THURROCK COUNCIL

putting residents first….

STATEMENT OF ACCOUNTS 2008/09

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Further information about the accounts is available from:

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REPORT OF CORPORATE DIRECTOR OF RESOURCES

Report of the Corporate Director of Resources

I am pleased to introduce the Council's Statement of Accounts for 2008/09. The publication includes financial statements and disclosure notes required by the Code of Practice as well as the Annual Governance Statement.

The format of local government accounts is currently evolving. Changes have been made and continue to be made to bring accounts more in line with UK generally accepted accounting practice as used in the private sector. There is a national project to bring the whole of government accounts in line with international financial reporting standards over the next few years so that public and private sector accounts are prepared on the same basis. The focus of these changes is on balance sheet valuation and the impact on income and expenditure accounts. Local authority budgets are prepared with a focus on the cost of delivering services. There is therefore a dis-connect between local accountability through the council tax and the requirements of financial reporting standards. As a result this income and expenditure account can show a substantial deficit when compared with the budget statements

The Explanatory Forward summarises the financial statements giving a brief explanation of the nature and content of these statements. The net cost of services on a management information basis was £109,115.2 million as reported to Cabinet on 17 June 2009. These accounts are wholly consistent with that outcome but are presented on the basis of the required accounting conventions.

In terms of financial performance, the General Fund under spent its budget by £0.568 million after taking into account a supplementary estimate approved during the year due to the loss of income resulting from the economic downturn. Economically, 2008/09 has been one of the most difficult years in recent history. Demand for services has increased whilst sources of income have decreased. The General Fund balance now stands at £7.502 million which, after allowing for the carry forward of some budget provisions, leaves balances at 5.4% of the net budget. The Housing Revenue Account (HRA), which deals with expenditure and income on the provision of council housing, used £1.570 million of its reserves to support its 2008/09 spend.

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 application and dedication in producing these accounts to the required standard and timescale.

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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 2009.

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 78 present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2009.

Corporate Director of Resources

Date: 23 September 2009

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 23 September 2009.

The Mayor

Date: 23 September 2009

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 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on 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 49 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 Code of Practice on Local Authority Accounting in the United Kingdom 2008 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 accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 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 accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the 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 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 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 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 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 Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 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.

Adverse Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice. In so doing, I identified the following:

- The medium term financial strategy in place during 2008/09 did not clearly link to other documents setting out capital and HRA financial plans nor to the organisation's strategic objectives, contained little scenario planning, and highlighted a budget gap but not how it is to be closed.

- There were clear examples of contracts being let during 2008/09 which did not follow the Council's own procedures and leave the Council open to challenge.

- During 2008/09 there was a breakdown in relationships between some key members and some officers resulting in fragmented leadership. The Constitution has not been updated since 2007 and is out of date. Delegation arrangements are not consistently understood which led to the failure to comply with the Council's contract standing orders

- I was unable to obtain sufficient appropriate evidence that Thurrock Council had an up to date Strategic Asset Management Plan covering all its services in place during 2008/09. The Council does not routinely challenge whether assets are required, are fit for purpose and provide value for money

For the reasons set out above, and having regard to relevant criteria specified by the Audit Commission for principal local authorities published by the Audit Commission in May 2008 and updated in February 2009, and the supporting guidance, I am not 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 2009, in that it did not put in place adequate arrangements for:

- planning its finances effectively to deliver strategic priorities and secure sound financial health

- commissioning and procuring quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money

- promoting and demonstrating the principles and values of good governance; and

- managing its assets effectively to help deliver its strategic priorities and service needs.

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
Officer of the Audit Commission
Atlantic Business Centres
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64 Broomfield Rd
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24 September 2009

THURROCK COUNCIL ANNUAL GOVERNANCE STATEMENT 2008/09

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 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 2009 and up to the date of approval of the annual report and statement of accounts.

3. THE GOVERNANCE FRAMEWORK

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 which consists 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 Council's 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 has to be considered as part of the arrangements around 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 Council’s 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 whistle-blowing 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.
- Personal Development Plans for members and senior officers are used to identify their development needs in relation to their strategic roles and are supported by appropriate training.

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 contract with Vertex. The direction and performance of the partnership is governed through the Strategic Partnership Board and key risks are reviewed monthly by Business Development Managers (client side) and representatives of Vertex. 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, linked to the Comprehensive Area Assessment process. 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/inspectorates.

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 meets 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 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.

During the year, it was identified that the Council had some serious weaknesses in its corporate governance arrangements. As a result of this, a voluntary Improvement Board was set up. This Board comprising: Members; senior management; significant partners; Government Agencies; and specialist consultants, has identified a number of areas of concern and is developing action plans to address them.

In addition, a number of actions were taken to strengthen the Council's governance framework, including:

- A continuous programme of reviewing and updating key Human Resources policies and regulations.
- Progressing initiatives aimed at informing and engaging the community including: the PLACE survey on improving outcomes for local people; Quality of Life survey which looks at local residents concerns and perceptions; a Tenant's survey on satisfaction with Council services; and the TELLUS survey for the Children, Education and Families Directorate which asked young people and children about their views on the local area.
- Training for members was developed to include specialised training for members sitting on the Planning and Licensing Committees. Training was provided in September 2008, for the Planning Committee and October 2008, for the Licensing Committee.
- Achieving level 3 of the Equality Standard.

- The formation of an Improvement Board to drive forward an Improvement Programme aimed at addressing specific issues identified within the Audit Commission's Direction of Travel Statement issued in March 2009.
- Work has continued to embed the performance appraisal process across the organisation.
- The Medium Term Financial Strategy was refreshed to take into account changes required following the 3-year CSR07 local government settlement and was presented to the Performance and Improvement Overview and Scrutiny Committee on 11th November 2008.

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. In addition, a review of the arrangements around risk management and corporate governance (partnerships) was also carried out. 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: HR (including Payroll); Housing Rents; Home to School Transport; Pupil Referral Unit; Adoption; Collins House; Direct Payments (Adults); Concessionary Fares; Legal Section – Use of External Advisors; IT Disaster Recovery & Business Continuity; and Pebbles Therapeutic Centre. The Council has developed action plans to address these issues and they will be reviewed as part of the audit plan for 2009/10.
- A dedicated Audit Committee which meets at least 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 during the year, on internal audit work carried out 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 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 seeks assurances 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 "Annual Audit and Inspection Letter" states "Thurrock Council is not improving adequately. There is a fundamental breakdown of relationships between some officers and members, adversely affecting the capacity and running of the Council". It identifies a number of actions that the Council needs to carry out to address these fundamental issues. A voluntary Improvement Board has been put in place to develop action plans to drive forward improvement.
- The Annual Audit and Inspection Letter also stated that "The overall use of resources score for the Council was level 2 (adequate). However, performance declined in internal control in 2008 and financial reporting is now inadequate".

- The auditor's annual governance report issued an unqualified opinion on the statement of accounts for 2007/08. The value for money conclusion was qualified in relation to asset management as the Council does not have an up to date asset management plan.

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 through the Improvement Board.

5. SIGNIFICANT GOVERNANCE ISSUES

ISSUE	ACTION TO BE TAKEN 09/10
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 *Delivering Good Governance in Local Government* (brought forward from 08/09).
Monitor progress against issues raised by the Annual Governance Statement.	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 against the AGS on a regular basis. This Group should also have responsibility for drafting the AGS. Progress should be periodically reported to the Corporate Management Team and Audit Committee (brought forward from 08/09).
Develop the relationship between members and officers to ensure the Council's decision making process is robust and effective and benefits the Community.	A review of the Council's Constitution is to be carried out to clarify the roles and responsibilities of the Council, Cabinet, Committees, Members and Officers. The review will also look at developing relationships between Committees e.g. between the Audit Committee and Standards Committee.
Members' Interests Declaration Form and guidance needs to be updated to ensure Thurrock Council complies with required changes.	The Monitoring Officer to carry out a review of the current forms and identify relevant changes. Revised form to be presented to the Standards Committee to consider changes and agree new forms and guidance. Internal Audit to review as part of annual plan 09/10.
Governance arrangements with key partners are not robust.	Independent review to be carried out to look at ways of improving the governance and reporting arrangements with partner organisations. Actions identified as part of the internal audit review carried out on Corporate Governance (Partnerships) in 08/09 will also be developed.
Lack of adherence to Contract Procedure Rules means the Council is not obtaining best value as the Procurement function is not being used effectively or efficiently.	Specialist Contract Internal Audit Team to review the Council's Contract Procedure Rules to improve departmental adherence to the procurement process and the letting of contracts.
The Strategic Services Partnership is not delivering the expected benefits.	A review of the partnership has been carried out by an independent consultant and a draft report produced. As a result of this work, the Strategic Partner will carry out a project to review the procurement function and identify how it can provide an effective and efficient service that benefits both the partner and the Council. There will also be a review of the HR function to look at the service provided and compare this against expectations to identify areas for improvement.
Annual Accounts not submitted on time or to the standard required by the External Auditors.	Work closely with the Audit Commission to determine exact requirements in respect of working papers and evidence to support the Annual Accounts. Resource a

ISSUE	ACTION TO BE TAKEN 09/10
	specialist to review evidence and working papers and identify any weaknesses prior to year-end Annual Audit. Submit and agree accounts by the specified deadline.
The value for money conclusion in the Auditor's Annual Governance Report was qualified in respect of asset management.	The Council needs to develop an up to date asset management plan to reflect the medium and long term arrangements for managing its assets. Previously, there was an asset management group with responsibility for developing the plan but this group stopped meeting a number of years ago. The Council should consider setting up a similar group with representatives from each directorate.
The Auditor's Annual Audit and Inspection Letter stated that financial reporting is inadequate.	Ensure there are sufficient staffing resources, with the necessary skills, to produce an accurate Statement of Accounts 2008/09. Seek to recruit a permanent member of staff to ensure financial reporting improves and skills are transferred to other staff.
Review the arrangements around the Regulation of Investigatory Powers Act (RIPA).	The Monitoring Officer became responsible for RIPA enquiries and arrangements were tightened during 08/09. However, the policy review which should have been completed in 08/09 did not take place so this has been carried forward to 09/10.
CRB checks for Councillors.	Whilst some progress was made in this area in 08/09, this tended to be spasmodic. In 09/10, the Monitoring Officer will extend this to all Councillors, especially those who are likely to have contact with vulnerable groups.
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). This has not been fully implemented in 08/09 and is carried forward to 09/10.
Strengthen performance management on basic core services to enable early intervention in poorly performing services.	Review data quality, management and reporting arrangements around the collection of performance data relating to national and local key performance indicators, particularly where there are contractual arrangements with outside bodies. Ensure action plans are developed and monitored at a senior level where poor performance is identified.
Model the organisational, infrastructure and financial implications of the challenges facing the Council in the medium and longer term.	The MTFS 2010-2013 will be reviewed and updated to develop the financial strategy to meet the challenges identified at the end of 2008/09. The strategy will be sent out for internal consultation before being presented to Members.
Need for greater focus on black and minority ethnic and other potentially disadvantaged groups to maintain cohesion, improve consultation and ensure policy and services meet all community needs.	A high level group of senior officers is to be set up to drive forward the agenda around community consultation and cohesion.
Internal Audit reports with Limited Assurance – HR (including Payroll);	Implement improvements agreed with management following Internal Audit reports, according to risk

ISSUE	ACTION TO BE TAKEN 09/10
Housing Rents; Home to School Transport; Pupil Referral Unit; Adoption; Collins House; Direct Payments (Adults); Concessionary Fares; Legal Section – Use of External Advisors; IT Disaster Recovery & Business Continuity; and Pebbles Therapeutic Centre.	prioritisation.

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.

Garry Hague	**Bob Coomber**
Leader of the Council	**Interim Chief Executive**
Date 23 September 2009	**Date 23 September 2009**
……………………………………..	………………………………….

EXPLANATORY FOREWORD

1. Statement of Accounts

The Code of Practice on Local Authority Accounting in United Kingdom requires publication of the following statements.

(i) The Statement of Responsibilities sets out the authority's and the Chief Financial Officer's responsibilities for the Statement of Accounts.

(ii) The Statement of Accounting Policies sets out the Accounting Policies that the authority has adopted in producing the Statement of the Accounts.

(iii) The Annual Governance Statement sets out the framework within which the control environment is managed and reports on areas of strengths and weaknesses.

(iv) The Income and Expenditure Account reports expenditure and income for each of the services provided by the Council and the surplus or deficit incurred. This statement also includes the Housing Revenue Account income and expenditure account.

(v) The Statement of Movement on the General Fund Balance shows how the surplus or deficit on the income and expenditure account for the year relates to the movement in the General Fund balance.

(vi) The Balance Sheet shows the assets, liabilities, balances and reserves held by the Council at the financial year end (31 March). This statement includes the Collection Fund Balance Sheet.

(vii) The Cash Flow Statement summarises the inflows and outflows of cash arising from the revenue and capital transactions with third parties.

(viii) The Housing Revenue Account summarises the income and expenditure relating to the local authority provision of social housing within the borough where the Council is the landlord.

(ix) The Collection Fund Account records the Council Tax and Business Rate transactions in the financial year. The statement also shows the distribution of the Council tax income to the Essex Police Authority and the Essex Fire and Rescue Authority.

These accounts have been compiled in accordance with the Code of Practice. The Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Joint Committee.

2. The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2008 (SORP).

These accounts have been prepared in accordance with the 2008 SORP, which defines proper accounting practices for local authorities. The 2008 SORP removed the accounting policy relating to deferred charges and introduced two new ones relating to the Area Based Grant and Revenue Expenditure Funded from Capital under Statute. Further details regarding these changes are included in the Statement of Accounting Policies.

The 2008 SORP has also clarified the position regarding the valuations of assets prior to disposal. Any revaluation of an asset to its sale price, "deathbed revaluation", is expressly prohibited. This results in a gain or a loss on the disposal of a fixed asset, depending on the valuation prior to sale and any associated costs of sale.

The net cost of services in the Income and Expenditure account has been presented in accordance with the Best Value Accounting Code of Practice (BVACOP). This is a different basis to the financial monitoring information presented to Cabinet on 17 June 2009, but reflects the same outcomes.

3. Financial Performance

The following table summarises General Fund Balances and Reserves:

		Balance at 1 April 2008 £'000	Outturn £'000	Balance at 31 March 2009 £'000
	General Fund Balance	2,000	0	**2,000**
	Schools Balances	9,551	381	**9,932**
	General Fund Reserve	4,708	794	**5,502**

		2007/08 Net Expenditure £'000		**2008/09 Net Expenditure £'000**
	Expenditure on Services			
	Adult Services	*27,022*		**36,027**
	Central Services to the Public	*2,069*		**6,321**
	Children's and Education Services	*17,992*		**100,744**
	Cultural, Environmental, Planning Services	*25,660*		**38,742**
	Highways, Roads, Transport Services	*9,792*		**9,041**
	Housing Services – Housing Revenue Account	*94,698*		**68,869**
	Housing Services - Other	*471*		**2,643**
	Corporate and Democratic Core	*5,440*		**6,498**
	Non Distributed Costs	*2,110*		**(57)**
	Net Cost of Services	*185,254*		**268,828**

The Council's financial performance resulted in an under spend for the 4th consecutive year. However, although the Council spent within 0.5% of its budget, it faced a number of pressures during the year in keeping expenditure within budget.

There are some significant movements between the 2007/08 and 2008/09 Statement of Accounts.

The economic downturn has had a substantial impact on the value of the Council's tangible fixed assets. There has been a reduction, impairment, in the value of the Council's assets of nearly £310 million, as shown in note 10 to the Statement of Accounts. Most of the reduction has been charged to the revaluation reserve, however £88 million has been charged to the net cost of services in the Income and Expenditure Account. This has affected Central Services to the Public, Children's and Education Services, Cultural, Environmental and Planning Services, Highway Transport and Roads. This is reversed out of the Statement of Movement in the General Fund Balance. The impairment charged to the Housing Revenue Accounts (HRA) was less than that in 2007/08.

The reduction in cost for the HRA is due to a reduction in the depreciation charged for the housing stock as the asset life has been increased from 30 to sixty years.

The increase in the net expenditure in Social Care is due to an impairment charge of nearly £2 million and a reduction in income of £2.2 million associated with the removal of the income for the Area Based Grant from net cost of services and the income included in general government grants on the Income and Expenditure account. The income was included in net cost of services as specific grants in the 2007/08 comparators.

The main pressure concerns Children's Health and Social Care. Issues concerning this service had been regularly reported during the year to Cabinet and were compounded as a consequence of the outcome of the "Baby P" case which resulted in an increased demand for the services particularly those dealing with advice and referral. Out of Borough Placements over spent due to an increase in the number of children with complex needs entering the care system, including disabled children. The average cost of a residential placement per child per annum is £190,000 and therefore a small number of children can have a significant impact. The local in-house provision at present cannot meet this additional demand and this has led to an increased use of more expensive out of borough provision. There has been an increase in Public Law Family Fees as a result of a legislative change. The service has severe problems in recruiting social workers, resulting in a significant number of social worker posts being filled by agency staff resulting in an over spend. This has been an ongoing issue, but policies introduced this year have reduced the reliance on agency staff.

Actions taken to mitigate against this during the year were to endeavour to reduce costs and find savings through other areas of the directorate. The problem has been partially addressed in the 2009/10 budget process by adding £2.081 million into the budget but some of this will be negated by the savings agreed (such as the reduction in management costs and the need to maintain a 4% vacancy rate). Actions taken to attract more social workers include the addition of market supplements and the offering of leased cars through a scheme run by Essex County Council.

The current economic downturn has impacted on the level of fee income received, particularly in respect of building control and planning application fees. The reduction in fees in 2008/09 was £495,000. This was mitigated in 2008/09 by a transfer from reserves to meet the reduction in income.

Investment income is lower in 2008/09 compared with 2007/08 due to lower interest on investments. The investment income is expected to be lower in 2009/10 compared with 2008/09.

The Statement of Accounts has been prepared in accordance with FRS 17 – Retirement Benefits. Although FRS 17 has not directly affected the net outturn position in 2008/09, the accounts show a net liability position of £98.053 million. This is a change from 2007/08 of £5.515 million due to the reduction in liabilities. The deficit is being addressed through increased employer and employee contributions which will be reviewed at the next triennial actuarial valuation to ensure the pension scheme returns to a 100% funding level over an appropriate period of time.

The interest payable on the Income and Expenditure Account has increased in 2008/09 compared with 2007/08. The 2007/08 figure was the first year of accounting for Financial Instruments on a new basis and the figure included a large adjustment. This does not provide a proper basis to compare the two figures.

A new Medium Term Financial Strategy (MTFS) is being prepared and will produce a three year indicative revenue budget. This addresses all anticipated major financial risks, known growth pressures and any potential savings.

The 2010/11 budget setting process aims to build on this by improving service and financial planning and improving links between capital and revenue strategies.

4. Housing Revenue Account

The Housing Revenue Account shows the income and expenditure incurred on Council housing. The Council budgeted for a surplus of £0.213 million in 2008/09. In addition £0.690 million was used from reserves to spend on the Council's Decent Homes' programme.

	2007/08 Net Expenditure £'000	**2008/09 Net Expenditure £'000**
Total Expenditure	*133,074*	**111,981**
Total Income	*(38,376)*	**(43,112)**
Net Cost of Services	*94,698*	**68,869**
Net Financing Costs	*(442)*	**(666)**
Net Credit to HRA Balance	*(93,680)*	**(66,633)**
Net (Surplus)/Deficit for the year	*576*	**1,570**
Balance Brought Forward	*(4,249)*	**(3,673)**
Balance Carried Forward	***(3,673)***	**(2,103)**

The under/over spend relates to a number of factors.

The dwelling rent income was higher than budgeted due to a higher occupancy rate and the Council not having to subsidise housing benefit payments where tenants' rents exceed the limitation threshold following the decision to de-pool service charges from 2008/09.

The expenditure figure is higher than expected due to an increase in the repairs and maintenance budgets as a result of increased work when a property is void to bring it up to Decent Homes' standard. In addition unforeseen Health and Safety works were identified totalling £0.726 million which were reported to Cabinet at its meeting on 10 December 2008.

Major Repairs Reserve

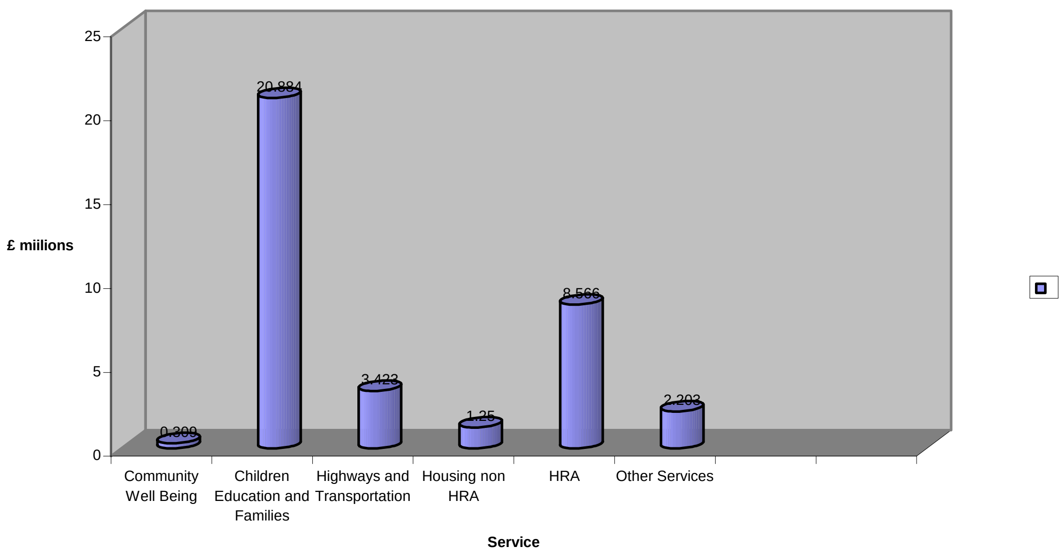
The Government introduced the Major Repairs Allowance (MRA) on 1 April 2001 as part of the housing subsidy grant payment which is for investment in the Council housing stock. Any surplus or deficit is ring fenced and carried forward.

		Revised Budget £'000	Actual £'000	Net Over/(under) spend £'000
	Gross Capital Expenditure Allocation	7,212 (7,212)	9,246 (9,139)	2,034 (1,927)
	Net Deficit/(Surplus) for the year MRA Balance Brought Forward	0 (148)	107 (148)	107 0
	MRA Balance Carried Forward HRA Balance Carried Forward	(148) (3,886)	(41) (2,103)	107 1,783
	Overall Balance Carried Forward (HRA/MRA)	(4,034)	(2,144)	1,890

5. Capital Expenditure

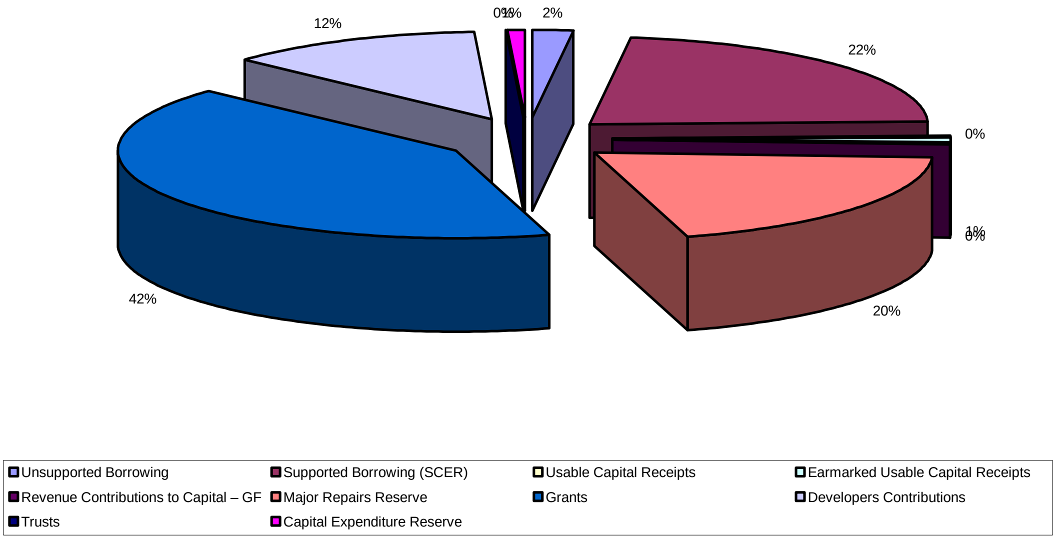
The Council spend of £36.635 million in 2008/09 on capital schemes is analysed as follows:

Capital Expenditure by Service



In addition the Gateway Academy became fully operational in 2008/09. The total cost of the Gateway Academy is £38.976 million.

Capital expenditure in 2008/09 was funded from the following sources:



The Authority tries to minimise unsupported borrowing to fund capital projects and fund any expenditure from capital receipts. However, currently the authority is facing reduced yields from the sale of assets.

The capital financing requirement as at 31 March 2009 was £125.880 million and the total long term borrowing and liabilities principal outstanding was £124.380 million.

6. Collection Fund

The Council is required to maintain a Collection Fund for the collection and disbursement of local taxes. The fund has its own separate income and expenditure account but the Collection Fund balances are consolidated in the Council's balance sheet. The Collection Fund surplus at the end of the year was £144,000 compared with a surplus at the end of 2007/08 of £558,000. The balance on the Collection Fund will be carried forward and, taking into account the outturn for 2009/10, shared between the precepting authorities according to the precept value.

7. Governance Statement

The Accounts and Audit Regulations, require English authorities to "conduct a review at least once a year of the effectiveness of its system of internal control". The statement sets out the framework within which the control environment is managed and reports on areas of strengths and weaknesses.

8. Further Information

Additional information is available from the Director of Resources, Civic Offices, New Road, Grays.

STATEMENT OF ACCOUNTING POLICIES

1. General

This Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2003, which require that the principles adopted in compiling these accounts should be explicitly stated in the Statement. The Statement of Accounts of Thurrock Borough Council has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice (SORP) 2008, the Statements of Standard Accounting Practice (SSAP's) and the Financial Reporting Standards (FRS's) relevant to local authorities. The Statement complies also with the Best Value Accounting Code of Practice (BVACOP) 2008. The overall accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets and financial assets and financial liabilities.

The presentation and disclosure of the Statement of Accounts has been subject to considerable change over the years as the SORP has reflected a general move towards aligning public sector accounting with private sector and international accounting standards. It is anticipated that SORP 2010, which will come into effect for the 2010/11 financial year will be fully compliant with International Financial Reporting Standards (IFRS).

2. Estimation Techniques

Estimation techniques are the methods adopted by a local authority to arrive at estimated monetary amounts for assets, liabilities, and assessments of fair value. An accounting policy specifies the basis on which an item is measured and, where appropriate, the estimation technique is used to determine the actual monetary amount. The authority has employed the estimation techniques specified in the SORP or has otherwise determined the estimation technique that most closely reflects the economic reality of the relevant transaction.

3. Accounting Principles

In accordance with FRS 18 the Council has adopted the following accounting policies for the purpose of presenting a true and fair view of its financial position. The underlying accounting principles are reviewed regularly and may be summarised as follows:

- **Relevance** - the financial statements provide information about the Council's performance and position that is useful to users of the accounts for assessing the stewardship of public funds and for making economic decisions.

- **Reliability –** the financial information faithfully represents the substance of transactions, the activities underlying them and other events that have taken place, are free from deliberate or systematic bias and material error, and have been prudently prepared where there is any uncertainty.

- **Comparability –** the financial information has been prepared consistently and with adequate disclosures so that it can be compared with prior years and with that of other local authorities subject to the introduction of improved accounting practices as disclosed each year.

- **Understandability –** the financial statements have been prepared to ensure they are as easy to understand as possible.

- **Materiality –** the financial statements disclose all items of a size and nature such that together they provide a fair presentation of the financial position and transactions of the Council.

- **Accruals –** other than the Cash Flow Statement, the financial statements report transactions that have been recorded in the accounting period in which the goods and services were received or supplied rather than that in which the cash was received or paid.

- **Going Concern -** the financial statements have been prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

- **Legality –** where accounting principles and specific legislation requirements are in conflict, the financial statements have been prepared to reflect the primacy of legislative requirements.

4. Accruals of Income and Expenditure

Activity is accounted for in the financial year that it takes place and when a right to consideration exists, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provided the relevant goods or services.

- Employee costs are charged to the accounts of the period within which the employees worked.

- Supplies and services are recorded as expenditure when they are consumed or performed. Where there is a gap between the date supplies are received and the date when they are consumed, they are carried as stocks on the Balance Sheet.

- Works are charged as expenditure when they are completed, before which they are carried either as work in progress (revenue) or assets under construction (capital) on the Balance Sheet.

- Interest payable on borrowings and receivable on investments are accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the actual cash flows fixed or determined by the relevant contract.

- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge is made to revenue for the income that might not be collected.

- Where payments are made or received in advance of a service being provided or received a payment or receipt in advance is recognised as a debtor or creditor in the Balance Sheet.

- All income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

5. Area Based Grant

In 2008/09 Area Based Grant (ABG) has replaced various different grant streams. The ABG is a non-ring fenced grant, and no conditions of use have been imposed as part of the grant determination. This ensures full local control over how the funding can be used. ABG is a general grant that is included in the Income and Expenditure Account with other general income sources such as income from the Collection Fund and NNDR distribution. A breakdown of general grants by type of grant is included in the notes to the accounts.

6. Business Improvement District (BID) Schemes

BID schemes are projects for the benefit of a particular area that are financed (in whole or in part) by a BID levy paid by non-domestic ratepayers, or by a class of such ratepayers, in the BID area. The Council was not involved in a BID scheme in 2008/09.

7. Contingent Assets

Contingent assets are not recognised in the accounting statements; they are disclosed by way of a note if the inflow of a receipt or economic benefit is probable. The disclosures indicate the nature of the contingent asset and an estimate of its financial effect.

8. Contingent Liabilities

Contingent liabilities are not recognised in the accounting statements; they are disclosed by way of a note if there is a possible obligation that may require a payment or a transfer of economic benefits. For each class of contingent liability, the nature of the contingency, a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement has been disclosed.

9. Exceptional Items, Extraordinary Items and Prior Period Adjustments

Exceptional items are included in the cost of the service to which they relate or on the face of the Income and Expenditure Account if that degree of prominence is necessary in order to give a fair presentation of the accounts. A description of any exceptional item is given within the notes to the accounts, if applicable.

Extraordinary items are disclosed and described on the face of the Income and Expenditure Account after dealing with all items within the ordinary activities of the authority and are explained fully in a note to the accounting statements, if applicable.

The majority of prior period items arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions for the year in which they are identified, and are accounted for accordingly.

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and notes and adjusting the opening balance of reserves for the cumulative effect. The cumulative effect of the adjustments is noted at the foot of the Statement of Total Recognised Gains and Losses of the current period. The effect of prior period adjustments on the outturn for the preceding period is disclosed where practicable.

10. Financial Assets

In 2007 the SORP adopted FRS's 25, 26 and 29, which deal with the recognition, measurement, disclosure and presentation of financial instruments. A financial instrument is defined as "any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another". The term "financial instrument" covers both financial assets and financial liabilities and includes both the most straightforward assets and liabilities such as trade receivables (short term debtors) and trade payables (short term creditors) and the most complex ones such as derivatives and embedded derivatives. This and the next note (on financial liabilities) outline how the Council has accounted for financial instruments. Further details are also given in the disclosure note on financial assets and liabilities following the financial statements.

Financial assets are classified into two categories:

- Loans and receivables – these are assets that have fixed or determinable payments but are not quoted in an active market.

- Available for sale assets – these are assets that have a quoted market price and/or do not have fixed or determinable payments.

The Council's financial assets, with the exception of short-term debtors, where an allowance is made for the probability that some debt will ultimately prove impossible to collect, and externally managed funds, which are valued at fair value, are classified as loans and receivables. The Council has no available for sale assets.

Loans and receivables are initially measured at fair value, adjusted for directly attributable transaction costs, but only if material, and carried on the Balance Sheet at their amortised cost. Fair value is defined as the amount for which assets can be exchanged between knowledgeable willing parties in an arms length transaction. Transaction costs include fees and commission paid to agents, advisors and brokers. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable in the loan agreement and the amount credited to the Income and Expenditure Account is the amount receivable for the year under the loan agreement

The Council has surplus cash balances that are held in short term deposits with financial institutions and other public bodies. These investments are shown in the Balance Sheet at amortised cost using the effective interest rate method. Thus the carrying value of investments on the Balance Sheet is adjusted for accrued interest due at the year-end.

The Council has made no loans at less than market rates.

Where assets are identified as impaired because of a likelihood arising on account of a past event that payments due under the contract will not be made, the asset is written down and a charge is made to the Income and Expenditure Account. The carrying amount of debtors is adjusted for doubtful debts. Previously known as a provision for bad and doubtful debts, this is now known as making a provision for the impairment of a financial asset. Debts that cannot be collected (bad debts) are written off in accordance with the Council's Financial Regulations and are charged to the Income and Expenditure Account.

Any gains or losses that arise from the de-recognition of assets are credited or debited to the Income and Expenditure Account.

11. Financial Liabilities

Financial liabilities can be classified into:

- Loans and payables.
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- Financial guarantees.

Financial liabilities are initially measured at fair value, including any transaction costs if material, and carried in the Balance Sheet at their amortized cost. Fair value is the amount for which a liability can be settled between knowledgeable willing parties in an arms length transaction. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and that the interest charged to the Income and Expenditure Account is the amount payable for the year under the loan agreement. Any accrued interest payable is shown as part of the carrying value of the loan.

The Council has not entered into any reportable financial guarantees

Gains or losses on the repurchase or early settlement of borrowing are credited or debited to net operating expenditure in the Income and Expenditure Account in the year of repurchase or settlement. However where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing loan instruments, the premium or discount is respectively added to, or deducted from, the amortised cost of the new or modified loan and the write down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective rate of interest.

Where premiums or discounts have been charged to the Income and Expenditure Account, Regulations allow the impact on the General Fund balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or the discount was receivable when the loan was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund balance is managed by a transfer to or from the financial instruments adjustment account in the Statement of Movement on the General Fund Balance.

All overhanging premiums and discounts as at 31 March 2008 were derecognised on 1 April 2005 and charged to the General Fund or Housing Revenue Account (HRA) balance as appropriate in 2008/09. The effects have then been reversed out to the financial instruments adjustment account in accordance with Regulations.

12. Foreign Currency Translation

Income and expenditure arising from a transaction denominated in a foreign currency is translated into £ sterling at the exchange rate in operation on the date on which the transaction occurred. Where the transaction is to be settled at a contracted rate, that rate is used.

At each balance sheet date, monetary assets and liabilities denominated in a foreign currency, if any, are translated by using the closing rate or, where appropriate, the rates of exchange fixed under the terms of the relevant transactions. In 2008/09 only a very limited number of revenue expenditure items were acquired through foreign currency transactions.

13. Government Grants and Other Contributions

Revenue Grants

Whatever their basis of payment, revenue grants, other contributions and donations are matched with the expenditure to which they relate in service revenue accounts in accordance with SSAP 4 (Accounting for Government Grants). Grants made to finance the general activities of the Council or to compensate for a loss of income are credited to the foot of the Income and Expenditure Account in the period in respect of which they are payable.

Capital Grants

Where the acquisition or enhancement of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited to the government grants deferred account and subsequently credited to the service revenue account over the useful life of the asset to match the depreciation of the asset to which it relates. Any balance of government grants and other contributions not yet applied to finance capital expenditure is treated as a payment in advance.

Government grants or other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

14. Intangible Fixed Assets

An intangible item is an asset without physical substance but that meets the definition of an asset. For it to be brought into account, the Council, through either custody or legal protection, must have access to the future economic benefits provided by the asset.

Recognition

Purchased intangible fixed assets (e.g. software licences) are capitalised as assets. Regulation 25 of the Capital Finance Regulations 2003 (as amended) permits a local authority to capitalise expenditure on the acquisition or preparation of a computer programme provided that it will be used for at least one year. The Council has not used this permission in 2008/09.

Measurement

A purchased intangible fixed asset is capitalised at its cost. FRS 10 (Goodwill and Intangible Assets) permits, but does not require, revaluations. An intangible fixed asset may only be re-valued where it has a readily ascertainable market value. The types of intangible fixed assets held by the Council are very unlikely to have readily ascertainable market values. Therefore the Council does not revalue intangible fixed assets but accounts for them at historical cost.

Amortisation

Intangible fixed assets are amortised on a straight-line basis over their useful economic lives. Where access to the economic benefits associated with an intangible fixed asset is achieved through legal rights that have been granted for a finite period, the economic life is not extended beyond that period unless the legal rights are renewable and renewal is assured. The useful economic lives of intangible fixed assets disclosed in the Balance Sheet have been determined individually at 8 years. Useful lives are reviewed at the end of each reporting period and revised if necessary.

Disposals

The proceeds of disposals of intangible fixed assets are debited to cash or debtors and credited to the Income and Expenditure Account. The carrying value of the asset is then debited to the Income and Expenditure Account and credited to the intangible fixed asset account. Therefore, any gain or loss arising from the disposal is recognised in the Income and Expenditure Account for the period in which the disposal takes place. Any balance on the revaluation reserve and/or the government grants and other contributions deferred account is written out of the accounts and treated as part of the gain or loss.

In order to comply with statute and restrictions on the use of capital receipts in local government; the gain or loss on the disposal of an intangible fixed asset charged to the Income and Expenditure Account is reversed out of the General Fund balance as a reconciling entry in the Statement of Movement on the General Fund Balance. A credit to the usable capital receipts reserve is made for an amount equal to the disposal proceeds and a debit to the capital adjustment account is made for an amount equal to the carrying value of the intangible fixed asset.

Impairment

Intangible fixed assets are amortised over a finite period not exceeding 20 years from the date of acquisition and are regularly reviewed for impairment:

- At the end of the first full financial year following the acquisition, and

- In other periods if events or changes in circumstances indicate that the carrying values may be subject to greater than expected consumption of economic benefits.

Charges to Revenue

Service revenue accounts, as defined in CIPFA's Best Value Accounting Code of Practice, central support services and trading accounts are charged with a provision for amortisation and, where required, any related impairment loss (due to a clear consumption of economic benefits), for all intangible fixed assets used in the provision of services. The Housing Revenue Account (HRA) Income and Expenditure Account is also charged with any relevant amortisation and related impairment loss (due to clear consumption of economic benefits). The reversal of an impairment loss is only recognised in the Income and Expenditure Account if the new value is directly attributable to the reversal of the event that caused the original impairment loss.

15. 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 HRA and the General Fund in accordance with Regulations.

The SORP states that interest payable on external borrowings and interest income should be accrued and accounted for in the year to which it relates on a basis that reflects the overall economic effect of the borrowings. For reserves the average 7-day London Inter Bank Bid (LIBID) rate for the year is used, calculated on a daily average, as published by the money markets. The annual averaged 7-day rate was 4.46 % in 2008/09 (2007/08 – 5.65%).

Interest is credited to the HRA balance and other reserves based on the average balance; the opening plus closing balance divided by 2 of their fund balances using the average quarterly 7-day money market rates.

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

- Interest and dividends received are credited to net operating expenditure in the Income and Expenditure Account.

- Interest payable is debited to net operating expenditure in the Income and Expenditure Account. Part of this cost relates to the financing of the HRA capital programme, and a recharge is made to the HRA as stated above.

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

16. Interests in Companies - Group Accounts

The SORP requires an authority to consider all their interests and to prepare a full set of group accounts financial statements where they have material interests in subsidiaries, associates and joint ventures. The Council has investigated all potential interests that could qualify for group accounts and has not identified any relationship that requires their preparation.

17. Landfill Allowances

Under the Waste and Emissions Trading Act 2003, the Council, as a waste disposal authority, is issued with tradable landfill allowance permits on an annual basis for the amount of biodegradable waste that it is allowed to landfill. If the amount of biodegradable waste sent to landfill exceeds the allowance in any one year then additional permits are required to be purchased from other authorities, otherwise a cash penalty must be paid to the government for the shortfall. The scheme is known as a 'cap and trade scheme' for which arrangement there is no UK GAAP accounting standard. The fair value of allowances held by the Council (whether issued by the government or purchased from another authority) is recognised as an intangible current asset within the Balance Sheet. This means that the allowances issued by the government are recognised as a government grant and accounted for in accordance with paragraph 13: that is, it is initially recognised as deferred income on the Balance Sheet and subsequently recognised as income on a systematic basis over the compliance year for which the allowances are allocated. The fair value of allowances is taken as the present market value at the balance sheet date.

As landfill is used a liability (provision) is established in the Balance Sheet, which comprises an estimate of the expenditure required to meet the obligation to deliver allowances equal to the biodegradable and municipal waste landfill usage permitted by the government. The value of this provision is measured as the present market value at the balance sheet date of the number of allowances that the government requires to be delivered plus any cash penalty payable in respect of any shortfall in allowances compared with the estimated actual landfill usage at the date the accounts are authorised for issue.

The value of allowances after the initial recognition value is measured at the lower of cost and net realisable value (market value). Any difference between the estimated actual and the final agreed actual is adjusted in the following year's accounts

18. Leases

Finance Leases

Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding obligation, with the finance charge being allocated and charged to revenue over the term of the lease. Any hire purchase contracts that have similar characteristics to a finance lease and are of a financing nature are accounted for as finance leases and an appropriate note is disclosed in the financial statements. Assets held under finance leases are accounted for as set out in the notes dealing with tangible and intangible fixed assets.

Rents receivable are accounted for by setting up a long term debtor and transferring equal amounts each year to the Income and Expenditure Account to take credit for the income receivable.

Operating Leases

Where assets are acquired under operating leases, the leasing rentals payable are charged to the revenue accounts of the services that use those assets as they are become payable. Any hire purchase contracts that have similar characteristics to an operating lease are accounted for as an operating lease and disclosed in a note to the financial statements.

An asset held for use in operating leases by the authority is recorded as a fixed asset and depreciated over its useful life. Rental income from operating leases, excluding charges, is recognised as income is received.

This policy is a departure from the SORP which states that rentals receivable, net of benefits received or receivable, under operating leases should be charged to revenue on a straight-line basis over the term of the lease, even if the payments are not made on such a basis, unless another systematic and rational basis is more appropriate. The Council believes that this departure from the SORP is not material.

19. Minimum Revenue Provision

In 2008/09 an amendment to the Capital Finance Regulations 2003 required the Council to approve a policy on the appropriate charge to the Income and Expenditure Account in respect of its outstanding loans and obligations of a similar nature. This charge is known as the minimum revenue provision. It is also permissible for the Council to make a voluntary repayment. The policy adopted was as follows:

- For supported borrowing the regulatory method has been adopted. This relates to debt that is supported by the government through the revenue support grant system. This method is the same as the previous system and comprises 4% of the relevant debt. It mirrors the way the government calculates the support it plans to give to local authorities.

- For prudential (or unsupported) borrowing the asset life (equal instalment) method has been adopted. This method involves making provision by equal annual instalments over the life of the asset in respect of which the borrowing was made.

20. Overheads and Support Services

Charges or apportionments covering all support service costs (e.g., legal, human resources and finance) are made to all "front line" services (services to the public) in proportion to the benefits received on a total cost absorption basis. The cost of service management is also apportioned to the accounts representing the activities managed. The bases of apportionment adopted are used consistently for all the expenditure heads to which apportionments are made.

The costs of the corporate and democratic core (costs relating to the Council's status as a multi-functional democratic organisation) and of non-distributed costs (costs of early retirements and impairments of non-operational property) are allocated to separate objective expenditure heads in the Income and Expenditure Account and are not apportioned to other services.

21. Provisions

Provisions are made for any liabilities of uncertain timing or amount that have been incurred.

Provisions are recognised when:

- The Council has a present obligation (legal or constructive) as a result of a past event,
- It is probable that a transfer of economic benefits will be required to settle the obligation, and
- A reliable estimate can be made of the amount of the obligation.

A transfer of economic benefits or other event is regarded as probable if the event is more likely than not to occur. Provisions are charged to the appropriate revenue account when the Council becomes aware of the obligation. When payments are incurred to which the provision relates they are charged direct to the provision. The amount recognised as a provision is the best estimate taking into account the risks and uncertainties surrounding the events. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision is written back into the Income and Expenditure Account.

Where some or all of the expenditure required to set up a provision is expected to be reimbursed by another party, the reimbursement is recognised only when it is virtually certain that it will be received if the obligation is settled. The reimbursement is treated as a separate asset. In the appropriate revenue account the expense relating to a provision is presented net of the amount recognised for a reimbursement.

22. Research and Development

Any expenditure on research and development is regarded as part of the continuing operations of the authority and is charged to revenue as it is incurred.

23. Reserves

Revenue

Transfers to and from reserves are distinguished from service expenditure. The movements in the reserves available to the Council are detailed in a note to the financial statements. Reserves include earmarked reserves set aside for specific policy purposes, balances that represent resources set aside for purposes such as general contingencies and cash flow management, surpluses and postponed anticipated expenditure. All transactions involving expenditure by reserves are charged to the net cost of services in the Income and Expenditure Account. All appropriations to and from reserves, including any interest payable, are accounted for in the Statement of Movement on the General Fund Balance.

Capital

Capital reserves are not available for revenue purposes and some of them can only be used for specific statutory purposes. The revaluation reserve, the capital adjustment account and the pensions reserve are non-distributable reserves. The usable capital receipts reserve is a reserve established for specific statutory purposes. The Major Repairs Reserve is required by statutory regulation to be established in relation to the HRA.

24. Retirement Benefits

Employees of the council are members of two separate pension schemes:

- The Teacher’s Pension Scheme, administered by Capita Teachers’ Pensions on behalf of the Department for Children, Schools and Families (DCSF), and

- The Local Government Pension Scheme administered by Essex County Council.

Both schemes provide defined benefits to members (i.e., retirement lump sums and pensions), earned as employees work for the Council.

Teachers Pension Scheme

The arrangements for the teacher’s scheme are such that the liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme in that no liability for the future payments of benefits is recognised in the Balance Sheet. The Income and Expenditure Account is charged with the employer’s contributions actually payable to the Department of Children, Schools and Families in the year.

Local Government Pension Scheme

The Local Government Pension Scheme provides members of the pension scheme with defined benefits related to pay and service. The level of the employer’s contribution is determined by a triennial actuarial valuation. The latest review was undertaken as at 31 March 2008. Under Pension Regulations, the contribution rates must be set to meet all the long-term liabilities of the fund. Employer contributions will be adjusted in future years to account for any projected deficit on the fund.

There has been a change of accounting policy for 2008/09. Under SORP 2008 the council has adopted the amendment to FRS17, “Retirement Benefits”. As a result quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid market value. The effect of this change is that the value of scheme assets as at 31 March 2009 has been restated from £168.294 million to £168.128 million a decrease of £0.166 million. This results in an increase in the pension deficit of £0.166 million. Current and prior year surpluses have been unaffected by this change.

The pension costs charged to the net cost of services in the Income and Expenditure Account of both the General Fund and the HRA have been made in accordance with FRS17. The charge is based on when the retirement benefits that the Council has committed to pay are earned, even though the actual payments may not take place for many years. The difference between the amounts charged under FRS17 and the actual payments made to the pension scheme during the year are adjusted for as a reconciling item in the Statement of Movement in the General Fund (and HRA) Balance.

The Balance Sheet includes a pension reserve that comprises the share of the fund’s assets attributable to the Council. The assets in the scheme attributable to the Council are measured at their fair value at the balance sheet date. Scheme assets include current assets as well as investments. Liabilities such as accrued expenses are deducted. Fair value comprises:

- For quoted securities – the bid market value,

- For unquoted securities – a professional estimate of fair value,

- For unitised securities – the average of the bid and offer prices, and

- For property – the market value or other basis determined in accordance with the RICS Valuation Manual and Practice Statements.

The attributable scheme liabilities are included in the balance sheet as a pensions liability calculated on an actuarial basis using the projected unit method – an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employment turnover rates etc, and forecasts of projected earnings for current employees. Use of the projected unit method means that current service costs increase as members of the fund reach retirement. Liabilities are discounted to their current value using a discount rate of 6.1% based on the weighted average rate of return on a high quality (AA rated) corporate bonds, which is of equivalent currency and term to the scheme’s liabilities.

In assessing liabilities for retirement benefits at 31 March 2008 for the 2007/08 Statement of Accounts, the actuary assumed a discount rate of 2.3% real (5.4% actual), a rate based on the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities. For the 2008/09 accounts, the actuary has advised that a rate of 2.5% real (6.1% actual) is appropriate. Application of this rate has resulted in a reduction in liabilities measured at 2008/09 prices of £57.535 million, adjusted for by a reduction in actuarial losses recognised for the year in the Statement of Total Recognised Gains and Losses.

The scheme liabilities comprise:

- Any benefits promised under the formal terms of the scheme, and
- Any constructive obligations for further benefits where a public statement or past practice by the Council has created a valid expectation in the employees that such benefits will be granted.

Details of the methods adopted in the valuation of scheme assets and liabilities are set out in the notes to the Balance Sheet.

The surplus or deficit in the scheme is the excess or shortfall of the value of the assets in the scheme over or below the present value of the scheme liabilities. The Council recognises the liability that reflects its legal or constructive obligations. Details of the methods adopted in calculating the asset or liability recognised are set out in the notes to the Balance Sheet. Any unpaid contributions to the scheme are presented in the Balance Sheet as a creditor due within one year.

The change in the defined benefit asset or liability (other than that arising from contributions to the scheme) is analysed into the following seven components:

a) Periodic costs:

- Current service cost. This is the increase in liabilities as a result of the years of service earned in 2008/09 and is included within the service revenue accounts in the net cost of services in the Income and Expenditure Account.
- Interest cost. This is the expected increase in the present value of liabilities during the year as they move one year closer to being paid. It is charged within net operating expenditure in the Income and Expenditure Account.
- Expected return on assets. This is the annual investment return on the fund's assets attributable to the Council, based on an average of the long-term expected return. The net of the interest cost and the expected return on assets is included within net operating expenditure in the Income and Expenditure Account.
- Actuarial gains and losses. These are changes in the net pension liability that arise because events have not coincided with the assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions. Actuarial gains and losses are recognised in the Statement of Total Recognised Gains and Losses for the period.
- Contributions paid to the Essex County Council Pension Fund. This is the cash payable as employer's contributions to the fund.

b) Non-periodic costs:

- Past service costs. This is the net increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Past service costs are recognised in the net cost of services in the Income and Expenditure Account as part of non-distributed costs on a straight-line basis over the period in which the increases in benefit vest. To the extent that the benefits vest immediately, the past service cost is recognised immediately.
- Gains and losses on settlements and curtailments. Losses arising on a settlement (a reduction in numbers of employees due, for example, to employee transfers) or a curtailment (a reduction of expected future years of service of employees due, for example, to closures of units of activity) not allowed for in the actuarial assumptions, are measured at the date on which the authority becomes demonstrably committed to the transaction and are recognised in net cost of services in the Income and Expenditure Account as part of non-distributed services for that period. Gains arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are

irrevocably committed to the transaction and recognised in the net cost of services in the Income and Expenditure Account for that period.

Statutory provisions limit the Council to raising council tax to cover only the amounts payable by the Council to the pension fund in the year. This means that in the Statement of Movement on the General Fund Balance there are appropriations to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash payable to the pension fund in the year.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to a member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as for the Local Government Scheme.

25. Revenue Expenditure Funded from Capital under Statute (Deferred Charges)

Legislation allows for specified expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried in the Balance Sheet as a fixed asset. The purpose of this is to enable such expenditure to be funded from capital resources rather than to be charged to the General Fund and impact upon council tax. These items comprise generally financial assistance towards capital expenditure incurred by third parties, expenditure on properties not owned by the authority and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003. Where a statutory provision allows capital resources to meet such expenditure, that expenditure has been charged to the net cost of services in the Income and Expenditure Account. It has subsequently been accounted for by debiting the capital adjustment account and crediting the General Fund balance. The expenditure is then shown as a reconciling item in the Statement of Movement on the General Fund Balance.

26. Revenue Income Treated as Capital Receipts under Statute

Normally capital receipts arise from disposals of interests in tangible fixed assets. However, capital receipts are defined by statute and that statutory definition includes other categories of income, such as the repayment of a grant or loan made by an authority to a third party for the acquisition of an asset. Such income is credited to the Income and Expenditure Account, since the receipt is revenue income under the general provisions of the SORP, but is then debited to the Statement of Movement on the General Fund Balance and credited to the useable capital receipts reserve to effect the statutory requirement to treat such income as a capital receipts.

27. Schools

The Council’s schools operate their own bank accounts and they maintain their own financial records independently of the Council’s corporate financial systems. Schools submit annual returns, which include the schools income and expenditure and balance sheets. These returns have been consolidated into the Council’s Statement of Accounts.

28. Stocks and Long-Term Contracts

Stocks

Stocks are included in the Balance Sheet at the cost of the separate items of stock or of groups of similar items. Cost has been determined on a FIFO or average basis, less an allowance for loss in value where appropriate.

Long-term Contracts

A long-term contract is “a contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or of a combination of assets or services which together constitute a single project) where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods”. Revenue contracts are charged to revenue as payments are made and capital contracts are charged as capital expenditure and are shown in the accounts either as assets under construction or, if completed in 2008/09, as additions to fixed assets.

29. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes for a period of more than one year.

Recognition

All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis. Expenditure on the acquisition of a tangible fixed asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, is capitalised and classified as a tangible fixed asset, provided that it yields benefits to the Council and the services it provides for a period of more than one year.

Expenditure that is capitalised includes expenditure on the:

- Acquisition, reclamation, enhancement or laying out of land,
- Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures, and
- Acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels.

Enhancement means the carrying out of works that are intended to:

- Lengthen substantially the useful life of the asset, or
- Increase substantially the market value of the asset, or
- Increase substantially the extent to which the asset can or will be used for the purposes of, or in conjunction with the functions of, the Council.

Improvement works and structural repairs are capitalised, whereas expenditure to ensure that the tangible fixed asset maintains its previously assessed standard of performance is recognised in the revenue account as it is incurred. Expenditure on existing tangible fixed assets is capitalised in three circumstances:

- Enhancement,
- Where a component of the tangible fixed asset, that has been treated separately for depreciation purposes and depreciated over its individual useful life, is replaced or restored, and
- Where the subsequent expenditure relates to a major inspection or overhaul of a tangible fixed asset that restores the benefits of the asset that have been consumed by the Council and have previously been reflected in accumulated depreciation.

Assets acquired on terms meeting the definition of a finance lease are capitalised as tangible fixed assets with a matching long-term liability for future rentals payable.

Where a tangible fixed asset is acquired for other than a cash consideration or where payment is deferred, the asset has been recognised and included in the Balance Sheet at fair value.

Measurement

A tangible fixed asset is initially measured at cost. Costs, but only those costs that are directly attributable to bringing the asset into working condition for its intended use, are included in its measurement. The Council does not capitalise any associated finance costs although this is currently permissible under the SORP.

When substantially all the activities, which are necessary to get the tangible fixed asset ready for use, are complete the asset is categorised and included in the Balance Sheet. Tangible fixed assets are classified as either operational or non-operational as follows:

(a) Operational assets are assets held or occupied, used or consumed by the Council in the direct delivery of those services for which it has either statutory or discretionary responsibility, or for the service or strategic objectives of the authority.

(b) Non-operational assets are assets held by the Council but not directly occupied, used or consumed in the delivery of services, or for the service or strategic objectives of the authority. They comprise:

- Assets held for the primary purpose of investment from which a commercial rental income is obtained,

- Vacant property or property temporarily occupied for another purpose but awaiting redevelopment or disposal, and

- Land and buildings currently in the course of development but not yet completed or occupied for the intended service provision.

With effect from 2008/09, all non-housing tangible fixed assets are re-valued every four years, and council dwellings are re-valued annually as at 1 April. Values are updated each year as at the balance sheet date on a formula basis. Tangible fixed assets are also re-valued on account of known events that could affect their values. This approach complies with Chartered Institute of Public Finance accounting requirements and is in accordance with the Statements of Asset Valuation Principles.

Tangible fixed assets are valued on the bases set out in the table below. These valuation methods comply with the SORP. Regarding specialised properties, where there is sufficient evidence to enable a Valuer to arrive at a market value then that would be used in preference to depreciated replacement cost, but such market value evidence is rarely available.

Asset Category	**Valuation Method**
Operational Assets	
Council Dwellings	Market Value in Existing Use (Social Housing)
Specialised Properties – Other Land and Buildings	Depreciated Replacement Cost (Net Current Replacement Cost)
Non Specialised Properties – Other Land and Buildings	Existing Use Value (Net Current Replacement Cost)
Vehicles, Plant and Equipment	Historical Cost Net of Depreciation
Community Assets	Historical Cost Net of Depreciation
Infrastructure Assets	Historical Cost Net of Depreciation
Non Operational Assets	
Investment Assets	Market Value (Leasehold Interest)
Surplus Assets for Disposal	Market Value
Assets under Construction	Cost of Works Done (accumulated Historical Cost)

The valuations of the Council's land and property for accounting purposes has been conducted by the Council's external Valuer, Phil Singer, who is a professional member of the Royal Institution of Chartered Surveyors. The valuations have been prepared in accordance with the UK Practice Statements contained in the RICS Appraisal and Valuation Standards (the "Red Book").

The asset valuations have been prepared using the following assumptions: -

- The Council has good title free from encumbrances;

- There are no hazardous substances or latent defects in the properties and there is no contamination present;

- The properties have permanent planning permission and any other necessary statutory consent for their current use;

- Plant and machinery is included in the valuation of the property, where applicable;

- No special circumstances beyond those likely to be considered by a prospective purchaser in the open market have been taken into account;

- No allowance has been made for any liability to taxation, which may arise on disposal, nor for costs of acquisition or realisation.

- The Council operates a de minimis level of £10,000 below which items will not be charged to capital on the grounds of materiality; however

- Capital expenditure on schools, including the Devolved Formula Capital, has no de minimis level.

Where a tangible fixed asset is included in the Balance Sheet at current value, the increase over the previous carrying amount at which that asset was included in the Balance Sheet immediately prior to the latest (re-)valuation is credited to the Statement of Total Recognised Gains and Losses and taken to the revaluation reserve to recognise the unrealised gain. Where however a revaluation gain, partly or fully reverses a previous revaluation loss on the same asset, after adjusting for any depreciation that has been previously recognised in the Income and Expenditure Account, then the revaluation gain is recognised in the Income and Expenditure Account. The revaluation reserve contains gains recognised since 1 April 2007 only, the date of its formal implementation in accordance with the SORP. Gains arising before that date have been consolidated into the capital adjustment account.

Where a tangible fixed asset has been acquired under a finance lease, at the inception of the lease the present value of the minimum lease payments derived by discounting them at the interest rate implicit in the lease is accounted for as a tangible fixed asset and matching long-term liability.

Impairment

The value at which each category of assets is included in the Balance Sheet is reviewed at the end of each reporting period and where there is reason to believe that its value has changed materially in the period, the valuation is adjusted accordingly.

Events and changes in circumstances that indicate a reduction in value may have occurred include:

- A significant decline in a tangible fixed asset’s market value during the period,

- Evidence of obsolescence or physical damage to the tangible fixed asset,

- A significant adverse change in the statutory or other regulatory environment in which the Council operates, or

- A commitment by the Council to undertake a significant reorganisation.

Tangible fixed assets, other than non-depreciable land, are reviewed for impairment, at the end of each reporting period when either:

- No depreciation charge is made on the grounds that it would be immaterial (either because of the length of the estimated remaining useful life or because the estimated residual value of the tangible fixed asset is not materially different from the carrying amount of the asset), or

- The estimated remaining useful life of the tangible fixed asset exceeds 50 years.

Where, on revaluation of a tangible fixed asset, there has been a decrease over the previous carrying amount, an impairment loss is recognised. If the loss has been caused by the clear consumption of economic benefits then it is recognised in the Income and Expenditure Account. If the amount of the decrease in value is not associated with a clear consumption of economic benefits but attributable to a general fall in prices the loss is recognised in the Statement of Total Recognised Gains and Losses (until the asset’s carrying amount reaches its depreciated historical cost) and is taken to the revaluation reserve, and, when that account is exhausted, to the Income and Expenditure Account.

Where an impairment loss occurs on a tangible fixed asset carried at historical cost, which is caused by a clear consumption of economic benefits, the value of the asset is written down for the impairment and the impairment loss is recognised in the Income and Expenditure Account.

Disposals

The gain or loss on the disposal of a tangible fixed asset is the amount by which the disposal proceeds are more or less than the carrying value of the fixed asset. The gain or loss on disposal is recognised by debiting cash or debtors with the disposal proceeds and crediting the Income and Expenditure Account. The carrying value of the asset is then debited to the Income and Expenditure Account and credited to the tangible fixed asset account on the Balance Sheet.

In order to comply with statute and restrictions on the use of capital receipts, the gain or loss on disposal is reversed out of the General Fund balance as a reconciling entry in the Statement of Movement on the General Fund Balance. An amount equal to the proceeds of disposal is credited to the useable capital receipts reserve and the carrying value of the asset is debited to the capital adjustment account. Any balance on the revaluation reserve relating to the tangible fixed asset is also written off to the capital adjustment account on disposal. Any balance on the government grants deferred account is written out of the accounts and treated as part of the gain or loss on disposal. Any repayment of grant ranks as capital expenditure and is financed by the capital receipt. By this means the written off value of disposals is not a charge against council tax.

In the case of a housing capital receipt, the proportion that is required to be paid over to Central Government as a ‘housing pooled capital receipt’ (75% for dwellings, 50% for land and other assets) is charged to the net operating expenditure section of the Income and Expenditure Account and the same amount appropriated from the useable capital receipts reserve and credited to the General Fund balance in the Statement of Movement on the General Fund Balance. Any balance of capital receipts can only be used to finance capital expenditure or set aside to reduce the Council’s underlying need to borrow.

Where a tangible fixed asset is disposed of for other than a cash consideration, or the payment is deferred, an equivalent asset is recognised and included in the Balance Sheet at its fair value.

Depreciation

Depreciation is the measure of the cost of the economic benefits of a tangible fixed asset that have been consumed during an accounting period

Depreciation is calculated on the carrying amount, including any past enhancement expenditure, of all tangible fixed assets with a finite useful life, which can be determined at the time of acquisition or revaluation. For tangible fixed assets other than non-depreciable land and non-operational investment properties, the only ground for not charging depreciation is if the depreciation charge is immaterial. Provision for depreciation is made by allocating the cost (or re-valued amount) less the estimated residual value of the assets as fairly as possible over the periods expected to benefit from the use of the related assets. In this way both the historical cost and any revaluation gains are depreciated with consequential effects on an asset’s balance in the revaluation reserve. Invariably this results in the charge of equal amounts per year over the life of the asset.

A change from one method of providing depreciation to another is only made where the new method will give a fairer presentation of the results and of the financial position of the authority. Such a change does not, however, constitute a change of accounting policy; the carrying amount of the tangible fixed asset is depreciated using the revised method over the remaining useful life, beginning in the period in which the change is made. In 2008/09 the Valuer’s estimated life for council housing of 60 years has been adopted in place of the life of 30 years previously assumed: this has had the effect of almost halving the charge for depreciation in the year compared with previous years.

The useful lives of assets are estimated on a realistic basis and are reviewed regularly and, where necessary, revised. Where the useful life of a tangible fixed asset is revised, the carrying amount of the asset is depreciated over the revised remaining useful life.

Where the tangible fixed asset comprises two or more major components with substantially different useful economic lives, each component is accounted for separately for depreciation purposes and depreciated over its individual useful life.

The overarching provision in the SORP is that the depreciation method should be that most appropriate to each asset and its use in the provision of services, which ensures a fair presentation of the authority's financial position. For each category of asset the estimation technique selected is that most appropriate to the type of asset and its use in the provision of services taking account of the expected usage, expected physical deterioration, prospects of obsolescence and any legal limits on usage such as lease expiry dates. Depreciation has been calculated as follows:

Asset Category	Depreciation Method
Council Dwellings	Charged on the net book value of the buildings divided by their remaining estimated life
Other Land and Buildings	Charged on the net book value of the buildings divided by their remaining estimated life
Vehicles, Plant and Equipment	Charged on a straight line basis; computer servers over 5 years and the remainder over 7 years
Community Assets	Charged on the net book value of the buildings divided by their remaining estimated life
Infrastructure Assets	Charged on the net book value divided by the remaining estimated life (based on a total estimated life of 30 years
Non Operational Assets	No depreciation charge is made

Depreciation is not provided for freehold land (whether operational or non-operational). However, freehold land would be depreciated where it is subject to depletion by, for example, the extraction of minerals or deposit of landfill. Properties leased by the Council are depreciated once the un-expired period of the lease reaches 20 years or less.

The estimated useful lives of each category of asset are in the following ranges:-

Asset Category	Useful Life
Council Dwellings	60 years
Other Land and Buildings	5 - 60 years
Vehicles, Plant and Equipment	1 - 7 years
Community Assets	22 - 60 years
Infrastructure Assets	24 - 40 years
Non Operational Assets	10 - 60 years

Charges to Revenue

To reflect the real costs of holding assets during the year, General Fund service revenue accounts, as defined in CIPFA's Best Value Accounting Code of Practice, central support services and trading accounts, are charged with:

- Depreciation for all tangible fixed assets used in the provision of the service,
- Where required, any related impairment loss (if due to a clear consumption of economic benefits or in excess of any balance on the revaluation reserve), for all tangible fixed assets used in the provision of the service, and
- All expenditure on repairs and maintenance relating to tangible fixed assets.

The net operating expenditure section of the Income and Expenditure Account is further charged (or credited) with:

- Finance costs (including interest payable on loans and interest payable under finance leases), and
- Gains resulting from revaluations which reverse a previous revaluation loss on the same asset that was charged previously to the Income and Expenditure Account.

Depreciation, impairment and the amortisation of tangible fixed assets are all reversed in the Statement of Movement of the General Fund Balance and replaced by the Minimum Revenue Provision so that only a statutory calculation of the costs of servicing the Council's borrowings are met from council tax.

30. Equal Pay Claims

The authority is currently facing claims for back pay from appeals about unequal pay arising from the implementation of the single status agreement. However employment tribunal and legal proceedings have yet to commence and an estimate of the amount of any liability cannot be made with any certainty, so that the matter is properly classified as a contingent liability. Since the reporting of this issue in the 2007/08 accounts the Secretary of State has issued a Capitalisation Direction giving limited ability for elements of these liabilities to be funded from capital resources.

31. Value Added Tax

VAT is included in the Income and Expenditure Account, whether of a capital or revenue nature, only to the extent that it is irrecoverable from HM Revenue and Customs.

32. Events After the Balance Sheet Date

Where an event that occurs after the balance sheet date, favourable or unfavourable, provides evidence of conditions that existed at the balance sheet date (“an adjusting event”) and has a material effect on amounts included in the accounts, the amounts recognised in the Statement of Accounts are adjusted. Any disclosures affected by the new information about the adjusting event have been updated in the light of the new information.

Where an event that occurs after the balance sheet date is indicative of conditions that arose after the balance sheet date and has a material effect on the finances of the authority (non-adjusting event) the amounts recognised in the Statement of Accounts are not adjusted. The following is disclosed for each material category of non-adjusting event after the balance sheet date:

- The nature of the event, and

- An estimate of the financial effect or a statement that such an estimate cannot be made reliably.

Events after the balance sheet date are reflected up to the date when the audited Statement of Accounts is authorised by the Chief Financial Officer for issue immediately prior to the receipt of the audit certificate. The date when the Statement of Accounts was authorised for issue and who gave the authorisation is disclosed in the notes to the accounts.

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 and the real projected value of retirement benefits earned by employees in the year.

Notes		*2007/08 Net Expenditure £'000*	2008/09 Gross Expenditure £'000	2008/09 Gross Income £'000	2008/09 Net Expenditure £'000
	Expenditure on Services				
	Adult Services	*27,022*	**48,580**	**(12,553)**	**36,027**
	Central Services to the Public	*2,069*	**17,022**	**(10,701)**	**6,321**
	Children's and Education Services	*17,992*	**251,203**	**(150,459)**	**100,744**
	Cultural, Environmental, Planning Services	*25,660*	**44,925**	**(6,183)**	**38,742**
	Highways, Roads, Transport Services	*9,792*	**11,553**	**(2,512)**	**9,041**
	Housing Services – Housing Revenue Account	*94,698*	**109,996**	**(41,127)**	**68,869**
	Housing Services - Other	*471*	**43,961**	**(41,318)**	**2,643**
	Corporate and Democratic Core	*5,440*	**9,825**	**(3,327)**	**6,498**
	Non Distributed Costs	*2,110*	**659**	**(716)**	**(57)**
	Net Cost of Services	*185,254*			**268,828**
	Loss/Surplus on Disposal of Fixed Assets	*0*			**(373)**
	Levies	*377*			**427**
	Interest Payable and similar Charges	*3,331*			**7,745**
	Contribution of Housing Capital Receipts to Government Pool	*2,145*			**646**
	Interest and Investment Income	*(5,215)*			**(4,236)**
36	Pensions Interest Cost and Expected Return on Pensions Assets	*1,670*			**5,499**
	Transferred Debt Payment	*729*			**5**
	Net Operating Expenditure	*188,291*			**278,541**
	Sources of Finance:				
	Demand on the Collection Fund	*(51,723)*			**(53,481)**
17	General Government Grants	*(7,299)*			**(30,767)**
	Non Domestic Rate Redistribution	*(43,493)*			**(49,255)**
	Transfer of Share of Collection Fund Surplus	*(234)*			**(90)**
	Net (Surplus)/Deficit for the year	*85,542*			**144,948**

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However the authority is required to raise council tax on a different accounting basis, the main differences being:-

- Capital expenditure is accounted for as it is financed, rather than when the fixed assets are consumed,
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the balance of useable capital receipts rather than from council tax,
- 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 account of the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund balance. A detailed analysis of the reconciling items appears on the following page.

	2007/08	**2008/09**
	£'000	**£'000**
(Surplus)/Deficit for the Year on the Income and Expenditure Account	*85,542*	**144,948**
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year.	*(87,638)*	**(145,329)**
Increase in General Fund Balance for the year	*(2,096)*	**(381)**
General Fund Balance brought forward	*(9,455)*	**(11,551)**
General Fund Balance carried forward	*(11,551)*	**(11,932)**
Amount of General Fund Balance held by Governors under Schemes to Schools	*9,551*	**9,932**
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

Notes	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	*2007/08* *£'000*		**2008/09** **£'000**
26	Amortization of Intangible Fixed Assets	*(245)*		**(244)**
19	Depreciation and Impairment of Fixed Assets	*(96,842)*		**(156,285)**
	Excess Depreciation charged to the Housing Revenue Account	*(10,395)*		**(2,034)**
	Net Gain or loss on disposal of Fixed Assets	*0*		**373**
	Government Grants Deferred Amortization	*15,294*		**19,004**
	Revenue Expenditure funded from Capital under Statute	*(1,154)*		**(2,423)**
	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognized under statutory provisions relating to Soft Loans and Premiums and Discounts on the early repayment of Debt	*3,436*		**(260)**
36	Net charges made for Retirement Benefits in accordance with FRS17	*(10,727)*		**(14,260)**
		(100,633)		**(156,129)**
	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	*4,159*		**4,539**
	Capital Expenditure Charged in year to the General Fund Balance	*1,301*		**0**
	Transfer from the Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	*(2,145)*		**(646)**
36	Employer's Contributions payable to the Essex County Council Pension Fund and Retirement Benefits payable direct to Pensioners	*9,243*		**9,978**
		12,558		**13,871**
	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	*(576)*		**(1,570)**
	Voluntary Revenue Provision for Capital Financing	*0*		**(145)**
18	Net Transfer to or (from) Earmarked Reserves	*1,013*		**(1,356)**
		437		**(3,071)**
	Net additional amount required to be credited to the General Fund Balance for the year	*(87,638)*		**(145,329)**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	2007/08		2008/09
	£'000		£'000
Deficit for the year on the Income and Expenditure Account	*85,542*		**144,948**
(Surplus)/Deficit arising on Revaluation of Fixed Assets	*(57,474)*		**19,040**
Actuarial (gains)/losses on Pension Fund Assets and Liabilities	*33,316*		**(9,963)**
Increase/(Reduction) in Collection Fund Balance	*(176)*		**434**
Total Recognised Gains and Losses for the year	*61,208*		**154,459**
Financial Instruments Adjustment Account (entries via Statement of Movement on the General Fund Balance)	*1,128*		**0**
Other (mainly of Receipts (Capital) taken to the top half of the Balance Sheet)	*1,974*		**10**
Total Recognised (Gains) and Losses for the year	*64,310*		**154,469**

BALANCE SHEET

The balance sheet shows the financial position of the Council at the end of the financial year.

Notes		2007/08 £'000	2008/09 £'000	2008/09 £'000	2008/09 £'000
	Fixed Assets				
26	Intangible Fixed Assets	*1,468*		**1,224**	
	Tangible Fixed Assets				
19	Operational Assets				
	- Council Dwellings	*607,716*	**537,889**		
	- Other Land and Buildings	*472,360*	**433,266**		
	- Vehicles, Plant, Furniture and Equipment	*3,102*	**2,425**		
	- Infrastructure Assets	*54,118*	**56,245**		
	- Community Assets	*8,647*	**9,018**		
		1,145,943		**1,038,843**	
19	Non-Operational Assets				
	- Investment Properties	*32,682*	**24,794**		
	- Assets Under Construction	*51,723*	**10,488**		
	- Land Awaiting Development	*18,231*	**15,603**		
	- Surplus Assets Held for Disposal	*1,101*	**8,580**		
		103,737		**59,465**	
	Total Fixed Assets	*1,251,148*			**1,099,532**
	Long Term Debtors	*220*			**204**
	Total Long Term Assets	*1,251,368*			**1,099,736**
	Current Assets				
	Stocks and Work-in-Progress	*225*	**218**		
31	Debtors	*30,241*	**28,460**		
28	Investments	*55,864*	**57,452**		
	Cash and Bank	*3,349*	**4,603**		
	Imprest	*27*	**29**		
		89,706		**90,762**	
	Less: Current Liabilities				
28	Short Term Borrowing	*(13,088)*	**(19,842)**		
32	Creditors	*(29,204)*	**(31,678)**		
		(42,292)		**(51,520)**	
	Current Assets less Current Liabilities	*47,414*			**39,242**
	Long Term Liabilities				
	Long Term Borrowing	*(124,925)*		**(124,989)**	
30	Provisions	*(970)*		**(982)**	
	Government Grants and Other Contributions Deferred	*(95,326)*		**(91,872)**	
	Deferred Liability			**(3,688)**	
	Deferred Discount	*(134)*		**(149)**	
36	Liability Relating to Defined Benefit Pension	*(103,568)*		**(98,053)**	
	Deferred Purchase Arrangements	*(303)*		**(158)**	
	Total Long Term Liabilities	*(325,226)*			**(319,891)**
	Total Assets less Liabilities	*973,556*			**819,087**

	Financed by				
33	Revaluation Reserve	*(55,494)*		**(35,221)**	
33	Capital Adjustment Account	*(989,953)*		**(853,815)**	
	Financial Instruments Adjustment Account	*(2,312)*		**(2,052)**	
33	Pensions Reserve	*103,568*		**98,053**	
33	Usable Capital Receipts Reserve	*(1,191)*		**(964)**	
33	Major Repairs Reserve	*(148)*		**(41)**	
18	Earmarked Reserves	*(12,244)*		**(10,888)**	
35	Fund Balances	*(15,782)*		**(14,159)**	
	Total Net Worth	*(973,556)*			**(819,087)**

CASH FLOW STATEMENT

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

Notes		2007/08 £'000	2007/08 £'000	2008/09 £'000	2008/09 £'000
	Revenue Activities				
	Cash Outflows				
	Cash Paid to and on behalf of Employees	(93,492)		(103,999)	
	Housing Benefit paid out	(17,612)		(18,449)	
	Precepts paid	(9,058)		(9,958)	
	Non-Domestic Rates paid to National Pool	(83,379)		(90,001)	
	Payments to Capital Receipts Pool	(2,145)		(646)	
	Other Operating Cash Payments	(179,055)		(222,661)	
			(384,741)		(445,714)
	Cash Inflows				
	Council Tax Receipts	51,528		53,077	
	Rents (after Rebate)	15,621		17,647	
	National Non-Domestic Rate Receipts from National Pool	35,325		49,255	
	Non-Domestic Rate Receipts	84,113		84,818	
41	General Government Grants	7,299		15,923	
41	Housing Benefit	47,876		48,160	
41	Housing Subsidy	(7,788)		(8,817)	
41	Other Government Grants	127,424		132,667	
	Cash received for Goods and Services	17,807		19,879	
	Other Operating Cash Receipts	17,359		48,703	
			396,564		461,312
38	**Net Cash Flow from Revenue Activities**		11,823		15,598
	Returns from Investment and Servicing of Finance				
	Cash Outflows				
	Interest paid	(4,263)		(7,750)	
		(4,263)		(7,750)	
	Cash Inflows				
	Interest Received	5,416		4,464	
			1,153		(3,286)
	Capital Activities				
	Cash Outflows				
	Purchase of Fixed Assets	(51,735)		(32,370)	
	Purchase of Investments	(6,383)			
		(58,118)		(32,370)	
	Cash Inflows				
	Sale of Fixed Assets	4,094		859	
	Capital Grants Received	26,448		12,291	
	Sale of Investments	0			
	Other Capital Cash Receipts	600		2,694	
		31,142		15,844	
			(26,976)		(16,526)
40	**Net Cash Inflow before Financing**		(14,000)		(4,214)

Notes		2007/08			2008/09	
		£'000	*£'000*		**£'000**	**£'000**
	Net Cash Inflow before Financing b/fwd		*(14,000)*			**(4,214)**
	Management Of Liquid Resources					
	Net Increase(+)/Decrease(-) in Short Term Deposits				**(1,250)**	
	Financing					
	Cash Outflows					
	Repayments of amounts borrowed	*(157,771)*			**(62,691)**	
		(157,771)			**(62,691)**	
	Cash Inflows					
	New Loans raised	*176,500*			**69,412**	
	Net Change Borrowing	*18,729*			**6,721**	
	Movement in Net Debt		*18,729*			**5,471**
	Increase/(Decrease) in Cash		*4,729*			**1,257**

NOTES

(1) Restatement of 2007/08 Comparative Figures

The pensions note comparative figures for 2007/08 have been restated following changes in the SORP 2008.

(2) Acquired and Discontinued Operations

There were no acquired or discontinued operations in 2007/08 or 2008/09.

(3) Exceptional Items

There were no exceptional items in 2007/08 or 2008/09.

(4) Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded by grant, the Dedicated Schools Grant (DSG), provided by the Department for Children, Schools and Families. 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 under-spends on the two elements are required to be accounted for separately.

Schools Budget Funded by Dedicated Schools Grant	**Central Expenditure £000**	**Individual Schools Budget £000**	**Total £000**
Original Grant Allocation to Schools Budget for 2008/09 in the Authority's Budget	(14,694)	(77,984)	(92,678)
Adjustment to Finalised Grant Allocation	49	(1,192)	(1,143)
DSG receivable for 2008/09	(14,645)	(79,176)	(93,821)
Over/(Under)-spend brought forward from 2007/08	(339)	0	(339)
Total Available DSG for 2008/09	(14,984)	(79,176)	(94,160)
Actual Expenditure for 2008/09	14,046	79,176	93,222
Over/(Under)-spend for 2008/09	(938)	0	(938)
Over/(Under)-spend carried forward to 2009/10	(938)	0	(938)

Comparatives for 2007/08

Expenditure	*12,558*	*76,120*	*88,678*
Less Income	*(12,897)*	*(76,120)*	*(89,017)*
	(339)	*0*	*(339)*

Under the Accounts and Audit Regulations 2003 (as amended) the above table is required to demonstrate that the authority has passed an appropriate and significant proportion of DSG to schools. Spending by schools of these monies is included in the Income and Expenditure Account with their outturn position reflected in the Statement of Movement on the General Fund Balance.

(5) Outstanding Obligations arising from Long Term Contracts

On 1 April 2005 the Council entered into a long-term contract with Vertex Data Service Ltd for the provision of several support service functions. At 31 March 2009 the financial obligations of the Council remaining to be discharged under the contract, at 2008/09 prices, totalled a minimum of £194.7 million (11 years remaining at £17.704 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.

(6) Trading Operations

The Council did not operate any trading undertakings in 2007/08 or 2008/09.

(7) 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 2008/09.

(8) Publicity

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

Publicity Expenditure	*2007/08 £000*		2008/09 £000
Recruitment Advertising			300
Other Advertising			276
Other Publicity	390		436
Total	*390*		1,012

The figures for 2008/09 have been expanded to include all advertising and publicity expenditure.

(9) Building Control Trading Account

The Local Authority Building Control Charges Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaison with other statutory authorities. The statement below shows the total cost of operating the Building Control Unit divided between chargeable and non-chargeable activities.

Building Regulations Charging Account 2008/09	Chargeable 2008/09 £'000		Non-Chargeable 2008/09 £'000		Total 2008/09 £'000
Expenditure:-					
Employees Expenses	171		100		271
Transport	10		6		16
Supplies and Services	23		1		24
Central and Support Service Charges	5		3		8
	209		110		319
Less: Income:-					
Building Regulation Charges	(268)		0		(268)
Miscellaneous Income	0		(3)		(3)
Deficit/(Surplus) for year	(59)		107		48

Comparatives for 2007/08

Expenditure	*448*		*166*		*614*
Less Income	*(349)*		*(2)*		*(351)*
	99		*164*		*263*

(10) Agency Arrangements

The Council is required to disclose the nature and amount of any significant income or expenditure arising from agency arrangements. In 2008/09 the Council had no such arrangements of material value.

(11) Euro Costs

The SORP requires the Council to disclose action taken with regard to the Single European Currency (“Euro”). Until a decision is made as to whether the UK should adopt the Euro, expenditure on Euro-denominated activities, which are currently minimal, are absorbed within existing sterling budget provision.

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

The Council is empowered by this Act to provide goods and services to other public bodies. During 2008/09 the Council did not provide services of any significant value to such organisations.

(13) Members’ Allowances

The total Members’ allowances paid in 2008/09 were £623,173 (£599,310 in 2007/08).

(14) Remuneration of Senior Staff

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

Remuneration Band £	***2007/08 Numbers***		**2008/09 Numbers**
50,001 - 60,000	*76*		91
60,001 - 70,000	*33*		38
70,001 - 80,000	*11*		14
80,001 - 90,000	*6*		9
90,001 - 100,000	*1*		3
100,001 - 110,000	*2*		2
110,001 - 120,000	*2*		3
120,001 - 130,000	*0*		2
130,001 - 140,000	*1*		1
140,001 - 150,000	*0*		0
150,001 - 160,000	*1*		0
160,001 - 260,000	*0*		0
260,001 - 270,000	*1*		0
270,001 - 330,000	*0*		0
330,001 +	*0*		1

Remuneration for the purposes of this disclosure includes all amounts paid to or receivable by an employee, all expenses paid or due and subject to UK tax, and any benefits in kind declarable for tax purposes.

(15) 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, it provides the majority of the Council’s funding in the form of grants and it prescribes the terms of many of the transactions that the Council has with other parties, such as those in respect of Housing Benefit. Details of grants received from Government Departments are set out in Note 41.
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Members of the Council have direct control over the Council’s financial and operating policies. 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 £262,000 and Thurrock MIND £169,000 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 precepts raised on their behalf, the 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 2008/09. Each of these public bodies is ultimately accountable to Central Government.

The Council provided £600,000 financial assistance to Impulse Leisure, which resulted in it having a significant level of influence over their operations. Impulse Leisure is a charitable trust formed as a consequence of the transfer of former Council run leisure services.

(16) Audit Costs

In 2008/09 the Council incurred the following fees relating to external audit and inspection:

Audit Costs	***2007/08 £'000***	**2008/09 £'000**
Fees Payable to the Audit Commission:		
- External Audit Services	*251*	289
- Statutory Inspection	*50*	35
- Certification of Grant Claims and Returns	*112*	118
Total	*413*	442

(17) General Government Grants

General government grants comprise the following:

Government Grants	**2007/08 £'000**	**2008/09 £'000**
Revenue Support Grant	7,299	6,857
Local Area Based Grant	0	6,551
Local Authority Business Grant Initiative	0	2,515
Government Grants Deferred	0	14,844
LAA Pump Priming Grant	8,966	0
LSPA Reward Grant	2,076	0
Total	18,341	30,767

The Government Grants Deferred account relates to grants received towards the purchase of fixed assets. The write-down of the Government Grants Deferred balance for any asset has been based upon the depreciation policy adopted for each relevant asset.

Where grants cannot be identified to particular assets that are likely to depreciate (and a Government Grants Deferred treatment would not be appropriate), the grant should be credited to the Income and Expenditure Account to record the gain for the year. The credit should be to the relevant service revenue account (if it can be identified to a particular service or services) or otherwise as part of the credits for general government grants at the foot of the account. The credit has then been reversed out to the Capital Adjustment Account in the Statement of Movement on the General Fund Balance.

The figure included in Government Grants Deferred in the above table relates to those grants that cannot be identified with any asset or service.

(18) Movement on Earmarked Reserves

The Council maintains a number of reserves which have been set up voluntarily as a means of earmarking resources to meet future spending needs. This note in conjunction with notes 33 and 35 shows a detailed analysis of the movement in the net worth of the Council in the year. Details of the balances and movements on earmarked reserves are scheduled as follows:

Earmarked Reserves	*2007/08 Balance*	2008/09 Movement	2008/09 Balance
	£'000	£'000	£'000
Earmarked Reserves:			
General Fund	*(4,708)*	(794)	(5,502)
Best Value	*(73)*	4	(69)
Modernisation	*(642)*	0	(642)
Single Status	*(572)*	403	(169)
Electronic Government Information Technology	*(1,285)*	1,109	(176)
Building Control	*(59)*	(59)	(118)
Capital Expenditure	*(1,528)*	256	(1,272)
LGR SCA Provision	*(2,344)*	374	(1,970)
Landfill Allowance Credits	*(81)*	81	0
Waste	*(550)*	0	(550)
MMI	*(290)*	0	(290)
Historic Buildings	*(63)*	0	*(63)*
The Saltings Tilbury	*(2)*	0	*(2)*
Fraud Recovery	*(2)*	0	*(2)*
Repairs and Renewals	*(20)*	0	*(20)*
Museum Donations	*(15)*		(15)
Trusts	*(10)*	(18)	(28)
Totals	*(12,244)*	1,356	(10,888)

The purposes of the above reserves are summarised as follows:

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

The Best Value Reserve has been set up to provide a resource to finance the cost of work required to achieve Best Value throughout the Council.

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

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

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

The Building Control Reserve has been established in accordance with legislation under the Building (Local Authority Charges) Regulations 1998. Any surpluses arising from the revenue account is held to finance future operations.

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

LGR SCA Reserve is a reserve set up to fund additional borrowing following Local Government Reorganisation in 1998.

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

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

The MMI reserve was set up (Council minute PR136 2.3.94) to meet any levy or reductions in claims under the MMI Scheme of Arrangement drawn up by that Company to permit the orderly winding up of its business. The Council has approximately £1.275 million of outstanding claims.

The Historic Buildings Reserve was established to meet the cost of purchasing any historic buildings within the Borough, which are at risk due to lack of maintenance (Council minute PR48 4.8.92).

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

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

Fraud Recovery Reserve was set up for reimbursement of benefit fraud cases.

Repairs and Renewals Reserve has been set up to fund the repair and replacement of plant and vehicles.

The On Street Car Parking Reserve has been established in accordance with the Road Traffic Regulation Act 1984 (amended 1991). Any surpluses arising from revenue accounts are held to finance future operations.

(19) Tangible Fixed Assets

Movements of tangible fixed assets in 2008/09 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**
Gross Value as at 1 April 2008	*1,158,965*	*51,723*	*18,231*	*35,307*	*1,101*	*1,265,327*
Additions	28,907	4,873	333	284	0	34,397
Disposals	(1,093)	0	0	(435)	0	(1,528)
Revaluations	121,477	0	1,180	889	480	124,026
Impairments	(280,806)	0	(6,141)	(11,250)	(11,539)	(309,736)
Transfers	25,569	(46,108)	2,000	0	18,538	(1)
Adjustments	0	0	0	0	0	0
Gross Book Value as at 31 March 2009	1,053,019	10,488	15,603	24,795	8,580	1,112,485
Depreciation as at 1 April 2008	*(13,022)*	*0*	*0*	*(2,624)*	*0*	*(15,646)*
Charge for year	(17,245)	0	(4)	(194)	(6)	(17,449)
Depreciation write back	16,091	0	4	2,817	6	18,918
Impairments	0	0	0	0	0	0
Adjustments	0	0	0	0	0	0
Depreciation as at 31 March 2009	(14,176)	0	0	(1)	0	(14,177)
Net Book Value as at 1 April 2008	*1,145,943*	*51,723*	*18,231*	*32,682*	*1,101*	*1,249,680*
Net Book Value as at 31 March 2009	1,038,843	10,488	15,603	24,794	8,580	1,098,308

Operational Assets are analysed as shown below**:**

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Community Assets £'000	Infrastructure Assets £'000
Gross Value as at 1 April 2008	*607,762*	*474,283*	*5,116*	*10,926*	*60,878*
Additions	8,125	15,978	377	542	3,885
Disposals	(545)	(443)	(105)	0	0
Revaluations	72,876	48,393	0	208	0
Impairments	(150,306)	(130,500)	0	0	0
Transfers	0	25,569	0	0	0
Adjustments	0	0	0	0	0
Gross Book Value at 31 March 2009	537,912	433,280	5,388	11,676	64,763
Depreciation as at 1 April 2008	*(46)*	*(1,923)*	*(2,014)*	*(2,279)*	*(6,760)*
Charge for year	(8,307)	(5,743)	(1,054)	(383)	(1,758)
Depreciation write back	8,330	7,652	105	4	0
Impairments	0	0	0	0	0
Adjustments	0	0	0	0	0
Depreciation as at 31 March 2009	(23)	(14)	(2,963)	(2,658)	(8,518)
Net Book Value as at 1 April 2008	*607,716*	*472,360*	*3,102*	*8,647*	*54,118*
Net Book Value as at 31 March 2009	537,889	433,266	2,425	9,018	56,245

(20) 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.

Capital Financing Requirement	***2007/08 £'000***	**2008/09 £'000**
Opening Capital Financing Requirement	*106,004*	121,068
Capital Investment:		
Operational Assets	*25,699*	28,811
Non-Operational Assets	*27,184*	5,491
Revenue Expenditure	*1,154*	2,332
Sources of Finance:		
Capital Receipts	*(2,215)*	(396)
Government Grants and Contributions	*(23,996)*	(15,199)
Revenue Provision (including Minimum Revenue Provision)	*(12,762)*	(16,227)
Closing Capital Financing Requirement	*121,068*	125,880
Explanation of Movements in year:		
Increase in underlying need for Borrowing (Supported by Government Financial Assistance)	*15,064*	4,069
Increase in underlying need for Borrowing (Unsupported by Government Financial Assistance)	*0*	743
Increase in Capital Financing Requirement	*15,064*	4,812

(21) Capital Commitments

As at 31 March 2009 the Council had authorised expenditure in future years of £8.485 million. These commitments include the following significant schemes:

Capital Commitments - Schemes	Expenditure Approved in 2008/09 £'000
Ockendon School Extra Places	411.0
Various Children's Centres	387.0
Traveller Site Pitches	480.0
Recycling Centre	886.0
Transport	1,289.3
Housing HRA	921.0

These schemes include the following contractual commitments as well as schemes for which the Council has agreed a programme and for which it is prudent to make provision:

Contractor	Scheme	2008/09 £'000
Kier Eastern	Gateway	423
Haymills	West Thurrock Primary	268
Forest Gate	Tudor Court Primary	146
Haymills	Special Schools	175
May Gurney	Recycling Centre	990
Hutton	Ockendon Secondary	1,064

(22) Statement of Physical Assets

The following assets were owned as at 31 March 2009, the figures for 31 March 2008 shown as comparators:

		31 March 2008	31 March 2009
LAND AND BUILDINGS	Sports Centres	*2*	2
	Village Halls	*14*	16
	Community Halls	*4*	4
	Offices/Depots, etc.	*17*	17
	Car and Lorry Parks	*20*	20
	Garages	*2,745*	2,745
	Theatre	*1*	1
	Schools/Colleges	*55*	54
	Other Education Assets	*20*	18
	Residential Homes	*4*	3
	Other Social Services Assets	*9*	8
	Libraries	*8*	8
	Magistrates Court	*1*	1
	Landfill Site	*1*	1
	Other Housing Assets	*0*	3
COUNCIL DWELLINGS	Houses and Bungalows	*5,590*	5,580
	Flats and Maisonettes	*3,528*	3,722
	Aged Persons Dwellings	*1,222*	1,032
	Traveller Sites	*3*	3
VEHICLES, PLANT AND EQUIPMENT	Vehicles – Non Finance Lease	*13*	10
	Plant – Non Finance Lease	*9*	9
	Computer Equipment	*6*	8
	Equipment - Other	*6*	6
COMMUNITY	Parks	*93*	93
	Burial Grounds	*8*	8
	Allotment Sites	*33*	33
	War Memorials	*10*	10
	Historic Building	*1*	1
	Highways Land and Infrastructure	*24*	26
NON-OPERATIONAL	Shops	*171*	173
	Other Commercial	*47*	45
	Assets under Construction	*3*	1
	Vacant Sites	*21*	24

(23) Finance Leases

Council as Lessee -
The Council has the use of capital assets comprising assets in the category of vehicles, plant and equipment under finance leases. Finance lease rentals paid during the year amounted to £502,577 (£719,434 in 2007/08).

Commitments from 2009/10 onwards under finance leases are as follows –

Finance Lease Future Payments	**Vehicles, Plant and Equipment £**
Expiring in 2009/10	23,154
Expiring between 2010/11 and 2013/14	20,615
Expiring in 2014/15 and later years	0

Council as Lessor –
The Council has not leased any of its assets to third parties by means of finance leases.

(24) Operating Leases

Council as Lessee -
The Council has the use of capital assets in the category of land and buildings through operating leases in respect of which rentals were payable in 2008/09 amounting to £52,552 (£51,382 in 2007/08

Commitments from 2009/10 onwards under operating leases are as follows -

Operating Lease Future Payments	**Other Land and Buildings £**
Expiring in 2009/10	35,151
Expiring between 2010/11 and 2013/14	16,050
Expiring in 2014/15 and later years	1,351

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 2009 were £690,764 (General Fund) and £1,013,296 (Housing Revenue Account – non-housing assets).

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 –

Operating Lease Assets	**Gross Book Value £**	**Accumulated depreciation £**	**Net Book Value £**
Property Assets Leased to Third Parties	48,411,102	29,263	48,381,839

(25) Valuation of Tangible Fixed Assets

The freehold and leasehold properties which comprise the Council's property portfolio have been valued at 31 March 2009 by an external Valuer employed by Europa FM plc – P Singer MRICS, in accordance with the statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors.

A full revaluation of all Council assets was undertaken in 2008/09. :

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

Council dwellings are valued on the basis of market value for use as social housing.

Other properties regarded by the authority as operational have been valued on the basis of market value for existing use or, where this cannot be assessed because there is no market value evidence for the asset, the depreciated replacement cost.

Properties regarded by the Council as non-operational (investment assets and surplus assets for disposal) have been valued on the basis of market value.

Community assets, infrastructure assets, assets under construction and vehicles, plant and equipment have been valued at historic cost.

(26) Intangible Fixed Assets

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

Intangible Assets	*2007/08 £'000*		2008/09 £'000
Intangible Assets - Software			
Gross Book Value at 1 April	*1,958*		1,958
Accumulated Amortisation at 1 April	*(245)*		(490)
	1,713		1,468
Movement in Year			
Additions	*0*		0
Disposals	*0*		0
Revaluations	*0*		0
Amortisation for year	*(245)*		(244)
Impairment for year	*0*		0
Net Book Value as of 31 March	*1,468*		1,224

Intangible fixed assets are valued at historical cost.

(27) 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.

Net Assets Employed	*Balance 31/03/08 £'000*		Balance 31/03/09 £'000
General Fund	*429,249*		350,451
Housing Revenue Account	*544,307*		468,636
Total	*973,556*		819,087

(28) Financial Assets and Liabilities

1. Financial Instruments Balances

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

Financial Instruments	*Long Term as at 31/3/2008 £'000*	*Current as at 31/3/2008 £'000*		Long Term as at 31/3/2009 £'000	Current as at 31/3/2009 £'000
Financial Liabilities at Amortised Cost	*(125,150)*	*(13,088)*		(124,989)	(19,842)
Other Creditors	*0*	*(7,287)*		0	(5,475)
Total Borrowing	*(125,150)*	*(20,375)*		(124,989)	(25,317)
Loans and Receivables	*0*	*16,164*		0	17,484
Financial Assets at Fair Value through the Income and Expenditure Account	*0*	*39,702*		0	39,969
Cash and Bank	*0*	*3,376*		0	4,632
Other Debtors	*0*	*9,009*		0	10,634
Total Investments	*0*	*68,251*		0	72,719

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:

2008/09	Financial Liabilities	Financial Assets			
	Liabilities measured at Amortised Cost	**Loans and Receivables**	**Available for Sale Assets**	**Fair Value through the Income and Expenditure Account**	**Total**
	£'000	***£'000***	***£'000***	***£'000***	***£'000***
Interest Expense	7,745	0	0	0	7,745
Losses on De-recognition	0	0	0	0	0
Impairment Losses	0	0	0	0	0
Interest payable and similar Charges	7,745	0	0	0	7,745
Interest Income	0	(1,817)	0	(2,544)	(4,361)
Gains on De-recognition	0	0	0	0	0
Interest and Investment Income	0	(1,817)	0	(2,544)	(4,361)
Gains on Revaluation	0	0	0	0	0
Losses on Revaluation	0	0	0	0	0
Amounts recycled to the Income and Expenditure 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	7,745	(1,817)	0	(2,544)	3,384

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

Note 2 - Losses on de-recognition are in respect of 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 Income and Expenditure Account is for interest on the Council's externally held investments.

Note 5 - Gains on de-recognition are for discounts receivable on early debt repayment.

2007/08	Financial Liabilities	Financial Assets			
	Liabilities measured at Amortised Cost £'000	Loans and Receivables £'000	Available for Sale Assets £'000	Fair Value through the Income and Expenditure Account £'000	Total £'000
Interest Expense	*7,450*	*0*	*0*	*0*	*7,450*
Losses on De-recognition	*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 De-recognition	*(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 Income and Expenditure 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 Housing Revenue Account.

Note 2 - Losses on de-recognition are 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 Income and Expenditure Account is for interest on the Council's externally held investments.

Note 5 - Gains on de-recognition are 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:

i) The PWLB figures have been calculated with reference to the premature repayments rates in force on 31st March 2009.

ii) For market loans the Council has assessed fair value by using the equivalent PWLB interest rates ruling on 31st March 2008 and 31st March 2009.

iii) No early repayment or impairment is recognised.

iv) Where an instrument will mature in the next 12 months the carrying value is assumed to be same as fair value.

v) 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.

vi) For investments held by the Council's Fund Managers the market value taken from the year-end valuations have been used.

vii) The fair value of creditors and debtors is taken to be the invoiced or billed amount.

Fair Value of Financial Liabilities and Assets	***31/3/2008 Carrying Amount £'000***	***31/3/2008 Fair Value £'000***		**31/3/2009 Carrying Amount £'000**	**31/3/2009 Fair Value £'000**
PWLB Debt	*(95,676)*	*(114,434)*		(95,517)	(111,765)
Long term Market Debt	*(29,460)*	*(44,556)*		(29,458)	(43,438)
Temporary Market Debt	*(13,088)*	*(13,000)*		(19,842)	(19,842)
Bonds/Annuities	*(15)*	*(14)*		(14)	(14)
Total Debt	*(138,239)*	*(172,004)*		(144,831)	(175,059)
Other Creditors	*(7,287)*	*(7,287)*		(5,475)	(5,475))
Total Financial Liabilities	*(145,526)*	*(179,291)*		(150,306)	(180,534)
Temporary Investments	*16,054*	*16,054*		17,484	17,484
Fund Managers Investments	*39,702*	*39,702*		39,969	39,969
Other Debtors	*9,009*	*9,009*		10,634	10,634
Total Loans and Receivables	*64,765*	*64,765*		68,087	68,087

The fair value of financial liabilities is greater than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount the authority would have to pay if the lender requested or agreed to early repayment of the loans.

(29) Nature and Extent of Risk Arising from Assets and Liabilities

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 need 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 market changes in, for example, interest rate movements.

Overall Procedures for Managing Risk

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

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 counter-parties in compliance with Government guidance.

The Prudential Indicators and Investment Strategy are required to be reported and approved at or before the Council's annual council tax and budget setting meeting. They are reported with the annual Treasury Management Strategy that outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

It is the responsibility of the Capital, Taxation and Treasury Team in the Corporate Finance department to implement the approved strategies and policies. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. 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:

Investments	**Amounts as at 31/3/2009** ***£'000***	**Historical Default** **%**	**Adjust for Market Conditions** **%**	**Estimated Maximum Exposure** ***£'000***
Banks rated AAA Long Term	3,820	0	0	0
Banks rated AA Long Term	30,600	0	0	0
Banks rated F1 Short Term	6,000	0	0	0
Un-rated Building Societies with Assets over £1,000 million	7,000	0	0	0
Un-rated Building Societies with Assets between £499-£999 million	0	0	0	0
Un-rated Building Societies with Assets up to £498 million	1,000	0	0	0
Local Authorities	3,300	0	0	0
Cash	3,868	0	0	0
Total Investments	55,588	0	0	0

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

The total amount of Debtors outstanding at the 31st March 2009 is £10,634m. This figure is made up of £6,916m of Trade Debtors and £3,718m 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 £3.067m of the total balance is past its due date for payment. To this end a provision for bad debts of £1.125m has been calculated with reference to estimated default rates. Of the total amount overdue, £2.127m is overdue by up to 365 days with the remaining £0.940 million by more than one year. The Council considers that the remaining £3,718m of other debtors are current debtors and therefore all receivable within one year.

The authority does not normally allow credit to its customers. An age analysis of amounts due is set out in the following table:

Age Analysis of the Council's Debtors	***2007/08 £'000***		**2008/09 £'000**
Less than three months	*1,029.8*		1,211.9
Three to six months	*281.9*		376.0
Six months to one year	*358.8*		538.5
More than one year	*867.2*		940.1
Total Debtors	*2,537.7*		3,067.5

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 produce a balanced budget each year under the Local Government Finance Act 1992, which ensures that sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy reports), as well as through prudent cash flow management as 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 that sufficient liquidity is available for the Council's day to day cash flow needs and that the spread of longer term investments provides stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

Maturity Profile of Financial Liabilities	***2007/08 £'000***		**2008/09 £'000**
Less than one year	*(20,287)*		(38,658)
Between one and two years	*0*		(22)
Between two and seven years	*(3,046)*		(3,000)
Between seven and fifteen years	*(1,000)*		(1,000)
More than fifteen years	*(120,339)*		(110,212)
Total – Financial Liabilities	*(144,672)*		(152,892)

The maturity analysis of financial assets is as follows:

Maturity Profile of Financial Assets	**Fund Managers £'000**	**TBC Investments £'000**	**Debtors £'000**
Less than one year	33,168	17,300	10,634
Between one and two years	2,600	0	0
Between two and seven years	1,000	0	0
Between seven and fifteen years	1,520	0	0
More than fifteen years	0	0	0
Total – Financial Assets	38,288	17,300	10,634

The maturity analysis of the Fund Managers Investments is based on the nominal value of investments held as at 31 March 2009 in accordance with 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 would rise.

2. Borrowings at fixed rates – the fair value of the borrowing liability would fall.

3. Investments at variable rates – the interest income credited to the Income and Expenditure Account would rise.

4. Investments at fixed rates – the fair value of the assets would fall.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings do not impact on the Income and Expenditure Account or the Statement of Total Recognised Gains and Losses. However, changes in interest payable and receivable on variable rate borrowings and investments are 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 are reflected in the Statement of Total Recognised Gains and Losses, 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 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 have been:

Sensitivity Analysis	***2007/08 £'000***	**2008/09 £'000**
Increase on Interest payable on Variable Rate Borrowing	*0*	0
Increase in Interest receivable on Variable Rate Investments	*0*	0
Impact on Income and Expenditure Account	*0*	0
Share of overall impact debited to the Housing Revenue Account	*0*	0
Decrease in Fair Value of Fixed Rate Investment Assets	*0*	0
Impact on the Statement of Total Recognised Gains and Losses	*0*	0
Decrease in Fair Value of Fixed Rate Borrowing Liabilities (no impact on the Income and Expenditure Account or the Statement of Total Recognised Gains and Losses)	*11,558*	17,743
Total	*11,558*	17,743

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 affect 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 will mature in twelve months or less there will be no change in their fair value. External investments held by the Council's Fund Managers have been classified as Fair Value through Profit and Loss 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.

(30) Insurance Provision

Insurance Provision	***Balance 31/03/08 £'000***	**Income in the Year £'000**	**Expenses or Reduction in Year £'000**	**Balance 31/03/09 £'000**
Insurance Provision Movements	*(970)*	(436)	424	(982)
	(970)	(436)	424	(982)

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

(31) Debtors

Debtors may be analysed as follows:

Debtors Analysis	*2007/08 £'000*		2008/09 £'000
Government Departments	*12,577*		3,178
Other Public Bodies	*244*		336
Housing Rents	*1,257*		1,707
Business Rates	*18*		7,069
Council Tax	*5,276*		5,854
Sundry Debtors	*14,340*		14,262
Payments in Advance	*505*		215
Total	*34,217*		32,621
Less: Provision for Impairment	*(3,976)*		(4,161)
Net Total Debtors	*30,241*		28,460

(32) Creditors

Creditors may be analysed as follows:

Creditors Analysis	*2007/08 £'000*		2008/09 £'000
Government Departments	*(515)*		(1,898)
Other Public Bodies	*(2,060)*		(2,921)
Sundry Creditors	*(25,594)*		(22,610)
Receipts in Advance	*(1,035)*		(4,249)
Total Creditors	*(29,204)*		(31,678)

(33) Movement on Capital Reserves

Capital Reserves	*Opening Balance 01/04/08 £'000*	Gains or Losses Transferred £'000	Transactions with Other Reserves £'000	Closing Balance 31/03/09 £'000
Revaluation Reserve	*(55,494)*	20,273	0	(35,221)
Capital Adjustment Account	*(989,953)*	136,138	0	(853,815)
Financial Instruments Adjustment Account	*(2,312)*	260	0	(2,052)
Usable Capital Receipts	*(1,191)*	227	0	(964)
Pensions Reserve	*103,568*	(5,515)	0	98,053
Major Repairs Reserve	*(148)*	107	0	(41)
			0	
	(945,530)	151,490	0	(794,040)

The purposes of the above reserves are as follows:

Revaluation Reserve – this reserve functions as a store of the gains made from the revaluation of tangible fixed assets since 1 April 2007 that have not been realised through disposals.

Capital Adjustment Account – this reserve consists of a store of capital resources that have been set aside to meet past expenditure.

Financial Instruments Adjustment Account – this reserve is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.

Useable Capital Receipts – this reserve holds the balance of the proceeds of fixed asset sales available to meet future capital investment.

Pensions Reserve – this reserve is a balancing account to allow the inclusion of the pensions liability in the Balance Sheet.

Major Repairs Reserve – this reserve holds a balance of resources available to meet capital investment in council housing.

(34) Trust Funds and Receiverships

a) The Council administers one Trust Fund, which is included in the Balance Sheet as a creditor:

Trust Funds	***Balance 31/03/08 £***	**Income in Year £**	**Expenses in Year £**	**Balance 31/03/09 £**
Miss Grover's Charity	*(21,232)*	(1,177)	0	(22,409)

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.

Environmental Trusts' Investments	**Balance 31/03/08 £**		**Balance 31/03/09 £**
Cory Environmental Trust	483,067		818,234
Veolia ES Cleanaway Mardyke	883,005		1,353,193
Total	1,366,07 2		2,171,427

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.

(35) Movement on Fund Balances

Fund Balances	***Balance 31/03/08 £'000***	**Income in Year £'000**	**Expenses in Year £'000**	**Balance 31/03/09 £'000**
General Fund Working Balance	*(2,000)*	0	0	(2,000)
Housing Revenue Account Balance	*(3,673)*	0	1,570	(2,103)
Schools Balances	*(9,551)*	(381)	0	(9,932)
Collection Fund Balance	*(558)*	0	434	(124)
	(15,782)	(381)	2,004	(14,159)

The purposes of the above funds are summarised as follows:

General Fund Working Balance – this is the minimum level of balance required for the financial operational purposes of the non-housing services of the Council.

Housing Revenue Account Balance – this is a store of the resources available to meet the running costs of the council housing functions of the Council.

Schools Balances – these are made up of amounts in hand from individual schools' delegated budgets or from monies made available to them directly from the Department for Children, Schools and Families. Such balances are ring fenced for spending on the Education service.

Collection Fund Balance – this comprises the balance in hand of monies paid by business rate and council tax-payers relating to the Council.

(36) Retirement Benefits – Local Government Scheme

As part of the terms and conditions of the 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 in the Income and Expenditure Account when those benefits are earned by employees, rather than when the benefits are eventually paid to them as pensions. However, the charge that is required to be made against council tax is based upon the cash payable in the year, so that the real cost of retirement benefits is reversed out of the Income and Expenditure Account, in effect, in the Statement of Movement on the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and the Statement of Movement on the General Fund Balance during the year.

Retirement Benefit Costs	***2007/08 £'000***	**2008/09 £'000**
Income and Expenditure Account:		
Net Cost of Services:-		
Current Service Cost	*7,006*	8,358
Past Service Costs	*2,051*	403
Net Operating Expenditure:-		
Interest Cost	*13,208*	16,658
Expected Return on Assets in the Scheme	*(11,538)*	(11,159)
Net Charge to the Income and Expenditure Account	*10,727*	14,260
Statement of Movement on the General Fund Balance:-		
Reversal of Net Charges made in accordance with Statute	*(1,484)*	(4,282)
Actual Amount charged against the General Fund Balance for Pensions in the year:-		
Employers Contributions payable to the Scheme	*9,243*	9,978

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £9.963 million gain (£33.294 million loss 2007/08 as restated) are included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £23.331 million loss.

The reconciliation of the present value of the scheme liabilities is as follows:

Funded Liabilities: Local Government Pension Scheme	***Balance 2007/08 £'000***	**Balance 2008/09 £'000**
1 April	*(244,364)*	(271,862)
Current Service Cost	*(7,006)*	(8,358)
Interest Cost	*(13,208)*	(16,658)
Contribution by Scheme Participants	*(2,607)*	(2,994)
Actuarial Gains and Losses	*(11,782)*	57,535
Benefits Paid	*9,156*	8,921
Past Service Cost and Curtailments	*(2,051)*	(403)
31 March	*(271,862)*	(233,819)

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

Funded Assets: Local Government Pension Scheme	***Balance 2007/08 £'000***		**Balance 2008/09 £'000**
1 April	*175,420*		168,128
Expected Rate of Return	*11,526*		11,159
Actuarial Gains and Losses	*(21,512)*		(47,572)
Employer Contributions	*9,243*		9,978
Contributions by Scheme Participants	*2,607*		2,994
Benefits paid	*(9,156)*		(8,921)
31 March	*168,128*		135,766

The expected return on scheme assets is determined by considering the expected returns available on assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was -£36,413 million (-£7.423 million 07/08).

Scheme history is summarised as follows:

Scheme History	**2004/05 £'000**	**2005/06 £'000**	**2006/07 Restated £'000**	**2007/08 Restated £'000**	**2008/09 £'000**
Present Value of Liabilities	(225,751)	(241,147)	(244,364)	(271,862)	(233,819)
Local Government Pension Scheme Fair Value of Assets in the Local Government Pension Scheme	141,214	160,511	175,420	168,128	135,766
Surplus/(Deficit) in the scheme Local Government Scheme	(84,537)	(80,636)	(68,944)	(103,734)	(98,053)

The Council has elected not to restate the fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS17 (revised).

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £233.819 million has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative balance of £98.053 million.

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.

The total contributions expected to be made to the Local Authority Pension Scheme by the Council in the year to 31 March 2010 is £9.941 million.

The basis for estimating assets and liabilities is as follows:

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 is administered by Essex County Council and fund liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimates for Thurrock Council being based on the latest full valuation of the scheme as at 1 April 2007.

The principal assumptions used by the actuary have been as follows:

Principal Actuarial Assumptions	***31/03/08 %***		**31/03/09 %**
Long Term Expected Return on Assets in the Scheme			
Equities	*7.50%*		7.50%
Government Bonds	*4.60%*		4.00%
Other Bonds	*6.10%*		6.00%
Property	*6.50%*		6.50%
Cash/Liquidity	*5.25%*		0.50%
Other	*N/A*		N/A
Proportion of Employees Opting to take Commuted Sum	*50.00%*		50.00%
Longevity at 65 for Current Pensioners			
Male	*22.0*		22.0
Female	*24.8*		24.9
Longevity at 65 for Future Pensioners			
Male	*23.1*		23.1
Female	*25.9*		25.9
Inflation	*3.60%*		3.30%
Expected Rate of Salary Increases	*5.10%*		4.80%
Rates of Pension Increases in Payment	*3.60%*		3.30%
Discount Rate	*6.10%*		7.10%
Take up option to convert Annual Pension into Retirement Lump Sum	*50.00%*		50.00%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Categories of Asset	***31 March 2008 %***	**31 March 2009 %**
Equities	*70.2*	74.5
Government Bonds	*9.4*	8.7
Other Bonds	*6.6*	5.3
Property	*10.7*	9.8
Cash/Liquidity	*3.1*	1.7
Other	*0.0*	0.0
Total	*100*	100

History Experience of Gains and Losses

The actuarial gains and identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009.

Experience of Gains and Losses	**2004/05 %**	**2005/06 %**	**2006/07 %**	**2007/08 %**	**2008/09 %**
Differences between the Expected and Actual Return	(4.50)	15.50	1.10	(12.80)	(35.00)
Experience Gain on Assets and Liabilities	(1.00)	(2.30)	(0.0)	1.90	0.00

(37) Pensions – Teachers Scheme

Teachers employed by the authority are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions. It provides teachers with defined benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2008/09 the Council paid £8.049 million, including £2,506 million actual teachers' contributions, (£7.820 million in 2007/08) in respect of teachers' retirement benefits. The contribution rate was 14.1%.

The Scheme is a defined benefit scheme. Although the scheme is unfunded, teachers' pensions use a notional fund as a basis for calculating the employers' contribution rate paid by local education authorities. However it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In addition, the Council is responsible for all pension payments relating to added years' benefits that it has awarded outside of the terms of the Teachers' Scheme. These amounted to £21,729 in 2008/09 (£27,991 in 2007/08). These benefits are accrued for in the Pensions Liability.

(38) Reconciliation of the Surplus/Deficit on the Income and Expenditure Account to the Revenue Activities Net Cash Flow

Cash Flow Reconciliation	2007/08			2008/09	
	£'000	£'000		£'000	£'000
Surplus/(Deficit) on the Income and Expenditure Account		(85,542)			(144,948)
Amounts included in the Income and Expenditure Account, but excluded in the Statement of Movement on the General Fund Balance		100,633			156,129
Amounts excluded from the Income and Expenditure Account, but included in the Statement of Movement on the General Fund Balance		(12,558)			(13,871)
Transfers to or from the General Fund Balance that are required in determining the Movement on the General Fund Balance		(437)			3,071
Collection Fund Surplus/(Deficit)		176			(416)
Sub total		2,272			(35)
Add Back:					
Items not Involving Movement of Funds:					
Minimum Revenue Provision		4,159			4,539
Claims Settled from Insurance Provision		(363)			(424)
Transfers (to) and from Reserves:					
Revenue Contributions to Capital	1,301			0	
Contributions to the General Fund Balance	1,799			2,224	
Contributions from the General Fund Reserve	(755)			(1,430)	
Housing Revenue Account Balance	(576)			(1,570)	
Major Repairs Allowance	7,078			7,105	
Insurance Reserve	536			436	
Electronic Government IT Reserve	2			(1,109)	
Building Control Reserve	(99)			59	
Modernisation reserve	193			0	
Single Status	206			(402)	
Best Value Reserve	(9)			(4)	
Landfill Credits Reserve	0			(81)	
Transfer from LGA/SCR Reserve	0			(374)	
Fraud Recovery Reserve	0			(1)	
Trust Funds	0			20	
Capital Expenditure Reserve	(324)			(256)	
Transfer from Usable Capital Receipts equal to the Contribution to Housing Pooled Capital Receipts	(2,145)			(646)	
		7,207			3,970
		13,275			8,050
Add back:					
Increase/(Decrease) in Revenue Provisions	(4)				
(Increase)/Decrease in Stocks	(133)			7	
(Increase)/Decrease in Revenue Debtors	2,413			1,782	
Increase/(Decrease) in Revenue Creditors	(1,844)			2,474	
		432			4,263
		13,707			12,313
Financing Items shown below Revenue Activities					
External Interest Charged	3,331			7,750	

External Interest Received	*(5,215)*		(4,465)	
		(1,884)		3,285
Net Cash Flow from Revenue Activities		*11,823*		15,598

(39) Analysis of Changes in Debt

Changes in Debt	**Balance 31/3/2008 £000**	**Cashflow £000**	**Balance 31/3/2009 £000**	**Cashflow £000**
Cash and Bank	*3,375*	4,755	4,632	1,257
Repayment of long term borrowin			145	145
Short term loans less than 1 year	*(13,000)*	(5,288)	(19,800)	(6,800)
Long term loans more than 1 year	*(125,451)*	(13,467)	(125,517)	(66)
Increase/(Decrease) in temporary investments			1,250	1,250
Net Cash Inflow before Financing	*(135,076)*	(14,000)	(139,290)	(4,214)

(40) Reconciliation of Net Cash Flow to Movement in Net Debt

Net Debt Reconciliation	***2007/08 £000***	**2008/09 £000**
Increase/(Decrease) in Cash for Period	*4,755*	1,257
Receipt of loans	*(13,467)*	(69,412)
Investments		1,250
Repayment of loans	*(5,288)*	62,691
Change in Debt	*(14,000)*	(4,214)
Net Debt at 1 April	*(120,942)*	(135,076)
Adjustment for 2007/08 figure	*(134)*	
Net Debt at 31 March	*(135,076)*	(139,290)

(41) Analysis of Government Grants

Government Grants	***2007/08***		**2008/09**	
	£000	***£000***	**£000**	**£000**
General Government Grants	*7,299*		15,923	
Housing Benefit	*47,876*		48,160	
Housing Subsidy	*(7,788)*		(8,817)	
		47,387		55,266
Children's Social Services	*682*		0	
Dedicated Schools	*88,527*		93,821	
Education Standards Fund	*19,114*		0	
Supporting People	*2,492*		0	
Schools Standards	*4,395*		16,866	
Early Years Funding	*2,312*		0	
Mental Illness Specific Grant	*342*		0	
Carers Special Grant	*579*		0	
Department of Health	*410*		0	
Access and Systems Capacity	*1,415*		0	
Local Area Agreement Pump Priming	*310*		0	
Other Grants	*6,846*		21,980	
		127,424		132,667
Total		*174,811*		187,933

(42) Liquid Resources

For the purposes of the Cash Flow Statement and Notes 38 to 40, liquid resources refers to short term borrowing (i.e. sums falling due to be repaid within one year)

(43) 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 2008/09, the LAA has completed the third 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 an 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 are at the discretion of the Shaping Thurrock Partnership, not the Council.

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 are in place for distributing the 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.

(44) Contingent Liability

The Council has a contractual agreement with the Department of Children, Schools and Families (DCSF) whereby £5 million of financing for the Gateway Academy is grant repayable on vacation of the St. Chad's site. The Council is re-negotiating this agreement so as to make repayment either consequent on sale of the vacated St Chad site or by the DCSF withholding grant funding due under subsequent school building programmes. It would therefore at the reporting date be inappropriate to treat this debt as a creditor.

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 in 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.

(45) 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 23rd September 2009, at which date there were no known events transpiring after 31 March 2009 that were material to these accounts.

(46) Authorisation of the accounts

Regulation 10(3) of the Accounts and Audit Regulations 2003 requires that a committee of Members must approve these accounts. The Accounts were authorised by the Council on 23rd September 2009.

HOUSING REVENUE ACCOUNT (HRA)

The Housing Revenue Account summarises the transactions relating to the provision, maintenance and sale of council houses and flats, and reflects a statutory obligation to account separately for local authority housing provision. The account must be self-financing, and the law precludes the account from financing or being financed by council taxpayers. HRA transactions are included in the main financial statements.

Notes	HRA INCOME AND EXPENDITURE ACCOUNT	*2007/08 £'000*		2008/09 £'000
	INCOME			
	DWELLING RENTS			
	Gross Rent from Dwellings	*(36,048)*		**(36,285)**
	Less Voids	*254*		**280**
		(35,796)		**(36,005)**
	NON DWELLING RENTS			
	Shop Rents	*(813)*		**(772)**
	Garage Rents	*(747)*		**(716)**
	Premises Income	*(191)*		**(108)**
		(1,751)		**(1,596)**
	CHARGES FOR SERVICES AND FACILITIES			
	Water Charges	*0*		**(4,216)**
	Insurance	*0*		**(86)**
	Supervision and Management	*0*		**(562)**
	Central Heating Charges	*(35)*		**(35)**
		(35)		**(4,899)**
	CONTRIBUTION TOWARDS EXPENDITURE			
	Transfer from General Fund: Use of Housing Amenities	*(170)*		**(174)**
	Leaseholders Charges	*(582)*		**(240)**
	Transfer from holding account	*0*		**(134)**
	Government Grant	*(44)*		**(62)**
		(796)		**(612)**
	Total Income	*(38,376)*		**(43,112)**
	EXPENDITURE			
	Repairs and Maintenance	*12,338*		**13,566**
	Supervision and Management	*10,808*		**15,237**
	Rents, Rates, Taxes and Other Charges	*37*		**58**
2	Negative Housing Revenue Account Subsidy Payable	*7,788*		**8,817**
3	Depreciation and Impairment of Fixed Assets	*101,869*		**73,909**
	Debt Management Costs	*19*		**0**
	Increase in Bad Debt Provision	*215*		**249**
	Deferred Purchase Capital Payment	*0*		**145**
	Total Expenditure	*133,074*		**111,981**
	Net Cost of HRA Services per Authority Income and Expenditure Account	*94,698*		**68,869**

	NET COST OF HRA SERVICE	*94,698*		**68,869**
	Gain or Loss on Sale of HRA Fixed Assets	*0*		**(316)**
	Interest Payable and Similar Charges (Deferred Purchase Interest)	*31*		**18**
	Amortisation of Premiums and Discounts (Premium on Debt Restructuring)	*17*		**17**
	Interest and Investment Income	*(339)*		**(137)**
	Pension Interest Cost and Expected Return on Pension Assets	*(151)*		**(248)**
	(Surplus)/Deficit for the Year on HRA Services	*94,256*		**68,203**

	STATEMENT OF MOVEMENT ON THE HRA BALANCE	***2007/08 £'000***		**2008/09 £'000**
	(Surplus)/Deficit for the Year on the HRA Income and Expenditure Account	*94,256*		**68,203**
See below	Net Additional Amount required by Statute to be debited or (credited) to the HRA Balance for the Year	*(93,680)*		**(66,633)**
	(Increase)/Decrease in the HRA Balance	*576*		**1,570**
	HRA Surplus brought forward	*(4,249)*		**(3,673)**
	HRA Surplus carried forward	*(3,673)*		**(2,103)**

Notes	**Note on the Statement of Movement on the HRA Balance**	***2007/08 £'000***		**2008/09 £'000**
	Transfer to / (from) Major Repairs Reserve	*(10,395)*		(2,034)
	Impairment of Fixed Assets	*(84,445)*		(64,770)
	Capital Expenditure funded by the HRA	*1,160*		0
	Voluntary Provision of Capital Financing			(145)
	Gain on Disposal of Fixed Asset	*0*		316
	Net Amount required by Statute to be debited or (credited) to the HRA Balance for the Year	*(93,680)*		(66,633)

NOTES TO THE HOUSING REVENUE ACCOUNT

(1) Gross Rent Income

The level of rent arrears is as follows:-

Rent Arrears	***2007/08*** *£*		**2008/09** £
Gross Current Arrears at 31st March	*892,916*		1,073,394
As a Proportion of Gross Rent Income Collectable in the Year	*2.52%*		3.03%
Former Tenant Arrears at 31st March	*584,665*		514,019

Amounts written off during the year amounted to £280,051.

There is a provision in the sum of £714,531 for the potential write off of irrecoverable debts.

(2) HRA Subsidy

The negative HRA subsidy, payable to the central government is detailed below. Subsidy is based on a notional account which represents the Government's assessment of what the Council should be collecting and spending.

Analysis of HRA Negative Subsidy	***2007/08 £000***		**2008/09 £000**
Management Allowance	*5,461*		5,640
Maintenance Allowance	*11,224*		11,288
Major Repairs Allowance	*7,078*		7,104
Charges for Capital	*1,084*		1,157
Other Items of Reckonable Expenditure	*16*		16
Admissible Allowance	*0*		
Less:			
Notional Rent Income	*(32,613)*		(34,038)
Prior Year Adjustments	*(30)*		(22)
Interest on Receipts	*(8)*		(6)
HRA Subsidy Payable	*(7,788)*		(8,817)

(3) Depreciation

Depreciation of £9.009 million was charged to the HRA in relation to operational assets comprising dwellings, other land and buildings, and plant and equipment, plus an impairment charge of £64,770 million.

Analysis of Depreciation and Impairment Charges	***2007/08 £'000***		**2008/09 £'000**
Depreciation:			
Dwellings	*16,797*		8,307
Other Land and Buildings	*197*		167
Plant and Equipment	*109*		534
Non-Operational Assets	*370*		131
Impairment of Assets	*84,445*		64,770
Total	*101,918*		73,909

(4) Pension Reserve Movement

At present the SORP does not include specific guidance on the application of FRS 17 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 to Pensions Reserve leaving no overall impact upon the HRA.

(5) Housing Stock

The Council was responsible for managing on average 10,337 dwellings during 2008/09. The Council's actual housing stock as at 31st March 2009 was 10,334, and was made up as follows:

Number and Types of Properties at 31 March:	***2007/08***		**2008/09**
Number of Houses and Bungalows	*5,590*		5,580
Number of Flats and Maisonettes	*3,528*		3,722
Number of Aged Person Dwellings	*1,222*		1,032
Total	*10,341*		10,334

The change in the stock of properties may be analysed as follows:

Change in Stock of Properties	***2007/08***		**2008/09**
Stock at 1st April	*10,369*		10,341
Less Sales	*(28)*		(7)
Stock at 31st March	*10,341*		10,334

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

Balance Sheet Value of HRA Properties	***2007/08 £'000***		**2008/09 £'000**
Operational Assets:	*623,367*		552,907
Dwellings			
Other Land and Buildings			
Non-Operational Assets	*17,983*		13,257
Total	*641,350*		566,164

The vacant possession value of dwellings within the HRA as at 1st April 2008 was £1.169 million. The vacant possession value compared with the Balance Sheet value of the dwellings show the economic cost to the Government of providing Council housing at less than open market rents.

(6) Major Repairs Reserve

Major Repairs Reserve Account	***2007/08 £'000***		**2008/09 £'000**
Balance as at 1st April	*(115)*		(148)
Depreciation	*(17,473)*		(9,139)
Transfer to HRA	*10,395*		2,034
Financing of Capital Expenditure	*7,045*		7,212
Balance as at 31st March	*(148)*		(41)

(7) Capital Expenditure

Capital expenditure on land, houses and other properties within the HRA in 2008/09 was financed as follows:

Financing of Capital Expenditure	*2007/08 £'000*		2008/09 £'000
Major Repairs Reserve	*7,045*		7,212
Total	*7,045*		7,212

(7) Capital Receipts

Capital receipts from the sale of dwellings under the tenants' "right to buy" provisions and from sales of other land and buildings held within the HRA were as follows:

Capital Receipts	*2007/08 £'000*		2008/09 £'000
Sales of Dwellings	*2,936*		842
Sales of Other Assets	*905*		57
	3,841		899

THE COLLECTION FUND ACCOUNT

This statement presents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The account shows the income from council tax and NNDR collected on behalf of the Council and Essex Fire and Police Authorities. The actual costs of administering collection are accounted for in the General Fund.

Notes		*2007/08*	2008/09	
		£'000	**£'000**	**£'000**
	Income			
	Council Tax	*52,710*	**54,450**	
	Transfers from General Fund:			
	Council Tax Benefits	*8,637*	**8,836**	**63,286**
	Income Collectable from Business Ratepayers	*83,577*		**95,928**
		144,924		**159,214**
	Expenditure			
	Precepts and Demands:			
	Essex Police Authority	*5,954*	**6,303**	
	Essex Fire Authority	*3,064*	**3,212**	
	Thurrock Borough Council	*51,723*	**53,481**	**62,996**
	Business Rate			
	Payment to National Pool	*83,340*	**95,696**	
	Costs of Collection	*237*	**232**	**95,928**
	Provision for Bad Debts:			
	Change in Provision	*(120)*	**(164)**	
4	Write Offs	*276*	**764**	**600**
	Contributions			
	Essex Police Authority	*26*	**10**	
	Essex Fire Authority	*14*	**4**	
	Thurrock Borough Council	*234*	**90**	**104**
		144,748		**159,628**
	Surplus for year	*176*		**(414)**
	Fund Balance brought forward	*382*		**558**
	Fund Balance carried forward	*558*		**144**

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NOTES TO THE COLLECTION FUND ACCOUNT

(1) General

This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund. The transactions of the Collection Fund are wholly prescribed by legislation. The fund account is prepared on an accruals basis and complies with the appropriate Regulations and with the SORP. 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 -

Band	Estimated Number of Taxable Properties after Effect of Discounts	Ratio	Band D Equivalent Dwellings
A*	11	5:9	6
A	5,971	6:9	3,981
B	10,882	7:9	8,464
C	23,132	8:9	20,562
D	10,074	9:9	10,074
E	4,019	11:9	4,912
F	1,918	13:9	2,770
G	759	15:9	1,265
H	28	18:9	56
	56,794		52,090
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.			521
Council Tax Base			51,569

(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 (45.8p in 2008/09 small business multiplier, 46.2p large business multiplier). 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 £49.255 million was paid into the Council's General Fund, and this amount has been credited to the Income and Expenditure Account.

The total Non-Domestic rateable value at the 31 March 2009 was £214,520,942.

(4) Bad Debts

Amounts written off during the year amounted to £763,740 (£276,272 in 2007/08). There is a provision in the sum of £2.425 million for the potential write off of irrecoverable debts.

(5) Collection Fund Balance in the Balance Sheet

The figure shown against the Collection Fund Balance in the Balance sheet is £0.124 million. This is Thurrock Council’s share of the surplus only. The amounts due to the Essex Police Service and Essex Fire and Rescue Service are included in the creditors figure in the balance sheet. This is in accordance with the SORP guidance.

GLOSSARY

ACCOUNTING CODES OF PRACTICE
These are designed to support consistent standards of financial accounting in local authorities. There are two accounting Codes:

The Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (the SORP) supports consistent financial reporting at the level of the formal statements of accounts.

The Best Value Accounting Code of Practice (BVACOP) supports consistent financial reporting between local authorities below the level of the formal statement of accounts. In particular the BVACOP is designed to support consistency and comparability in reporting the cost of individual services and activities.

The SORP requires that the analysis of services in the Consolidated Revenue Account should follow that prescribed by the BVACOP.

ACCRUALS
The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid. This concept is reflected in the accounts by the inclusion of debtors and creditors.

ACTUARIAL GAINS AND LOSSES
For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

a. Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or

b. The actuarial assumptions have changed.

APPROPRIATIONS
The assignment of revenue balances for specified purposes.

ASSETS
These are rights or access to future economic benefits controlled by an entity as a result of past transactions or events.

BALANCES
Balances are maintained to meet expenditure pending the receipt of income and to provide a cushion against expenditure being higher or income lower than expected.

Contributions to balances can be either a planned contribution from the revenue budget or a transfer of any revenue surplus at the year end. The maintenance of an appropriate level of balances is a fundamental part of prudent financial management.

BUDGET
Statement of the spending plans for the year.

CAPITAL ADJUSTMENT ACCOUNT (CAA)
This is a new reserve set up following the introduction of the 2007 SORP and the opening balance is made up of the CFA (see definition below) and the Fixed Asset Replacement Account (FARA). The purpose of the CAA is similar to the CFA in that it is a record of how capital expenditure has been funded over the years.

CAPITAL CHARGES
Charges to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

CAPITAL EXPENDITURE
Expenditure on the acquisition of a fixed asset or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

CAPITAL RECEIPTS DEFERRED
Amounts receivable in the future from, for example, mortgages granted on the sale of Council houses.

CAPITAL FINANCING ACCOUNT (CFA)
This was a reserve required as a result of the introduction of asset rents. It was not a reserve that could be drawn on, but contained total depreciation offset by the MRP, additional debt repayments over the MRP, reserved capital receipts and usable capital receipts/grants/planning gains applied to meet capital

expenditure. In 2007/08 following the introduction of the 2007 SORP the balances on the CFA and the Fixed Asset Replacement Account (FARA) were transferred to a new account, the Capital Adjustment Account (CAA).

CAPITAL RECEIPTS
Proceeds from the sale of fixed assets and repayments of capital grants and loans. These are divided into reserved and poolable items.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)
The Institute produces standards and Codes of Practice that must be followed in preparing the Council's financial statements.

CIPFA NEAREST NEIGHBOURS
CIPFA has developed a statistical model, which enables a group of similar local authorities to be selected from the information it has stored on a central database. The main bases of comparison are - population, the demographic profile, the tax base, unemployment rate, the daytime inflow of people, the number of retail premises and the Housing Benefit Caseload, etc

COLLECTION FUND
This is a statutory 'ring fenced' account. It records income and expenditure on Council Tax, Non Domestic Rates, payments to the precepting authorities, and transfers to the Council's General Fund.

COMMUNITY ASSETS
Assets that the local authority intends to hold in perpetuity, which have no determinable useful life and which may have restrictions on their disposal. Examples include parks and historic buildings.

COMPREHENSIVE SPENDING REVIEW (CSR)
The CSR is a governmental process carried out by HM Treasury which sets out fixed three-year departmental expenditure limits and through public sector service agreements defines key service improvements.

CONTINGENT ASSETS AND LIABILITIES
A contingent asset is a possible asset, which may arise in the future if certain events take place. A contingent liability is a possible loss or charge, which may arise in the future if certain events take place. In both cases, these events may not be wholly within the control of the Authority.

Contingent assets liabilities are not recognised in the accounts but should be disclosed by way of a note if there is a possible obligation which may require payment or a transfer of economic benefits.

CORPORATE AND DEMOCRATIC CORE
The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. It has two elements - corporate management and democratic representation and management. The activities within the corporate and democratic core are in addition to those which would be carried out by a series of independent, single purpose bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.

CORPORATE GOVERNANCE
Corporate Governance is the system by which local authorities direct and control their functions and communicate to their communities.

COUNCIL TAX
This is the main source of local taxation to local authorities. It is levied on households within the authority's area and the proceeds are paid into the Collection Fund for distribution to precepting authorities and to the authority's own General Fund.

CPA - COMPREHENSIVE PERFORMANCE ASSESSMENT
This is an assessment by external auditors of a local authority's performance across the services it provides and helps councils focus on areas requiring improvement.

CREDITORS
Money owed by the Council, which is due immediately or in the short term. Accordingly, it does not include money on taxation to the Council. Creditors are an example of the concept of accruals.

CURRENT SERVICE COST (PENSIONS)
The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

CURTAILMENT COSTS
For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

a. termination of employees' services earlier than expected, for example, as a restructuring of operations

b. termination of, or amendment to, the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DCLG
This is the Government department for Communities and Local Government. This was formerly called the Office of the Deputy Prime Minister (ODPM).

DEBTORS
Money that is due to the Council but which has not yet been received. Debtors are an example of the concept of accruals.

DEFERRED CHARGES
This is expenditure which can be capitalised and funded from capital resources under statutory or regulatory powers, but which cannot be classified as a fixed asset because the expenditure does not result in the creation of a tangible asset.

DEFINED BENEFIT SCHEME
A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

DEFRA
DEFRA (The Department for the Environment, Fisheries and Rural Affairs)

DEPRECIATION
Depreciation is a charge to the revenue account to reflect the reduction in the useful economic life of a fixed asset. The reduction in the value of a fixed asset in the balance sheets is in line with the expected useful life.

DISCRETIONARY BENEFITS
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or The Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

EMOLUMENTS
All sums paid to or receivable by employees and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash.

EXCEPTIONAL ITEMS
Material items, which derive from events or transactions that fall within the ordinary activities of the authority, but which are not expected to recur frequently or regularly. Exceptional items should be shown as part of the Net Cost of Services to which they relate or on the face of the Income and Expenditure Account if that degree of prominence is necessary to give a fair representation of the accounts.

FAIR VALUE
The fair value is the value of an asset or liability in an arms length transaction between unrelated, willing and knowledgeable parties. In practice this is often taken as market value but there are acceptable approximations, which can be used when there is no market for the asset or liability. In relation to assets the recorded value would be less, where applicable, any grants receivable towards the purchase or use.

FINANCE LEASE
A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially all (normally 90% or more), of the fair value of the leased asset.

FINANCIAL YEAR
The financial year runs from the 1 April to the following 31 March.

FINANCIAL INSTRUMENT
A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another. In practice, this covers both assets and liabilities and includes bank deposits, investments, debtors, loans and advances, debt premiums, creditors and borrowings.

FIXED ASSETS
Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year. These can be tangible or intangible.

FIXED ASSET RESTATEMENT ACCOUNT (FARA)
This was the balance of surpluses or deficits arising on periodic revaluation of fixed assets. During 2007/08, following the introduction of the 2007 SORP, the balances on the FARA and CFA were transferred to the CAA. The function of the FARA was replaced with a Revaluation Reserve, which started off with a nil balance as at 1 April 2007.

FRS
Financial reporting standards: these replace statements of standard accounting practice (SSAP) and generally go into much more depth. Adherence to both FRSs and where appropriate SSAPs, are essential to demonstrate compliance to the SORP which is fully convergent with UK GAAP.

FTSE 100
This is the index of the top 100 UK listed companies by market capitalisation.

GENERAL FUND
The main fund of the Council, from which all expenditure is met and all income is paid, with the exception of those items which by statute have to be taken to some other account.

GOVERNMENT GRANTS
Financial assistance by government and other bodies, in the form of cash transfers to an authority in return for compliance with certain conditions relating to the activities of the authority.

GROSS EXPENDITURE
The total expenditure of a fund or account.

HOUSING REVENUE ACCOUNT (HRA)
This is a statutory account that shows all income and expenditure relating to the provision, management and maintenance of the Council's housing stock. The government defines the items of income and expenditure that must be included in the account. This account is ring-fenced under the Local Government and Housing Act 1989.

IFRS
International Financial Reporting Standards: these are the standards that both the SORP and the UK GAAP are converging towards and local authorities will have to be fully complaint for 2010/11 financial year.

IMPAIRMENT
The loss of value in a fixed asset arising from physical damage and/or deterioration in the quality of service provided by the asset or from a general fall in prices.

INCOME AND EXPENDITURE ACCOUNT
Accounts, which show all money receivable or payable by the Council in the accounting period to which they relate. Accounts that record receipts and payments are converted to income and expenditure by the inclusion of debtors and creditors.

INFRASTRUCTURE ASSETS
Fixed assets that have no realistic expectation of being sold but are retained to deliver core services e.g. roads, drainage etc. and in respect of which expenditure cannot be recovered through disposal.

INTANGIBLE ASSETS
Intangible assets are defined in FRS10 as 'non financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody and legal rights'. As such, they may provide the authority with access to future economic benefits which are controlled by the local authority.

INTEREST COST (PENSIONS)
For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENTS (PENSION FUND)
The investments of the Pensions Fund are accounted for in the statements of that Fund. However, authorities (other than district councils in Northern Ireland) are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

INVESTMENTS (NON-PENSION FUND)
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the Pension Fund that do not meet the above criteria, should be classified as current assets.

KLOE – KEY LINES OF ENQUIRY
These are series of detailed questions asked during the CPA assessment, which helps form the judgment on how well the Council has performed.

LEASING
This facility is a means of obtaining the use of property, vehicles, plant and computer equipment without actually owning these items.

LEVY
An amount levied by a local authority or other statutory body which is paid by the Council.

LIABILITIES
An authority's obligations to transfer economic benefits as a result of past transactions or events.

LIQUIDITY RATIO
This is the ratio of current assets to current liabilities and measures how well an organisation can meet its short-term liabilities.

LOCAL AREA AGREEMENT (LAA)
A local area agreement is a set of priorities for a local area agreed between central government and a local area, which usually comprises of a local authority, the local strategic partnership (LSP) and other key partners. The priorities have objectives and targets, and funding to achieve these comes from central government.

MATERIALITY
Materiality sets the threshold for determining whether an item is relevant. This is defined as: an item of information is material to the financial information if its misstatement or omission might reasonably be expected to influence the economic decisions of users of those financial statements, including their assessments of management's stewardship. Whether information is material will depend on the size and nature of the item in question judged in the particular circumstances of the case.

MINIMUM REVENUE PROVISION (MRP)
This the minimum amount which must be charged to the authority's revenue account each year and set aside as a provision for credit liabilities, as required by the Local Government and Housing Act 1989.

NET ASSETS
The net assets employed of an authority is the difference between the value of what the authority owns (its assets) and the amount that it owes (its liabilities).

NET BOOK ASSETS

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST
The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET REALISABLE VALUE
The open market value of an asset in its existing use (or open market value in the case of non-operational asset), less the expenses required realising the asset.

NET WORTH
The net worth of the authority shows how the net assets of the authority are allocated between usable resources, resources that have been set aside to finance capital expenditure, unrealised gains from increases in asset values and the reserves which are needed to manage the complexities of local authority accounting.

NON-DISTRIBUTED COSTS
These are overheads from which no user now benefits and these costs should not be apportioned to services.

NON-DOMESTIC RATE (NDR)
A levy on businesses based on national ‘ratable value’ of the premises occupied. NDR is collected by the Council in line with national criteria, paid into a national pool and then redistributed to all local and police authorities on the basis of population.

NON-OPERATIONAL ASSETS
Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of these assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

OPERATIONAL ASSETS
Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

POOLED VEHICLES
A pooled vehicle is a single investment whose value and performance is the aggregate of a number of separate investments held within the pooled arrangement. Pooled investments are undertaken to improve the diversification and efficiency of investment activity, particularly where a similar spread of segregated investments would incur higher management costs, and be less economic.

POST BALANCE SHEET EVENT
These are events which arise after the end of the accounting period. They can be divided into

- Adjusting events which provide further evidence of conditions that existed at the end of the accounting period and that may require changes to the accounts.

- Non Adjusting Events which are indicative of conditions that arose subsequent to period end, that are reported by way of a note to the accounts.

PRECEPTS
An amount collected by the Council as part of the Council Tax on behalf of another statutory body.

PRIVATE FINANCE INITIATIVE (PFI)
PFI contracts are agreements with private sector organisations to refurbish, maintain and operate fixed assets on behalf of public sector organisations such as local authorities.

PRIOR PERIOD ADJUSTMENTS

Prior period adjustments are material adjustments relating to the accounts of previous years and which arise from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. Prior period adjustments do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISIONS
Amounts set aside for any liabilities or losses which are likely to be incurred, but which are uncertain as to the amounts or the dates on which they will arise.

RESERVES
These are amounts set aside for specific purposes. The Council has discretion in whether it wishes to set aside these amounts as distinct from sums set aside in provisions. .

REVALUATION RESERVE - RR
The RR replaces the function of the FARA and started off with a nil balance at 1 April 2007. The major difference with the RR is that surpluses and deficits are calculated on an asset-by-asset basis and deficits can be offset against accumulated revaluation gains before they are charged to the income and expenditure account.

REVENUE EXPENDITURE
Expenditure incurred on day to day running costs and confined to accounts within one financial year.

SCHEME LIABILITIES
These are the liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for employees up to the valuation date.

SETTLEMENT COSTS
An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

a) Lump-sum cash payments to scheme members in exchange for their rights to receive specified pension benefits;
b) The purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
c) The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

SSAP
Statement of standard accounting practice. These rules came before and have largely been replaced by FRSs, which go into much more detail. However, SSAP9 ‘Stock and long - term contracts’, SSAP21 ‘Accounting for leases and hire purchase contracts’ and SSAP19 ‘Accounting for investment properties’ are the most notable SSAPs which have yet to be replaced and so compliance is still required.

STATEMENT OF RECOMMENDED PRACTICE (SORP)
This is the authoritative guidance on the application of accounting standards and incorporates UK GAAP. (See Accounting Codes of Practice).

STOCKS
The amount of unused or unconsumed supplies held in expectation of future use.

SUPPORT SERVICES
These are services that are not statutory local authority services but which give support to those services.

SUPPORTED CAPITAL EXPENDITURE
This is the term for central government support for local authority capital expenditure financed from borrowing with effect from 1 April 2004. Under this system authorities receive revenue funding through the revenue support grant to pay for the borrowing.

UK GAAP
UK Generally Accepted Accounting Principles cover accounting practices that are regarded as permissible by the accounting profession. These practices may be laid down in accounting standards and/or legislation (such as Local Government Finance Legislation) but it also includes accounting practices that are outside the scope of accounting standards but are generally accepted by practitioners as legitimate.

UNSUPPORTED BORROWING

This is borrowing permitted to authorities under the Prudential Code framework but which does not receive revenue support through the grant system.

USEFUL LIFE
This is the period over which the local authority derives benefit from the use of a fixed asset.

VESTED RIGHTS
In relation to a defined benefit scheme, these are: -
a) For active members, benefits to which they would unconditionally be entitled on leaving the scheme;
b) For deferred pensioners, their preserved benefits;
c) For pensioners, pensions to which they are entitled.