24,532	18,231		
- Surplus Assets Held for Disposal	0	1,101		
	80,811		103,737	
Total Fixed Assets	1,259,581			1,251,148
Long Term Debtors	240			220
Deferred Assets	2,362			0
Total Long Term Assets	1,262,183			1,251,368
Current Assets				
Stocks and Work-in-Progress	92	225		
Debtors	27,979	30,241		
Investments	47,281	55,864		
Cash and Bank	927	3,349		
Imprest		27		
			89,706	
Less: Current Liabilities				
Short Term Borrowing	(7,830)	(13,088)		
Creditors	(28,913)	(29,204)		
Bank Overdraft	(2,306)	0	(42,292)	
Current Assets less Current Liabilities	37,230			47,414
Long Term Liabilities				
22 Long Term Borrowing	(111,660)		(124,925)	
Provisions	(804)		(970)	
Government Grants Deferred Account and Capital Contributions Unapplied	(79,714)		(95,326)	
Deferred Discount	(153)		(134)	
31 Liability Relating to Defined Benefit Pension	(68,768)		(103,568)	
Deferred Purchase Arrangements	(448)		(303)	
Total Long Term Liabilities	(261,547)			(325,226)
Total Assets less Liabilities	1,037,866			973,556

	Financed by		
24	Revaluation Reserve	0	(55,494)
24	Capital Adjustment Account	(1,077,308)	(989,953)
	Financial Instruments Adjustment Account		(2,312)
24	Pensions Reserve	68,768	103,568
24	Usable Capital Receipts Reserve	(1,413)	(1,191)
24	Major Repairs Reserve	(115)	(148)
24	Earmarked Reserves	(13,716)	(12,244)
24	Fund Balances	(14,082)	(15,782)
	Total Net Worth	<u>(1,037,866)</u>	<u>(973,556)</u>

CASH FLOW STATEMENT

Notes	2006/07		2007/08	
	£'000	£'000	£'000	£'000
Revenue Activities				
Cash Outflows				
	Cash Paid to and on behalf of Employees	(92,240)	(93,492)	
	Housing Benefit Paid out	(13,877)	(17,612)	
	Precepts Paid	(9,012)	(9,058)	
	Non-Domestic Rates Paid to National Pool	(85,509)	(83,379)	
	Payments to Capital Receipts Pool	(3,299)	(2,145)	
	Other Operating Cash Payments	(84,133)	(179,055)	(384,741)
Cash Inflows				
	Council Tax Receipts	49,421	51,528	
	Rents (after Rebate)	13,700	15,621	
	National Non-Domestic Rate Receipts from National Pool	40,862	35,325	
	Non-Domestic Rate Receipts	85,598	84,113	
35	Revenue Support Grant	7,434	7,299	
35	Housing Benefit	41,781	47,876	
35	Housing Subsidy	(7,014)	(7,788)	
35	Other Government Grants	61,822	127,424	
	Cash Received for Goods and Services	6,045	17,807	
	Other Operating Cash Receipts	8,111	17,359	
		307,760		396,564
32	Net Cashflow from Revenue Activities	19,690		11,823
Returns from Investment and Servicing of Finance				
Cash Outflows				
	Interest Paid	(7,283)	(4,263)	
	Interest Element of Finance Lease Rentals	0	0	
		(7,283)	(4,263)	
Cash Inflows				
	Interest Received	3,544	5,416	1,153
Capital Activities				
Cash Outflows				
	Purchase of Fixed Assets	(56,573)	(51,735)	
	Purchase of Investments	(2,730)	(6,383)	
		(59,303)	(58,118)	
Cash Inflows				
	Sale of Fixed Assets	5,954	4,094	
	Capital Grants Received	19,170	26,448	
	Sale of Investments	0	0	
	Other Capital Cash Receipts	8,940	600	
		34,064	31,142	(26,976)
33	Net Cash Inflow before Financing	(9,288)		(14,000)

Notes	2006/07		2007/08	
	£'000	£'000	£'000	£'000
Financing				
Cash Outflows				
Repayments of Amounts Borrowed	(767)		(55,571)	
Capital Element of Finance Lease Rentals	0		0	
	<u>(767)</u>		<u>(55,571)</u>	
Cash Inflows				
New Loans Raised	51,127		69,012	
New Advances	0		0	
	<u>51,127</u>		<u>69,012</u>	
Net Change in Long Term Borrowing	50,360		13,441	
Management Of Liquid Resources				
Cash Outflows				
Repayments of Amounts Borrowed	(155,884)		(102,200)	
Cash Inflows				
New Loans Raised	117,300		107,488	
	<u>117,300</u>		<u>107,488</u>	
Net Increase(+)/Decrease(-) in Short Term Deposits	<u>(38,584)</u>		<u>5,288</u>	
Movement in Net Debt		11,776		18,729
		<u>11,776</u>		<u>18,729</u>
34 Increase/(Decrease) in Cash		<u>2,488</u>		<u>4,729</u>

NOTES

(1) Restatement of 2006/07 Comparative Figures

The published Income and Expenditure Account for 2006/07 has been re-stated in order to meet the requirements of BVACOP 2007. The Service Expenditure Analysis (SEA) has been modified, with the creation of a new SEA head for Children's Services and Education in response to legislative changes made in the Children Act 2004. All elements relating to Children's Social Services have been transferred to the new Children's and Education Services SEA. Social Services remains as a separate SEA, retaining coverage of social services for adults and older people. This has been re-named Adult Social Care.

The published Balance Sheet for 2006/07 has been re-stated in order to meet the requirements of SORP 2007. This means that the lines showing Deferred Premiums, Deferred Credits and Deferred Discounts have been merged into the total of Long Term Borrowing. In addition the lines showing the Fixed Asset Restatement Account and Capital Financing Account balances have been merged into the new Capital Adjustment Account balance.

Housing Services remains separate, but the analysis has been amended to provide a breakdown of Housing Revenue Account (Council Housing Stock associated expenditure and income) and Other Housing Services.

(2) 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 2008 the remaining undischarged financial obligations of the Council under the contract at 2007/08 prices totalled a minimum of £200 million (12 years remaining at £16.651 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.

(3) 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 2007/08.

(4) Publicity

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

	2006/07	2007/08
	£000	£000
Publicity	341	390

(5) 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 2007/08

	Chargeable 2007/08 £'000	Non- Chargeable 2007/08 £'000	Total 2007/08 £'000
Expenditure:-			
Employees Expenses	97	316	413
Transport	5	9	14
Supplies and Services	1	15	16
Central and Support Service Charges	63	108	171
	<u>166</u>	<u>448</u>	<u>614</u>
Less: Income:-			
Building Regulation Charges	0	(349)	(349)
Miscellaneous Income	(2)	0	(2)
	<u>(2)</u>	<u>(349)</u>	<u>(351)</u>
Deficit/(Surplus) for year	<u>164</u>	<u>99</u>	<u>263</u>

Comparatives for 2006/07

Expenditure	377	215	592
Less Income	<u>(444)</u>	<u>(11)</u>	<u>(455)</u>
	<u>(67)</u>	<u>204</u>	<u>137</u>

(6) Agency Arrangements

The Council is required to disclose the nature and amount of any significant income or expenditure arising from agency arrangements. In 2007/08 the Council had no such arrangements of material value.

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

The Council is empowered by this Act to provide goods and services to other public bodies. During 2007/08 the Council did not provide services of any significant value to such organisations.

(8) Members' Allowances

The total Members' allowances paid in 2007/08 were £599,310 (£574,057 in 2006/07).

(9) Remuneration of Senior Staff

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

£	2006/07	2007/08
50,001 - 60,000	76	76
60,001 - 70,000	21	33
70,001 - 80,000	8	11
80,001 - 90,000	5	6
90,001 - 100,000	1	1
100,001 - 110,000	1	2
110,001 - 120,000	2	2
120,001 - 130,000	2	0
130,001 - 140,000	0	1
140,001 - 150,000	0	0
150,001 - 160,000	0	1
160,001 - 260,000	0	0
260,001 - 270,000	0	1
270,001 - 280,000	0	0
280,001 +	1	0

(10) 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 35.

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 £286,000 and Thurrock MIND £250,000 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, South West Essex PCT and the Basildon and Thurrock Hospitals NHS Foundation Trust and the Gateway Academy which is funded by the Department for Children, School and Families. Following the creation of the Urban Development Corporation, Council Members were elected to that body, although no financial transactions took place between the Council and the Corporation in 2007/08. Each of these public bodies is ultimately accountable to Central Government.

The Council provided £596,089 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.

(11) Audit Costs

In 2007/08 the Council incurred the following fees relating to external audit and inspection.

	2006/07 £'000	2007/08 £'000
Fees Payable to the Audit Commission:		
- External Audit Services carried out by the External Auditor	299	251
- Statutory Inspection	61	50
- Certification of Grant Claims and Returns	127	112
	<u>487</u>	<u>413</u>
Total	<u>487</u>	<u>413</u>

(12) 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 11 June 2008.

	2006/07 £'000	2007/08 £'000
General Fund:		
General Fund	(451)	1,044
Best Value Reserve	(7)	(9)
Modernisation Reserve	(25)	193
Single Status	(2,701)	206
Electronic Government IT Reserve	49	2
Building Control Reserve	67	(99)
Museum Donations Reserve	(3)	0
Developers Contributions	(300)	0
Landfill Credits Reserve	25	0
Waste Reserve	350	0
Contribution from schools balances	(552)	0
Capital Expenditure Reserve	0	(324)
	<u>(3,548)</u>	<u>1,013</u>
HRA Consolidation:		
Major Repairs Reserve	(9,952)	(0)
	<u>(13,500)</u>	<u>1,013</u>
	2006/07 £'000	2007/08 £'000
General Fund - 4% of Capital Financing Requirement	2,843	3,412
Repayment of Unsupported Borrowing	-	151
MRP on Essex C.C. Transferred Debt	-	596
Minimum Revenue Provision	2,843	4,159
Less: Amount Charged as Depreciation	(7,664)	(8,584)
Amount Charged as Impairment	(531)	(4)
Amount Provided to Repay LGR SCA	0	0
Appropriation from Capital Adjustment Account	<u>(5,352)</u>	<u>(4,429)</u>

(13) Fixed Assets

Movements of Fixed Assets in 2007/08 are summarised as follows -

	Operational Assets	Assets under Construction	Land Awaiting Development	Commercial Properties	Surplus Assets Awaiting Disposal	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Gross Value as at 1 April 2007</i>	1,233,053	24,736	24,532	35,626	0	1,317,947
Additions	17,299	26,987	56	141	0	44,483
Disposals	(3,213)	0	(879)	(41)	0	(4,133)
Revaluations	26,777	0	1,313	3,705	0	31,795
Impairments	(114,673)	0	(6,444)	(2,684)	0	(123,801)
Transfers	(154)	0	(347)	(600)	1,101	0
Adjustments	(124)	0	0	(840)	0	(964)
Gross Book Value as at 31 March 2008	1,158,965	51,723	18,231	35,307	1,101	1,265,327
<i>Depreciation as at 1 April 2007</i>	(55,996)	0	0	(4,083)	0	(60,079)
Charge for year	(25,472)	0	0	(590)	0	(26,062)
Depreciation write back	68,322	0	0	1,208	0	69,530
Impairments	0	0	0	0	0	0
Adjustments	124	0	0	840	0	964
Depreciation as at 31 March 2008	(13,022)	0	0	(2,625)	0	(15,647)
<i>Net Book Value 1 April 2007</i>	<i>1,177,057</i>	<i>24,736</i>	<i>24,532</i>	<i>31,543</i>	<i>0</i>	<i>1,257,868</i>
Net Book Value 31 March 2008	1,145,943	51,723	18,231	32,682	1,101	1,249,680

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 2007</i>	<i>715,353</i>	<i>448,496</i>	<i>3,254</i>	<i>10,514</i>	<i>55,436</i>
Additions	0	9,453	1,992	412	5,442
Disposals	(3,192)	(15)	(6)	0	0
Revaluations	9,681	17,096	0	0	0
Impairments	(114,080)	(593)	0	0	0
Transfers	0	(154)	0	0	0
Adjustments	0	0	(124)	0	0
Gross Book Value at 31 March 2008	607,762	474,283	5,116	10,926	60,878
<i>Depreciation as at 1 April 2007</i>	<i>(34,404)</i>	<i>(12,752)</i>	<i>(1,788)</i>	<i>(1,914)</i>	<i>(5,138)</i>
Charge for year	(16,797)	(6,332)	(356)	(365)	(1,622)
Depreciation write back	51,155	17,161	6	0	0
Impairments	0	0	0	0	0
Adjustments	0	0	124	0	0
Depreciation as at 31 March 2008	(46)	(1,923)	(2,014)	(2,279)	(6,760)
Net Book Value 1 April 2007	680,949	435,744	1,466	8,600	50,298
Net Book Value 31 March 2008	607,716	472,360	3,102	8,647	54,118

(14) 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.

	2006/07 £'000	2007/08 £'000
Opening Capital Financing Requirement	90,976	106,004
Capital Investment		
Operational Assets	34,253	25,699
Non-Operational Assets	20,973	27,184
Deferred Charges	1,347	1,154
Sources of Finance		
Capital Receipts	(1,242)	(2,215)
Government Grants and Contributions	(24,769)	(23,996)
Revenue Provision (including MRP)	(15,534)	(12,762)
Closing Capital Financing Requirement	<u>106,004</u>	<u>121,068</u>
Explanation of Movements in year:		
Increase in Underlying Need for Borrowing (Supported by Government Financial Assistance)	14,947	15,064
Increase in Underlying Need for Borrowing (Unsupported by Government Financial Assistance)	81	0
Increase in Capital Financing Requirement	<u>15,028</u>	<u>15,064</u>

(15) Capital Commitments

As at 31 March 2008 the Council had authorised expenditure in future years of £18,789 million. These commitments include the following significant schemes -

Schemes	Expenditure Approved for 2007/08 £'000
Lansdowne Primary Extra Places	435.5
Gateway Community College New Build	3,944.2
West Thurrock Primary New Build	4,235.9
Belhus Chase Secondary Extra Places	667.7
Ockendon School Extra Places	991.6
Early Years Provision Extra Places	413.4
Tudor Court Primary	1,589.2
Various Children's Centres	1,228.2
Libraries Refurbishment	490.6

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
Kier Eastern	Gateway	1,996
Haymills	West Thurrock Primary	4,156
Forest Gate	Tudor Court Primary	1,994
Haymills	Special Schools	167
Hutton	Ockendon Secondary	91

(16) Statement of Physical Assets

The following assets were owned as at 31 March 2008:

LAND AND BUILDINGS	2	Sports Centres	VEHICLES, PLANT & EQUIPMENT	13	Vehicles – Non Finance lease
	14	Village Halls		9	Plant – Non Finance Lease
	4	Community Halls		6	Computer Equipment
	17	Offices/Depots, etc.		6	Equipment - Other
	20	Car and Lorry Parks			
	2,745	Garages			
	1	Theatre		93	Parks
	55	Schools/Colleges		8	Burial Grounds
	20	Other Education Assets		33	Allotment Sites
	4	Residential Homes		10	War Memorials
	9	Other Social Services Assets		1	Historic Building
	8	Libraries		24	Highways Land/ Infrastructure
	1	Magistrates Court			
	1	Registry Office			
	1	Landfill Site			
COUNCIL DWELLINGS			COMMUNITY		
			NON-OPERATIONAL		
	5,590	Houses and Bungalows		171	Shops
	3,528	Flats and Maisonettes		47	Other Commercial
	1,222	Aged Persons Dwellings		3	Assets under Construction
	3	Traveller Sites		20	Vacant Sites

(17) Leasing of Assets

Finance Leases -

Council as Lessee -

No Finance lease rentals were paid in 07/08.

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 £719,434 (£898,742 in 2006/07).

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 £51,382 as at 31 March 2008.

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 2008 were £740,079 (General Fund) and £981,757 (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 2008/09 onwards under operating leases are -

	Vehicles, Plant and Equipment £	Other Land and Buildings £
Expiring in 2008/09	458,809	0
Expiring between 2009/10 and 2012/13	43,769	51,382

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	66,267,622
Accumulated Depreciation at 31 March 2008	<u>(1,653,186)</u>
Net Book Value	<u>64,614,436</u>

(19) Fixed Asset Valuation

The freehold and leasehold properties which comprise the Council's property portfolio have been valued at 31 March 2008 by external valuers employed by Europa FM plc – B. Hoy MRICS and P. Singer MRICS, in accordance with the statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors.

An initial full valuation was done in 1994, but since this date the Council has operated a rolling 4 year valuation programme, where all assets are valued over a four year period.

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

The Council's intangible assets relate to hire purchase, development and implementation of computer software. Such assets are amortised over an 8 year period on a straight line basis.

	£'000
Intangible Assets - Software	
Gross Book Value at 1 April 2007	1,958
Accumulated Amortisation	<u>(245)</u>
	1,713
Movement in Year	
Additions	0
Disposals	0
Revaluations	0
Amortisation for year	(245)
Impairment for year	0
Net Book Value as of 31 March 2008	<u>1,468</u>

1(21) Net Assets Employed

The table below shows the analysis of net assets employed across the funds. The Council does not prepare separate balance sheets for the funds and therefore the breakdown represents best information available by identifying specific Housing Revenue Account Assets and Liabilities.

	<i>Balance 31/03/07 £'000</i>	<i>Balance 31/03/08 £'000</i>
General Fund	419,661	429,249
Housing Revenue Account	618,206	544,307
Total	<u>1,037,867</u>	<u>973,556</u>

(22) Long Term Borrowing

	<i>Balance 31/03/07 £'000</i>	<i>Loans Raised £'000</i>	<i>Loans Transferred £'000</i>	<i>Balance 31/03/08 £'000</i>
PWLB	66,373	69,012	(39,934)	95,451
Annuities	4	0	10	14
Other Long Term Borrowing	30,000	0	(540)	29,460
Total Long Term Borrowing	<u>96,377</u>	<u>69,012</u>	<u>(40,464)</u>	<u>124,925</u>

Long Term External Borrowing by Maturity	£'000
Maturing in more than one year and less than two years	24
Maturing in more than two years and less than five years	3,096
Maturing in more than five years and less than ten years	0
Maturing in more than ten years	121,805
	<u>124,925</u>

Loans Transferred comprises Long Term Debt maturing within one year.

(23) Insurance Provision

	<i>Balance 31/03/07 £'000</i>	<i>Income in the Year £'000</i>	<i>Expenses or Reduction in Year £'000</i>	<i>Balance 31/03/08 £'000</i>
Insurance Provision	804	529	(363)	970
	<u>804</u>	<u>529</u>	<u>(363)</u>	<u>970</u>

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

(24) Detailed Movement on Reserves

	Opening Balance 01/04/07 £'000	Gains or Losses Transferred £'000	Transactions with Other Reserves £'000	Closing Balance 31/03/08 £'000
Revaluation Reserve	0	(55,494)	0	(55,494)
Capital Adjustment Account	(1,077,308)	94,724	(7,369)	(989,953)
Financial Instruments Adjustment Account	0	(2,312)	0	(2,312)
Usable Capital Receipts	(1,413)	222	0	(1,191)
Pensions Reserve	68,768	34,800	0	103,568
Housing Revenue Account	(4,249)	576	0	(3,673)
Major Repairs Reserve	(115)	(7,078)	7,045	(148)
General Fund	(2,000)	1,013	(1,013)	(2,000)
Other Reserves	(21,549)	(2,141)	1,337	(22,353)
	(1,037,866)	64,310	0	(973,556)

(25) 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. This agreement commenced April 2008.

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

(26) Authorisation of the accounts

The Accounts were authorised by the Council on 26 November 2008.

(27) 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 25 June 2008, at which date there were no known events transpiring after 31 March that were material to these accounts.

(28) Trust Funds and Receiverships

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

	<i>Balance</i> 31/03/07 £	Income in Year £	Expenses in Year £	Balance 31/03/08 £
Miss Grover's Charity	19,684	1,548	0	21,232

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

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

	£
Cory Environmental Trust	483,067
Veolia ES Cleanaway Mardyke	883,005

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.

(29) Fund Balances

	<i>Balance 31/03/07 £'000</i>	<i>Income in Year £'000</i>	<i>Expenses in Year £'000</i>	<i>Balance 31/03/08 £'000</i>
General Fund Working Balance	2,000	0	0	2,000
HRA Balance	4,249	0	(576)	3,673
Schools Balances	7,455	2,096	0	9,551
Collection Fund	382	450	(274)	558
	<u>14,086</u>	<u>2,546</u>	<u>(850)</u>	<u>15,782</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.

(30) 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	
	<i>2006/07 £'000</i>	<i>2007/08 £'000</i>
Net Cost of Services:-		
Current Service Cost	8,463	7,006
Past Service Costs	430	2,051
Net Operating Expenditure:-		
Interest Cost	11,893	13,208
Expected Return on Assets in the Scheme	(9,777)	(11,538)
Amount to be met from Government Grants and Local Taxation:-		
Movement on Pensions Reserve	(2,320)	(1,484)
	<u>8,689</u>	<u>9,243</u>
Actual Amount Charged against Council Tax for Pensions in the Year	8,689	9,243
Employers Contributions Payable to the Scheme	8,689	9,243

The underlying assets and liabilities in the Essex County Council Pension Fund for retirement benefits attributable to the Authority at 31 March 2008 are as follows -

	<i>Balance 2006/07 £'000</i>	<i>Balance 2007/08 £'000</i>
Funded Benefits under LGPS Regulations	(235,545)	(262,003)
Unfunded Discretionary Benefits Awarded by Means of Additional Benefits under the LGPS Regulations	<u>(8,819)</u>	<u>(9,859)</u>
Actuarial Value of Fund Liabilities	(244,364)	(271,862)
Market Value of Fund Assets	<u>175,596</u>	<u>168,294</u>
Deficit in the Fund	<u>(68,768)</u>	<u>(103,568)</u>

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £103.568 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 2007.

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 £33.316 million.

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

	<i>31/03/07 %</i>	<i>31/03/08 %</i>
Inflation	3.10	3.60
Discount Rate (Pre-retirement)	5.40	6.10
Discount Rate (Post-retirement)	5.40	6.10
Expected Return on Assets	6.92	6.96
Expected Rate of Salary Increases	4.60	5.10
Rates of Pension Increases in Payment	3.10	3.60
Rates of Pension Increases in Deferment	3.10	3.60
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.

	<i>2006/07</i>		<i>2007/08</i>	
	<i>Market Value</i>	<i>Expected Rate of Return</i>	<i>Market Value</i>	<i>Expected Rate of Return</i>
	<i>£'000</i>	<i>% p.a.</i>	<i>£'000</i>	<i>% p.a.</i>
Equities	121,687	7.50	118,143	7.50
Government Bonds	17,384	4.70	15,820	4.60
Other Bonds	11,063	5.40	11,107	6.10
Property	21,950	6.50	18,007	6.50
Cash/Liquidity	3,512	5.25	5,217	5.25
Total	<u>175,596</u>	<u>6.92</u>	<u>168,294</u>	<u>6.96</u>

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 2007/08 may be summarised as follows:-

	2003/04 £'000	2004/05 £'000	2005/06 £'000	2006/07 £'000	2007/08 £'000
Expected Return/(Loss)	7,297	8,612	8,189	9,777	11,538
Actual Gain/(Loss) (as a % of Assets)	16,168 (13.1%)	6,391 (4.5%)	24,814 (15.5%)	1,935 (1.1%)	(18,970) (11.3%)
Liability Gain/(Loss) (as a % of Liabilities)	0	(2,221) (1.0%)	(5,652) (2.3%)	0	2,587 (1.0%)
Changes in Assumptions (as a % of Liabilities)	0	(37,448) (16.6%)	(18,363) (7.6%)	12,253 (5.0%)	(16,933) (6.2%)
Net Gain/(Loss) (as a % of Liabilities)	16,168 (9.4%)	(33,278) (14.7%)	(3,982) (1.7%)	14,188 (5.8%)	(33,316) (12.3%)

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.

(31) Pensions – Teachers Scheme

In 2007/08 the Council paid £7.849 million (£7.566 million in 2006/07) 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 14.1%. In addition, the Council is responsible for all pension payments relating to added years' benefits it has awarded. These amounted to £27,991 in 2007/08 (£60,777 in 2006/07).

(32) Reconciliation of surplus/deficit on Cash Flow

Note	2006/07		2007/08	
	£'000	£'000	£'000	£'000
Reconciliation of Revenue Cash Flow				
Surplus/(Deficit) on Income and Expenditure Account		(21,844)		(85,542)
Amounts included from Income and Expenditure Account, but excluded in movement in the General Fund Balance		18,873		100,633
Amounts excluded from Income and Expenditure Account, but included in movement in the General Fund Balance		(9,474)		(12,558)
Transfers to or from the General Fund Balance that are required in determining the movement in the General Fund Balance		12,621		(437)
Collection Fund Surplus / (Deficit)		(253)		176
		<hr/>		<hr/>
		(77)		2,272
Add Back:				
Items not Involving Movement of Funds				
Minimum Revenue Provision		2,843		4,159
Claims Settled from Insurance Reserve		(495)		(363)
Transfers to and (from) Reserves:				
Revenue Contributions to Capital	1,048		1,301	
Contributions to the General Fund Balance	444		1,799	
Contributions from the General Fund Reserve	(905)		(755)	
HRA Balance	(612)		(576)	
Major Repairs Allowance	6,945		7,078	
Interest Credited on Reserve Balances	0		0	
Insurance Reserve	570		536	
Electronic Government IT Reserve	49		2	
Car Parking Reserve	0		0	
Building Control Reserve	67		(99)	
Museum Donations Reserve	(3)		0	
Political Structure	(25)		193	
Single Status	(2,700)		206	
Developers Contributions	(300)		0	
Best Value Reserve	(8)		(9)	
Waste Development Reserve	350		0	
Landfill Credits Reserve	15		0	
Repairs and Renewals Reserve	20		0	
Capital Expenditure Reserve	0		(324)	
Transfer from Usable Capital Receipts equal to the Contribution to Housing Pooled Capital Receipts	(3,299)		(2,145)	
Provision for ECC Debt Repayment	622		0	
		<hr/>		<hr/>
		2,278		7,207
		<hr/>		<hr/>
		4,549		13,275
Add back:				
Increase/(Decrease) in Revenue Provisions			(4)	
(Increase)/Decrease in Stocks	57		(133)	
(Increase)/Decrease in Revenue Debtors	7,282		2,413	
Increase /(Decrease) in Revenue Creditors	4,064		(1,844)	
		<hr/>		<hr/>
		11,403		432
		<hr/>		<hr/>
		15,952		13,707

Financing Items shown below Revenue Activities

External Interest Charged	7,283	3,331
External Interest Received	(3,545)	(5,215)
	<u>3,738</u>	<u>(1,884)</u>
Net Cash Flow from Revenue Activities	<u>19,690</u>	<u>11,823</u>

(33) Analysis of Changes in Debt

	<u>As at</u> <u>31/3/06</u> £000	<u>As at</u> <u>31/3/07</u> £000	<u>Movement</u> £000	<u>As at</u> <u>31/3/08</u> £000	<u>Movement</u> £000
Cash and Bank	(3,868)	(1,380)	2,488	3,375	4,755
Debt Due within 1 year	(10,230)	(7,800)	2,430	(13,088)	(5,288)
Debt Due after 1 year	(97,556)	(111,762)	(14,206)	(125,229)	(13,467)
))
Net Cash Inflow before Financing	(111,654)	(120,942)	(9,288)	(134,942)	(14,000)
))

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

	<u>2006/07</u> £000	<u>2007/08</u> £000
(Increase)/Decrease in Cash for Period	(2,488)	(4,755)
Cash Received from Increase in Debt	14,206	13,467
Cash Used to Decrease Liquid Resources	(2,430)	5,288
Change in Debt	9,288	14,000
Net Debt at 1 April	<u>111,654</u>	<u>120,942</u>
Net Debt at 31 st March	<u>120,942</u>	<u>134,942</u>

(35) Analysis of Government Grants

	<u>2006/07</u> £000	<u>2007/08</u> £000
Revenue Support Grant	7,432	7,299
Housing Benefit	41,781	47,876
Housing Subsidy	(7,014)	(7,788)
	<u>42,199</u>	<u>47,387</u>
Childrens Social Services	1,123	682
Dedicated Schools Grant	84,337	88,527
Education Standards Fund	9,734	19,114
Supporting People	2,273	2,492
Schools Standards Grant	3,487	4,395
Early Years Funding	2,139	2,312
Mental Illness Specific Grant	0	342
Carers Special Grant	0	579
DoH Grant	0	410
Access & Systems Capacity	0	1,415
LAA Pump Priming Grant	0	310
Other Grants	510	6,846
	<u>103,603</u>	<u>127,424</u>
Total	<u>145,802</u>	<u>174,811</u>

(36) 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)

(37) 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.

Schools Budget Funded by Dedicated Schools Grant			
	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Original grant allocation to Schools Budget for 2007/08 in the authority's budget	13,431	75,374	88,805
Adjustment to finalised grant allocation	(958)	746	(212)
DSG receivable for 2007/08	12,473	76,120	88,593
(Over)/underspend brought forward from 2006/07	424	0	424
Total Available DSG for 2007/08	12,897	76,120	89,017
Actual Expenditure for 2007/08	(12,558)	(76,120)	(88,678)
(Over) / underspend for 2007/08	339	0	339
(Over) / underspend carried forward to 2008/09	339	0	339

(38) Financial Assets and Liabilities Disclosure

1. Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term as at 31/3/2007 £'000	Current as at 31/3/2007 £'000	Long Term as at 31/3/2008 £'000	Current as at 31/3/2008 £'000
Financial Liabilities at Amortised Cost	111,813	7,830	125,150	13,088
Other Creditors	0	9,296	0	7,287
Total Borrowing	111,813	17,126	125,150	20,375
Loans and Receivables	0	9,781	0	16,164
Financial Assets at fair value through the I&E account	0	37,500	0	39,702
Cash & Bank	0	484	0	3,376
Other Debtors	0	7,755	0	9,009
Total Investments	0	55,520	0	68,251

2. Financial Instruments Gains and Losses

The gains and losses recognised in the Income and Expenditure Account in relation to financial instruments are made up as follows in Table 1 for 2007/08 and Table 2 for 2006/07:

Table 1	Financial Liabilities	Financial Assets			
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available for Sale Assets £'000	Fair value through the I&E account £'000	Total £'000
Interest expense	-7,450	0	0	0	-7,450
Losses on derecognition	-136	0	0	0	-136
Impairment losses	0	0	0	0	0
Interest Payable and Similar charges	-7,586	0	0	0	-7,586
Interest Income	0	2,325	0	2,366	4,691
Gains on Derecognition	3,969	0	0	0	3,969
Interest and Investment Income	3,969	2,325	0	2,366	8,660
Gains on revaluation	0	0	0	0	0
Losses on revaluation	0	0	0	0	0
Amounts recycled to the I&E account after impairment	0	0	0	0	0
Surplus arising on revaluation of financial assets	0	0	0	0	0
Net gain/-loss for the year	-3,617	2,325	0	2,366	1,074

Note 1 - Interest expense is for the total of interest payments made on the Council's borrowings and internal charges from the HRA

Note 2 - Losses on derecognition is for premiums payable on early debt repayment

Note 3 - Interest income on loans and receivables is for interest received on the Council's internally made investments

Note 4 - Interest income on fair value through the I&E Account is for interest on the Council's externally held investments.

Note 5 - Gains on derecognition is for discounts receivable on early debt repayment

Table 2	Financial Liabilities	Financial Assets			
	Liabilities measured at amortised cost	Loans and receivables	Available for Sale Assets	Fair value through the I&E account	Total
	£'000	£'000	£'000	£'000	£'000
Interest expense	-6,424	0	0	0	-6,424
Losses on derecognition	-156	0	0	0	-156
Impairment losses	0	0	0	0	0
Interest Payable and Similar charges	-6,580	0	0	0	-6,580
Interest Income	0	1,974	0	1,313	3,287
Gains on Derecognition	29	0	0	0	29
Interest and Investment Income	29	1,974	0	1,313	3,316
Gains on revaluation	0	0	0	0	0
Losses on revaluation	0	0	0	0	0
Amounts recycled to the I&E account after impairment	0	0	0	0	0
Surplus arising on revaluation of financial assets	0	0	0	0	0
Net gain/-loss for the year	-6,551	1,974	0	1,313	-3,264

Note 1 - Interest expense is for the total of interest payments made on the Council's borrowings and internal charges from the HRA

Note 2 - Losses on derecognition is for premiums written off on early debt repayment

Note 3 - Interest income on loans and receivables is for interest received on the Council's internally made investments

Note 4 - Interest income on fair value through the I&E Account is for interest on the Council's externally held investments.

Note 5 - Gains on derecognition is for discounts written off on early debt repayment

3. Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and assets are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- The PWLB have provided figures with reference to the premature repayments rates in force on 31st March 2008.
- For market loans, the banks involved were contacted, but, have not responded. The Council has assessed fair value by using the equivalent PWLB interest rates ruling on 31st March 2007 and 31st March 2008.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount.
- For investments held by the Council's Fund Managers the market value taken from the year end valuations have been used.
- The fair value of creditors and debtors is taken to be the invoiced or billed amount

	31/3/07 Carrying Amount	31/3/07 Fair Value	31/3/08 Carrying Amount	31/3/08 Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	66,392	73,670	95,676	114,434
Long term Market Debt	30,000	40,889	29,460	44,556
Temporary Market Debt	7,800	7,800	13,088	13,000
Bonds/Annuities	15	15	15	14
Total Debt	104,207	122,374	138,239	172,004
Other Creditors	9,296	9,296	7,287	7,287
Total Financial Liabilities	113,503	131,670	145,526	179,291
Temporary Investments	9,781	9,781	16,054	16,054
Fund Managers Investments	37,500	39,053	39,702	39,702
Other Debtors	7,755	7,755	9,009	9,009
Total Loans and Receivables	55,036	56,589	64,765	64,765

(39) Nature and Extent of Risk Arising from Financial Instruments

Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

1. Credit Risk – the possibility that other parties might fail to pay amounts due to the Council.
2. Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
3. Re-Financing Risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
4. Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

Overall Procedures for Managing Risk

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

1. By formally adopting the requirements of the Code of Practice
2. By approving annually in advance prudential indicators for the following three years limiting:
 - (a) The Council's overall borrowing
 - (b) Its maximum and minimum exposures to fixed and variable rates
 - (c) The maturity structure of its debt
 - (d) Its maximum annual exposure to investments maturing beyond a year
3. By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

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

These policies are implemented by the Capital, Taxation and Treasury Team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through Treasury

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and investment institutions unless they meet the minimum requirements of the investment criteria outlined above.

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

Deposits with banks and financial institutions

Table 2	Amounts as at 31/3/3008 £'000	Historical Default %	Adjust for market conditions %	Estimated Maximum Exposure £'000
Banks rated AAA long term	1,160	0	0	0
Banks rated AA long term	37,500	0	0	0
Banks rated F1 short term	3,650	0	0	0
Unrated Building Societies with assets over £1,000 million	7,000	0	0	0
Unrated Building Societies with assets between £499-£999million	1,000	0	0	0
Unrated Building Societies with assets up to £498 million	4,000	0	0	0
Local Authorities	400	0	0	0
Total	54,710			

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The total amount of Debtors outstanding at the 31st March 2008 is £9.009m. This figure is made up of £5.994m of Trade Debtors and £3.015m of Other Debtors that the Council have determined as being financial instruments. The Council does not generally allow credit for its trade debtors, such that £2.537m of the total balance is past its due date for payment. To this end a provision for bad debts of £358k has been calculated with reference to estimated default rates. Of the total amount overdue £1.670m is overdue by up to 365 days with the remaining £867k by more than one year. The Council considers that the remaining £3.015m of other debtors are considered as current debtors and therefore all receivable within one year.

During the reporting period the Council held no collateral as security.

Liquidity Risk

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

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy reports), as well as through cash flow management required by the Code of Practice.

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

Liquidity Risk - Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

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

1. Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt.
2. Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

	£'000
Less than one year	20,287
Between one and two years	0
Between two and seven years	3,046
Between seven and fifteen years	1,000
More than fifteen years	120,339
Total	144,672

The maturity analysis of financial assets is as follows:

	Fund Managers £'000	TBC Investments £'000	Debtors £'000
Less than one year	37,500	16,050	9,009
Between one and two years	0	0	0
Between two and seven years	1,160	0	0
Between seven and fifteen years	0	0	0
More than fifteen years	0	0	0
Total	38,660	16,050	9,009

The maturity analysis of the Fund Managers Investments is based on the nominal value of investments held as at 31/3/08 as per the Managers reports.

Market Risk

Interest Rate Risk

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

1. Borrowings at variable rates – the interest expense charged to the Income and expenditure Account will rise.
2. Borrowings at fixed rates – the fair value of the borrowing liability will fall.
3. Investments at variable rates – the interest income credited to the Income and expenditure Account will rise.
4. Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the General Fund Balance, subject to influences from Governments Grants. Movements in the fair value of fixed rate investments will be reflected in STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

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

If all interest rates had been 1% higher with all other variables held constant then the financial effect would be:

	£'000
Increase on interest payable on variable rate borrowing	0
Increase in interest receivable on variable rate investments	0
Impact on Income and expenditure Account	0
Share of overall impact debited to the HRA	0
Decrease in fair value of fixed rate investment assets	0
Impact on STRGL	0
Decrease in fair value of fixed rate borrowing liabilities (no impact on I&E Account or STRGL)	11,558

Note 1 - Variable rate borrowing. The Council's variable rate borrowing consists of LOBO loans and an increase of 1% in interest rates would not effect these loans.

Note 2 - Variable rate investments. The Council currently has no variable rate investments.

Note 3 - Fair value of fixed rate investments. Fair value of investments with a maturity of less than twelve months is taken to be the principal outstanding. Therefore as all of the Council's internally held investments have a maturity of twelve months or less there will be no change in their fair value. External investments held by the Council's Fund Managers have been classified as Fair Value through Profit and Loss and as all are at fixed interest rates they will not affect the above table.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair Value of Assets and Liabilities carried at Amortised Cost.

Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares or have any holdings in joint ventures or local industry.

Foreign Exchange Risk

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

(40) Local Area Agreement (LAA)

The council is a participant in an LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, the LAA has completed the second year of its three-year agreement.

The purpose of the LAA is to provide a strategic and coordinated approach to delivery across all those who deliver services in Thurrock. As such, the LAA enables partners in Thurrock to balance delivery against the competing mix of national and local priorities. The LAA also provides partners with opportunities to enhance delivery through aligning and pooling of resources across the partnership.

LAA partners taking a lead role in delivery include:

- Thurrock Council
- South West Essex Primary Care Trust
- Essex Police
- Thurrock Thames Gateway Development Corporation
- Thurrock Adult Community College
- Thurrock Council for Voluntary Services
- Thurrock and Southend Connexions
- local businesses
- local voluntary, community and faith groups
- regional agencies and charities

Thurrock Council acts as the accountable body for the LAA. This means that the Council is responsible for administering the distribution of the grant paid by Government to those partners involved. Decisions about how this funding is distributed amongst partners is at the discretion of the Shaping Thurrock Partnership, not the Council.

The total amount of LAA Grant received by the LSP in 2007/08 is £2.381 million.

As accountable body, the council is potentially responsible for repaying to the Government any element of grant that is found to have been misused by its partners. Systems in place for distributing grant that are designed to limit the possibility that this will happen. It has not been necessary to recognise any contingent liabilities for possible repayments and no provisions have been made for any such eventuality.

HOUSING REVENUE ACCOUNT (HRA)

Notes	HRA Income and Expenditure Account	2006/07 £'000	2007/08 £'000
	Income		
	DWELLING RENTS		
1.	Gross Rent From Dwellings	33,443	36,048
	Less Voids	(367)	(254)
4.	Transfer To General Fund (Re Rent Rebates)	(677)	0
		32,399	35,794
	NON DWELLING RENTS		
	Shop Rents	818	813
	Garage Rents	697	747
	Premises Income	192	191
		1,707	1,751
	CHARGES FOR SERVICES AND FACILITIES		
	Central Heating Charges	33	35
		33	35
	CONTRIBUTION TOWARDS EXPENDITURE		
	Transfer From General Fund: Use Of Housing Amenities	162	170
	Leaseholders Charges	345	582
	Government Grant	38	44
		545	796
	Total Income	34,684	38,376
	EXPENDITURE		
	Repairs And Maintenance	12,047	12,338
	Supervision and Management	8,636	10,808
	Rents, rates, taxes and other charges	30	37
2.	Negative housing revenue account subsidy payable	7,014	7,788
3.	Depreciation and impairment of fixed assets	16,897	101,869
	Debt Management Costs	18	19
	Increase in bad debt provision	211	215
	Total Expenditure	44,853	133,074
	Net Cost of HRA Services per Authority Income and Expenditure Account	10,168	94,698
	NET COST OF HRA SERVICE	10,168	94,698
	Gain or loss on sale of HRA fixed assets	0	0
	Interest Payable and similar charges (deferred purchase interest)	34	31
	Amortisation of premiums and discounts (Premium on Debt Restructuring)	17	17

Interest and investment income	(477)	(339)
Pension interest cost and expected return on pension assets	(225)	(151)
(Surplus) or deficit for the year on HRA Services	9,517	94,256

Statement of Movement on the HRA Balance

	£'000	£'000
(Surplus) or Deficit for the year on the HRA income and Expenditure Account	9,517	94,256
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the Year	(8,904)	(93,680)
(Increase) or decrease in the HRA balance	612	576
HRA surplus brought forward	(4,861)	(4,249)
HRA Surplus carried forward	(4,249)	(3,673)

Note to the Statement of Movement on the HRA Balance

	2006/07 £'000	2007/08 £'000
Transfer to / (from) Major Repairs Reserve	(9,952)	(10,395)
Impairment of fixed assets	0	(84,445)
Capital Expenditure funded by the HRA	1,048	1,160
Net Amount required by statute to be debited or (credited) to the HRA balance for the year	(8,904)	(93,680)

NOTES TO THE HOUSING REVENUE ACCOUNT SUMMARY

(1) Gross Rent Income

The level of rent arrears is as follows:-

	2006/07	2007/08
Gross Current Arrears at 31st March	£1,020,933	892,916
As a proportion of Gross Rent Income collectable in year	3.05%	2.52%
Former Tenant Arrears at 31st March	£451,678	584,665

Amounts written off during the year amounted to £94,463.

There is a provision in the sum of £745,664 for the potential write off of irrecoverable debts.

(2) HRA Subsidy

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

	2006/07 £000	2007/08 £000
Management Allowance	5,253	5,461
Maintenance Allowance	10,831	11,224
Major Repairs Allowance	6,944	7,078
Charges for Capital	1,045	1,084
Other Items of Reckonable Expenditure	25	16
Admissible Allowance	36	0
Less:		
Notional Rent Income	(31,038)	(32,613)
Prior Year Adjustments	(100)	(30)
Interest on Receipts	(10)	(8)
HRA Subsidy	<u>(7,014)</u>	<u>(7,788)</u>

(3) Depreciation

Depreciation of £17.103 million was charged to the HRA in relation to operational assets comprising dwellings, other land and buildings, and plant and equipment.

	2006/07 £'000	2007/08 £'000
Depreciation on:		
Dwellings	16,124	16,797
Other Land and Buildings	346	197
Plant and Equipment	0	109
Non-Operational Assets	427	370
Impairment of Assets	0	84,445
	<u>16,897</u>	<u>101,918</u>

(4) Sums Directed by the Secretary of State

The sum of £0 million has been recharged to the General Fund as follows:

	2006/07 £'000	2007/08 £'000
Subsidy Limitation	677	0

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 responsible for managing on average 10,355 dwellings during 2007/08. The Council's actual housing stock as at 31st March 2008 was 10,341, and was made up as follows:-

Number and types of properties as at:	2006/07	2007/08
Number of Houses and Bungalows	5,611	5,590
Number of Flats and Maisonettes	3,536	3,530
Number of Aged Person Dwellings	1,222	1,222
	10,369	10,342

The change in the stock can be summarised as follows:

	2006/07	2007/08
Stock at 1st April	10,420	10,369
Less Sales	(51)	(27)
Stock at 31st March	10,369	10,342

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

	2006/07 £'000	2007/08 £'000
Operational Assets	694,876	623,367
Non-Operational Assets	19,176	17,983
Balance carried forward	714,052	641,350

The vacant possession value of dwellings within the HRA as at 1st April 2007 was £1.237 million. The vacant possession value and Balance Sheet value of dwellings show the economic cost to the Government of providing Council housing at less than open market rents.

(7) Major Repairs Reserve

	2006/07 £'000	2007/08 £'000
Balance as at 1st April	1,404	115
Depreciation	16,897	17,473
Transfer to HRA	(9,952)	(10,395)
Capital Expenditure	(8,234)	(7,045)
Balance as at 31st March	115	148

(8) Capital Expenditure

Capital expenditure on land, houses and other properties within the HRA in 2007/08 was financed as follows:

	2006/07 £'000	2007/08 £'000
Major Repairs Reserve	8,234	7,045
HRA Capital Expenditure	8,234	7,045

(9) Capital Receipts

	2006/07 £'000	2007/08 £'000
Sales of Dwellings	4,586	2,936
Sale of Other Assets	614	905
	5,200	3,841

THE COLLECTION FUND ACCOUNT

Note		2006/07 £'000	2007/08 £'000	£'000
	Income			
(2)	Council Tax	50,257	52,710	
	Transfers from General Fund			
	Council Tax Benefits	8,384	8,637	61,347
(3)	Income Collectable from Business Ratepayers	<u>85,509</u>		<u>83,577</u>
		144,150		144,924
	Expenditure			
	Precepts and Demands:			
	Essex Police Authority	5,622	5,954	
	Essex Fire Authority	2,950	3,064	
	Thurrock Borough Council	49,354	<u>51,723</u>	60,741
(3)	Business Rate			
	Payment to National Pool	85,271	83,340	
	Costs of Collection	238	<u>237</u>	83,577
(4)	Provision for Bad Debts:			
	Additional Provision	<u>610</u>	<u>156</u>	156
	Contributions			
	Essex Police Authority	34	26	
	Essex Fire Authority	19	14	
	Thurrock Borough Council	306	234	<u>274</u>
		<u>144,404</u>		<u>144,748</u>
	Surplus for year	(254)		176
	Fund Balance brought forward	636		382
	Fund Balance carried forward	<u>382</u>		<u>558</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	5,960	6:9	3,973
B	10,775	7:9	8,381
C	22,992	8:9	20,437
D	9,983	9:9	9,983
E	3,939	11:9	4,814
F	1,905	13:9	2,752
G	743	15:9	1,238
H	27	18:9	54
	<hr/> 56,333		<hr/> 51,637

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.

(516)

Council Tax Base

51,121

(3) Income from Business Ratepayers

Non-Domestic Rates are organised on a national basis. Local businesses pay rates calculated by multiplying their rateable value by an amount specified by the Government (44.4p in 2007/08). The Council is responsible for collecting rates due from the ratepayers in its area. The total amount, less certain reliefs and other deductions, is paid into a central pool (the NNDR Pool) administered by the Government. The Government redistributes the sums paid into the Pool back to local authorities on the basis of a fixed amount per head of population. The sum of £43.493 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 2008 was £221,696,497.

(4) Bad Debts

Amounts written off during the year amounted to £276,272 (£257,812 in 2006/07). There is a provision in the sum of £2.589 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.