THURROCK COUNCIL

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STATEMENT OF ACCOUNTS 2009/2010

THURROCK COUNCIL

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Further information about the accounts is available from:

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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 Director of Finance and Corporate Governance

- 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 Director of Finance and Corporate Governance's Responsibilities

The Director of Finance and Corporate Governance 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 a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2010.

In preparing this Statement of Accounts the Director of Finance and Corporate Governance has:

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

The Director of Finance and Corporate Governance has also

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

Director of Finance and Corporate Governance's Certificate

I certify that the Statement of Accounts set out on pages 38 to 86 present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2010.

Director of Finance and Corporate Governance

Date: 30 September 2010

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 Audit Committee on 22 September 2010 and agreed under delegated authority by the Chair on the 30 September 2010.

Chair of Audit Committee

Date: 30 September 2010

Independent auditor's report to the Members of Thurrock Council
Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of Thurrock Council for the year ended 31 March 2010 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 published by the Audit Commission in April 2008.

Respective responsibilities of the Director of Finance and Corporate Governance and auditor

The Director of Finance and Corporate Governance's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting 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 give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of 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 accounting 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 accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 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 for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Qualified Conclusion

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

- the Council's reserves of £2.2 million were significantly below the recommended minimum level of £7 million and the Council was still developing a medium term financial strategy to address the financial position;
- the Council overspent against its budget for the year by £3.9 million, resulting in unplanned use of balances of this amount.
- members of the Planning Committee did not always have a constructive working relationship with officers or adhere to the Council's revised Constitution to demonstrate good governance;
- the Planning Committee made a planning decision during 2009/10 that was not in line with planning law, was against officer advice and subsequently had to be rescinded; and
- the Council had not developed a strategic asset management plan and did not have a complete asset register in place to enable it to manage its assets effectively to help deliver strategic priorities.

Having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, I am satisfied that, in all significant respects, Thurrock Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010, except for:

- planning finances effectively to deliver its strategic priorities and secure sound financial health;
- promoting and demonstrating the principles and values of good governance; and
- managing assets effectively to help deliver 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.

Debbie Hanson

Officer of the Audit Commission

Audit Commission

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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.

Thurrock Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how Thurrock Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control. The code of corporate governance can be found at http://democracy.thurrock.gov.uk/CmisWebPublic/Binary.ashx?Document=2911

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 2010 and up to the date of approval of the 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. 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 community vision and priorities for Thurrock for the next ten years. The strategy was developed by the Shaping Thurrock – the Local Strategic Partnership - which consists of public, voluntary, community and private sector organisations. The Council cascades the Sustainable Community Strategy into its business planning framework through the Corporate Plan.
- The Corporate Plan sets out 6 priorities for delivery in the short, medium and longer term:
    - improve the education and skills of local people
    - encourage and promote job creation and economic prosperity
    - ensure a safe, clean and green environment
    - provide and commission high quality and accessible services that meet, wherever possible, individual needs
    - build pride, respect and responsibility in Thurrock’s communities and its residents.
    - to deliver efficient, customer-focused and well-designed, well-managed, accessible public services.

- 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.
- 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.
- The Performance Management framework articulates the approach to risk and opportunity management and sets out the processes for identifying, assessing and managing risks and opportunities in achieving the Council's objectives.
- 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 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.
- During 2009/10 there were four Overview and Scrutiny Committees that would regularly review specific policy areas, supported by Commissions (sub-committees) covering specific policy areas. The Committees broadly cover the work areas of the three customer facing and the corporate and administrative 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.

Members should note that the Constitution was revised during 2009/10 and adopted from 2010/11. The above is still largely in place although some aspects of full Council and the Overview and Scrutiny Committees have been amended.

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. Reports are also provided to meetings 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 Board. There is also an annual review by GoEast, Performance against the LAA is scrutinised through the Overview and Scrutiny process.

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 reports 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 Directors Board for the development and maintenance of the internal control environment. The Directors Board 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 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 meetings of the Council's 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, were interviewed in designing the attached action plan.

The Improvement Board comprising: Members; senior management; significant partners and government agencies; has addressed a number of areas of concern including officer/member relationships, financial management and the Council's relationship with its Strategic Service Partner.

In addition to the Improvement Board a number of actions have been taken to strengthen the Council's governance, including:

- A continuous programme of reviewing and updating key Human Resources policies and regulations.
- Training for members was developed to include specialised training for members sitting on the Planning and Licensing Committees.
- Embedding the performance appraisal process across the organisation.

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 and these are highlighted in the attached action plan.
- A dedicated Audit Committee which 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 Audit Committee now includes two Independent Members.
- 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 independent external audits and statutory inspections. The external auditor reports on the Council's governance, performance and accounting arrangements.
- The auditor's Organisational Assessment (Summary Version) states "Leadership is improving. A new leader and interim Chief Executive are establishing increased political and managerial stability. The Council has developed a programme of improvement for services which is being implemented. However some political relationships are still developing. Although progress is being made, it is fragile with much remaining to be done.

  Overall educational standards in Thurrock remain low. Thurrock is taking action to raise aspirations of white working-class children and young people, but the rate of improvement in their educational achievement is slow or not sustained. The education standards of children and young people remain very low from when children are in primary school through to when they are 19. The pace of improvement has been mixed and not consistent across all ages and groups. A very low proportion of primary schools are good and only one is outstanding. The quality of provision in secondary schools overall is better than in primaries, but still below that in similar areas and nationally. The number of secondary schools where young people did not achieve the expected minimum examination standards increased for the third year running to four out of the ten schools in the borough in 2008. Thurrock Council is actively addressing issues faced by the 14 -19 age group. The Council and partners are putting in place schemes to improve the chances of young people being better able to compete in work. Too many young people are not in education or training by the time they are 17, where the percentage is consistently well below average. Consequently fewer young people have gained additional qualifications by the age of 19 in Thurrock compared with other areas. The number of young people not taking part in employment, education and training is improving and has fallen at a faster rate than most other areas.

Results for improving children's health are mixed. The number of primary-age children who are obese is well above other areas and increasing. Teenage pregnancies have reduced significantly.

A range of services are demonstrating improvement. Adult social care and housing are delivering better standards of care and services that directly meet the needs of users. Recycling levels are getting better with an improving range of available facilities. People are receiving housing benefit payments more quickly.

Community cohesion remains a problem, with many residents believing that people from different backgrounds do not get on well together. The Council has strengthened capacity to promote cohesion issues and used grant funding to deliver community activities which have been well received by residents. However it is not clear how partners aim to achieve long term cultural change and Councillors need to take a proactive leadership role to support community cohesion.

The Use of Resources score is 2 because the 2008/09 accounts have been presented on time and are of a much better standard than last year. However, the Medium Term Financial Strategy is not sufficiently developed. It highlighted a budget gap but did not show how it was to be closed. Links to priorities are unclear and there is no strategic asset management plan in place, although one is currently being developed. The Constitution has not been reviewed since 2007 and work is underway to address this.

There is a good framework to monitor costs and performance. Cumulative efficiency targets are being achieved. Financial and other information is accessible to the public through the Council's website.

The Council has spent the last 18 months developing policies and strategies to improve the management of natural resources. There is now a clear understanding of the current position and challenging targets have been set by the Council.

Procurement remains weak. The Council is addressing this but it is still early days and there are few tangible signs of improvement. There are some good examples of commissioning services in Adult Social Care and Children's Services. However, effective commissioning is not consistent across all areas. The Council is looking at its procurement and contract management arrangements following inappropriate awarding of some significant contracts.”

5. SIGNIFICANT GOVERNANCE ISSUES

ISSUE	ACTION TO BE TAKEN 2010/11
Improve the corporate governance arrangements using best practice guidance.	A code of corporate governance has been largely completed by the Corporate Governance Group. This should be completed and adopted during 2010/11.
Monitor progress against issues raised by the Annual Governance Statement.	A Corporate Governance Group was set up in the latter half of the year and included the Section 151 Officer, Monitoring Officer and Head of Audit and other representatives, to review progress against the AGS on a regular basis. This Group needs to be more fully embedded and drive forward the governance agenda.
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 Planning Committee took place during 2009/10 and a number of recommendations adopted. The affect of these recommendations will be monitored throughout 2010/11. The Standards Committee recently held a workshop for its work programme for this year some of the outcomes seek to address this area such as: The creation of members’ handbooks for Licensing. Planning and Public Protection Committees, with

ISSUE	ACTION TO BE TAKEN 2010/11
	joint input from members, officers and Standards Committee – so that a basic one stop guide for new members and refresher for experienced ones is created – fairly innovative idea; Standards Committee believes there should be more emphasis on training through joint officer / member workshops to develop a collegiate culture and break down barriers and support relationship and trust
Members' Interests Declaration Form and guidance needs to be updated to ensure Thurrock Council complies with required changes.	This is being taken forward as part of the Standards Committee Work Programme, with existing reports on compliance having been submitted and further reports on a redraft and test publication to web of declaration forms in September 2010. Audit Report confirm substantial assurance in current practice but the above actions are being progressed over the next 3 months to achieve excellence and best practice
Annual Accounts not submitted on time or to the standard required by the External Auditors.	This has been an issue over recent years. Although the Audit Commission recognised improvements in the 2008/09 accounts, further improvements are required. One action that has been taken for the 2009/10 accounts has been to reduce the reliance on one individual and this will lead to both greater resilience and improved working papers.
The value for money conclusion in the Auditor's Annual Governance Report was qualified in respect of asset management.	Work on a revised Asset Management Plan commenced in 2009/10. This is due to be completed in the first half of 2010/11 and will then be brought forward for adoption.
The Auditor's Annual Audit and Inspection Letter stated that financial reporting is inadequate.	This has been carried forward from 2008/09 and remains a significant issue. Improvements to the transparency of reporting were made during 2009/10 but a greater focus on critical budgets will provide greater confidence in the overall position during 2010/11.
Review the arrangements around the Regulation of Investigatory Powers Act (RIPA).	The RIPA policy has been completely redrafted and updated to reflect consolidating legislation and best practice, the new policy has been approved by the Standards Committee in June 2010 as being clear and in plain English, enhanced central control matrix, clearer forms and a change of authorisation to director level and CEO for matters involving CHIS and minors.
Further focus performance management on outcomes and targets	Performance management and scorecard methodology to be further developed to include revised scorecards to reflect refreshed Corporate Plan and Sustainable Community Strategy as a result of credit crunch
Strengthen performance management on basic core services to enable early intervention in poorly performing services.	New monthly corporate reporting process developed. This is leading to earlier identification of under performance and trigger points for improvement action. The review of key performance indicators of the Vertex contract has produced a better performance management arrangement of the contract with more appropriate measures of success developed. The Performance Board is currently working on improving data quality across the organisation through a phased approach.

ISSUE	ACTION TO BE TAKEN 2010/11
Model the organisational, infrastructure and financial implications of the challenges facing the Council in the medium and longer term.	A significant amount of work and improvement was made to the MTFS in 2009/10. Officers recognised the fact that there was still more to do and that it would take at least three years to mature. 2010/11 will be the first of those three years.
Internal Audit reports issued with Limited Assurance as part of the 2009/10 plan were: Payroll (including HR); One to one PDR scheme; Aveley & Ockendon Children's Centre; Quarry Hill Junior School; Housing Assessments & Allocations; Electrical testing of Council properties; Homelessness; Planning Applications; Taxi Licensing; Records Management; and Sickness Management.	Implement improvements agreed with management following Internal Audit reports, according to risk prioritisation.
Limited assurance reports issued in 2008/09 were followed up in early 2009/10 and good progress made in implementing recommendations. However, there are still concerns around the Council's IT Disaster Recovery and Business Continuity processes.	Review of Business Continuity included within the Annual Plan for 2010/11. Business Continuity plans have been completed and signed off by Directors for each service area. A corporate Business Continuity plan has been signed off by Directors and will go to Audit Committee and Cabinet in August. A plan to test the business continuity plans to ensure accuracy has been put together and will be rolled out.
Budgeting	A poor approach to budgeting was partly responsible for the 2009/10 overspend. Improvements were made in setting the budget for 2010/11 with a significant increase in certain budgets to meet actual requirements. This links to the improvements required in financial reporting with both areas informing the other. Greater transparency will be required over the coming months, especially with the difficult financial circumstances.
Managing the Efficiency Agenda	This is two fold – gathering information to report on NI179 and actually driving forward the efficiency programme. The appointment of the Interim Director of Business and Change has made significant headway in the recognition of this programme but this takes on an even greater degree of importance when considering the Council's financial challenges.
Improve support for members attending regulatory Committees.	Create Easy Guidance Handbooks for Committees members
Briefing and best practice guidance notes to members on predetermination and bias and conflict of interests and outside bodies	Briefing and best practice guidance notes to members on predetermination and bias and conflict of interests issues and outside bodies.

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.

John Kent	**Graham Farrant**
Leader of the Council	**Chief Executive**
Date 30 September 2010	**Date 30 September 2010**

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 2010). 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 2009 (SORP).

These accounts have been prepared in accordance with the 2009 SORP, which defines proper accounting practices for local authorities.

The major change in the 2009/10 accounts is the treatment of Council Tax and National Non Domestic rates (NNDR). The authority is treated as a collection agency for the Government for the Collection of the NNDR and as such all arrears, prepayments and bad debt provision fall now to the government not the local authority. This has an impact on debtors and creditors in the balance sheet and the cash flow statement.

The treatment of Council Tax has also changed and the share of surplus or deficit, arrears, prepayments and bad debt provision are shared between all preceptors. The effect of this is that the balance for the Collection Fund in the Balance sheet is only the Council's share. The other effect of this is that the Council Tax debtors and bad debt provision reduces and the other preceptors appear as debtors for their share of arrears and bad debts.

Work is ongoing to make next year's Statement of Accounts comply with International Financial Reporting Standards (IFRS) rather than UK Generally Accepted Accounting Practices (UK GAAP) as at present. This will result in changes to the presentation of the some of the financial statements and the use of some different terminology. The change arises because local authorities, in common with the whole of the UK public sector, were required, by the small print of the 2007 National Budget, to adopt IFRS as their statutory accounting "proper practices". The main purpose of this change is to make the national accounts of UK plc compatible with those of all EU member and most other countries globally. As ever, accounting standards are not static and convergence of IFRS with US GAAP is also ongoing. The transition process to IFRS is being monitored by the Financial Reporting Advisory Board (FRAB) which oversees central government and NHS accounting, but the detailed Code of Practice and Guidance for local authorities will continue to be provided by CIPFA. Those familiar with private sector accounting will be aware that companies have published their financial statements in compliance with IFRS for the last few years. However IFRS have had to be adapted for public sector usage and this has been done with the guidance of International Public Sector Accounting Standards (IPSAS). The accounts contained in this publication will therefore be restated alongside next year's accounts in an IFRS format.

3. Financial Performance

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 9 June 2010, but reflects the same outcomes. (Note: in the final preparation of this statement the net expenditure reduced by £0.069m over that reported).

Directorate	**Budget £m**	**Outturn £m**	**Variance £m**	**Variance Reported to Cabinet £m**
Sustainable Communities	24.270	24.263	(0.007)	(0.007)
Children, Education and Families	26.677	28.030	1.353	1.353
Community Well-being	36.725	37.340	0.615	0.615
Chief Executive	2.596	2.917	0.321	0.321
Finance and Corporate Governance	23.372	25.420	2.048	2.048
Core Accounting	7.372	7.729	0.357	0.426
Waste Procurement Deferment of Costs	-	(0.817)	(0.817)	(0.817)
Total	121.012	124.882	3.870	3.939

To reconcile this in total to the Income and Expenditure Account and related documents in this financial statement it is easier to reconcile the overspend of £3.870m to the use of reserves. The following table also demonstrates the expected movements reported to cabinet throughout the year against the final outturn.

The general fund opening balance of £5.736m consists of the £2m general fund balance and the general fund reserve of £5.502m. This latter figure includes the balance relating to the Local Authority Business Growth Incentive (LABGI) scheme of £1.766m that is then excluded from the balance and treated separately.

	Forecast as at Feb	**Actual**
	£m	**£m**
General Fund Balance as at 1 April 2009	5.736	5.736
Balance Sheet Review	3.200	2.433
Total Available	**8.936**	**8.169**
2009/10 use of balances	(1.124)	(1.124)
Approved carry forward of unspent 2008/09 budgets	(0.988)	(0.988)
Balances approved to support improvement work	(0.200)	
Sub-total as at 1 April 2009	**6.624**	**6.057**
Deduct Overspend for year	(4.101)	(3.870)
Projected Balances at 31 March 2010	**2.523**	**2.187**

This balance of £2.187m can be found on the Statement of Movement on the General Fund Balance. This level of reserves is significantly below the recommended level of £7m that was agreed by Full Council as part of the Reserves Strategy. This strategy also commits to building the level of reserves over the coming years and provision has been made in the Medium Term Financial Forecast.

The Council significantly overspent its budget by £3.870m. This level had been forecast in September 2009 and was monitored and reported to cabinet throughout the remainder of the year.

The main reasons for the overspend include:

- The original budget was not significantly robust enough to reflect the levels of activity.
- There was a significant increase in demand within both childrens' and adult services.
- Savings built into the budget, especially those targeted towards savings with Vertex, the Council's Strategic Services partner, were not achieved.
- Recoupment costs had not been correctly accounted for in prior years, were corrected that resulted in a double charge for 2009/10, an unbudgeted increase of £900,000.
- A grant of £91,000 received in 2008/09 that was not carried forward to the 2009/10 financial year to match the timing of the expenditure.

In addition, the decision has been made not to charge £817,000 to the services in 2009/10. This was the cost of the waste procurement exercise that took place throughout the year and resulted in a reduction contract costs from 2010/11 of £2.1m per annum for the next 7 years. It is clear that the charging of the full set up costs to the 2009/10 accounts would have a distorting effect on that year's accounts and would preclude the Council from presenting fairly its overall financial position. This accounting would also result in an overstatement of the true savings in any subsequent comparison between 2009/10 and 2010/11 and, to a lesser degree, the following six years. It has been decided that the most appropriate way of dealing with these costs was to smooth the next seven years' outturns by allocating a proportion of these costs (£117,000) to each of those years' accounts, as permitted by SSAP 2 and FRS 18, as this gives the most accurate overall view of the Council's financial position. This procedure would also appropriately allocate these exceptional costs over the period of economic benefit to be derived from these up front costs.

Significant movements between the 2008/09 and 2009/10 Statement of Accounts that have not been highlighted above include:

The economic downturn had a substantial impact on the value of the Council's tangible fixed assets. A reduction, impairment, in the value of the Council's assets of nearly £310 million was recognised in 2008/09 with £88 million being charged to the net cost of services in the Income and Expenditure Account. This affected Central Services to the Public, Children's and Education Services, Cultural, Environmental and Planning Services, Housing and Highway Transport and Roads. This had the effect of increasing the costs in 2008/09 making it appear that costs were far less in 2009/10.

The demographic pressures within both Children's and Adult Services increased significantly in 2009/10 and are expected to continue to increase in the coming years. Increases have been built into the 2010/11 base but further pressures are expected.

Investment income had reduced in 2008/09 compared with 2007/08 due to lower interest on investments. This has further reduced due to the lower rates and the fact that 2008/09 included income from investments made before the reductions.

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 2009/10, the accounts show a net liability position of £135.555 million. This is an increase from 2008/09 of £37.502 million. The deficit is being addressed through increased employer and employee contributions which will be reviewed at the triennial actuarial valuation taking place at this time 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 decreased in 2009/10 compared with 2008/09 due to the principal repayment of £10.293m

4. Housing Revenue Account

The Housing Revenue Account shows the income and expenditure incurred on Council housing. The Council budgeted for a break-even position in 2009/10.

		2008/09 Net Expenditure £'000	2009/10 Net Expenditure £'000
	Total Expenditure	111,981	50,731
	Total Income	(43,112)	(45,085)
	Net Cost of Services	68,869	5,646
	Net Financing Costs	(666)	(420)
	Net Credit to HRA Balance	(66,633)	(5,532)
	Net (Surplus)/Deficit for the year	**1,570**	**(306)**
	Balance Brought Forward	(3,673)	(2,103)
	Balance Carried Forward	**(2,103)**	**(2,409)**

As way of further explanation, the reasons for the key variance within the account are as follows:

Repairs and Maintenance – adjustments to reflect items that were more appropriate to be charged to capital budget; and

Supervision and Management – this reflects some one off pressures within the management costs areas that have now been addressed for the 2010/11 financial year.

The forecast reported to Cabinet was a break even position at the end of financial year. However, the final surplus of £0.306 million represents a variance of 0.68%

Major Repairs Reserve

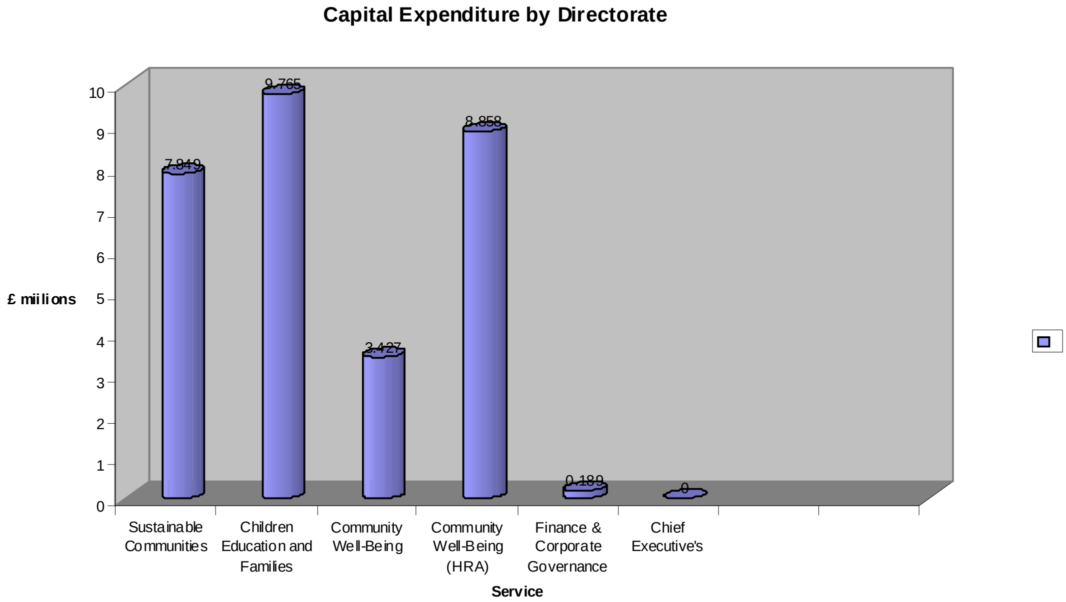
The Government introduced the Major Repairs Allowance (MRA) on 1 April 2001 as part of the housing subsidy grant payment which is for investment in the Council housing stock. Any surplus or deficit is ring fenced and carried forward.

		Revised Budget £'000	Actual £'000	Net Over/(under) spend £'000
	Gross Capital Expenditure	7,504	4,741	(2,763)
	Allocation	(7,504)	(7,598)	(94)
	Net Deficit/(Surplus) for the year	0	(2,857)	(2,857)
	MRA Balance Brought Forward	(41)	(41)	0
	MRA Balance Carried Forward	(41)	(2,898)	(2,857)
	HRA Balance Carried Forward	(2,103)	(2,408)	(305)
	Overall Balance Carried Forward (HRA/MRA)	(2,144)	(5,306)	(3,162)

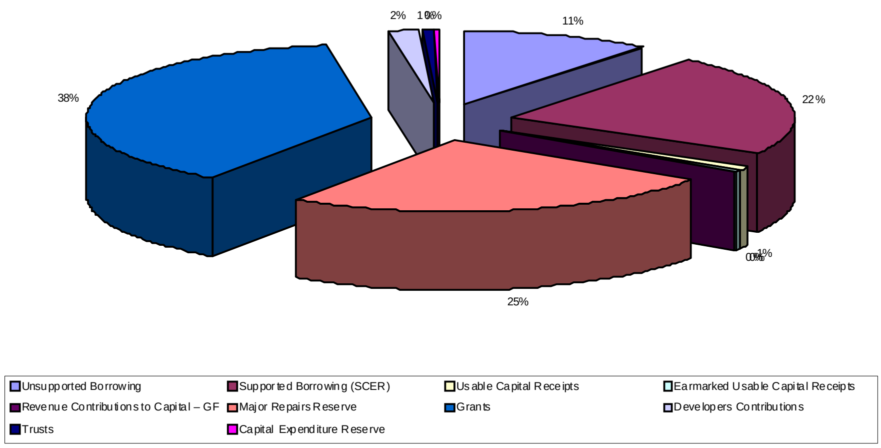
As part of the 2009/10 HRA subsidy determination, an additional allocation of £3 million was made to the Major Repairs Allowance. This was an adjustment which brought forward part of the 2010/11 allowance. There was an in year underspend of £2.857 million, which has been carried forward as part of the major repairs reserve to fund planned works in 2010/11.

5. Capital Expenditure

The Council spend of £30.089 million in 2009/10 on capital schemes is analysed as follows:



Capital expenditure in 2009/10 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 and has to rely more on prudential borrowing.

The capital financing requirement as at 31 March 2010 was £127.321 million and the total long term borrowing and liabilities principal outstanding was £113.439 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 deficit at the end of the year was £281,000 compared with a surplus at the end of 2008/09 of £142,000. The balance on the Collection Fund will be carried forward and, taking into account the outturn for 2010/11, shared between the precepting authorities according to the precept value.

As required by the 2009 SORP, the arrears, prepayments and balance are shared between preceptors and the council and this has been reflected on the face of the balance sheet.

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 Finance and Corporate Governance, 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 (as amended), which require that the principles adopted in compiling these accounts should be explicitly stated. It follows that the Statement complies with

- The Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice (SORP) 2009,
- Statements of Standard Accounting Practice (SSAP's) relevant to local authorities,
- Financial Reporting Standards (FRS's) relevant to local authorities, and
- The Best Value Accounting Code of Practice (BVACOP) 2009.
- International Financial Reporting Standards (IFRS's) relevant to local authorities

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 of, and disclosures in, the Statement of Accounts have been subject to considerable change over the years as the annual SORP has reflected a systematic move towards aligning public sector accounting with private sector and international accounting standards.

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 its stewardship of public funds and its economic decisions.

- Reliability – the financial information faithfully represents the substance of transactions, the activities underlying them and other events that have taken place, is free from deliberate or systematic bias and material error, and has been prepared on the basis of prudence 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 that 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 in which 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 the relevant account for the income that will 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 is credited or debited to the relevant revenue account, unless it properly represents capital expenditure.

5. Area Based Grant

In 2008/09 Area Based Grant (ABG) replaced various different grant streams. 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. 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, if applicable, indicate the nature of the contingent asset and an estimate of its financial effect.

7. Contingent Liabilities

Contingent liabilities are not recognised in the accounting statements; they are disclosed by way of a note if:
1) there is a possible obligation rising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the entities control or,

2) A present obligation that arises from past events but is not recognised because it is not probable that a transfer of economic benefits will be required to settle the obligation or because the amount of the obligation cannot be measure with sufficient reliability.

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, if applicable, been disclosed.

8. Financial Assets

In 2007 the SORP adopted FRS's 25, 26 and 29, which deal with the recognition, measurement, disclosure and presentation in the accounts 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 note 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 financial liabilities following the financial statements.

Financial assets are classified into two categories:

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

- Available for sale assets – these are financial assets that have a quoted market price and/or do not have fixed or determinable payments. (However, the Council has no available for sale financial assets).

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.

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 financial assets can be exchanged between knowledgeable willing parties in an arms length transaction. Transaction costs include fees and commissions 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 financial 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.

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 financial 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. 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 financial assets are credited or debited to the Income and Expenditure Account.

9. Financial Liabilities

Financial liabilities can be classified into:

- Loans and payables.
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- Financial guarantees. (However, the Council has not entered into any 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 financial 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 financial 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.

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 of the premium or discount to the Income and Expenditure Account is spread over the life of the loan by means of 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.

10. 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. In 2009/10 only a very limited number of revenue items were acquired through foreign currency transactions.

11. Government Grants and Other Contributions

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 the receipt of the grant have been complied with and there is reasonable assurance that the grant or the contribution will be received.

Revenue Grants

Whatever the 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.

12. 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. There has been no impairment review of intangible fixed assets as there are no readily identifiable market values.

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 2009/10.

Measurement

A purchased intangible fixed asset is capitalised at its cost. FRS 10 (Goodwill and Intangible Assets) states that 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: current accounting standards preclude useful lives of intangible assets, for accounting purposes, from exceeding 20 years.

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 government grants and other contributions deferred account is written out of the accounts and treated as part of the gain or loss on disposal.

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 reviewed regularly 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 BVACOP, together with central support services and trading accounts are charged with a provision for amortisation and, where required, any related impairment loss due to the 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 the 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.

13. Interest

The Council pays interest on its borrowings (mostly raised 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 they relate 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 0.38% in 2009/10 (in 2008/09 it was 3.53%).

Interest is credited to the HRA balance and other reserves based on their average balance in the year. This is taken as their opening balance plus their closing balance divided by 2, to which the average quarterly 7-day money market rate is applied.

Interest relating to the General Fund is reflected in the 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.

14. Interests in Companies - Group Accounts

The SORP requires a local authority to consider all its interests and to prepare a full set of group accounts' financial statements where it has 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 gives rise to a requirement to prepare them.

15. 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 such arrangements there is no UK GAAP accounting standard.

The fair value of the 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 11 of this Statement: that is, they are initially recognised as deferred income on the Balance Sheet and are subsequently recognised as income on a systematic basis over the compliance year for which the allowances have been 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 reporting 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. Any balance in hand of unused allowances is carried forward for future years as an earmarked reserve.

16. 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 intangible and tangible 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 an operating lease 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.

17. Long Term Debtor

During 2009/10 the Council incurred external costs of £0.870 million in the course of setting up new arrangements for Waste Collection. The new seven year contract, which will commence during 2010/11, will however generate annual savings of £2.100 million. It has been determined that the most equitable way of treating the costs incurred is to charge five equal and annual instalments during the course of the contract so that the set up costs are matched to, and are charged against, the savings that will arise from the new contract, with effect from 2009/10. Each year, until fully written off, the written down uncharged balance of these costs will appear as a long term debtor in the Council's Balance Sheet.

18. 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 voluntary repayments. 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.

19. 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. This is in accordance with the BVACOP 2009.

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.

20. Prior Period Adjustments

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 such 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.

In 2009/10 there has been a change of accounting policy for the Collection Fund which under SORP 2009 is now required to be accounted for as an agency account. As a billing authority the Council has in previous years consolidated into its accounts all of the transactions of the Fund. From 2009/10 it is necessary only to account for its share of the transactions and balances in the Fund. Prior period adjustments have been made to the 2008/09 published figures in the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash Flow Statement in order to provide comparator information on the new basis.

The effect of the adjustment on the 2008/09 accounts is: that the Income and Expenditure Account has increased to £145,298 from £144,948 in the 2008/09 adopted statement of accounts.

IFRIC 12 has been considered and a review of contracts has not identified any contracts that can be identified as service concessions under IFRIC 12.

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. Reserves

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 established for specific statutory purposes. The major repairs reserve is required by statutory regulation to be established in relation to the HRA. More details are provided in the notes to the accounts.

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 financed 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. The purpose of each reserve is set out in the notes to the accounts.

23. 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 so as 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.

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 scheme liabilities attributable to the Council 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 approach retirement age.

Liabilities are discounted to their current value using a discount rate. In assessing liabilities for retirement benefits at 31 March 2009 for the 2008/09 Statement of Accounts, the actuary assumed a discount rate of 2.5% real (6.1% actual), a rate based on the current rate of return on a high quality (AA rated) corporate bond of equivalent currency and term to scheme liabilities. For the 2009/10 accounts, the actuary has advised that an average rate of 2.2% real (5.7% actual, including inflation risk premium) is appropriate. Application of this rate has resulted in an increase in liabilities measured at 2009/10 prices of £74.371 million, offset by an increase in actuarial gains of £39.604

million for the year, with the difference between these figures recognised 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 this as the pension 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 by employees in 2009/10 and is included 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. It is charged 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 and is charged within the Statement of Movement on the General Fund Balance.

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. They are recognised in the net cost of services in the Income and Expenditure Account as part of non-distributed services' costs 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 are 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 a debit 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 are accounted for using the same policies as for the Local Government Scheme.

24. Revenue Expenditure Funded from Capital under Statute

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 financial assistance towards capital expenditure incurred by third parties, expenditure on properties not owned by the authority and amounts directed by the Secretary of State 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.

25. 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 a 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 receipt.

26. Schools

The Council's schools operate their own bank accounts and many of them maintain their own financial records independently of the Council's corporate financial systems. Schools submit annual returns, which include their income and expenditure and balance sheets, to the Council. These returns have been consolidated into the Council's Statement of Accounts. This excludes academies who are responsible for producing their own accounts, having them audited and submitting them to the Charity Commission.

27. 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. Their cost has been determined on a FIFO (first in, first out) 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 for 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 2009/10, as additions to fixed assets.

28. 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 spending 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 an asset, or
- Increase substantially the market value of an asset, or
- Increase substantially the extent to which an 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 a tangible fixed asset maintains its previously assessed standard of performance is recognised in the Income and Expenditure Account as it is incurred. Expenditure on existing tangible fixed assets is capitalised in three circumstances:

- Enhancement (as defined above),
- Where a component of a 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 spending 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. Only those costs that are directly attributable to bringing an 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 permissible under the SORP.

When substantially all the activities, which are necessary to get a 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; neither are they used 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 and/or for the purposes of capital appreciation,

- 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 tangible fixed assets are re-valued every four years. Subsequently those values are updated each year as at the Balance Sheet date on a desktop formula basis. In 2009/10 the Valuer's judgment is that asset values in Thurrock rose by about 0%; no adjustment has been made for this marginal increase. 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 and Accountancy's (CIPFA) requirements and is in accordance with its 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's requirements. 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
Asset Category	**Valuation Method**
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 (RCIS). 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 consents 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, 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 the market value of a tangible fixed asset during the period,

- Evidence of obsolescence or physical damage to a 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 has been 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.

However, 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 in the Income and Expenditure Account. 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 with the period in which the change is made.

The useful lives of assets are estimated on a realistic basis, 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 generally 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 the 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 (years)**
Council Dwellings	60
Other Land and Buildings	5 - 60
Vehicles, Plant and Equipment	1 - 10
Community Assets	30 - 60
Infrastructure Assets	30 - 40
Non Operational Assets	10 - 60

Charges to Revenue

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

- Depreciation for all tangible fixed assets used in the provision of services,

- Where required, any related impairment losses (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 services, 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 arising from revaluations which reverse earlier revaluation losses on the same asset that were charged originally to the Income and Expenditure Account.

Depreciation and impairment of tangible fixed assets are all reversed in the Statement of Movement on 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.

29. 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. Further, until 31 March 2013 there is no requirement for the Council to make provision in its accounts for any amounts that may be payable until payments actually become due in accordance with the regulations set out in Statutory Instrument 2010 No 454.

30. 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.

31. 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 have been 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 (a "non-adjusting event") the amounts recognised in the Statement of Accounts are not adjusted. The following is disclosed in a note to the accounts 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 this Statement of Accounts was authorised by the Chief Financial Officer for issue to the Council's Audit Committee for adoption the conclusion of the audit. 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		2008/09 Restated Net Expenditure £'000	2009/10 Gross Expenditure £'000	2009/10 Gross Income £'000	2009/10 Net Expenditure £'000
	Expenditure on Services				
	Adult Services	**36,027**	**50,596**	**(14,434)**	**36,162**
	Central Services to the Public	**6,321**	**12,784**	**(12,412)**	**372**
	Children's and Education Services	**100,744**	**360,378**	**(195,642)**	**164,736**
	Cultural, Environmental, Planning Services	**38,742**	**36,005**	**(6,471)**	**29,534**
	Highways, Roads, Transport Services	**9,041**	**12,225**	**(3,155)**	**9,070**
	Housing Services – Housing Revenue Account	**68,869**	**46,522**	**(40,876)**	**5,646**
	Housing Services - Other	**2,643**	**54,372**	**(52,455)**	**1,917**
	Corporate and Democratic Core	**6,498**	**9,601**	**(3,394)**	**6,207**
	Non Distributed Costs	**(57)**	**315**	**(706)**	**(391)**
	Net Cost of Services	**268,828**			**253,253**
	Loss/Surplus on Disposal of Fixed Assets	**(373)**			**5,109**
	Levies	**427**			**479**
	Interest Payable and similar Charges	**7,745**			**6,295**
	Contribution of Housing Capital Receipts to Government Pool	**646**			**815**
	Interest and Investment Income	**(4,236)**			**(911)**
33	Pensions Interest Cost and Expected Return on Pensions Assets	**5,499**			**7,618**
	Transferred Debt Payment	**5**			**0**
	Net Operating Expenditure	**278,541**			**272,658**
	Sources of Finance:				
	Demand on the Collection Fund	**(53,481)**			**(55,436)**
14	General Government Grants	**(30,767)**			**(18,111)**
	Non Domestic Rate Redistribution	**(49,255)**			**(47,144)**
	Transfer of Share of Collection Fund Surplus	**260**			**(20)**
	Net (Surplus)/Deficit for the year	**145,298**			**151,947**

Children, Education and Families expenditure includes £149.8 million expenditure for impairment and the income includes £40.6 million for deferred government grant income for the removal of foundation schools, academies and voluntary aided schools.

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.

	2008/09 **Restated** **£'000**	**2009/10** **£'000**
(Surplus)/Deficit for the Year on the Income and Expenditure Account	*145,298*	**151,947**
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year.(see reconciliation on following page)	*(145,679)*	**(151,811)**
Increase/Decrease in General Fund Balance for the year	*(381)*	**136**
General Fund Balance brought forward	*(11,551)*	**(11,932)**
General Fund Balance carried forward	*(11,932)*	**(11,796)**
Amount of General Fund Balance held by Governors under Schemes to Schools	*9,932*	**9,609**
Amount of General Fund Balance generally available for new expenditure	*(2,000)*	**(2,187)**

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	2008/09		2009/10
		Restated £'000		£'000
23	Amortization of Intangible Fixed Assets	(244)		(245)
16	Depreciation and Impairment of Fixed Assets	(156,285)		(180,927)
	The difference between depreciation charged to HRA services over the Major Repairs Allowance element of Housing Subsidy	(2,034)		2,763
	Net Gain or loss on disposal of Fixed Assets	373		(5,109)
	Government Grants Deferred Amortization	19,004		47,507
	Revenue Expenditure funded from Capital under Statute	(2,423)		(8,427)
	Amount by which finance costs calculated in accordance with the SORP are different from the amount of finance costs calculated in accordance with statutory requirements	(260)		(260)
33	Net charges made for Retirement Benefits in accordance with FRS17	(14,260)		(13,290)
	Amount by which Council Tax income and residual community charge adjustment included in the Income and Expenditure Account is different from the amount taken to the General Fund in accordance with regulation.	(350)		(363)
		(156,479)		(158,351)
	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	4,539		4,880
	Capital Expenditure Charged in year to the General Fund Balance	0		0
	Transfer from the Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(646)		(815)
33	Employer's Contributions payable to the Essex County Council Pension Fund and Retirement Benefits payable direct to Pensioners	9,978		10,550
		13,871		14,615
	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	(1,570)		306
	Voluntary Revenue Provision for Capital Financing	(145)		(158)
15	Net Transfer to or (from) Earmarked Reserves	(1,356)		(8,223)
		(3,071)		(8,075)
	Net additional amount required to be credited to the General Fund Balance for the year	(145,679)		(151,811)

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.

	2008/09 Restated £'000		2009/10 £'000
Deficit for the year on the Income and Expenditure Account	*145,298*		**151,947**
(Surplus)/Deficit arising on Revaluation of Fixed Assets	*19,040*		**(294)**
Actuarial (gains)/losses on Pension Fund Assets and Liabilities	*(9,963)*		**34,767**
Total Recognised Gains and Losses for the year	*154,375*		**186,420**
Financial Instruments Adjustment Account (entries via Statement of Movement on the General Fund Balance)	*0*		
Other	*9*		**(278)**
Total Recognised (Gains) and Losses for the year	*154,384*		**186,142**

BALANCE SHEET

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

Notes		2008/09 Restated £'000	2009/10 £'000	2009/10 £'000	2009/10 £'000
	Fixed Assets				
23	Intangible Fixed Assets	**1,224**		**979**	
	Tangible Fixed Assets				
16	Operational Assets				
	- Council Dwellings	**537,889**	**530,493**		
	- Other Land and Buildings	**433,266**	**269,333**		
	- Vehicles, Plant, Furniture and Equipment	**2,425**	**4,165**		
	- Infrastructure Assets	**56,245**	**57,133**		
	- Community Assets	**9,018**	**9,737**		
		1,038,843		**870,861**	
16	Non-Operational Assets				
	- Investment Properties	**24,794**	**24,806**		
	- Assets Under Construction	**10,488**	**14**		
	- Land Awaiting Development	**15,603**	**25,274**		
	- Surplus Assets Held for Disposal	**8,580**	**4,163**		
		59,465		**54,257**	
	Total Fixed Assets	**1,099,532**			**926,097**
	Long Term Debtors	**204**			**1,257**
	Total Long Term Assets	**1,099,736**			**927,354**
	Current Assets				
	Stocks and Work-in-Progress	**218**	**101**		
28	Debtors	**22,179**	**36,729**		
25	Investments	**57,452**	**53,862**		
	Cash and Bank	**4,603**	**7,215**		
	Imprest	**29**	**25**		
		84,481		**97,932**	
	Less: Current Liabilities				
25	Short Term Borrowing	**(19,842)**	**(35,788)**		
29	Creditors	**(29,086)**	**(28,145)**		
		(48,927)		**(63,933)**	
	Current Assets less Current Liabilities	**35,554**			**33,999**
	Long Term Liabilities				
	Long Term Borrowing	**(124,989)**		**(113,439)**	
27	Provisions	**(982)**		**(355)**	
	Government Grants and Other Contributions Deferred	**(91,872)**		**(78,925)**	
	Deferred Discount	**(149)**		**(135)**	
33	Liability Relating to Defined Benefit Pension	**(98,053)**		**(135,555)**	
	Deferred Purchase Arrangements	**(158)**		**0**	
	Total Long Term Liabilities	**(316,203)**			**(328,409)**
	Total Assets less Liabilities	**819,087**			**632,944**

	Financed by				
30	Revaluation Reserve	**(35,221)**		**(26,897)**	
30	Capital Adjustment Account	**(853,815)**		**(719,050)**	
30	Financial Instruments Adjustment Account	**(2,052)**		**(1,793)**	
30	Pensions Reserve	**98,053**		**135,555**	
30	Usable Capital Receipts Reserve	**(964)**		**(1,335)**	
30	Major Repairs Reserve	**(41)**		**(2,897)**	
15	Earmarked Reserves	**(10,888)**		**(2,562)**	
32	General Fund Working Balance	**(2,000)**		**(2,187)**	
32	Housing Revenue Account Balance	**(2,103)**		**(2,409)**	
32	Schools Balances	**(9,932)**		**(9,609)**	
32	Collection Fund Adjustment Account	**(123)**		**240**	
	Total Net Worth	**(819,087**			**(632,944)**

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		2008/09 Restated		2009/10	
		£'000	£'000	£'000	£'000
	Revenue Activities				
	Cash Outflows				
	Cash Paid to and on behalf of Employees	**(103,999)**		**(103,934)**	
	Housing Benefit paid out	**(18,449)**		**(27,170)**	
	Precepts paid	**(428)**		**(479)**	
	Payments to Capital Receipts Pool	**(646)**		**(634)**	
	Other Operating Cash Payments	**(222,661)**		**(265,332)**	
			(346,183)		**(397,549)**
	Cash Inflows				
	Council Tax Receipts	**43,990**		**44,344**	
	Rents (after Rebate)	**17,647**		**14,325**	
	National Non-Domestic Rate Receipts from National Pool	**49,255**		**47,144**	
38	General Government Grants	**15,923**		**18,247**	
38	Housing Benefit	**48,160**		**28,277**	
38	Housing Subsidy	**(8,817)**		**(6,257)**	
38	Other Government Grants	**132,667**		**161,948**	
	Cash received for Goods and Services	**19,879**		**13,869**	
	Other Operating Cash Receipts	**48,702**		**71,874**	
			367,406		**393,771**
35	**Net Cash Flow from Revenue Activities**		**21,223**		**(3,778)**
	Returns from Investment and Servicing of Finance				
	Cash Outflows				
	Interest paid	**(7,750)**		**(6,230)**	
		(7,750)		**(6,230)**	
	Cash Inflows				
	Interest Received	**4,464**		**911**	
			(3,286)		**(5,319)**
	Capital Activities				
	Cash Outflows				
	Purchase of Fixed Assets	**(32,370)**		**(30,034)**	
	Purchase of Investments	**0**		**3,081**	
		(32,370)		**(26,953)**	
	Cash Inflows				
	Sale of Fixed Assets	**859**		**1,185**	
	Capital Grants Received	**12,291**		**28,412**	
	Other Capital Cash Receipts	**2,694**		**4,127**	
		15,844		**33,724**	
			(16,526)		**6,771**
37	**Net Cash Inflow before Financing**		**1,411**		**(2,326)**

Notes		2008/09			2009/10	
		£'000	*£'000*		£'000	£'000
	Net Cash Inflow before Financing b/fwd		**1,411**			**(2,326)**
	Management Of Liquid Resources					
	Net Increase(+)/Decrease(-) in Short Term Deposits	**(1,250)**			**0**	
	Net Increase(+)/Decrease(-) in other liquid resources	**(5,626)**			**(227)**	
		(6,876)			**(227)**	
	Financing					
	Cash Outflows					
	Repayments of amounts borrowed	**(62,691)**			**(85,440)**	
	Cash Inflows					
	New Loans raised	**69,412**			**90,600**	
	Net Change Borrowing	**6,721**			**5,160**	
	Movement in Net Debt		**(155)**			**4,933**
	Increase/(Decrease) in Cash		**1,256**			**2,608**

NOTES

(1) Restatement of 2008/09 Comparative Figures

The figures in the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet and Cash flow have all be amended. This is following a change for the Accounting Treatment of Council Tax and National Non-Domestic rates.

(2) Acquired and Discontinued Operations

There were no acquired or discontinued operations in 2008/09 or 2009/10.

(3) Exceptional Items

There were no exceptional items in 2008/09 or 2009/10.

(4) Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by, the Department for Children, Schools and Families, now renamed the Department for Education, and is known as the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2009. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2009/10 are as follows

Notes		**Central Expenditure £'000**	**ISB £'000**	**Total £'000**
A	Final DSG for 2009/10	13,931	81,149	95,080
B	Brought Forward from 2008/09	1,230	0	1,230
C	Carry Forward agreed to 2010/11 agreed in advance	0	41	41
D	Agreed budgeted distribution in 2009/10	15,161	81,108	96,269
E	Actual Central Expenditure	10,932	0	10,932
F	Actual ISB deployed to schools	0	85,006	85,006
G	Local authority contribution 2009/10	0	0	0
H	Carry Forward to 2010/11	4,229	(3,898)	331

Comparatives for 2008/09

Income	*(14,984)*	*(79,176)*	*(94,160)*
Less Expenditure	*14,046*	*79,176*	*93,222*
	(938)	*0*	*(938)*

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.

Notes

The brought forward balance from 2008/09 in the table for the 2009/10 DSG has been amended as items included in expenditure in 2008/09 for the central expenditure were actually carry forwards.

A: DSG figure as issued by DCSF on 25 June 2009.
B: Figure brought forward from 2008/09 as agreed with DCSF.
C: Any amount which the authority decided after consultation with the schools forum to carry forward to 2010/11 rather than distribute in 2009/10.
D: Budgeted distribution of DSG, adjusted for carry forward, as agreed with the schools forum.
E: Actual amount of central expenditure items in 2009/10.

F: Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the authority once it is deployed to schools' budget shares).
G: Any contribution from the local authority in 2009/10 which will have the effect of substituting for DSG in funding the Schools Budget.
H: Carry forward to 2010/11.

(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 2010 the financial obligations of the Council remaining to be discharged under the contract, at 2009/10 prices, totalled a minimum of £187 million (10 years remaining at £18.7 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 2008/09 or 2009/10.

(7) Agency Arrangements

The Council is required to disclose the nature and amount of any significant income or expenditure arising from agency arrangements. In 2009/10 the Council had no such arrangements of material value.

(8) 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.

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

The Council is empowered by this Act to provide goods and services to other public bodies. During 2009/10 the Council did not provide services of any significant value to such organisations.

(10) Members' Allowances

The total Members' allowances paid in 2009/10 were £628,732 (£623,173 in 2008/09).

(11) Remuneration of Senior Staff

The table below includes the details of staff earning over £50,000, excluding those members of staff who are also separately disclosed, the table shows the remuneration of staff earning over £50,000 employed by Thurrock Council and school employees that the authority directly employs. Foundation schools are reported in a separate table.

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

Remuneration Band	***2008/09***			**2009/10**	
£	***Restated Numbers***			**Numbers**	
	TBC	*Schools*		*TBC*	*Schools*
50,001 - 55,000	*40*			*24*	*15*
55,001 - 60,000	*12*	*7*		*9*	*7*
60,001 - 65,000	*5*	*8*		*8*	*12*
65,001 - 70,000	*8*	*8*		*10*	*8*
70,001 - 75,000	*1*	*4*		*1*	*4*
75,001 - 80,000	*4*	*0*		*3*	*2*
80,001 - 85,000	*4*	*2*		*3*	*0*
85,001 - 90,000	*2*	*0*		*2*	*0*
90,001 - 95,000	*1*	*1*		*3*	*0*
95,001 - 100,000	*0*	*0*		*2*	*0*
100,001 - 105,000	*1*	*0*		*0*	*0*

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.

2009/10 Senior Officers emoluments – Salary is between £50,000 and £150,000 per annum.

Post title	Salary including fees and allowances	Bonuses	Expense Allowances	Total Remuneration excluding pension contributions 2009/10	Pension Contributions	Total Remuneration including Pension Contributions 2009/1
Director of Community Well Being	£118,102	£6,821	£5,000	£129,923	£15,083	£145,006
Director of Sustainable Communities	£115,374	£6,821	£5,000	£127,195	£14,753	£141,948
Director of Children's Services (note 1)	£19,500		£833	£20,333	£,2326.6	£22,659
Director of Children's Services (note 2)	£56,452			£56,452	£6,750	£63,202
Director of Resources (note 3)	£56,788		£2,500	£59,288	£6,538	£65,826
Head of Corporate Finance (note 4)	£40,972			£40,972	£5,242	£46,214
Acting Head of Legal Services (note 5)	£34,359	£223	£1,825	£36,407	£4,625	£41,032
Head of Legal Services (note 6)	£45,011			£45,011	£5,326	£50,337

Note 1 The Director of Children's Services left the Authority on 31 May 2009. They were replaced by an Interim until a permanent appointment was made.
Note 2 The current Director of Children's Services started with the Authority on 19 October 2009.
Note 3 The Director of Resources, who was also the Section 151 Officer left the Authority on the 27 September 2009.
Note 4 The Head of Corporate Finance started on the 28 September 2009 and became the Section 151 Officer of the Authority.
Note 5 The Acting Head of Legal Services and the Authority's Monitoring Officer left the employment of the Authority on 8 October 2009.
Note 6 The current Head of Legal Services and the Authority's Monitoring Officer started their employment with the Authority on 5 October 2009.

The post of Chief Executive has been filled by an Interim for the whole of 2009/10. The Chief Executive was employed through Advanced Human Resources which was paid £278,750 for their services. This is the amount paid to the company and may not be what the individual receives from them.
The Director of Resources was replaced by an Interim in October 2009, but they were not the Section 151 Officer, employed through CIPFA placements which was paid £104,880.
The post of Director of Change and Improvement has been filled by an Interim since November 2009, employed through Pragmatic Change Solutions which was paid £79,200.
The post of Director of Children , Education and Families was filled by an Interim between May and October 20009, employed through Odgers International which was paid £113,275.

2008/09 Senior Officers emoluments – Salary is between £50,000 and £150,000 per annum.

Post title	Salary including fees and allowances	Bonuses	Expense Allowances	Total Remuneration excluding pension contributions 2008/09	Pension Contributions	Total Remuneration including Pension Contributions 2008/09
Director of Community Well Being	£113,133	£6,915	£5,000	£125,048	£13,565	£138,613
Director of Sustainable Communities	£113,133	£8,298	£5,000	£126,431	£13,722	£140,153
Director of Resources	£107,010	£7,849	£5,000	£119,859	£12,979	£132,838
Director of Children's Services	£113,133	£922	£5,000	£119,055	£12,888	£131,943
Acting Chief Executive	£27,295		£2,333	£29,628	£4,654	£34,282
Head of Legal Services	£19,876		£931	£20,807	£2,949	£23,756
Acting Head of Legal Services	£24,153		£1,166	£25,319	£2,735	£28,054

The Head of Legal Services was appointed on 26 August 2008. The post had previously been held by an interim. On the 1 December 2008, the acting Chief Executive commenced replacing the previous permanent Chief Executive. The Acting Head of Legal Services began in post on the 1 December 2008.

2008/09 Senior Officers emoluments Staff earning over £150,000

Post title and name	Salary including fees and allowances	Bonuses	Expense Allowances	Total Remuneration excluding pension contributions 2008/09	Pension Contributions	Total Remuneration including Pension Contributions 2008/09
Chief Executive – A Ridgwell	£101,002	£7,575	£4,667	£113,244	£12,269	£125,513

Note 1: Ms A Ridgwell left the post of Chief Executive on 30 November 2008, her annualised salary was £152,244.

The table below includes the remuneration of Foundation school staff earning over £50,000. One Head Teacher earns more than £150,000.

Remuneration Band £	***2008/09 Restated Numbers*** *Foundation Schools*		**2009/10 Numbers** *Foundation Schools*
50,001 - 55,000	*18*		*39*
55,001 - 60,000	*13*		*6*
60,001 - 65,000	*2*		*7*
65,001 - 70,000	*7*		*5*
70,001 - 75,000	*1*		*3*
75,001 - 80,000	*2*		*4*
80,001 - 85,000	*0*		*3*
85,001 - 90,000	*1*		*1*
90,001 - 95,000	*0*		
95,001 - 100,000	*0*		*1*
100,001 - 105,000	*1*		
105,001 - 110,000	*1*		
110,001 - 115,000	*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.

Post title and name of individual	Salary including fees and allowances	Bonuses	Expense Allowances	Total Remuneration excluding pension contributions 2009/10	Pension Contributions	Total Remuneration including Pension Contributions 2009/10
John King OBE	£155,891	0	0	£155,891	£21,981	£177,872

Post title and name of individual	Salary including fees and allowances	Bonuses	Expense Allowances	Total Remuneration excluding pension contributions 2008/09	Pension Contributions	Total Remuneration including Pension Contributions 2008/09
John King OBE	£152,385	0	0	£152,385	£21,486	£173,871

John King is Headmaster at Gable Hall and William Edwards School – cost is shared between the two schools

(12) 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 14.

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 £290,000 and Thurrock MIND £264,000 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 2009/10. Each of these public bodies is ultimately accountable to Central Government.

The Council provided £600,000 financial assistance as a grant to Impulse Leisure, which resulted in it having a significant level of influence over their operations. In addition a £250,000 loan to be repaid over five years at the 5 year fixed PWLB rate on the date of the loan was made to Impulse leisure Impulse Leisure is a charitable trust formed as a consequence of the transfer of former Council run leisure services.

In addition a number of local organisations have received grants and payments for services. These are:

Thurrock Arts Council £20,552;
Thurrock Asian Association £18,072;
Thurrock Racial Unity Support Group (TRUST) £4,593;
Thurrock Community Chest £1,250.

As at the 16 September 2010 2 related party returns had not been received. As these have not been submitted a disclosure no view can be made as to any related party transactions regarding the individuals concerned.

(13) Audit Costs

In 2009/10 the Council incurred the following fees relating to external audit and inspection:

Audit Costs	**2008/09 £'000**		**2009/10 £'000**
Fees Payable to the Audit Commission:			
- External Audit Services includes statutory inspections	324		404
- Certification of Grant Claims and Returns	118		96
Total	442		500

(14) General Government Grants

General government grants comprise the following:

Government Grants	2008/09 £'000		2009/10 £'000
Revenue Support Grant	6,857		10,881
Local Area Based Grant	6,551		7,229
Local Authority Business Grant Initiative	2,515		0
Government Grants Deferred	14,844		0
Total	30,767		18,110

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.

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

The Authority has received a 2 pathfinder grant, one for £100,000 which is the Take Part Pathfinder grant and £19,000 for the Take Part Learning Champions.

(15) 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	2008/09 Balance		Transfer to Other Reserves	Transfer from Other Reserves	Transactions with Revenue		2009/10 Balance
	£'000		£'000	£'000	£'000		£'000
Earmarked Reserves:							
General Fund	(5,502)		955		4,547		0
LABGI	0			(955)	0		(955)
Best Value	(69)				69		0
Modernisation	(642)				642		0
Single Status	(169)				169		0
Electronic Government Information Technology	(176)				5		(171)
Building Control	(118)				111		(7)
Capital Expenditure	(1,272)		275				(997)
LGR SCA Provision	(1,970)				1,970		0
Waste	(550)				490		(60)
MMI	(290)				0		(290)
Historic Buildings	*(63)*				(1)		(64)
The Saltings Tilbury	*(2)*				0		(2)
Fraud Recovery	*(2)*				2		0
Repairs and Renewals	*(20)*				20		0
Museum Donations	(15)				0		(15)
Trusts	(28)				28		0
Totals	(10,888)		1,230	(955)	8,052		(2,561)

The purposes of the above reserves are summarised as follows:

The balance 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 was a reserve set up to fund additional borrowing following Local Government Reorganisation in 1998.

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 was set up to fund the repair and replacement of plant and vehicles.

(16) Tangible Fixed Assets

Movements of tangible fixed assets in 2009/10 are summarised as follows:

	Operational Assets £'000	Assets under Construction £'000	Land Awaiting Development £'000	Commercial Properties £'000	Surplus Assets Awaiting Disposal £'000	Total £'000
Gross Book Value as at 1 April 2009	1,053,018	10,488	15,603	24,796	8,580	1,112,485
Additions	20,719	15	331	230	368	21,663
Disposals	(6,730)	0	0	0	0	(6,730)
Revaluations	3,262	0	0	0	675	3,937
Impairments	(24,552)	0	(331)	(55)	(5,068)	(30,006)
Transfers	(147,899)	(10,488)	9,671	0	(389)	(149,105)
Adjustments	0	0	0	0	0	0

Gross Book Value as at 31 March 2010	897,818	15	25,274	24,971	4,166	952,244
Depreciation as at 1 April 2009	(14,176)	0	0	(1)	0	(14,177)
Charge for year	(12,990)	0	(5)	(165)	(6)	(13,166)
Depreciation write back	149	0	(34)	0	3	118
Impairments	61	0	38	0	0	99
Adjustments	0	0	0	0	0	0
Depreciation as at 31 March 2010	(26,956)	0	(1)	(166)	(3)	(27,126)
Net Book Value as at 1 April 2009	1,038,842	10,488	15,603	24,795	8,580	1,098,308
Net Book Value as at 31 March 2010	870,862	15	25,273	24,805	4,163	925,118

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

	Council Dwellings	**Other Land and Buildings**	**Vehicles, Plant and Equipment**	**Community Assets**	**Infrastructure Assets**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Gross Value as at 1 April 2009	537,912	433,280	5,387	11,676	64,763
Additions	8,727	5,267	2,854	1,128	2,743
Disposals	(777)	(5,862)	(91)	0	0
Revaluations	0	3,262	0	0	0
Impairments	(8,937)	(15,615)	0	0	0
Transfers	389	(148,288)	0	0	0
Adjustments	0	0	0	0	0
Gross Book Value at 31 March 2010	537,314	272,044	8,150	12,804	67,506
Depreciation as at 1 April 2009	(23)	(14)	(2,963)	(2,658)	(8,518)
Charge for year	(6,803)	(2,811)	(1,112)	(409)	(1,855)
Depreciation write back	3	56	90	0	0
Impairments	3	58	0	0	0
Adjustments	0	0	0	0	0
Depreciation as at 31 March 2010	(6,820)	(2,711)	(3,985)	(3,067)	(10,373)
Net Book Value as at 1 April 2009	537,889	433,266	2,424	9,018	56,245
Net Book Value as at 31 March 2010	530,494	269,333	4,165	9,737	57,133

(17) 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	2008/09 £'000	2009/10 £'000
Opening Capital Financing Requirement	121,068	122,293
Capital Investment:		
Operational Assets	28,811	20,718
Non-Operational Assets	5,491	944
Revenue Expenditure	2,332	8,427
Sources of Finance:		
Capital Receipts	(396)	(267)
Government Grants and Contributions	(15,199)	(12,129)
Revenue Provision (including Minimum Revenue Provision)	(16,227)	(12,665)
Closing Capital Financing Requirement	125,880	127,321
Explanation of Movements in year:		
Increase in underlying need for Borrowing (Supported by Government Financial Assistance)	4,069	2,827
Increase in underlying need for Borrowing (Unsupported by Government Financial Assistance)	743	2,909
Additional contributions		(708)
Increase in Capital Financing Requirement	4,812	5,028

As can be seen from the above table the 2008/09 closing CFR and the opening 2009/10 CFR differs by £3.587 million.

This is due to differences between the CFR as calculated from the Balance Sheet to the CFR used in the calculation of the MRP. The differences arise where a number of items relating to deferred purchase repayments, transferred debt repayments, LGR SCA payments and an opening capital creditors figure have been taken into account on the balance sheet, but, not on the CFR used for calculating MRP. A reconciliation was undertaken back to the start of the CFR in 2004/05 to ascertain the exact difference and to ensure that as from the start of 2009/10 the balance sheet figure of £122.293 million was the figure used as the Council's CFR. This required a one off adjustment at the end of 2008/09 to the CFR spreadsheet to ensure that both CFR figures agreed, which at the end of 2009/10 they now do.

(18) Capital Commitments

As at 31 March 2010 the Council had authorised expenditure in future years of £21.094 million. In addition a further £2.592 million had been previously authorised for use in 2010/11, giving a future year commitment of £23.686 million. These commitments include the following significant schemes over (£0.250 million):

Capital Commitments - Schemes	Expenditure Approved in 2009/10 £'000
West Thurrock Primary	530.1
Hassenbrook I.T. Block Replacement	303.9
14-19 Education Partnership	2,450.0
Transport	1,843.3
Housing HRA	3,107.7
Affordable Housing	1,050.4
Fleet Vehicle and Plant Replacement (including Waste Contract)	6,977.6
Traveller Sites Health and Safety Works	468.4

Children's Centres and Quality and Access	1,144.0
Harnessing Technology	970.2
Playbuilder	400.0
Total	19,245.6

These schemes include the following contractual commitments:

Contractor	**Scheme**	**2009/10 £'000**
Hutton Construction	Hassenbrook I.T. Block Replacement	819
Vinci Construction	West Thurrock Primary	115
A W Hardy	Stifford Primary Children's Centre	81
Vinci Construction	Ockendon Secondary	56
May Gurney	Recycling Centre	22

(19) Statement of Physical Assets

The following assets were owned as at 31 March 2010, the figures for 31 March 2009 shown as comparators:

		31 March 2009	31 March 2010
LAND AND BUILDINGS	Sports Centres	2	2
	Village Halls	16	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	54	41
	Other Education Assets	18	19
	Residential Homes	3	3
	Other Social Services Assets	8	7
	Libraries	8	8
	Magistrates Court	1	1
	Landfill Site	1	1
	Other Housing Assets	3	3
COUNCIL DWELLINGS	Houses and Bungalows	5,580	5,570
	Flats and Maisonettes	3,722	3,530
	Aged Persons Dwellings	1,032	1,222
	Traveller Sites	3	3
VEHICLES, PLANT AND EQUIPMENT	Vehicles – Non Finance Lease	10	19
	Plant – Non Finance Lease	9	11
	Computer Equipment	8	8
	Equipment - Other	6	6
COMMUNITY	Parks	93	94
	Burial Grounds	8	8
	Allotment Sites	33	33
	War Memorials	10	10
	Historic Building	1	1
	Highways Land and Infrastructure	26	28
NON-OPERATIONAL	Shops	173	173
	Other Commercial	45	45
	Assets under Construction	1	1
	Vacant Sites	24	25

(20) Finance Leases

The Council as a lessee:-
The Council does not have any leased assets with third parties by means of a finance lease.

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

(21) Operating Leases

Council as Lessee -
The Council has the use of capital assets in the category of land, buildings, vehicles, plant and equipment through operating leases in respect of which rentals were payable in 2009/10 amounting to £141,811 (£555,129 in 2008/09)

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

Operating Lease Future Payments	**Other Land and Buildings £**
Expiring in 2010/11	61,132
Expiring between 2011/12 and 2014/15	3,408
Expiring in 2015/16 and later years	54,116

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 2010 were £648,784 (General Fund) and £985,097 (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	49,063,151	569,261	48,493,890

(22) 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 desk top valuation of assets was undertaken to determine any increase or decrease in property values as at 31 March 2010. This resulted in a nil increase or decrease in values:

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.

The desk top revaluation showed a possible reduction of 1% in asset values. As the figure is subject to margins of error a decision has been made not to impair assets for this reduction.

(23) 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	**2008/09 £'000**		**2009/10 £'000**
Intangible Assets - Software			
Gross Book Value at 1 April	1,958		1,958
Accumulated Amortisation at 1 April	(490)		(734)
	1,468		1,224
Movement in Year			
Additions	0		0
Disposals	0		0
Revaluations	0		0
Amortisation for year	(244)		(245)
Impairment for year	0		0
Net Book Value as of 31 March	1,224		979

Intangible fixed assets are valued at historical cost.

(24) 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 31/03/09 £'000***		**Balance 31/03/10 £'000**
General Fund	350,451		173,865
Housing Revenue Account	468,636		459,079
Total	819,087		632,944

(25) 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 31/3/2009 *£'000*	Current as at 31/3/2009 *£'000*		Long Term as at 31/3/2010 *£'000*	Current as at 31/3/2010 *£'000*
Financial Liabilities at Amortised Cost	(124,989)	(19,842)		(113,439)	(35,788)
Other Creditors	0	(5,475)		0	(4,577)
Total Borrowing	(124,989)	(25,317)		(113,439)	(40,365)
Loans and Receivables	0	17,484		0	15,870
Financial Assets at Fair Value through the Income and Expenditure Account	0	39,969		3094	34,906
Cash and Bank	0	4,632		0	7,240
Other Debtors	0	10,634		0	11,192
Total Investments	0	72,719		3,094	69,208

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:

2009/10	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	6,257	0	0	0	6,257
Losses on De-recognition	0	0	0	0	0
Impairment Losses	0	0	0	0	0
Interest payable and similar Charges	6,257	0	0	0	6,257
Interest Income	0	(397)	0	(559)	(956)
Gains on De-recognition	0	0	0	0	0
Interest and Investment Income	0	(397)	0	(559)	(956)
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	6.257	(397)	0	(559)	5,301

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.

2008/09	***Financial Liabilities***	***Financial Assets***			
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 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 2010.

ii) For market loans the Council has assessed fair value by using the equivalent PWLB interest rates ruling on 31st March 2009 and 31st March 2010.

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.

viii) The element of long term liabilities maturing in less than one year is now transferred to this category

Fair Value of Financial Liabilities and Assets	***31/3/2009 Carrying Amount £'000***	***31/3/2009 Fair Value £'000***		**31/3/2010 Carrying Amount £'000**	**31/3/2010 Fair Value £'000**
LTL maturing in less than 1 year	*0*	*0*		(1,257)	(1,257)
PWLB Debt	*(95,517)*	*(111,765)*		(84,212)	(98,636)
Long term Market Debt	*(29,458)*	*(43,438)*		(29,213)	(43,740)
Temporary Market Debt	*(19,842)*	*(19,842)*		(34,531)	(34,531)
Bonds/Annuities	*(14)*	*(14)*		(14)	(14)
Total Debt	*(144,831)*	*(175,059)*		(149,227)	(178,178)
Other Creditors	*(5,475)*	*(5,475))*		(4,577)	(4,577)
Total Financial Liabilities	*(150,306)*	*(180,534)*		(153,804)	(182,755)
Temporary Investments	*17,484*	*17,484*		15,870	15,870
Fund Managers Investments	*39,969*	*39,969*		38,000	38,000
Other Debtors	*10,634*	*10,634*		11,192	11,192
Total Loans and Receivables	*68,087*	*68,087*		65,062	65,062

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.

(26) 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 31/3/2010 *£'000*	Historical Default *%*	Adjust for Market Conditions *%*	Estimated Maximum Exposure *£'000*
Investec Target Return Fund	5,002	0	0	0
Banks rated AAA Long Term	11,240	0	0	0
Banks rated AA Long Term	22,101	0	0	0
Banks rated F1 Short Term	0	0	0	0
Un-rated Building Societies – overnight only	1,800	0	0	0
Local Authorities	7,000	0	0	0
Cash	6,172	0	0	0
Total Investments	53,315	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 2010 is £11.524m. This figure is made up of £8.522m of Trade Debtors and £3.020m 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 £4.796m of the total balance is past its due date for payment. To this end a provision for bad debts of £0.504m has been calculated with reference to estimated default rates. Of the total amount overdue, £3.329m is overdue by up to 365 days with the remaining £1.467 million by more than one year. The Council considers that the remaining £3.020m 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	2008/09 £'000		2009/10 £'000
Less than three months	1,211.9		1,897.2
Three to six months	376.0		621.7
Six months to one year	538.5		810.0
More than one year	940.1		1,467.9
Total Debtors	3,067.5		4,796.8

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	**2008/09 £'000**	**2009/10 £'000**
Less than one year	(38,658)	(39,084)
Between one and two years	(22)	(1,000)
Between two and five years	(3,000)	(2,000)
Between five and ten years	(1,000)	(1,000)
Between ten and fifteen years	0	0
Between fifteen and twenty years	0	0
Between twenty and twenty five years	0	0
Between twenty five and thirty years	0	0
Between thirty and thirty five years	(18,000)	(29,000)
Between thirty five and forty years	(4,312)	(4,312)
Between forty and forty five years	(60,022)	(52,022)
Over forty five years	(27,878)	(24,876)
Total – Financial Liabilities	(152,892)	(153,294)

The maturity analysis of financial assets is as follows:

Maturity Profile of Financial Assets	**Fund Managers £'000**	**TBC Investments £'000**	**Debtors £'000**
Under 1 year	34,676	15,800	11,192
Between one and two years	1,330	0	0
Between two and five years	1,510	0	0
Between five and ten years	0	0	0
Between ten and fifteen years	0	0	0
Between fifteen and twenty years	0	0	0
Between twenty and twenty five years	0	0	0
Between twenty five and thirty years	0	0	0

Between thirty and thirty five years	0	0	0
Between thirty five and forty years	0	0	0
Between forty and forty five years	0	0	0
Over forty five years	0	0	0
Total – Financial Assets	37,516	15,800	11,192

The maturity analysis of the Fund Managers Investments is based on the nominal value of investments held as at 31 March 2010 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	**2008/09 £'000**	**2009/10 £'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)	17,743	15,711
Total	17,743	15,711

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.

(27) Insurance Provision

Insurance Provision	***Balance 31/03/09 £'000***	**Income in the Year £'000**	**Expenses or Reduction in Year £'000**	**Balance 31/03/10 £'000**
Insurance Provision Movements	(982)	0	627	(355)
	(982)	0	627	(355)

The Insurance Provision represented a sum set aside towards meeting the value of insurance claims lodged with Council. No contribution was made to the reserve in 2009/10. Contributions will be made in 2010/11.

(28) Debtors

Debtors may be analysed as follows:

Debtors Analysis	**2008/09 Restated £'000**		**2009/10 £'000**
Government Departments	3,465		14,669
Other Public Bodies	780		534
Housing Rents	1,707		1,609
Council Tax	4,963		5,065
Sundry Debtors	14,261		17,035
Payments in Advance	214		462
Total	25,390		39,374
Less: Provision for Impairment	(3,211)		(2,645)
Net Total Debtors	22,179		36,729

(29) Creditors

Creditors may be analysed as follows:

Creditors Analysis	2008/09 Restated £'000		2009/10 £'000
Government Departments	(380)		(379)
Other Public Bodies	(2,921)		(2,448)
Sundry Creditors	(21,536)		(21,536)
Receipts in Advance	(4,249)		(3,784)
Total Creditors	(29,086)		(28,145)

(30) Movement on Capital Reserves

Capital Reserves	*Opening Balance 01/04/09 £'000*	Gains or Losses Transferred £'000	Transactions with Other Reserves £'000	Closing Balance 31/03/10 £'000
Revaluation Reserve	*(35,221)*	8,324	0	(26,897)
Capital Adjustment Account	*(853,815)*	134,765	0	(719,050)
Financial Instruments Adjustment Account	*(2,052)*	259	0	(1,793)
Usable Capital Receipts	*(964)*	(371)	0	(1,335)
Pensions Reserve	*98,053*	37,502	0	135,555
Major Repairs Reserve	*(41)*	(2,856)	0	(2,897)
	(794,040)	177,623	0	(616,417)

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.

(31) Trust Funds and Receiverships

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

Trust Funds	*Balance 31/03/09 £*	Income in Year £	Expenses in Year £	Balance 31/03/10 £
Miss Grover's Charity	(22,409)			(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 31/03/09 £		Balance 31/03/10 £
Cory Environmental Trust	818,234		1,049,876
Veolia ES Cleanaway Mardyke	1,353,193		1,396,575
Total	2,171,427		2,446,451

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.

(32) Movement on Fund Balances

Fund Balances	Balance 31/03/09 £'000	Income in Year £'000	Expenses in Year £'000	Balance 31/03/10 £'000
General Fund Working Balance	(2,000)	(187)		(2,187)
Housing Revenue Account Balance	(2,103)	(306)		(2,409)
Schools Balances	(9,932)	0	323	(9,609)
Collection Fund Adjustment Account	(124)	0	364	240
	(14,159)	(493)	687	(13,965)

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.

(33) 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. This scheme is a defined benefits scheme.

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	**2008/09 £'000**	**2009/10 £'000**
Income and Expenditure Account:		
Net Cost of Services:-		
Current Service Cost	8,358	5,640
Past Service Costs	403	32
Net Operating Expenditure:-		
Interest Cost	16,658	16,619
Expected Return on Assets in the Scheme	(11,159)	(9,001)
Net Charge to the Income and Expenditure Account	14,260	13,290
Statement of Movement on the General Fund Balance:-		
Reversal of Net Charges made in accordance with Statute	(4,282)	(2,740)
Actual Amount charged against the General Fund Balance for Pensions in the year:-		
Employers Contributions payable to the Scheme	9,978	10,550

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £34.767 million loss (£9.963 million gain 2008/09 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 £24.804 million loss.

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

Funded Liabilities: Local Government Pension Scheme	**Balance 2008/09 £'000**	**Balance 2009/10 £'000**
1 April	(271,862)	(233,819)
Current Service Cost	(8,358)	(5,640)
Interest Cost	(16,658)	(16,619)
Contribution by Scheme Participants	(2,994)	(3,146)

Actuarial Gains and Losses	57,535	(74,371)
Benefits Paid	8,921	8,275
Past Service Cost and Curtailments	(403)	(32)
31 March	(233,819)	(325,352)

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

Funded Assets: Local Government Pension Scheme	**Balance 2008/09 £'000**	**Balance 2009/10 £'000**
1 April	168,128	135,766
Expected Rate of Return	11,159	9,001
Actuarial Gains and Losses	(47,572)	39,604
Employer Contributions	9,978	10,555
Contributions by Scheme Participants	2,994	3,146
Benefits paid	(8,921)	(8,275)
31 March	135,766	189,797

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 £48,605 million (-£36.413 million 08/09).

Scheme history is summarised as follows:

Scheme History	**2005/06 £'000**	**2006/07 Restated £'000**	**2007/08 Restated £'000**	**2008/09 £'000**	**2009/10 £'000**
Present Value of Liabilities Local Government Pension Scheme	(241,147)	(244,364)	(271,862)	(233,819)	(325,352)
Fair Value of Assets in the Local Government Pension Scheme	160,511	175,420	168,128	135,766	189,797
Surplus/(Deficit) in the scheme Local Government Scheme	(80,636)	(68,944)	(103,734)	(98,053)	(135,555)

The Council has elected not to restate the fair value of scheme assets for 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 £325,352 million has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative balance of £135,555 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 £10.704 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	**31/03/09 %**		**31/03/10 %**
Long Term Expected Return on Assets in the Scheme			
Equities	7.50%		7.50%
Government Bonds	4.00%		4.50%
Other Bonds	6.00%		5.20%
Property	6.50%		6.5%
Cash/Liquidity	0.50%		0.5%
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 yrs		22.1 yrs
Female	24.9 yrs		25.0 yrs
Longevity at 65 for Future Pensioners			
Male	23.1 yrs		23.1 yrs
Female	25.9 yrs		25.9 yrs
Inflation	3.30%		3.30%
Expected Rate of Salary Increases	4.80%		4.80%
Rates of Pension Increases in Payment	3.30%		3.30%
Discount Rate	7.10%		5.60%
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 2009 %**	**31 March 2010 %**
Equities	74.5	67.5
Government Bonds	8.7	7.9
Other Bonds	5.3	10.0
Property	9.8	9.3
Cash/Liquidity	1.7	5.3
Other	0.0	0.0
Total	100.0	100.0

History Experience of Gains and Losses

The actuarial gains and identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010.

Experience of Gains and Losses	**2005/06 %**	**2006/07 %**	**2007/08 %**	**2008/09 %**	**2009/10 %**
Differences between the Expected and Actual	15.50	1.10	(12.80)	(35.00)	(20.9)

Return Experience Gain on Assets and Liabilities	(2.30)	(0.0)	1.90	0.00	0.00

(34) 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 2009/10 the Council paid £8.321 million, including £2.592 million actual teachers' contributions, (£8.049 million in 2008/09) 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 £19,296 in 2009/10 (£21,729 in 2008/09). These benefits are accrued for in the Pensions Liability.

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

Cash Flow Reconciliation	*2008/09*			2009/10	
	Restated				
	£'000	***£'000***		**£'000**	**£'000**
Surplus/(Deficit) on the Income and Expenditure Account		(145,298)			(151,949)
Amounts included in the Income and Expenditure Account, but excluded in the Statement of Movement on the General Fund Balance		156,479			158,351
Amounts excluded from the Income and Expenditure Account, but included in the Statement of Movement on the General Fund Balance		(13,871)			(14,615)
Transfers to or from the General Fund Balance that are required in determining the Movement on the General Fund Balance		3,071			8,075
Sub total		381			(136)
Add Back:					
Items not Involving Movement of Funds:					
Minimum Revenue Provision		4,539			4,881
Claims Settled from Insurance Provision		(424)			627
Transfers (to) and from Reserves:					
Contributions from the General Fund Balance	2,224			(5,502)	
Contributions to the General Fund Reserve	(1,430)			187	
Housing Revenue Account Balance	(1,570)			306	
Major Repairs Allowance	7,105			7,598	
Insurance Reserve	436			0	
Waste Reserve	0			(490)	
LABGI Reserve	0			955	
Electronic Government IT Reserve	(1,109)			(5)	
Building Control Reserve	59			(111)	
Modernisation reserve	0			(642)	
Single Status	(402)			(169)	
Best Value Reserve	(4)			(69)	
Landfill Credits Reserve	(81)			0	
Transfer from LGA/SCR Reserve	(374)			(1,970)	
Fraud Recovery Reserve	(1)			(2)	
Repairs and Renewals Reserve	0			(20)	
Trust Funds	20			0	
Capital Expenditure Reserve	(256)			(277)	
Movement for long term debtor				817	
Transfer from Usable Capital Receipts equal to the Contribution to Housing Pooled Capital Receipts	(646)			(815)	
		3,971			(209)
		8,467			5,163
Add back:					
Increase/(Decrease) in Revenue Provisions					
(Increase)/Decrease in Stocks	7			117	
(Increase)/Decrease in Revenue Debtors	3,172			(14,551)	
Increase/(Decrease) in Revenue Creditors	666			(52)	
		3,845			(14,486)
		12,312			(9,323)
Financing Items shown below Revenue Activities					

External Interest Charged	7,750			6,230
External Interest Received	(4,465)			(912)
Net increase or decrease in other liquid	5,626			227
		8,911		5,545)
Net Cash Flow from Revenue Activities		21,223		(3,778)

(36) Analysis of Changes in Debt

Changes in Debt	Balance 31/3/2009 £000	Cashflow £000	Balance 31/3/2010 £000	Cashflow £000
Cash and Bank	4,632	1,257	7,240	2,608
Repayment of long term borrowing	145	145	145	0
Short term loans less than 1 year	(19,800)	(6,800)	(35,788)	(15,988)
Long term loans more than 1 year	(125,517)	(66)	(113,439)	12,078
Net increase decrease in other liquid resources	5,626	5,626	5,853	227
Increase/(Decrease) in temporary investments	1,250	1,250	0	(1,250)
Net Cash Inflow before Financing	(133,664)	1,412	(135,989)	(2,325)

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

Net Debt Reconciliation	2008/09 £000	2009/10 £000
Increase/(Decrease) in Cash for Period	1,257	2,608
Receipt of loans	(69,412)	(90,600)
Movement in other liquid resources	5,626	227
Other debt movement		0
Investments	1,250	0
Repayment of loans	62,691	85,440
Change in Debt	1,412	(2,325)
Net Debt at 1 April	(135,076)	(133,664)
Net Debt at 31 March	(133,664)	(135,989)

(38) Analysis of Government Grants

Government Grants	2008/09		2009/10	
	£000	£000	£000	£000
General Government Grants	15,923		18,247	
Housing Benefit	48,160		28,277	
Housing Subsidy	(8,817)		(6,257)	
		55,266		40,267
Dedicated Schools	93,821		95,080	
Schools Standards	16,866		0	
Other Grants	21,980		66,868	
		132,667		161,948
Total		187,933		202,215

(39) Liquid Resources

For the purposes of the Cash Flow Statement and Notes 35 to 37, liquid resources refers to short term borrowing (i.e. sums falling due to be repaid within one year)

(40) Local Area Agreement (LAA)

The council is a participant in an LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2009/10, 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.

(41) 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 raising unsupported borrowing. It would therefore at the reporting date be inappropriate to treat this debt as a creditor.

The landowner of a field next to the former Buckingham landfill site is claiming that there is land contamination arising from the landfill site affecting his land. The potential claim is not known at this stage and as a result is treated as a contingent liability.

The Council is proposing to enter into an agreement with Essex County Council and Southend Borough Council to underwrite any Pension Fund Employer Liability arising out of the winding up of Essex Careers and Business Partnership. This agreement commenced in April 2008.

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

The assessment of £8m is based on the following factors that clearly demonstrate that this is the worse case scenario and evidence why it is not possible to make a meaningful estimate. It:

- includes all remaining claims (totalling 127 out of the 201 claims originally presented in March 2007) against the Council in the Employment Tribunal

- reflects a significant number of recent withdrawals and excludes one male claimant in Band 9 who has no female comparator either actual or contingent to enable liability to be calculated

- presents a worst case scenario that all ongoing claims succeed on all points and are awarded the maximum pay differential for the highest paid identified comparator for the full six year period with the claims continuing to full hearing in May 2011.

- includes figures which have been rounded up where more than 50 pence and rounded down when less than 50 pence.

- includes interest on the awards calculated at a fixed rate of 4 per cent (to reflect a variable rate in operation over the period of the claims) and for half of the ten year period from 2001 to 2011 ie 5 years of interest. The ultimate rate of interest determined by the Employment Tribunal could be less but is unlikely to be more.

- disregards the fact that there are numerous legal arguments, both jurisdictional and substantive, which are being progressed by both Claimants and the Council as this assessment is based on maximum liability.

(42) 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 Council restructured its debt on 13 August 2010. The council has restructured £84 million of PWLB debt which was over 40/50 years. This amount has been repaid and the council has paid £17m premium as a result. This has been replaced by variable short term market debt.

In his budget statement on 22 June, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. As a result, future pension increases under the Essex Pension Fund and the Teachers' Pension Scheme are expected to be slightly lower, on average, than would have been the case if this change had not been made. This change is estimated to reduce the FRS17/IAS19 benefit obligations by between 5% and 8% for most employers. The precise financial effect will be taken into account in the FRS17/IAS19 figures for the financial year ending 31 March 2011.

(43) 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 are to be considered by the Audit Committee of the Council on 30 September 2010.

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 For the Year Ended March 31, 2010.	2008/09 £'000		2009/10 £'000
	INCOME			
	DWELLING RENTS			
	Gross Rent from Dwellings	**(36,285)**		**(35,656)**
	Less Voids	**280**		**302**
		(36,005)		**(35,355)**
	NON DWELLING RENTS			
	Shop Rents	**(772)**		**(833)**
	Garage Rents	**(716)**		**(783)**
	Premises Income	**(108)**		**(224)**
		(1,596)		**(1,840)**
	CHARGES FOR SERVICES AND FACILITIES			
	Water Charges	**(4,216)**		**(4,462)**
	Insurance	**(86)**		**0**
	Supervision and Management	**(562)**		**(575)**
	Central Heating Charges	**(35)**		**(36)**
		(4,899)		**(5,073)**
	CONTRIBUTION TOWARDS EXPENDITURE			
	Transfer from General Fund: Use of Housing Amenities	**(174)**		**(180)**
	Leaseholders Charges	**(240)**		**(548)**
	Tenants Service Charges	**0**		**(1,906)**
	Transfer from holding account	**(134)**		**(184)**
	Government Grant	**(62)**		**0**
		(612)		**(2,817)**
	Total Income	**(43,112)**		**(45,085)**
	EXPENDITURE			
	Repairs and Maintenance	**13,566**		**11,869**
	Supervision and Management	**15,237**		**15,908**
	Rents, Rates, Taxes and Other Charges	**58**		**44**
2	Negative Housing Revenue Account Subsidy Payable	**8,817**		**6,257**
3	Depreciation and Impairment of Fixed Assets	**73,909**		**16,245**
	Debt Management Costs	**0**		**17**
	Increase in Bad Debt Provision	**249**		**269**
	Deferred Purchase Capital Payment	**145**		**122**
	Total Expenditure	**111,981**		**50,731**
	Net Cost of HRA Services per Authority Income and Expenditure Account	**68,869**		**5,646**

	NET COST OF HRA SERVICE	**68,869**		**5,646**
	Gain or Loss on Sale of HRA Fixed Assets	**(316)**		**(510)**
	Interest Payable and Similar Charges (Deferred Purchase Interest)	**18**		**2**
	Amortisation of Premiums and Discounts (Premium on Debt Restructuring)	**17**		**17**
	Interest and Investment Income	**(137)**		**27**
	Pension Interest Cost and Expected Return on Pension Assets	**(248)**		**44**
	(Surplus)/Deficit for the Year on HRA Services	**68,203**		**5,226**

	STATEMENT OF MOVEMENT ON THE HRA BALANCE	**2008/09 £'000**		**2009/10 £'000**
	(Surplus)/Deficit for the Year on the HRA Income and Expenditure Account	**68,203**		**5,226**
See below	Net Additional Amount required by Statute to be debited or (credited) to the HRA Balance for the Year	**(66,633)**		**(5,532)**
	(Increase)/Decrease in the HRA Balance	**1,570**		**(306)**
	HRA Surplus brought forward	**(3,673)**		**(2,103)**
	HRA Surplus carried forward	**(2,103)**		**(2,409)**

Notes	**Note on the Statement of Movement on the HRA Balance**	**2008/09 £’000**		**2009/10 £’000**
	Transfer to / (from) Major Repairs Reserve	(2,034)		2,763
	Impairment of Fixed Assets	(64,770)		(8,647)
	Capital Expenditure funded by the HRA	0		0
	Voluntary Provision of Capital Financing	(145)		(158)
	Gain on Disposal of Fixed Asset	316		510
	Net Amount required by Statute to be debited or	(66,633)		(5,532)

	(credited) to the HRA Balance for the Year		

NOTES TO THE HOUSING REVENUE ACCOUNT

(1) Gross Rent Income

The level of rent arrears is as follows:-

Rent Arrears	**2008/09** £		**2009/10** £
Gross Current Arrears at 31st March	1,073,394		1,064,351
As a Proportion of Gross Rent Income Collectable in the Year	3.03%		2.99%
Former Tenant Arrears at 31st March	514,019		544,708

Amounts written off during the year amounted to £649,897.

There is a provision in the sum of £333,168 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	**2008/09 £000**		**2009/10 £000**
Management Allowance	5,640		5,666
Maintenance Allowance	11,288		11,746
Major Repairs Allowance	7,104		7,361
MRA Adjustment from Pre-Budget Report 2008			3,000
Charges for Capital	1,157		1,121
Other Items of Reckonable Expenditure	16		8
Admissible Allowance			
Less:			
Notional Rent Income	(34,038)		(35,122)
Prior Year Adjustments	22		(32)
Interest on Receipts	(6)		(5)
HRA Subsidy Payable	(8,817)		(6,257)

(3) Depreciation

Depreciation of £7.598 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 £8.647 million.

Analysis of Depreciation and Impairment Charges	**2008/09 £'000**		**2009/10 £'000**
Depreciation:			
Dwellings	8,307		6,804
Other Land and Buildings	167		151
Plant and Equipment	534		534
Non-Operational Assets	131		109
Impairment of Assets	64,770		8,647
Total	73,909		16,245

(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 10,328 dwellings during 2009/10. The Council's actual housing stock as at 31st March 2010 was 10,322 and was made up as follows:

Number and Types of Properties at 31 March:	**2008/09** Restated		**2009/10**
Number of Houses and Bungalows	5,580		5,570
Number of Flats and Maisonettes	3,722		3,530
Number of Aged Person Dwellings	1,032		1,222
Total	10,334		10,322

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

Change in Stock of Properties	**2008/09** *Restated*		**2008/09**
Stock at 1st April	10,341		10,334
Less Sales	(7)		(14)
Additions			2
Stock at 31st March	10,334		10,322

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	**2008/09 £'000**		**2009/10 £'000**
Operational Assets:			
Council Dwellings	537,889		530,493
Other Land and Buildings	13,851		13,700
Plant and Equipment	1,154		620
Commercial Property	10,814		10,706
Community Assets	13		12
Land awaiting development	2,442		2,442
Total	566,163		557,973

The vacant possession value of dwellings within the HRA as at 1st April 2009 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	**2008/09 £'000**		**2009/10 £'000**
Balance as at 1st April	(148)		(41)
Depreciation	(9,139)		(7,598)
Transfer to HRA	2,034		(2,763)
Financing of Capital Expenditure	7,212		7,504

Balance as at 31st March, 2010	(41)	(2,897)

(7) Capital Expenditure

Capital expenditure on land, houses and other properties within the HRA in 2009/10 was financed as follows:

Financing of Capital Expenditure	**2008/09 £'000**	**2009/10 £'000**
Major Repairs Reserve	7,212	7,504
Supported Borrowing		1,354
Total	7,212	8,858

(8) 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	**2008/09 £'000**	**2009/10 £'000**
Sales of Dwellings	842	1,198
Sales of Other Assets	57	25
	899	1,223

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		*2008/09 Restated £'000*		**2009/10 £'000**	**2009/10 £'000**
	Income				
	Council Tax	*54,450*		**55,724**	
	Transfers from General Fund:				
	Council Tax Benefits	*8,836*		**10,264**	**65,988**
	Income Collectable from Business Ratepayers	*95,928*			**88,433**
		159,214			**154,421**
	Expenditure				
	Precepts and Demands:				
	Essex Police Authority	*6,303*		**6,623**	
	Essex Fire Authority	*3,212*		**3,337**	
	Thurrock Borough Council	*53,481*		**55,436**	**65,396**
	Business Rate				
	Payment to National Pool	*95,696*		**88,195**	
	Costs of Collection	*233*		**238**	**88,433**
	Provision for Bad Debts:				
	Change in Provision	*(164)*		**(344)**	
4	Write Offs	*764*		**909**	**565**
	Contributions				
	Essex Police Authority	*10*		**44**	
	Essex Fire Authority	*4*		**23**	
	Thurrock Borough Council	*90*		**383**	**450**
		159,628			**154,844**
	Deficit for year	*(416)*			**(423)**
	Fund Balance brought forward	*558*			**142**
	Fund Balance carried forward	*142*			**(281)**

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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	5,951	6:9	3,967
B	10,898	7:9	8,476
C	23,214	8:9	20,635
D	10,069	9:9	10,069
E	4,021	11:9	4,915
F	1,919	13:9	2,772
G	762	15:9	1,270
H	28	18:9	56
	56,873		52,166
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.			522
Council Tax Base			51,644

(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 (48.1p in 2009/10 small business multiplier, 48.5p 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 £47.144 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 2010 was £212,913,617 (£214,520,942 at 31 March 2009).

(4) Bad Debts

Amounts written off during the year amounted to £909,635.62 (£763,740 in 2008/09). There is a provision in the sum of £1.765 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 £0.240million. 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.

(6) Reconciliation of Collection Fund to Balance Sheet

The balance for the Collection Fund showing on the Balance Sheet is £240,000, this is different to the balance of £282,000 showing in the Collection Fund. The table below shows how the share of the deficit is apportioned. The deficit share that relates to the Police and Fire is included in the debtors and creditors in the balance sheet.

Thurrock Council share of balance	Police Service share of balance	Fire Service share of balance	Total
£' 000	£' 000	£' 000	£' 000
240	28	14	282

GLOSSARY

Accounting Codes of Practice
These are designed to ensure consistent standards of financial accounting and reporting. There are two accounting codes applicable to local authority accounting:

- The Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (the SORP) sets standards for the consistent treatment of transactions, accounting entries and financial reporting in published Statements of Accounts. The SORP requires that the analysis of services in the Income and Expenditure Account should follow that prescribed by the BVACOP.
- The Best Value Accounting Code of Practice (BVACOP) provides for the consistent classification of income and expenditure and consistent service definitions in the accounts of all local authorities in the reporting of their Income and Expenditure Accounts. In particular the BVACOP is designed to ensure consistency and comparability in the reporting of the total costs of individual services and activities.

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

Actuarial Gains and Losses
These arise in defined benefit pension schemes when there are changes in actuarial deficits or surpluses. They occur because:

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

Assets
These are the result of past capital investment and provide the essential platform for the provision of services and other economic benefits in future years.

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

Budget
This comprises a statement of the spending plans of a local authority and how they will be financed for the coming year(s).

Capital Adjustment Account (CAA)
This is a reserve set up as required by the SORP in 2007. The opening balance comprised the sum of the balances on the Capital Finance Account (CFA) and on the Fixed Asset Restatement Account (FARA). It is a store of the capital resources that have been deployed to finance past capital expenditure.

Capital Expenditure
This comprises expenditure on the acquisition of fixed assets or expenditure, which adds to, and not merely maintains, the values of existing fixed assets.

Capital Receipts
These are the proceeds of the sale of fixed assets and repayments of capital grants and some loans. Many housing capital receipts are subject to a national pooling arrangement.

Chartered Institute of Public Finance and Accountancy (CIPFA)
This is the UK accounting Institute that produces the standards and Codes of Practice that must be followed in preparing a local authority's financial accounts and statements.

Collection Fund
This is a statutory agency account maintained by council tax billing authorities. It records council tax and non domestic rates income and expenditure, together with payments to any precepting authorities and transfers to the billing authority's own General Fund.

Community Assets

These are assets that the local authority intends to hold in perpetuity, and which have no determinable useful life. They often have restrictions on their use and disposal. Examples include parks and historic buildings.

Contingent Assets and Liabilities

- A contingent asset is a possible receipt of economic benefit that may arise in the future if certain events take place.
- A contingent liability is a loss, charge or obligation that may arise in the future if certain events take place.

In both cases, these events may not be wholly within the control of the Council. Contingent assets and liabilities are not recognised in the accounts but must be disclosed in a note.

Corporate and Democratic Core

The corporate and democratic core comprises all activities in which local authorities engage specifically because they are elected democratic 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.

Corporate Governance

Corporate Governance is the system by which local authorities direct and control their functions. It is described and reviewed in the Annual Governance Statement.

Council Tax

This is the source of local taxation for local authorities. It is levied on domestic properties within an authority's area and the proceeds are paid into the Collection Fund for distribution to precepting authorities and to the billing authority's own General Fund.

Creditors

These are persons to whom a local authority owes money.

Current Service Cost (Pensions)

This is the cost at present value of a defined benefit scheme's liabilities expected to arise from employees' service in the current period.

Curtailment Costs (Pensions)

For a defined benefit scheme, these arise from 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:

- Termination of employees' services earlier than expected, for example, by a restructure of operations, and
- Termination of, or amendment to, the terms of a defined benefit scheme so that some or all future service of current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtors

These are persons who owe money to a local authority.

Defined Benefit Scheme (Pensions)

This comprises a pension or retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits available independently of the contributions payable. Further, the benefits are not related to the yield of the investments of the scheme. The scheme may be funded, notionally funded, or unfunded.

Department of Communities and Local Government (DCLG)

This is the Government department which is responsible for much of the administration and general financing of local authorities.

Depreciation

This is the annual charge to a local authority's Income and Expenditure Account to reflect the reduction in the useful economic life of fixed assets after each year's use.

Discretionary Benefits

These are retirement benefits which an employer has no legal or contractual obligation to award, such as unfunded compensatory added years. They are awarded under discretionary powers, such as the Local Government (Discretionary Payments) Regulations 1996.

Emoluments
These comprise 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.

Fair Value
The fair value is the value of an asset or liability in an arms length transaction between unrelated, willing and knowledgeable parties. Whenever possible this is taken as market value but, where there is no market, depreciated replacement cost can be used.

Finance Lease
A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to a lessee. It is 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 90% or more of the fair value of a leased asset.

Financial Year
The local authority 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 in another. In practice, this covers both financial assets and financial liabilities and includes bank deposits, investments, debtors, loans, creditors and borrowings.

Financial Reporting Standards (FRS)
Under UK GAAP these are replacing Statements of Standard Accounting Practice (SSAP) and are more detailed. Adherence to both FRS and, where appropriate, SSAP is essential to demonstrate compliance with the SORP, which itself is fully compliant with UK GAAP.

Fixed Assets
Fixed assets yield economic benefits to a local authority and the services it provides for a period of more than one year. Such assets can be tangible (such as land and buildings) or intangible (such as computer software).

General Fund
This is the main non capital fund of a local authority from which all expenditure is met and into which all income is paid, with the exception of those items that by statute must be kept separate, such as the Collection Fund and the Housing Revenue Account.

Government Grants
These comprise financial assistance by government in the form of cash transfers to an authority and are the main sources of local government funding; some are general, whilst others are specific and require compliance with certain conditions.

Gross Expenditure
This is the total expenditure of a fund, before account is taken of any income.

Housing Revenue Account (HRA)
This is a statutory account that shows all income and expenditure relating to the provision, management and maintenance of a local authority's housing stock.

Impairment
This is the loss in value of 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
This account shows all revenue cash and accounting transactions of a local authority in a financial year by service: receipts and payments are converted to income and expenditure by the inclusion of debtors and creditors, plus accounting entries for costs, such as depreciation.

Infrastructure Assets
These are tangible fixed assets that have no realistic expectation of being sold and are held to deliver mostly transport services, such as roads, traffic management and road safety assets and drainage works. They are recorded at historic cost and are not revalued.

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’. The only example relevant to local authorities is computer software.

Interest Cost (Pensions)
For a defined benefit scheme, this is the expected increase during the year in the present value of the scheme liabilities because the benefits are one year closer to settlement date.

Investments (Pensions)
This comprises the share of pension scheme assets attributable to the Council and associated with its underlying obligations, as calculated by the Actuary to the Fund.

Investments (Non - Pension)
A long-term investment is one that is held for its yield and/or capital appreciation. Most local authority investments, however, are short term and are held for cash management purposes.

Leasing
This is a means of obtaining the use of property, vehicles, plant and equipment without actually spending capital monies or owning these assets, by paying rentals.

Levies
These are amounts raised by statutory bodies from their constituent local authorities to enable them to carry out their functions.

Liabilities
These comprise an authority’s obligations to transfer economic benefits as a result of past transactions or events.

Materiality
An item of information is material to 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.

Minimum Revenue Provision (MRP)
This is the minimum amount which must be charged to a local authority’s revenue account each year as a provision for the repayment of debt.

Net Worth
The net worth of a local authority comprises the total of its usable reserves (such as fund balances and earmarked reserves), and its unusable reserves (such as the capital adjustment account, revaluation reserve and pensions reserve).

Non-Distributed Costs
These are overheads from which no service benefits and that should not be allocated over services. They include curtailments, past service costs, and the running costs of unused assets.

Non-Domestic Rate (NNDR)
This is a national tax on non domestic properties based on the ratable value of the premises occupied. NNDR is collected by a billing authority and paid into a national pool. The Government then redistributes the yield to all local authorities pro rata to their population.

Non-Operational Assets
These are fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of such assets are investment properties, assets that are surplus to requirements pending sale or redevelopment, and assets under construction.

Operational Assets

These are fixed assets held and occupied, used or consumed by the local authority in the delivery of those services for which it has either a statutory or discretionary responsibility.

Past Service Costs (Pensions)
For a defined benefit scheme, this is the increase in the present value of 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.

Post Balance Sheet Events
These are events which arise after the end of an accounting period. They comprise:-

- Adjusting events which provide further evidence of conditions that existed by the end of the accounting period and that require adjustments to the accounts.
- Non adjusting events which are indicative of conditions that arose subsequent to the end of the accounting period, and are reported by way of a note to the accounts.

Precept
This is an amount required by another statutory body (such as a police authority) and collected on its behalf by a billing authority as part of its overall council tax demand.

Prior Period Adjustments
Prior period adjustments are material amendments to the accounts of previous years 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 affect the validity of the financial statements. Prior period adjustments do not include normal minor corrections or adjustments of accounting estimates made in prior years.

Provisions
These are 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. A local authority has discretion in setting aside amounts for reserves whereas the setting aside of amounts for provisions is an accounting requirement.

Revaluation Reserve
This reserve was introduced by SORP 2007 for all local authorities and started off with a nil balance at 1 April 2007. Revaluation gains and losses are calculated on an asset by asset basis and subsequent losses can be offset against accumulated revaluation gains after which they must be charged to the income and expenditure account.

Revenue Expenditure
This is expenditure incurred on the day to day running costs of services and which does not result in establishment of assets reportable in the balance sheet.

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

Settlement Costs (Pensions)
These comprise irrevocable actions that relieve an employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminate significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

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

Statement of Standard Accounting Practice (SSAP)
These accounting rules preceded, and have largely been replaced by, FRS, which are more detailed. However, SSAP 9 “Stock and Long - Term Contracts”, SSAP 21 “Accounting for Leases and Hire Purchase Contracts” and SSAP 19 “Accounting for Investment Properties”, for example, have yet to be replaced and compliance is still required.

Statement of Recommended Practice (SORP)
This is the authoritative guidance for local authorities on the application of accounting standards and incorporates UK GAAP. (See Accounting Codes of Practice).

Stocks
These are the amount of unused or unconsumed supplies held in expectation of future use.

Support Services
These are services, such as finance and legal, that are not statutory local authority services but which give support to authorities' statutory (and discretionary) 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 "Prudential system" local authorities receive funding through the revenue support grant to meet the costs of specified borrowing.

UK GAAP
UK Generally Accepted Accounting Principles (or Practices) set out accounting practices that are regarded as providing high standards of integrity by the accounting profession. These practices are laid down in accounting standards (SSAP and FRS). There are also legal accounting requirements to be met by local authorities set out in Accounts and Audit Regulations and Capital Finance Regulations.

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 a local authority derives benefit from the use of a fixed asset.