

Thurrock Borough Council
Statement of Accounts
2013/14

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EXPLANATORY FOREWORD

1. Statement of Accounts

The Statement of Accounts comprise the following statements:

- (i) The ***Movement in Reserves Statement*** shows the movement in the year on the different reserves held by the Council, analysed into Usable Reserves and Unusable Reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account Balance for Council Tax setting and housing rent setting purposes.
- (ii) The ***Comprehensive Income and Expenditure Statement*** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices (rather than the amount to be funded from taxation). The taxation position is shown in the Movement in Reserves Statement.
- (iii) The ***Balance Sheet*** shows the value of the assets and liabilities of the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories:
 - Usable Reserves – those the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.
 - Unusable Reserves – those the Council is not able to use to provide services. These include reserves that hold unrealised gains and losses that would only become available to provide services if assets are sold; and reserves that hold adjustments between accounting and funding certain transactions which are permitted under regulations.
- (iv) The ***Cash Flow Statement*** shows the changes in cash and cash equivalents, net of bank overdrafts that are repayable on demand, during the reporting period. The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities.
- (v) The ***Housing Revenue Account (HRA) Income and Expenditure Statement*** shows the annual economic cost of providing housing services in accordance with generally accepted accounting practices, rather than simply the amount to be funded from rents and government grants.
- (vi) The ***Collection Fund Statement*** records the council tax and business rates transactions in the financial year. Billing authorities, such as Thurrock Council, are required by statute to maintain a separate Collection Fund Statement. The actual costs of administering collection are accounted for in the Council's General Fund; the amount shown for costs of Collection in the statement below is an allowance fixed in accordance with regulations.

2. The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

These accounts have been prepared in accordance with the Code of Practice 2013/14 (The Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA), which defines proper accounting practice for local authorities.

EXPLANATORY FOREWORD

3. Financial Performance

■ General Fund

The net cost of services in the Income and Expenditure account has been presented in accordance with the Service Reporting Code of Practice (SeRCOP). This is a different basis to the financial monitoring information generally presented to Cabinet as it contains a number of technical accounting charges that are later reversed out through the Movement in Reserves Statement (MIRS). These adjustments include:

- Depreciation – the writing down of the value of an asset over its useful life;
- Revaluation/Impairments – where an asset has been re-valued, any reduction in value may be a charge against the service and some increases may be reflected as a credit against the service;
- Pension Fund Adjustments – the amount that the Council pays Essex County Council is an amount based on a fixed percentage charges against actual salaries paid as well as a fixed sum towards the cost of the deficit – accounting standards requires the Council to charge amounts in line with the Actuary's assessment of the real net cost of the pension scheme in any year; and
- Untaken Annual Leave – services are charged for the 'additional service' that they received from employees through not having taken their full entitlement to leave.

All of the above create significant charges and credits to the cost of the various services but, as they are then reversed out through the MIRS, have a zero impact on the Council's overall resources.

The financial outturn was reported to Cabinet on 2 July 2014 and is set out below:

General Fund Outturn by Service Areas:	Revised Budget £'000	Outturn £'000	Variance £'000
Adults, Health and Commissioning	37,219	37,116	(103)
Central Services	21,929	21,783	(146)
Children's Services	34,896	34,765	(131)
Environment	19,095	18,917	(178)
Housing	782	742	(40)
Planning and Transportation	7,913	7,615	(298)
Public Health	(210)	(210)	0
Public Protection	2,815	2,783	(32)
Serco / Corporate Savings	17,352	17,701	349
Operating Net Surplus	141,791	141,212	(579)

This table above confirms that the Council underspent against the agreed budget envelope by £0.579m.

This is despite significant pressures faced during the financial year namely relating to Children's Social Care and corporate savings targets.

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■ Housing Revenue Account

The Housing Revenue Account (HRA) shows the income and expenditure incurred on Council housing. The outturn position is shown below:

HRA Outturn by Service Areas:	Revised Budget	Outturn	Variance
	£'000	£'000	£'000
Area Office	1,148	1,126	(22)
Caretaking	1,494	1,512	18
Financing	18,940	18,928	(12)
Grounds Maintenance	1,330	1,251	(79)
Lettings and Allocations	739	651	(88)
Rental Income	(47,093)	(48,256)	(1,163)
Repairs and Maintenance	12,198	12,431	233
Sheltered Complexes	1,272	1,342	70
Central HRA	9,972	10,061	89
Grand Total	0	(954)	(954)

After a favourable level of income against the budget, the HRA generated a surplus in year of £0.95m. A major contributing factor to this was a comprehensive review of the level of housing rent arrears relating to current and former tenants which resulted in a favourable adjustment.

The only area of significant adverse variance was in relation to housing repairs and maintenance. The largest contributing factor was as a result of the number of void properties in exceeded the estimated level on which the budget was predicated. This resulted in an increase in expenditure to meet demand and ensure that the allocation policy was complied with.

The surplus generated in year has increased the level of the HRA general reserve from £1.7m to £2.65m. In addition, the HRA holds a balance in its Major Repairs Reserve of £2.3m towards the enhanced capital programme that has been agreed for the Council's housing stock and the level of reserves available for Capital, Regeneration and Development now stand at £5.5m

Capital Expenditure

The total capital expenditure for 2013/14 amounted to £34.635m. A summary of this expenditure analysed by service is set out below and also shows the sources of financing:-

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Service	Budget £000s	Total £000s	Variance £000s
Learning & Universal Outcomes	7,607	4,882	2,725
Adult Social Care	144	82	62
Housing General Fund	1,622	1,021	601
Housing Revenue Account	18,795	16,482	2,313
Environment	1,210	1,158	52
Planning and Transportation	5,932	5,091	841
Transformation	5,689	5,059	630
Commercial Services	189	56	133
Chief Executives	11	9	2
Chief Executives Delivery Unit	1,434	795	639
Total	42,633	34,635	7,998

Source of Finance	Budget £000s	Total £000s	Variance £000s
Prudential Borrowing	6,294	4,448	1,846
Supported Borrowing (SCER)	715	715	0
Usable Capital Receipts	2,933	2,826	107
Earmarked Usable Capital Receipts	253	228	25
Major Repairs Reserve	15,951	13,660	2,291
Grants	11,163	7,995	3,168
Developers Contributions	1,923	1,444	479
Trusts	183	162	21
Reserves	3,218	3,157	61
Total	42,633	34,635	7,998

The following are key headlines for capital investment:

- A new skills centre was completed at the Hathaway Academy, with a gross spend of £1.67m over the period 2011/12 to 2013/14.
- £1.24m spent on the customer services programme which is delivering the strategic objective to create a great customer experience and achieve the lowest transaction costs possible - enabling those who can to self-serve and providing a consistent response to those least able to meet their own needs.
- £15.49m spent on transforming Council homes, with the replacement of kitchens, bathrooms, electric, boilers, windows and roofs. The transforming homes programme aims to refurbish every Council home in Thurrock and aims to maximise energy efficiency and to rid properties of damp and mould.
- £5.19m spent on improvements to the highways infrastructure, including works to Oliver Road, Arisdale Avenue, drainage works in Orsett and works on the A13 at the Manorway interchange.
- £0.36m spent on improving children's play areas throughout the borough, including play equipment at Hathaway Road, Parker Road, Hardie Road, Cruick Avenue and Thurrock Park.
- £0.91m spent on grants to the disabled which will fund adaptations to their homes and continued independent living.

EXPLANATORY FOREWORD

■ Pensions

Thurrock Council is a member of the Local Government Pension Scheme that is administered by Essex County Council. There are a number of entries included within the accounts that are further explained in Note 36 to the accounts but, simply, the Surplus/Deficit on Provision of Services (part of the Comprehensive Income and Expenditure Statement) includes the amounts due for the year and paid out whilst the Balance Sheet includes the outstanding liability on the fund.

This liability is the estimate of future payments to retired employees against future income to the fund from contributions and investments. The deficit has decreased by £18.16m to £139.81m between 31 March 2013 and 31 March 2014.

■ Material and Unusual charges/credits to the accounts

Significant items of income and expenditure are highlighted in Note 5 to the financial statements. These include expenditure on housing benefit and interest payments and the receipt of council tax income, business rates income and government grants.

In 2013/14 the Council made the decision to end the Housing, Highways and Property Maintenance contract and bring the service in-house. This required a one-off payment of £1.4m which will be offset by future savings on this service.

It is noted that Council Tax benefit, which was previously reflected in the Collection Fund statement, is no longer paid to claimants by Central Government. The Council now receives a general grant enabling it to provide a local scheme with reductions of up to 75% of the cost for eligible claimants. This is reflected in the lower overall Council Tax income received by the Council.

■ Significant changes in accounting policies

The key changes in 2013/14 are set out below:

Accounting for Business Rates:

From April 2013, the accounting for business rates was amended to reflect the fact that Billing authorities act as agents, collecting rates on behalf of the major preceptors, central government and themselves. The transactions and balances are allocated between the billing authority, major preceptors and central government.

Under the legislative framework for the Collection Fund billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of business rates collected could be less or more than predicted. The effect of any bad debts written off or movement in the provision for bad debts is also shared proportionately. Similarly the provision for appeals against business rates levied is shared proportionately.

Pensions:

The accounting policy for pensions has been amended as a result of the Code's adoption of the 2011 amendments to IAS 19. This has resulted in some changes to the classes of components of the defined benefit cost to be recognised in the financial statements. This has been applied retrospectively and this has resulted in changes to the individual elements charged to the Comprehensive Income and Expenditure statement although there is no impact on the general fund balance or the total value of the balance sheet liability. The recalculated amounts are included in Notes 6 and 36 of the financial statements.

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■ Major changes in statutory functions.

On 1 April 2013 public health staff and services were transferred from South West Essex Primary Care Trust to Thurrock Council. To discharge these new public health responsibilities the Council was provided with a ring-fenced public health grant. The income and expenditure relating to the public health function is shown in the Comprehensive Income and Expenditure statement.

4. Future Financial Issues

■ Economic Outlook

The outlook for local authority funding remains challenging and there continue to be significant reductions in government funding. The main sources of income to fund general services are government grant, business rates income and Council Tax. The combination of these reductions in income combined with greater demands for services, especially in childrens and adults social care, means the shape of the organisation is changing in response to these unprecedented challenges.

The Council continues to face additional risks arising from changes in local government financing. While the Council collects business rates locally and retains approximately 27 per cent of the total it shares the risks arising from successful appeals against rateable value assessments and the risk of bad debts being written off. These are significant and will impact in future periods adding to the financial savings required.

The Council is currently benefitting from low interest rates at this time as a result of the debt restructuring exercise carried out in 2010. Interest rates are now expected to increase over the course of the next year and the debt profile will be considered in the context of this going forwards. This is closely reviewed and the Medium Term Financial Strategy assumes a phased move to fixed rates from 2015.

■ General Fund

For the period 2015/16–2017/18, the Council continues to deal with a reduction in government related support that, together with service pressures mainly due to demographic growth, requires overall savings of £37.7m to be delivered.

The Council has currently set a budget that is balanced for the period 2014/15 although this has required the use of £2.4m of reserves to achieve this. The Council are considering the implications of the financial position to the delivery of services and the achievement of priorities going forward and these will be consulted on in the coming months.

The Medium Term Financial Strategy assumes further grant reductions in line with government fiscal announcements as well increases in business rate growth, annual council tax increases and the delivery of savings. The position continues to be monitored and refreshed as required.

■ Capital and Treasury Issues

Councils continue to be reliant on a number of capital grants from central government towards building schools and highways works. At this stage, the future over the levels of these grants remains uncertain. It is clear from a recent report on the schools capital programme that government funding is not sufficient to meet the estimated future need. As such, there may be a call for greater prudential borrowing to bridge this gap.

The Council restructured its debt in August 2010 and has taken advantage of the low interest rates offered by temporary borrowing. The Council continues to monitor the

EXPLANATORY FOREWORD

economic forecasts for when interest rates may increase. When this happens there will be a material increase in expenditure as the Council moves to higher fixed rate debt. The Medium Term Financial Strategy assumes this to take place from 2015/16.

5. Specific Accounting Issues

The following specific issues have been noted:

■ Public Health

The Council became responsible for the provision of Public Health from the 1 April 2014. This was previously provided by South West Essex PCT. The income and expenditure relating to this service is reported for the first time in 2013/14 and is included in the Comprehensive Income and Expenditure statement.

■ Business Rates

The accounting requirements for business rates changed from 1 April 2013. This aligned the accounting with the treatment of council tax by reflecting the fact the Council is effectively an agent for central government and major preceptors when collecting and distributing business rates. The arrangements have been set up to enable the Council to receive a similar level of funding as under the previous system but with the added ability to equally split with central government any additional revenue arising from business rates growth in the area.

However some of the inherent risk in the previous system is now also shared between the Council and the preceptors. The most significant in the first year of the system is the risk of a reduction in business rates as a result of appeals by business against their assessed rateable value. As the last full valuation of rateable values undertaken was in 2010 this means any successful appeals will impact on business rates charged for each year since 2010. The Council's share of the total of the provision made is £6.37m and the impact of this is that the Council will need to provide funding in future periods to fund the deficit created by this provision.

■ Pensions

Amendments to International Accounting Standard (IAS)19 have meant there have been changes to the items included in the calculation of the pensions costs charged to the CIES and to the components of the defined benefit liability. The required restatements have been made to the 2012/13 figures in accordance with the requirements of the Code.

■ Other Items

There have been no significant provisions, contingencies or write offs during the year over and above prudent levels in the normal running of the Council.

6. Governance Statement

The Accounts and Audit Regulations, require each English authority to 'conduct a review at least once a year of the effectiveness of its system of internal control'. The Annual Governance statement sets out the framework within which the control environment is managed and reports on areas of strengths and weaknesses. This statement is considered alongside the financial statements.

7. Further Information

Additional information is available from the Head of Corporate Finance, Civic Offices, New Road, Grays, Essex, RM17 6SL.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs; in this Council, that officer is the Director of Finance and Corporate Governance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts, which the Council has delegated to its Audit Committee.

The Head of Corporate Finance's Responsibilities

The Head of Corporate Finance 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 the United Kingdom (the Code).

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; and
- complied with the Code.

The Head of Corporate Finance has also:

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

The Head of Corporate Finance's Certificate

I certify that Statement of Accounts present a true and fair view of the financial position of the Council at the reporting date and of its income and expenditure for the year ended 31 March 2014.

Head of Corporate Finance

Date: 30 September 2014

The Chairman of the Meeting Approving these Accounts

I confirm that these accounts were approved by the Standards and Audit Committee of the Council at its meeting on 16 September 2014.

Chair of the Standards and Audit Committee

Date: 30 September 2014

AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THURROCK COUNCIL

Opinion on the Authority's financial statements

We have audited the financial statements of Thurrock Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, related notes 1 to 41, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, related notes 1 to 8, Collection Fund and the related notes 1 to 3. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Thurrock Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Corporate Finance and auditor

As explained more fully in the Statement of the Head of Corporate Finance's Responsibilities set out on page 8, the Head of Corporate Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Corporate Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2013/14 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Thurrock Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Opinion on other matters

In our opinion, the information given in Statement of Accounts 2013/14 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

AUDITOR'S REPORT

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

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Thurrock Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Debbie Hanson
for and on behalf of Ernst & Young LLP, Appointed Auditor

400 Capability Green, Luton, Bedfordshire LU1 3LU

30 September 2014

AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THURROCK COUNCIL

Certificate

In our report dated 30 September 2014, we explained that we could not formally conclude the audit on that date until we had completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We have now completed this work. No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and value for money conclusion.

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

Debbie Hanson

for and on behalf of Ernst & Young LLP, Appointed Auditor

400 Capability Green, Luton, Bedfordshire LU1 3LU

3 October 2014

MOVEMENT IN RESERVES STATEMENT

Core Statement

	General Fund Balance £'000	Housing Revenue Account Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2012	(8,739)	(1,047)	(23,980)	(1,587)	(2,394)	(8,673)	(46,420)	(408,211)	(454,631)
<u>Movement in Reserves in 2012/13</u>									
Surplus or (deficit) on provision of services	145,673	(63,165)	0	0	0	0	82,508	0	82,508
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	(41,693)	(41,693)
Total Expenditure and Income	145,673	(63,165)	0	0	0	0	82,508	(41,693)	40,815
Adjustments between accounting basis & funding basis under regulations (Note 7)	(149,309)	61,553	0	(405)	(709)	(2,804)	(91,674)	89,086	(2,588)
Net Increase/Decrease before Transfers to/from Earmarked Reserves	(3,636)	(1,612)	0	(405)	(709)	(2,804)	(9,166)	47,393	38,227
Transfers to/from Other Reserves	(623)	0	0	80	0	543	0	0	0
Transfers to/from Earmarked Reserves (Note 17)	4,998	959	(3,768)	518	0	(1,236)	1,471	(1,471)	0
Increase/Decrease in Year	739	(653)	(3,768)	193	(709)	(3,497)	(7,695)	45,922	38,227
Balance at 31 March 2013	(8,000)	(1,700)	(27,748)	(1,394)	(3,103)	(12,170)	(54,115)	(362,289)	(416,404)

MOVEMENT IN RESERVES STATEMENT

Core Statement

	General Fund Balance £'000	Housing Revenue Account Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2013	(8,000)	(1,700)	(27,748)	(1,394)	(3,103)	(12,170)	(54,115)	(362,289)	(416,404)
<u>Movement in Reserves in 2013/14</u>									
Surplus or (deficit) on provision of services	31,349	(1,229)	0	0	0	0	30,120	0	30,120
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	(22,381)	(22,381)
Total Expenditure and Income	31,349	(1,229)	0	0	0	0	30,120	(22,381)	7,739
Adjustments between accounting basis & funding basis under regulations (Note 7)	(27,273)	275	0	(4,553)	810	(2,586)	(33,327)	33,327	0
Net Increase/Decrease before Transfers to/from Earmarked Reserves	4,076	(954)	0	(4,553)	810	(2,586)	(3,207)	10,946	7,739
Transfers to/from Other Reserves	(5)	0	0	26	0	(21)	0	0	0
Transfers to/from Earmarked Reserves (Note 17)	(4,082)	0	7,237	0	0	0	3,155	(3,155)	0
Increase/Decrease in Year	(11)	(954)	7,237	(4,527)	810	(2,607)	(52)	7,791	7,739
Balance at 31 March 2014	(8,011)	(2,654)	(20,511)	(5,921)	(2,293)	(14,777)	(54,167)	(354,498)	(408,665)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT Core Statement

2012/13			2013/14			
Gross Exp £'000	Gross Income £'000	Net Exp £'000		Gross Exp £'000	Gross Income £'000	Net Exp £'000
Continuing Services:						
53,327	(12,671)	40,656	Adult Social Care	50,794	(13,248)	37,546
39,459	(14,280)	25,179	Central Services to the Public	5,613	(3,412)	2,201
212,622	(91,258)	121,364	Education and Children's Services	123,858	(74,899)	48,959
10,714	(917)	9,797	Cultural and Related Services	7,093	(1,060)	6,033
17,891	(2,556)	15,335	Environmental and Regulatory Services	22,269	(2,132)	20,137
22,349	(5,264)	17,085	Planning Services	6,656	(3,205)	3,451
14,375	(2,945)	11,430	Highways and Transport Services	11,442	(2,443)	8,999
(26,828)	(48,869)	(75,697)	Local Authority Housing (HRA)	32,590	(54,151)	(21,561)
66,503	(60,986)	5,517	Other Housing Services	69,412	(63,147)	6,265
Acquired Services:						
2	(42)	(40)	Public Health	5,700	(7,180)	(1,480)
410,414	(239,788)	170,626	Cost Of Services	335,427	(224,877)	110,550
52,898	(6,537)	46,361	Other Operating Expenditure (Note 10)	50,210	(8,856)	41,354
14,667	(1,814)	12,853	Financing and Investment Income and Expenditure (Note 11)	15,683	(1,568)	14,115
0	(147,332)	(147,332)	Taxation and Non-Specific Grant Income (Note 12)	0	(135,899)	(135,899)
477,979	(395,471)	82,508	(Surplus) or Deficit on Provision of Services	401,320	(371,200)	30,120
0	(52,032)	(52,032)	Surplus or Deficit on the Revaluation of non-current assets (Note 23/30/31)	0	(1,044)	(1,044)
7,751	0	7,751	Remeasurement of the net defined benefit liability (Note 36)	0	(21,337)	(21,337)
7,751	(52,032)	(44,281)	Other Comprehensive Income and Expenditure	0	(22,381)	(22,381)
485,730	(447,503)	38,227	Total Comprehensive Income and Expenditure	401,320	(393,581)	7,739

BALANCE SHEET Core Statement

31 March 2013		Notes	31 March 2014
£000			£000
801,678	Property, Plant & Equipment	30	777,977
3,745	Investment Property		2,407
3,864	Intangible Assets	29	3,254
21,288	Heritage Assets	28	21,288
876	Long Term Debtors		759
831,451	Long Term Assets		805,685
44,752	Short Term Investments	33	37,419
777	Assets Held for Sale		364
222	Inventories		301
18,095	Short Term Debtors	20	18,105
3,693	Cash and Cash Equivalents	37	7,998
67,539	Current Assets		64,187
(93,869)	Short Term Borrowing	33	(94,388)
(29,988)	Short Term Creditors	21	(21,869)
(670)	Leasing Liability		(706)
0	Short Term Provisions	19	(3,723)
(124,527)	Current Liabilities		(120,686)
(1,273)	Long Term Provisions	19	(3,201)
(189,116)	Long Term Borrowing	33	(189,125)
(104)	Deferred Discounts		0
(157,965)	Pension Liability	36	(139,807)
(1,719)	Leasing Liability		(1,013)
0	Long Term Creditors		(138)
(7,882)	Capital Grants Receipts in Advance	24	(7,237)
(358,059)	Long Term Liabilities		(340,521)
416,404	Net Assets		408,665
(54,115)	Usable reserves	22	(54,167)
(362,289)	Unusable Reserves	23	(354,498)
(416,404)	Total Reserves		(408,665)

CASH FLOW STATEMENT Core Statement

2012/13 £'000		Notes	2013/14 £'000
(79,920)	Net surplus or (deficit) on the provision of services		(30,120)
131,403	Adjustment to surplus or deficit on the provision of services for non cash movements	41	50,066 0
(24,168)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(21,889)
27,315	Net Cash flows from operating activities	41	(1,943)
(21,464)	Investing Activities	39	(378)
(6,831)	Financing Activities	40	6,626
(980)	Net increase or decrease in cash and cash equivalents		4,305
4,674	Cash and cash equivalents at the beginning of the reporting period		3,694
3,694	Cash and cash equivalents at the end of the reporting period	37	7,998

NOTES TO THE CORE STATEMENTS

General Notes

Note 1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which are prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (The Code) and the Service Reporting Code of Practice 2013/14 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Amounts included in the financial statements are rounded to the nearest £1,000.

1.2 Accounting Estimation Techniques

Estimation techniques are the methods adopted by a local authority to arrive at 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 Council has employed the estimation techniques specified in the Code or has otherwise determined the estimation technique that most closely reflects the economic reality of the relevant transaction.

1.3 Accounting Concepts

The Council prepares the financial statements using the accruals basis of accounting as set out in section 1.4. The financial statements are prepared on a going concern basis – i.e. on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The information contained within the financial statements has the following fundamental qualitative characteristics:

- **Relevance** – the financial statements provide information about the Council's performance and position that assists users of the accounts in assessing its stewardship of public funds and its economic decisions;
- **Materiality** – the financial statements disclose all items of a size and nature such that together they provide a true and fair presentation of the financial position and transactions of the Council;
- **Faithful Representation** – 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;

The information in the financial statements is further enhanced by these further qualitative characteristics:

- **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.

NOTES TO THE CORE STATEMENTS

General Notes

- **Verifiability** – the financial information faithfully represents the substance of the transactions of the Council and can be verified by knowledgeable independent observers. The financial information is presented in accordance with the accounting policies included below.
- **Timeliness** – The information is made available to key stakeholders of the Council in accordance with statutory timescales.
- **Understandability** – the financial statements have been prepared clearly and concisely to ensure that they are as easy to understand as possible;

1.4 Accruals of Income and Expenditure (including revenue recognition)

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:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure have 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.5 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months - or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

NOTES TO THE CORE STATEMENTS

General Notes

1.6 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

1.7 Employee Benefits

Benefits Payable during Employment

Benefits payable during employment comprise the normal expenses of salaries and wages, paid leave, sick leave and non-monetary benefits. Under the Code an accrual is made for the costs of untaken leave and time off in lieu charged at the rates of pay applicable to the year after the year of account, that is, at the expected likely cost. The accrual is charged to the Comprehensive Income and Expenditure statement and is reversed in the Movement in Reserves Statement to the Accumulating Absences Account, an Unusable Reserve in the Balance Sheet, in accordance with the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2010.

Termination Benefits

Termination benefits are payable as a result of a Council decision to terminate an employee's employment before the normal retirement date or as a result of an employee's decision to accept voluntary redundancy. The costs are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure statement when the Council becomes clearly committed to the costs. Voluntary early retirement is accounted for as a post-employment benefit as outlined below.

Where termination benefits involve the enhancement of pensions, the General Fund or HRA, under statutory provisions, can only be charged with the costs paid in the year to the Pension Fund or to the pensioner directly: the accounting costs are reversed to the Pensions Reserve in the Movement in Reserves Statement in accordance with the rules covering post employment benefits.

Post-Employment Benefits

Employees of the Council may be members of one of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education; or
- The Local Government Pension Scheme administered by Essex County Council.

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

Teachers' Pension Scheme

The arrangements for the teachers' 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 Comprehensive Income and Expenditure statement have been charged with the employer's contributions actually payable to the Department for Education in the year.

NOTES TO THE CORE STATEMENTS

General Notes

Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Essex pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. 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, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.4% (based on the indicative rate of return on the Merrill Lynch AA rated high quality corporate bond curve).
- The assets of Essex pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unlisted securities – current bid price
 - property – market value.

The change in the net pensions liability is analysed into the following components:

- ***Service cost comprising:***
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure statement to the services for which the employees worked
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure statement as part of Non Distributed Costs
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- ***Re-measurements comprising:***
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - contributions paid to the Essex pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

NOTES TO THE CORE STATEMENTS

General Notes

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the end of the year. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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.

1.8 Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.9 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”¹. 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) or trade payables (short term creditors) and the most complex ones such as embedded derivatives. This note outlines how the Council has accounted for financial instruments.

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of the instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Financial Assets

Financial assets are classified into four categories:

¹ Source: Code of Practice 2013/14

NOTES TO THE CORE STATEMENTS

General Notes

- **Loans and receivables** – these are financial assets that have fixed or determinable payments but are not quoted in an active market; and
- **Available for sale assets** – these are financial assets that have a quoted market price and/or do not have fixed or determinable payments. (NB: the Council currently has no financial assets available for sale).
- **Short-term debtors**, where an allowance is made for the probability that some debt will ultimately prove impossible to collect; and
- **At Fair Value through Profit and Loss** – these are the Council's externally managed fund.

Loans and receivables are initially measured at fair value, adjusted for directly attributable transaction costs (if material) and are subsequently carried on the Balance Sheet at their amortised cost.

Annual credits to the Comprehensive Income and Expenditure statement 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. The amount credited to the Comprehensive Income and Expenditure Statement 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 end of the year.

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 Comprehensive Income and Expenditure statement. In the case of debtors the carrying amount 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 Comprehensive Income and Expenditure statement.

Apart from the impairment of trade receivables where the charge is made to the relevant service account, all other entries to the Comprehensive Income and Expenditure statement are included in the Financing and Investment Income and Expenditure section.

De-recognition of financial assets occurs at the point that contractual rights to the cash flow arising from the instrument expire or are transferred. The accounting treatment will depend on the asset type, but, any gains or loss on the de-recognition will be written off to the Comprehensive Income & Expenditure statement. Gains or losses may arise if the lender has paid a penalty to repay early or the Council has waived some of the repayment due.

Financial Liabilities

Financial liabilities can be classified into:

- Loans and payables; and
- Financial guarantees. (Note: The Council has not entered into any financial guarantees).

Financial liabilities are initially measured at fair value, including any transaction costs if material, and are subsequently carried in the Balance Sheet at their amortised cost. Annual charges to the Comprehensive Income and Expenditure statement for interest payable are based on the carrying amount of the financial liability, multiplied by the effective rate of

NOTES TO THE CORE STATEMENTS

General Notes

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 Comprehensive Income and Expenditure statement 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 re-purchase or early settlement of borrowing are credited or debited to the Comprehensive Income and Expenditure statement 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 Comprehensive Income and Expenditure statement 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 Comprehensive Income and Expenditure statement, the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2007 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 Comprehensive Income and Expenditure statement 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 Movement in Reserves statement.

1.10 Grants and Contributions

Capital Grants

Where the acquisition or enhancement of a fixed asset is financed either wholly or in part by a capital grant or other capital contribution, the whole amount of all capital grants and contributions is credited, on an accruals basis, as 'Taxation and Non Specific Grant Income' to the Comprehensive Income and Expenditure statement provided that there is reasonable assurance the conditions attached to the grant are met. If not then the income is accounted for as Capital Grants Receipts in Advance in the Long Term Liabilities section of the Balance Sheet. When there is reasonable assurance the conditions of the grant will be subsequently met the income is recognised in the Comprehensive Income and Expenditure statement under 'Taxation and Non-Specific Grant Income' line.

Capital grants credited to the Comprehensive Income and Expenditure statement are reversed out of the General Fund balance or HRA balance in the Movement in Reserves statement. If the grant has not been used to finance capital expenditure in the year, it is posted to the Capital Grants Unapplied Reserve. If it has been used to finance capital expenditure in the year it is posted to the Capital Adjustment Account.

Revenue Grants

Revenue grants without conditions or revenue grants where there is reasonable assurance the conditions will be met are recognised in the CIES and if there is no matched expenditure, unspent grant will be transferred to earmarked reserves. When this grant is spent there will be a transfer from earmarked reserves to the general fund. If there is no reasonable assurance of conditions being met the income is credited to receipts in advance which forms part of the Short Term Creditors figure in the current liability section of the Balance Sheet.

Grants received to finance the general activities of the Council or to compensate for a loss of income are credited to the Comprehensive Income and Expenditure statement in the period in respect of which they are payable.

NOTES TO THE CORE STATEMENTS

General Notes

1.11 Intangible Assets

An intangible asset is an asset without physical substance that is identifiable and controlled by the Council. For it to be brought into account, the Council, through either custody or legal protection, (such as by means of a licence to use software) must have access to the future economic benefits provided by the asset.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) to the Capital Receipts Reserve.

1.12 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued annually according to market conditions at the end of the year. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

1.13 Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of the ownership of property, plant and equipment from the lessor to the lessee. Where a lease covers both land and buildings, the land and buildings elements are considered separately for lease classification purposes.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

NOTES TO THE CORE STATEMENTS

General Notes

Finance Leases – the Council as Lessee

Any property, plant and equipment held under a finance lease is recognised as an asset in the Balance Sheet at the inception of the lease at the lower of the fair value or the present value of the minimum lease payments. This asset is matched by a long term liability representing the total future obligation to pay the lessor. The asset recognised is matched by an obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Annual lease rental payments are apportioned between the finance charge and the reduction of the long-term liability, with the finance charge being debited to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure statement. The amount that is debited to offset the long-term liability is then also debited to the appropriate service account within the Comprehensive Income and Expenditure statement and credited against the asset value in the Balance Sheet as depreciation. The entry to the Comprehensive Income and Expenditure statement is then reversed in the Movement in Reserves Statement to the Capital Adjustment Account, since the settling of the liability represents capital expenditure. Any depreciation, revaluation or impairment losses arising on leased assets are reversed to the Capital Adjustment Account in the Movement in Reserves Statement.

Under the Prudential Framework the setting up of the long-term liability is deemed to be a credit arrangement, the cost of which must be included in the calculation of the Council's Capital Financing Requirement and is therefore taken into account in the calculation of the Council's Minimum Revenue Provision.

Any hire purchase contracts that have similar characteristics to a finance lease and are of a financing nature are accounted for as finance leases where they meet the criteria.

Finance Leases – the Council as Lessor

The council at present does lease assets to other entities under a finance lease.

Operating Leases – the Council as Lessee

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

Operating Leases – the Council as Lessor

Where the Council grants an operating lease in respect of an item of property, plant and equipment, the asset is retained in the Balance Sheet and depreciated over its useful life. Rental income from operating leases is credited as Other Operating Expenditure in the Comprehensive Income and Expenditure statement on a straight line basis over the term of the lease, regardless of the pattern of payments. The initial direct cost of negotiating and arranging the lease may be added to the carrying value of the asset and charged as an expense over the term of the lease.

Recognition

De Minimis & Materiality Limits

All leases that meet the requirements below are considered material and assessed against the requirements of IAS 17 to assess whether they are reflected in the financial statements as a finance or operating lease.

NOTES TO THE CORE STATEMENTS

General Notes

The capital value of an asset is not less than:	£20,000
The annual lease charge for an asset is:	£20,000
The minimum period of the lease for:	
Property	10 years
Equipment	5 years
Accounting cost 'versus' capital value whereby the lease will not be assessed.	If Cost of assessment exceeds 1% of capital value

1.14 Minimum Revenue Provision

In 2008 an amendment to the Capital Finance Regulations 2003 required the Council to approve a policy on the appropriate charge to the Comprehensive Income and Expenditure statement 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 additional voluntary repayments. The policy adopted is 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; and
- 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 estimated useful life of the asset in respect of which the borrowing was made. Incidentally, this is also the method employed for leased assets.

1.15 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the SeRCOP. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure statement.

1.16 Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of

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transactions, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.17 Property, Plant and Equipment

Property, plant and equipment are assets with a physical substance held for use in the provision of services or for administrative purposes for a period of more than one year.

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets – depreciated historical cost
- assets under construction – historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing(EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

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Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure their carrying amount is not materially different from their fair value at the end of the year, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

For the financial year 2013/14, a revaluation of 20% of Land and Building assets (excluding housing stock) was undertaken as well as a desktop review of council dwellings. For 2013/14 the valuations of the Council's land and property for accounting purposes have been conducted by the Council's own valuers for all assets except those relating to the former Development Corporation – these have been subject to review by GVA Grimley Limited). The valuers are members of the Royal Institution of Chartered Surveyors (RICS). The valuations have been prepared in accordance with the UK Practice Statements contained in the RICS Appraisal and Valuation Standards (the "Red Book").

Impairments and Revaluation Losses

Assets are assessed at the end of each year as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall

- Where impairment losses are identified, they are accounted for as follows:
 - where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets on a straight-line allocation of the depreciable amounts over their useful lives. An exception is made for

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assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

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	10 - 60
Vehicles, Plant and Equipment	1 - 10
Land Awaiting Development	No life estimated – non-depreciable
Commercial Properties	10 - 60
Community Assets	30 - 60
Infrastructure Assets	30 - 40
Surplus Assets	10 - 60
Leased Assets	Over term of lease

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has applied the following criteria to identify material components of an asset:

The value below which assets will not be split into components	£2,000,000
The minimum value of a component as a proportion of total asset value	10%

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

1.18 Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

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1.19 Reserves

The Council sets aside specific amounts as reserves for policy purposes or for contingencies. Reserves are established by charging amounts to the General Fund Balance in the Movement in Reserves Statement. Transfers to and from reserves are distinguished from service expenditure since transactions involving reserves are shown in the Movement in Reserves Statement. Balances on reserves are shown in the Balance Sheet and are reported in two categories:

- **Unusable Reserves** - Unusable reserves are not available for revenue purposes. The Revaluation Reserve can only be used when the gains are realised through asset disposal. The adjustment accounts, such as the Pension Reserve and Capital Adjustment Account, deal with situations where statute requires expenditure and income to be recognised on a different basis from that required by accounting standards. The adjustments between accounting basis and funding basis are shown in the Movement in Reserves Statement.
- **Usable Reserves** - Usable Reserves can be used to finance expenditure or to undertake capital investment and include the General Fund Balance, Earmarked Reserves, the Housing Revenue Account Balance, the Capital Receipts Reserve and the Major Repairs Reserve. All transactions involving expenditure financed by revenue reserves are charged to the Cost of Services in the Comprehensive Income and Expenditure statement. The Capital Receipts Reserve and Major Repairs Reserve can only be used to finance capital expenditure. All appropriations to and from reserves, including any interest payable, are accounted for in the Movement in Reserves statement.

1.20 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 a non-current asset being carried in the Balance Sheet. 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 Council, repayments of Government grant in respect of assets disposed of 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 Cost of Services in the Comprehensive Income and Expenditure statement. It has subsequently been accounted for by debiting the Capital Adjustment Account and crediting the General Fund Balance in the Movement in Reserves Statement. Any grants received in respect of revenue expenditure funded from capital resources are accounted for as revenue grants, even if described as capital grants by the grantor, and reversed in the Movement in Reserves Statement to the Capital Adjustment Account

1.21 Revenue Income Treated as Capital Receipts Under Statute

Normally capital receipts arise from disposals of interests in non-current 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 the Council to a third party for the acquisition of an asset. Such income is credited to the Comprehensive Income and Expenditure statement, since the receipt is revenue income under the general provisions of IFRS, but is then debited to the General Fund Balance in the Movement in Reserves Statement and credited to the Capital Receipts Reserve to effect the statutory requirement to treat such income as a capital receipt.

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1.22 Schools

The working balances of all schools, excluding academies, have been included in the Balance Sheet as part of Earmarked Reserves. Academies are responsible for producing their own annual accounts and have to submit a return to the Charities Commission.

Community schools land and buildings have been recognised on the Balance Sheet as the ownership of these is with the Council. The value of land of voluntary controlled and aided schools has been included. The Board of Governors of Foundation schools own the land and buildings and consequently these assets are not included in the Council's Balance Sheet.

The Council has not followed the Code in identifying a separate column for schools balances in the movement in reserves statement.

1.23 Non-Current Assets Held for Sale, Surplus Assets, Disposals and De-recognitions

Assets Held for Sale

When it becomes probable that the carrying value of a non-current asset will be recovered through sale rather than through its continuing use, the asset is re-classified as an Asset Held for Sale. The asset is re-valued immediately before re-classification and is carried at the lower of that value or fair value less costs to sell with any gain posted directly to the Revaluation Reserve. Where fair value less costs to sell represents a decrease on that valuation, the loss is posted to the Other Operating Expenditure section of the Comprehensive Income and Expenditure statement and reversed in the Movement in Reserves Statement to the Capital Adjustment Account.

The values of Assets Held for Sale are reviewed at each the end of each year. Subsequent gains in fair value can only be recognised if they reverse revaluation or impairment losses previously charged to the Cost of Services in the Comprehensive Income and Expenditure statement.

Subsequent losses in fair value, adjusted for any depreciation that would have been charged had the asset held its value up to the re-classification date, are charged to the Comprehensive Income and Expenditure statement regardless of any balance in respect of that asset in the Revaluation Reserve which is left unadjusted. These entries are reversed to the Capital Adjustment Account in the Movement in Reserves statement. No depreciation is charged on Assets Held for Sale.

Assets Held for Sale are classified as Current Assets in the Balance Sheet. Assets that are to be abandoned or scrapped are not classified as Assets Held for Sale. To be classified as an Asset Held for Sale all the following criteria must be met:

- The asset is immediately available for sale in its present condition and on terms normal for that type of asset;
- The asset is being actively marketed at a price reasonable in relation to its current value; and
- Completion of sale is fully expected within one year of the classification of the asset as an Asset Held for Sale.

Where an asset is classified as an Asset Held for Sale between the Balance Sheet date and the date of issue of the financial statements, that fact is noted as a non-adjusting event.

Where an Asset Held for Sale ceases to meet the criteria for such assets, it is re-classified as a non-current asset and valued at the lower of its carrying value before it was classified as an Asset Held for Sale adjusted for any depreciation and revaluation gains or losses that would have been applied had it not been classified as an Asset Held for Sale, and its recoverable amount at the date of the decision not to sell.

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Guidance from CIPFA states that, contrary to the conditions set out above, a tenant's initiation of their Right to Buy (RTB) their council house may trigger the transfer of that asset from Property, Plant and Equipment to Assets Held for Sale. In the Council's experience only some 20% of expressions of desire to buy these properties result in a disposal. It is therefore the policy of the Council to retain and dispose of these assets without transfer to the Assets Held for Sale category. However, in order to ensure that the Balance Sheet presents a true and fair view, any RTBs processed early in 2014/15 where the transaction was fully committed as at 31 March 2014 have been shown as Assets Held for Sale.

Disposals and De-recognitions

When any asset is disposed of or de-commissioned, however categorised, the carrying amount in the Balance Sheet is written-off, (debited), to Other Operating Expenditure in the Comprehensive Income and Expenditure statement as part of the Gain or Loss on Disposal of Assets. Receipts from disposals, if any, also as part of the Gain or Loss on Disposal of Assets, are credited to Other Operating Expenditure in the Comprehensive Income and Expenditure statement, that is, they are netted off against the carrying value at the time of disposal. This net sum is then transferred to the Capital Adjustment Account through the movement in Reserves Statement. Any revaluation gains accumulated in the Revaluation Reserve in respect of an asset disposed of are transferred to the Capital Adjustment Account.

Amounts received for a disposal, above the de minimis sum, are categorised as capital receipts. A proportion of capital receipts relating to Housing Revenue Account disposals, net of statutory deductions and other allowances, is payable to central Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used to finance the Council's capital investment or set aside to reduce the Council's need to borrow. Receipts are appropriated to the Capital Receipts Reserve through the Movement in Reserves Statement.

Any repayment of grant arising from the disposal of an asset is classified under statute as capital expenditure to be financed from the capital receipt. Under IFRS it is defined as Revenue Expenditure met from Capital Resources.

Where a property, plant or equipment 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.

1.24 Value Added Tax (VAT)

VAT is included in the Comprehensive Income and Expenditure statement, whether of a capital or revenue nature, only to the extent that it is irrecoverable from Revenue and Customs. VAT receivable is excluded from income.

1.25 Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure statement or in the notes to the accounts, depending on how significant the sums are to an understanding of the Council's financial performance.

1.26 Heritage Assets

The Council holds two categories of Heritage Assets – historic buildings and artefacts and these are accounted for on the following bases:

Historic buildings – these were initially valued at cost as community assets and were then revalued on a restoration basis with any increases or decreases in value recognised in the revaluation reserve or Comprehensive Income and Expenditure statement as appropriate. The valuations are reviewed annually as at 31 March by the Council's building surveyor –

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Geoffrey Bailey FRICS. It is noted the valuations are approximate and more accurate valuations by a specialist cost consultant are recommended but the Council is satisfied their valuations are materially accurate. Magazine No 5 at Purfleet and Coalhouse Fort at Tilbury are open to the public.

Artefacts – These are valued on the basis of insurance valuations with any increases or decreases in value recognised in the revaluation reserve. The valuations are reviewed annually as at 31 March by the Council's specialist valuer. These assets are held within the Grays museum and are accessible by the public.

There is no depreciation charged on these assets as they have indeterminate lives and the Council does not consider it appropriate to charge this.

The Council holds and manages these assets and there is no intention to acquire additional heritage assets nor dispose of existing ones.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure statement.

1.27 Collection of Local Taxes

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR).

In the Council's capacity as billing authority it acts as an agent in collecting and distributing Council Tax income on behalf of the major preceptors and itself. Only the Council's share of income and expenditure and balance sheet items are included in the core financial statements. There is a debtor/ creditor position between the billing authority and each major preceptor to be recognised since net cash paid to each major preceptor is not necessarily its full share of cash collected from council tax payers.

The Council also acts as an agent in collecting national non-domestic rates (NNDR) on behalf of the major preceptors and itself. Only the Council's share of income and expenditure and balance sheet items are included in the core financial statements. There is a debtor/ creditor position between the Council and each major preceptor to be recognised since net cash paid to each major preceptor is not necessarily its full share of cash collected from non-domestic rate payers.

Note 2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The following standards have also been issued but not adopted:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements (as amended in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as amended in 2011).

The standards above apply to entities producing group accounts. Until 31 March 2014 the Council has not been required to produce consolidated financial statements. The Council may produce group accounts for the period ending 31 March 2015. This will depend on whether the financial impact of the wholly owned company which has been

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recently set up by the Council becomes material. If so the standards above will apply as they have been adapted for the Code.

- IAS 32 Financial Instruments: Presentation – The Council does not currently offset financial assets and liabilities and hence the changes to the standard will not impact the Council.
- Annual Improvements to IFRS 2009–2011 Cycle. The council will reflect the changes to IAS 1 including the requirement to include local authority statutory reporting requirements in the complete list of financial statements.

Note 3 CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1 the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments underlying these financial statements are:

- There is a degree of uncertainty about the future funding levels of local government. However the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council should be impaired as a result of a need to close facilities or to reduce levels of service provision. The Council has recently critically reviewed its portfolio of assets;
- The Council is a partner to a long-term strategic service partnership contract under which several major services are provided to the Council. The Council has determined that this is not a PFI scheme – or service concession under IFRS – but does contain embedded leases which have been accounted for accordingly; and
- The Council undertakes an annual review to ascertain if any there are impairments or changes in value as part of the annual price review for non-current assets.

Note 4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The items in the Authority's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Effect
Property, Plant and Equipment	Assets are depreciated over their estimated useful lives. If in the current economic climate historic levels of repairs and maintenance expenditure cannot be sustained, the useful lives of assets may reduce.	If the useful life of an asset reduces, depreciation increases and the carrying value of the asset will reduce. For every year an asset life is reduced this will result in an annual increase depreciation charge of £1.035m.

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Item	Uncertainty	Effect
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgments and assumptions.	The Actuaries' sensitivity analysis indicates that an increase in the discount for liabilities of 0.1% would reduce the pension liability by £6.66m.
Arrears	The Council's debtors and the overall provision for impairment are disclosed in Note 20. There is uncertainty in the current economic climate as to whether the impairment provision is sufficient.	The Council has a bad debt provision for general and housing purposes of £1.18m. If collection rates were to reduce by ten per cent then the impairment provision for doubtful debts would require a similar amount to be set aside.
Provisions	<p>The Council makes provision for liabilities of uncertain timing or amount. The provisions made by the Council are set out in Note 19 to these financial statements. Additionally a new provision has been made in the collection fund for appeals made by business rate payers against their assessed amount of non-domestic rates. This has been set at £13m following review by specialist valuers. The impact of this is shared between the Council (49%), Central Government (50%) and Essex Fire Authority (1%).</p> <p>These provisions are based on judgements by officers and by their nature may vary over time.</p>	There is potential for provisions to be under or over stated as the uncertainty over the timing and amount of liabilities are resolved. The Council continues to monitor the provisions made to ensure they remain reasonable.

This list does not include assets and liabilities that are carried at fair value based on recently observed market price and are shown on the balance sheet.

Note 5 MATERIAL ITEMS OF INCOME AND EXPENDITURE

Apart from the Exceptional Items described below in Note 8, there are some regular material items of income and expense worthy of note, due to their size and potential impact on the Council if there are significant fluctuations.

These include figures for sums collected through Council Tax - the Council's proportion is £51.2 million (£62.1 million across all preceptors). Similarly sums are collected for business rates – the Council's proportion is £52.2 million (£106.6m across all preceptors). The Council's proportion is reduced by £23.0m in central government tariffs and levies.

Housing Benefits, whilst generally considered to be break-even to the Council, involves paying out sums in the region of £61 million and claiming this back from Central Government.

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The Council's debt portfolio currently incurs interest of £8.0 million. £5.6 million relates to the additional debt the Council took on in 2011/12 as part of the Housing Revenue Account reform. The debt of £160.9m was shown reflected in HRA expenditure in the prior year.

The Council also relies heavily on Government Grants. The revenue grants received from the Government totalled £300.2m. These are shown in Note 24 to the accounts.

Note 6 RESTATEMENT OF 2012/13 COMPARATIVE FIGURES

Restatement of comprehensive income and expenditure balances in accordance with the Service Reporting Code of Practice (SeRCOP):

The allocation of costs to service headings in the CIES has been reviewed and amended to reflect the requirements of the latest SeRCOP issued in 2013/14. The changes identified in 2013/14 have also been applied to 2012/13 resulting in some recategorisation between service headings but no overall impact on the total gross income and expenditure of the Council. In addition a new service heading has been included to reflect the balances relating to the newly acquired public health responsibilities.

Restatement of balances relating to the Local Government Pension Scheme:

The 2012/13 comparative figures for amounts charged to the CIES for pensions costs relating to the local government pension scheme have been restated in respect of amendments to IAS 39. The net impact of these items is no change to the CIES or the general fund.

The changes are:

Gross expenditure now includes £0.05m of administration expenses which were not separately identified in the prior year.

The entries for pensions interest cost and the expected return on pension assets with a net cost of £4.01m are replaced with an amount representing the net interest on the net defined benefit liability of £6.54m (see note 11 to the accounts).

The actuarial gains and losses figure of £10.34m has been replaced with a figure representing the remeasurement of the defined benefit liability of £7.75m.

The changes have amended figures in the movement in reserves statement, note 7 to the accounts, and the detail of how these changes are reflected in the calculation of the defined benefit liability and can be seen in note 36.

Restatement of Collection Fund balances:

Accounting for non-domestic rates now requires the Council to raise and distribute business rates on behalf of itself and the major preceptors. Any surplus or deficit on the balance of the transactions is also to be shared between them which mirrors the approach to council tax.

Although all non-domestic rates transactions and council tax transactions have previously been shown in one collection fund there is no actual interaction between them. Consequently the collection funds for both council tax and non-domestic rates are now presented separately to enable the annual position on each fund to be identified clearly.

Restatement of HRA interest payable balances:

The Council showed HRA interest payable as part of debt management costs in 2012/13. This has been amended and shown as a separate item within the HRA in 2013/14 and for comparison purposes the 2012/13 figure has also been amended accordingly.

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Note 7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This Note details the adjustments that have been made to adjust the figures shown in the Comprehensive Income and Expenditure statement for the year to reflect the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. It provides a breakdown of the totals in the Movement in Reserves Statement.

	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	2013/14 Usable Reserves			Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
				Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:								
<u>Reversal of items debited or credited to the CIES</u>								
Amortisation of intangible assets	(644)	0	0	0	0	0	(644)	644
Charges for depreciation and impairment of non-current assets	(8,334)	(6,512)	0	0	0	0	(14,846)	14,846
Revaluation losses on property, plant and equipment	(3,097)	(233)	0	0	0	0	(3,330)	3,330
Revaluation gains reversing previous losses	1,656	9,177	0	0	0	0	10,833	(10,833)
Movement in the fair value of investment property	2	(5)	0	0	0	0	(3)	3
Movement in the value of held for sale assets	0	(112)	0	0	0	0	(112)	112
Capital Grants and contributions applied	6,461	0	0	0	0	0	6,461	(6,461)
Revenue expenditure funded from capital under statute (REFCUS)	(3,787)	0	0	0	0	0	(3,787)	3,787
Grant Funding for REFCUS	1,801	0	0	0	0	0	1,801	(1,801)
Amounts of assets written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES	(28,807)	(21,044)	0	0	0	0	(49,851)	49,851
<u>Insertion of items not debited or credited to the CIES</u>								
Statutory provision for the financing of capital investment	5,928	0	0	0	0	0	5,928	(5,928)

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	2013/14							
	Usable Reserves							
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
£000	£000	£000	£000	£000	£000	£000	£000	
Adjustments primarily involving the Capital Grants Unapplied Account:								
Application of grants to capital financing transferred to the capital adjustment account	0	0	0	0	0	1,338	1,338	(1,338)
Capital Grants and contributions unapplied credited to the CIES	3,924	0	0	0	0	(3,924)	0	0
Adjustments primarily involving the Capital Receipts Reserve:								
Use of the capital receipts reserve to finance new capital expenditure	0	0	0	4,449	0	0	4,449	(4,449)
Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES	3,092	6,861	0	(9,953)	0	0	0	0
Contribution from the capital receipts reserve towards administration costs of non-current assets disposal	(108)	0	0	108	0	0	0	0
Contribution from the capital receipts reserve to finance the payments to the Government capital receipts pool	(843)	0	0	843	0	0	0	0
Adjustments primarily involving the Major Repairs Reserve:								
Reversal of notional major repairs allowance credited to the HRA	0	12,850	0	0	(12,850)	0	0	0
Use of major repairs reserve to finance new capital expenditure	0	0	0	0	13,660	0	13,660	(13,660)
Adjustments primarily involving the Financial Instrument Adjustment Account:								
Amounts by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements	132	0	0	0	0	0	132	(132)

NOTES TO THE CORE STATEMENTS
General Notes

	2013/14								
	Usable Reserves							Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied			
£000	£000	£000	£000	£000	£000	£000	£000		
Adjustments primarily involving the Pension Reserve:									
Reversal of items relating to retirement benefits debited or credited to the CIES	(12,457)	(1,215)	0	0	0	0	(13,672)	13,672	
Employer's pension contributions and direct payment to pensioners payable in year	9,984	509	0	0	0	0	10,493	(10,493)	
Adjustments involving the Collection Fund Adjustment Account (Council Tax)									
Amount by which council tax credited to the CIES is different from council tax income calculated for the	1,563	0	0	0	0	0	1,563	(1,563)	
Adjustments involving the Collection Fund Adjustment Account:									
Amount by which non-domestic rating income credited to the CIES is different from non-domestic rating income calculated for the year in accordance with statutory requirements	(4,052)	0	0	0	0	0	(4,052)	4,052	
Adjustment involving the Accumulated Absences Account:									
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	313	(1)	0	0	0	0	312	(312)	
Total Adjustments	(27,273)	275	0	(4,553)	810	(2,586)	(33,327)	33,327	

NOTES TO THE CORE STATEMENTS

General Notes

	2012/13							
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Usable Reserves			Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
	£000	£000	£000	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	£000	£000
Adjustments primarily involving the Capital Adjustment Account:								
<u>Reversal of items debited or credited to CIES</u>								
Amortisation of intangible assets	(195)	0	0	0	0	0	(195)	195
Depreciation of non-current assets	(9,195)	(6,470)	0	0	0	0	(15,665)	15,665
Revaluation and Impairment losses on Property, Plant and Equipment	(136,343)	(11,291)	0	0	0	0	(147,634)	147,634
Revaluation gains reversing previous losses	12,374	78,612	0	0	0	0	90,986	(90,986)
Movement in Market Value of Investment Property	1,191	14	0	0	0	0	1,205	(1,205)
Movement in value of held for sale assets	0	(65)	0	0	0	0	(65)	65
Capital Grants and Contributions Unapplied credited to the CIES	6,171	0	0	0	0	(6,171)	0	0
Capital Grants and Contributions Applied credited to the CIES	7,485	0	0	0	0	0	7,485	(7,485)
Revenue expenditure funded from capital under statute (REFCUS)	(6,470)	0	0	0	0	0	(6,470)	6,470
Grant Funding for REFCUS	2,769	0	0	0	0	0	2,769	(2,769)
Amounts of assets written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES	(41,331)	(10,231)	0	0	0	0	(51,562)	51,562
<u>Insertion of items not debited or credited to the CIES</u>								
Statutory Provision for Repayment of Debt (MRP) Includes Finance Lease	6,287	0	0	0	0	0	6,287	(6,287)

NOTES TO THE CORE STATEMENTS
General Notes

	2012/13							
	Usable Reserves						Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
£000	£000	£000	£000	£000	£000	£000	£000	
Adjustments primarily involving the Capital Grants Unapplied Account:								
Application of grants to capital financing (to capital adjustment account)	0	0	0	0	0	3,368	3,368	(3,368)
Adjustments primarily involving the Capital Receipts Reserve:								
Capital Receipts applied to fund Capital Expenditure	0	0	0	5,309	0	0	5,309	(5,309)
Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES	3,218	3,319	0	(6,537)	0	0	0	0
Contribution from the Capital Receipts Reserve towards administration costs of non-current assets	(65)	0	0	65	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(758)	0	0	758	0	0	0	0
Adjustments primarily involving the Major Repairs Reserve:								
Reversal of Major Repairs Allowance credited to the HRA	0	7,593	0	0	(7,593)	0	0	0
Use of Major Repairs Reserve to finance new capital expenditure	0	0	0	0	6,884	0	6,884	(6,884)
Adjustments primarily involving the Financial Instrument Adjustment Account:								
Amounts by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements	189	0	0	0	0	0	189	(189)
Adjustment involving the Pension Reserve:								
Reversal of items relating to retirement benefits debited or credited to the CIES	(6,511)	(368)	0	0	0	0	(6,879)	6,879

NOTES TO THE CORE STATEMENTS

General Notes

	2012/13							
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Usable Reserves			Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
Capital Receipts Reserve				Major Repairs Reserve	Capital Grants Unapplied			
	£000	£000	£000	£000	£000	£000	£000	£000
Employer's pension contributions and direct	9,811	433	0	0	0	0	10,244	(10,244)
Adjustments involving the Collection Fund:								
Amount by which amounts charged to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements & other Collection Fund adjustments	1,378	0	0	0	0	0	1,378	(1,378)
Adjustment involving the Accumulated Absences Account:								
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	684	7	0	0	0	0	691	(691)
Total Adjustments	(149,309)	61,553	0	(405)	(709)	(2,804)	(91,674)	91,674

NOTES TO THE CORE STATEMENTS
General Notes

Note 8 EXCEPTIONAL ITEMS

There were no items of exceptional expenditure in 2013/14.

Note 9 DEPLOYMENT OF DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped to by the Department to fund academy schools in the council's area. 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 2011. The Schools Budget includes elements for range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2013/14 are as follows:

Notes				
Schools Budget Funded By Dedicated Schools Grant (DSG)				
		Central Expenditure	Individual Schools Budget	Total
		£000	£000	£000
A	Final DSG for 2013/14 before Academy Recoupment	7,312	118,009	125,321
B	Academy figure recouped for 2013/14	0	64,032	64,032
C	Total DSG after Academy Recoupment for 2013/14	7,312	53,977	61,289
D	Brought Forward from 2012/13	2,714	0	2,714
E	Carry Forward agreed to 2014/15	0	0	0
F	Agreed budgeted distribution in 2013/14	10,026	53,977	64,003
G	In Year Budget Adjustments	(321)	321	0
H	Actual Central Expenditures	6,921	0	6,921
I	Actual ISB deployed to schools	0	54,298	54,298
J	Local authority contribution 2012/13	0	0	0
K	Carry Forward to 2014/15	2,784	0	2,784

Comparatives for 2013/14 were as follows:

	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Income	44,122	357,096	401,218
Less Expenditure	(41,408)	(357,096)	(398,504)
Carrying Forward to 2013/14	2,714	0	2,714

NOTES TO THE CORE STATEMENTS
General Notes

Notes

- A This is the original Final DSG Figure, before recoupment for historic and in-year Academy Conversions.
- B This is the reduction in the Thurrock allocation of DSG for those Schools that are no longer under local Authority Control and are now funded directly by the DfE
- C This is the Net DSG figure issued by DfE in March 2014. For Funding Maintained Schools and Specific Education services to Schools and Academies.
- D This figure brought forward from 2012/13, is unspent Central DSG Contingency.
- E Any amount which the authority decided after consultation with the schools forum to carry forward to 2014/15 rather than distribute in 2013/14.
- F Budgeted distribution of DSG, adjusted for in year Academy conversions, as agreed with the schools forum.
- G Budget movements from Contingency to ISB.
- H Actual amount of central expenditure items in 2013/14, after contingency allocations to ISB.
- I 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).
- J Any contribution from the local authority in 2013/14 which will have the effect of substituting for DSG in funding the Schools Budget.
- K Carry forward to 2014/15.

Note 10 OTHER OPERATING EXPENDITURE

Other Operating Expenditure in the Comprehensive Income and Expenditure statement comprises the following:

2012/13	2013/14
£000	£000
578 Levies	577
758 Payments to the Government Housing Capital Receipts Pool	843
45,025 Gains/losses on the disposal of non current assets	39,933
46,361 Total	41,353

NOTES TO THE CORE STATEMENTS
General Notes

Note 11 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure statement comprise the following:

2012/13		2013/14
£000		£000
8,123	Interest payable and similar charges	8,023
6,544	Net interest on the net defined benefit liability	6,576
(435)	Interest receivable and similar income	(299)
(1,379)	Income and expenditure in relation to investment properties and changes in their fair value	(185)
12,853	Total	14,115

Note 12 TAXATION AND NON-SPECIFIC GRANT INCOME

Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure statement comprises the following:

2012/13		2013/14
£000		£000
(58,927)	Council tax income	(51,984)
(57,444)	Non domestic rates	(25,187)
(17,303)	Non-ringfenced grants	(48,343)
(13,658)	Capital grants and contributions	(10,385)
(147,332)	Total	(135,899)

Note 13 MEMBERS' ALLOWANCES

The Council paid the following amounts to Members during the year:

2012/13	Members' Allowances	2013/14
£000		£000
612	Allowances	643
0	Expenses	1
612	Total	644

NOTES TO THE CORE STATEMENTS

General Notes

Note 14 REMUNERATION OF SENIOR STAFF

Senior officer remuneration for 2013/14 is set out in the table below:

Senior Staff Emoluments 2013/14	Note	Salary, Fees and Allowances	Performance Related bonus	Expense Allowance	Compensation for loss of office	Pension Contribution	Total
		£	£	£	£	£	£
Chief Executive – Graham Farrant	1	185,000	0	236	0	21,350	206,586
Assistant Chief Executive		103,000	0	349	0	12,566	115,915
Director of Children's Services		123,308	0	0	0	15,044	138,352
Acting Director of Environment	2	58,262	0	0	0	7,108	65,370
Director of Finance and Corporate Governance	3	39,135	0	0	78,783	4,775	122,693
Director of Housing		117,000	0	400	0	14,274	131,674
Director of Planning & Transportation		117,000	0	1,199	0	14,274	132,473
Director of Adults Health and Commissioning		115,622	0	0	0	14,106	129,728
Head of Corporate Finance	3	91,250	0	526	0	11,133	102,909
Head of HR OD & Transformation	4	93,000	0	458	0	11,346	104,804

Notes

- 1) This is a shared post with the London Borough of Barking and Dagenham who paid a contribution of £114,863.64 in 2013/14.
- 2) This post ceased to exist on the 31 October 2013. The Director of Environment post was then shared with the London Borough of Barking and Dagenham and the Council contributed £24,400 to the annual salary of £160,085 in 2013/14. This arrangement ceased on 30 April 2014.
- 3) The Director of Finance and Corporate Governance post became redundant in July 2013. The s151 responsibilities passed to the Head of Corporate Finance from this date.
- 4) The Head of HR OD & Transformation reports directly to the Chief Executive and forms part of the Directors' Board.

Further Information:

The Director of Public Health is a shared service with the Southend-on-Sea Council, a contribution of £73,615 was made towards their annual remuneration of £147,210

The Head of Legal Services post is a shared services with the London Borough of Barking & Dagenham, a contribution of £59,610 was made towards their annual remuneration of £109,459

NOTES TO THE CORE STATEMENTS
General Notes

Senior officer remuneration for 2012/13 is set out in the table below:

Senior Staff Emoluments 2012/13	Salary, Fees and Allowances	Performance Related bonus	Expenses Allowances	Compensation for loss of office	Pension Contribution	Total
	£	£	£	£	£	£
Chief Executive – Graham Farrant	184,999	0	0	0	21,350	206,349
Assistant Chief Executive	102,999	0	0	0	12,566	115,565
Director of Children's Services	132,000	0	280	0	16,104	148,384
Director of Environment	71,009	0	0	0	8,663	79,672
Acting Director of Environment	23,819	0	0	0	2,906	26,725
Director of Finance and Corporate Governance	125,502	0	0	0	15,311	140,813
Director of Housing	112,125	0	0	0	13,679	125,804
Director of Planning & Transportation	71,395	0	0	0	8,711	80,106
Director of Sustainable Communities	10,459	0	0	66,189	1,276	77,924
Director of Transformation	27,966	0	0	0	3,180	31,146
Head of Legal Services	63,128	0	0	0	5,826	68,954

The number of employees whose remuneration (excluding employer's pension contributions) were £50,000 or more, in bands of £5,000 are shown in the table below. This does not include the senior officers shown above.

Remuneration of Senior Staff	2012/13	2013/14
Pay Band	Numbers of Employees	Numbers of Employees
50,001 - 55,000	45	28
55,001 - 60,000	35	44
60,001 - 65,000	26	22
65,001 - 70,000	22	14
70,001 - 75,000	12	12
75,001 - 80,000	4	5
80,001 - 85,000	4	3
85,001 - 90,000	4	4
90,001 - 95,000	7	3
95,001 - 100,000	1	1
100,001 - 105,000	0	0
105,001 - 110,000	1	0
110,001 - 115,000	0	0
115,001 - 120,000	0	1

NOTES TO THE CORE STATEMENTS

General Notes

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package cost Band £	No of Compulsory Redundancies		Other Departures		Total number of Exit package by cost		Total Cost of Exit Packages	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
0 – 20,000	5	14	5	9	10	23	56,070	174,741
20,001- 40,000	1	11	2	2	3	13	94,985	347,249
40,001 – 60,000	3	5	1	0	4	5	198,355	227,753
60,001 – 80,000	1	4	0	0	1	4	60,364	271,812
80,001 – 100,000	0	1	1	0	1	1	88,535	86,043
100,001 – 250,000	0	2	4	0	4	2	603,671	224,426
Total	10	37	13	11	23	48	1,101,980	1,332,024

Note 15 RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties. These are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows an assessment to be made of the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 24.

Members and Other Public Bodies

Members have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in Note 13.

The Council paid amounts to voluntary organisations in which members had positions on the governing body as noted in the table below. In all instances the grants and payments were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of the relevant member declarations are recorded in the Register of Members' interest open to public inspection at Civic Offices during office hours.

Officers

The Chief Executive declared he is a trustee and also currently hold the position of interim chair to High House Production Park. This is an arts organisation whose transactions with the Council are noted in the table below. The Chief Executive did not take part in any discussion, decision or administration relating to the grant.

The Head of Corporate Finance declared he is treasurer to the Citizens Advice Bureau whose transactions with the Council are noted in the table below. The officer did not take part in any discussion, decision or administration relating to the funding.

NOTES TO THE CORE STATEMENTS
General Notes

Entity	Income £	Expenditure £	Debtor £	Creditor £
Advantage Chemicals	41	27,940	0	0
High House Companies	180	47,697	0	15,684
Impulse Leisure	36,244	477,714	0	0
London Borough of Barking and Dagenham	269,295	318,945	31,341	36,100
Open Door	300	528,945	0	0
Thurrock Arts	0	2,343	0	0
Thurrock Asian Association	8,083	17,290	0	0
Thurrock CAB	315,890	185,300	0	156,000
Thurrock CVS	3,551	402,018	0	39,427
Transvol	0	98,982	0	0
TRUST	90	93,130	0	0
Veolia North Thames Trust	19,680	2,660	0	0

Note 16 EXTERNAL AUDIT COSTS

In 2013/14 the Council incurred the following costs relating to the audit of the Statement of Accounts, certification of grant claims:

External Audit Costs	2012/13 £000	2013/14 £000
Fees Payable to Ernst & Young:		
External Audit Services including Statutory Inspections	177	177
Certification of Grant Claims and Returns	29	21
Total	206	198

NOTES TO THE CORE STATEMENTS
General Notes

Note 17 TRANSFERS TO/ FROM EARMARKED RESERVES

The Council maintains a number of reserves which have been set up as a means of earmarking resources to meet future spending needs. This note shows details of amounts set aside in the year and of amounts posted back to meet General Fund expenditure during the year.

Balance at 1 April 2012 £000	Net Transfers (In)/Out £000	Balance at 31 March 2013 £000		Balance at 1 April 2013 £000	Net Transfers (In)/Out £000	Balance at 31 March 2014 £000
(7,024)	577	(6,447)	Balances held by Schools under a Scheme of Delegation	(6,447)	1,628	(4,819)
(1,260)	0	(1,260)	Revenue Grants	(1,260)	605	(655)
(1,000)	(1,278)	(2,278)	Budget Management	(2,278)	1,099	(1,179)
(8,442)	6,790	(1,652)	Commuted Sums	(1,652)	127	(1,525)
0	(1,541)	(1,541)	DCLG DC Reserve	(1,541)	1,253	(288)
0	(2,262)	(2,262)	Grant Carried Forward	(2,262)	135	(2,127)
0	(1,000)	(1,000)	School Improvement Reserve	(1,000)	0	(1,000)
0	(2,714)	(2,714)	DSG	(2,714)	(67)	(2,781)
0	(2,791)	(2,791)	Development Reserve	(2,791)	2,791	0
0	0	0	Public Health Grant	0	(1,053)	(1,053)
(6,254)	451	(5,803)	Other Earmarked Reserves	(5,803)	719	(5,084)
(23,980)	(3,768)	(27,748)	Earmarked Reserves	(27,748)	7,237	(20,511)

The purposes of the above reserves are summarised as follows:

- The **Balances held by Schools under a Scheme of Delegation** comprise the working balances controlled by School Governors in the management of their annual share of DSG and other income;
- The **Revenue Grants Unapplied Reserve** has been set up from revenue grants received but the expenditure has yet to be incurred (i.e. the grants have no conditions or conditions have been met and have therefore been recognised in Comprehensive Income and Expenditure statement). The reserve will be drawn down once the associated expenditure has been incurred;
- The **Budget Management Reserve** has been set up to provide a contingency to meet service demand over and above that budgeted for.
- The **DCLG DC Reserve** is the amount of funding remaining for the implementation of the Development Corporation staff into Thurrock Council.

NOTES TO THE CORE STATEMENTS

General Notes

- The **Grant Carried Forward Reserve** relates to grants where the conditions have been met, but the expenditure is yet to be incurred.
- The **School Improvement Reserve** was identified as a requirement during the budget setting process.
- The **Development Reserve** has been established to fund regeneration and new development works within the Housing Revenue Account.
- The **Public Health Grant Reserve** has been established to fund expenditure in relation to public health which is a Council responsibility from 1 April 2013.
- **Other Reserves** – all other earmarked reserves set up but with balances of less than £1m as at 31 March 2014.

Note 18 OPERATING LEASES

The Council as Lessor:

Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

- For the provision of community facilities such as sports facilities and community centres;
- For economic development purposes to provide suitable affordable accommodation to local businesses; and
- For the provision of services by other public bodies, charities and the third sector.

The future minimum lease payments receivable under non-cancellable leases in future years are:

2012/13		2013/14
£000		£000
1,726	Not later than 1 year	1,670
2,893	Later than 1 year and not later than 5 years	2,591
334	Later than 5 years	624
4,953		4,885

Note 19 PROVISIONS

A provision has been made for potential insurance claims against the Council. This includes claims made for Mesothelioma (a form of cancer caused by exposure to asbestos) which were fully covered under the policy with Municipal Mutual Insurance Ltd (MMI) until 2011/12.

A judgement by the Supreme Court on 28 March 2012 confirmed that employers insurance liability applies to the time when employees were first exposed to asbestos as opposed to when symptoms appeared. This meant the MMI insurance cover would not be sufficient to cover all potential claims. The Councils' maximum exposure was estimated at £1.5m but officers have been advised a provision of £510,000 is appropriate.

The table below summarises the movements in the Council's financial provisions during the year:

NOTES TO THE CORE STATEMENTS
General Notes

Short Term Provisions	Insurance £'000	Business Rate Appeals £000	Total £000
Balance at 01 April 2013	0	0	0
Additional Provision made in 2013/14	(106)	(3,617)	(3,723)
Amounts Used in 2013/14	0	0	0
Balance at 31 March 2014	(106)	(3,617)	(3,723)
Balance at 01 April 2012	0	0	0
Additional Provision made in 2012/13	0	0	0
Amounts Used in 2012/13	0	0	0
Balance at 31 March 2013	0	0	0

Long Term Provisions	Insurance £'000	Redundancy £000	Business Rate Appeals £000	Other £000	Total £000
Balance at 01 April 2013	(975)	(297)	0	0	(1,272)
Additional Provision made in 2013/14	0	0	(2,752)	(45)	(2,797)
Amounts Used in 2013/14	571	297	0	0	868
Balance at 31 March 2014	(404)	0	(2,752)	(45)	(3,201)
Balance at 01 April 2012	(111)	0	0	0	(111)
Additional Provision made in 2012/13	(1,781)	(297)	0	0	(2,078)
Amounts Used in 2012/13	917	0	0	0	917
Balance at 31 March 2013	(975)	(297)	0	0	(1,272)

NOTES TO THE CORE STATEMENTS
General Notes

Note 20 SHORT-TERM DEBTORS

The table below provides an analysis of the Short-Term Debtors figure (net of provision for impairment) in the Balance Sheet:

31 March 2013 £000		31 March 2014 £000
6,026	Central government bodies	5,485
639	Other local authorities	137
75	NHS bodies	664
0	Public corporations and trading funds	3
11,355	Other entities and individuals	11,816
18,095	Total	18,105

Note 21 SHORT-TERM CREDITORS

The table below provides an analysis of the Short-Term Creditors figure in the Balance Sheet:

31 March 2013 £000		31 March 2014 £000
(665)	Central government bodies	(2,998)
(2,313)	Other local authorities	(814)
(848)	NHS bodies	0
(19)	Public corporations and trading funds	(80)
(26,144)	Other entities and individuals	(17,977)
(29,988)	Total	(21,869)

Note 22 USABLE RESERVES

The balances on the Usable Reserves in the Balance Sheet are detailed in the following table:

31 March 2013 £000		Notes	31 March 2014 £000
(8,000)	General Fund Balance	(a)	(8,011)
(1,700)	Housing Revenue Account Balance	(b)	(2,654)
(27,748)	Earmarked Reserve	(c)	(20,511)
(1,394)	Capital Receipts Reserve	(d)	(5,921)
(3,103)	Major Repairs Reserve	(e)	(2,293)
(12,170)	Capital Grants Unapplied	(f)	(14,777)
(54,115)	Total Usable Reserves		(54,167)

The movements in the year and balances at 31 March of the Council's Usable Reserves are set out in the Movement in Reserves Statement supported by Note 7.

NOTES TO THE CORE STATEMENTS

General Notes

(a) General Fund Balance

Resources available to meet the future running costs of non-Housing Revenue Account services. This is the accumulated surplus of income over expenditure after allowing for any General Fund earmarked reserves. Its strategic use is to safeguard against budget risk and adverse impact on future Council Tax levels.

(b) Housing Revenue Account

Resources available to meet the future running costs of the Council Housing Landlord service. Its strategic use is to safeguard against budget risk and adverse impact on future Council rent levels. An element is earmarked towards potential bad debts.

(c) Earmarked Reserves Balance

Resources earmarked for particular spending plans and contingencies. These are shown in more detail in Note 17.

(d) Capital Receipts Reserve

Proceeds of fixed asset sales available to finance capital expenditure or repay debt.

(e) Major Repairs Reserve

A resource provided from within HRA Subsidy to finance capital expenditure on dwellings and other property in the HRA.

(f) Capital Grants Unapplied

These are grants received for specific purposes but remain unspent at the end of each year.

Note 23 UNUSABLE RESERVES

The balances on the Unusable Reserves in the Balance Sheet are detailed in the following table:

31 March 2013 £000		Notes	31 March 2014 £000
(94,857)	Revaluation Reserve	(a)	(89,690)
(441,176)	Capital Adjustment Account	(b)	(422,440)
15,127	Financial Instruments Adjustment Account	(c)	14,995
157,965	Pensions Reserve	(d)	139,807
(441)	Collection Fund Adjustment Account - Council Tax		(2,004)
0	Collection Fund Adjustment Account - NNDR		4,052
1,093	Accumulated Absences Account		782
(362,289)	Total Unusable Reserves		(354,498)

(a) Revaluation Reserve

This reserve functions as a store of the gains made by the Council from the increases in the value of its Property, Plant and Equipment since 1 April 2007 when the reserve was created. Gains prior to that date are consolidated in the Capital Adjustment Account. The balance is reduced when assets with accumulated gains are re-valued downwards or impaired, used in the provision of services with the gains consumed through depreciation and disposed of with the gains being realised.

NOTES TO THE CORE STATEMENTS

General Notes

2012/13		2013/14
£000		£000
(51,142)	Balance at 1 April	(94,857)
(65,964)	Upward revaluation of assets	(1,745)
13,932	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	701
(52,032)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(1,044)
1,261	Difference between fair value depreciation and historical cost depreciation	1,643
7,056	Accumulated gains on assets sold or scrapped	4,568
8,317	Amount written off to the Capital Adjustment Account	6,211
(94,857)	Balance at 31 March	(89,690)

(b) Capital Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction and enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction and enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure statement, with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis. The account is credited with the amount set aside by the Council as finance for the costs of acquisition, construction and enhancement. The account includes accumulated gains and losses on Investment Properties and gains recognised on any donated assets that have yet to be consumed by the Council. The account also contains revaluation gains accumulated on Property, Plant and Equipment prior to 1 April 2007 when the Revaluation Reserve was created to hold such gains. The source of the majority of postings in the table below can be seen in Note 7.

NOTES TO THE CORE STATEMENTS
General Notes

2012/13		2013/14
£000		£000
(528,684)	Balance at 1 April	(441,176)
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
15,664	Charges for depreciation of non current assets (PPE)	14,845
147,634	Revaluation and Impairment losses on Property, Plant and Equipment	3,331
(90,987)	Revaluation gains reversing previous losses (PPE)	(10,833)
195	Amortisation of intangible assets	644
6,470	Revenue expenditure funded from capital under statute (REFCUS) - net of Funding	3,787
178	Investment property written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,060
46,332	PPE written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	43,128
5,052	Assets Held for Sale written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	5,663
(7,056)	Accumulated gains on assets sold or scrapped	(4,568)
123,483		57,056
(1,261)	Adjusting amounts written out of the Revaluation Reserve	(1,643)
122,222	Net written out amount of the cost of non current assets consumed in the year	55,414
	Capital financing applied in the year:	
(5,309)	Use of the Capital Receipts Reserve to finance new capital expenditure	(4,449)
(6,884)	Use of the Major Repairs Reserve to finance new capital expenditure	(13,660)
(13,223)	Application of grants to capital financing from the Capital Grants Unapplied Account	(9,600)
(6,287)	Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances (including finance lease liabilities)	(5,928)
(1,870)	Capital expenditure charged against the General Fund and HRA balances (DRC)	(3,157)
0	Other Adjustments	0
(33,574)		(36,792)
	Assets Transferred from Development Corporation	0
(1,205)	Movements in the market value of Investment Properties debited or credited to the CIES	4
65	Movements in assets held for sale debited or credited to the CIES	112
(441,176)	Balance at 31 March	(422,440)

NOTES TO THE CORE STATEMENTS
General Notes

(c) Financial Instruments Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for the income and expenditure relating to certain financial instruments and for bearing losses or benefiting from gains according to statutory provisions. The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure statement when they are incurred but reversed out of the General Fund Balance to this Account in the Movements in Reserves statement. Over time the expense is posted back to the General Fund Balance in accordance with the statutory arrangements for spreading the burden on Council Tax. Usually this means writing off the balance over the unexpired term of the loans when they were redeemed. The large balance is due to the debt rescheduling undertaken in August 2010 whereby the premium payable on each loan has been written down over remaining life of the loan. When rescheduled in 2010/11 the remaining life of the loans repaid ranged from 3–48 years. Therefore the balance on this account will be cleared over a period of 48 years with currently a further 46 years remaining.

2012/13 £000		2013/14 £000
15,316	Balance at 1 April	15,127
(189)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(132)
15,127	Balance at 31 March	14,995

(d) Pensions Reserve

This reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding those benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation and changing assumptions about investment returns on those resources set aside to meet the costs. However statutory arrangements require benefits earned to be financed as the Council makes employer contributions to the Pension Fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve shows the substantial shortfall in the benefits earned by past and present employees and the resources set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2012/13 £000		2013/14 £000
153,579	Balance at 1 April	157,965
10,339	Actuarial gains or losses on pensions assets and liabilities	(21,337)
4,291	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	13,672
(10,244)	Employer's pensions contributions and direct payments to pensioners payable in the year	(10,493)
157,965	Balance at 31 March	139,807

NOTES TO THE CORE STATEMENTS
General Notes

Note 24 ANALYSIS OF GOVERNMENT GRANTS

The Council credited the following material grants and contributions to the Comprehensive Income and Expenditure statement in financial years 2012/13 and 2013/14.

Credited to Services:		
Revenue		
(70,607)	Housing Benefit	(61,167)
	Public Health Grant	(8,370)
(79,168)	Dedicated Schools Grant	(61,289)
(1,800)	DCLG Development Corporation Implementation	0
(1,116)	ERDF Low Carbon	0
(2,611)	Re-ablement Grant	(2,534)
(1,402)	Contributions from Other Bodies	0
(1,535)	Health Authority Joint Funding	0
(2,176)	Pupil Premium Grant	0
(5,672)	Other	(7,093)
Capital		
(1,270)	DOE	(1,345)
(1,499)	Other	(456)
(168,856)	Total	(142,254)

2012/13		2013/14
£000		£000

Credited to Taxation and Non Specific Grant Income:		
Revenue		
(58,927)	Council Tax (include surplus/deficit on collection fund)	(51,984)
(57,444)	National Non Domestic Rates	(25,187)
(1,114)	Revenue Support Grant	(43,605)
(649)	New Homes Bonus	(1,314)
(1,439)	Council Tax Freeze Grant	0
(8,066)	Early Intervention Grant	0
(4,526)	Learning Disability and Health Reform	0
(1,142)	Housing Benefit Admin Grant	(1,048)
0	Education Support Grant	(1,475)
(367)	Other	(901)
Capital		
(3,688)	Department for Transport	(3,715)
(8,029)	Department for Education	(4,906)
(1,941)	Other	(1,764)
(147,332)	Total	(135,899)

NOTES TO THE CORE STATEMENTS

General Notes

The Council has received a number of capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that would require the monies or property to be returned to the giver if those conditions are not met. The balances on these at the end of each year and are as follows:

31 March 2013		31 March 2014
£000		£000
	Capital Grants & Contributions - Receipts in Advance	
(4,702)	Section 106	(4,954)
(2,177)	Department for Education	(1,392)
(186)	Department of Communities and Local Government	(161)
(87)	Environmental Trusts	(4)
(730)	Port of London Authority	(726)
(7,882)	Total	(7,237)

Note 25 CONTINGENT LIABILITIES

The Council has responsibility for the aftercare of a landfill site in the borough. The Council considers that, while the remaining annual maintenance costs associated with the site are not material, there remains a small possibility of the release of pollutants during the aftercare phase. The costs associated with this risk are uncertain to date.

Note 26 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue on 30 June 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place after this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

NOTES TO THE CORE STATEMENTS

General Notes

Note 27 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure on the face of the Comprehensive Income and Expenditure statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across the Council's directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure, whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure statement;
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than the current service cost of benefits accrued in the year; and
- Expenditure on some support services is budgeted for centrally and not charged to Directorates.

The income and expenditure of the Council's principal directorates as recorded in budget monitoring reports during the year at outturn is as follows:

Directorate Income and Expenditure	Adults, Health and Commissioning	Central Services	Childrens Service	Environment	Housing	Housing Revenue Account	Planning and Transportation	Public Health	Public Protection	SERCO	Total
2013/14 Figures	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(8,411)	(5,348)	(7,093)	(731)	(906)	(55,167)	(2,978)	0	(392)	(1,188)	(82,214)
Government Grants	(6,588)	(62,804)	(14,315)	(1)	0	(100)	(967)	(6,056)	(1,422)	0	(92,253)
Employee expenses	10,828	12,286	19,375	7,991	726	7,467	3,651	551	2,262	0	65,137
Other service expenses	41,287	77,650	36,799	14,726	922	44,454	7,909	5,295	2,335	18,889	250,265
Support service recharges	0	0	0	(3,069)	0	2,391	0	0	0	0	(678)
Grand Total	37,116	21,784	34,765	18,917	742	(955)	7,615	(210)	2,783	17,701	140,258

NOTES TO THE CORE STATEMENTS

General Notes

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure statement

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	2013/14
	£000
Net expenditure in the Directorate Analysis	140,258
Additional segments not in the analysis	(14,061)
Amounts not included in the analysis included in cost of services	27,297
Amounts included in the analysis not included in cost of services	(31,020)
Allocation of support service recharges	(11,924)
Cost of Services in Comprehensive Income and Expenditure Statement	110,550

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure statement.

	Directorate Analysis	Additional segments not in analysis	Amount not Included in the Analysis Included in Cost of Services	Amounts Included in the Analysis not Included in Cost of Services	Allocation of Support Service Recharges	Cost of Services	Amounts Reported below Net Cost of Services	Total
2013/14 figures	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(82,214)	(4,172)	3,763	0	0	(82,623)	(10,125)	(92,748)
Interest and investment income	0	0	0	0	0	0	(299)	(299)
Income from council tax	0	0	0	0	0	0	(51,984)	(51,984)
Income from non-domestic rates	0	0	0	0	0	0	(25,187)	(25,187)
Government grants and contributions	(92,253)	(60,625)	10,624	0	0	(142,254)	(58,728)	(200,982)
Total Income	(174,467)	(64,797)	14,387	0	0	(224,877)	(146,323)	(371,200)

NOTES TO THE CORE STATEMENTS
General Notes

	Directorate Analysis	Additional segments not in analysis	Amount not Included in the Analysis Included in Cost of Services	Amounts Included in the Analysis not Included in Cost of Services	Allocation of Support Service Recharges	Cost of Services	Amounts Reported below Net Cost of Services	Total
2013/14 figures	£000	£000	£000	£000	£000	£000	£000	£000
Employee expenses	65,137	64,691	150	0	(10,363)	119,615	0	119,615
Other service expenses	235,666	(13,955)	4,773	(16,421)	(23,756)	186,307	0	186,307
Support Service recharges	(678)	0	0	0	22,195	21,517	0	21,517
Depreciation, amortisation and impairment	0	0	7,987	0	0	7,987	0	7,987
Interest Payments	14,599	0	0	(14,599)	0	0	14,599	14,599
Precepts & Levies	0	0	0	0	0	0	577	577
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	843	843
Value of Fixed Assets written out of I&E	0	0	0	0	0	0	49,874	49,874
Total expenditure	314,725	50,736	12,910	(31,020)	(11,924)	335,427	65,893	401,320
Surplus or deficit on the provision of services	140,258	(14,061)	27,297	(31,020)	(11,924)	110,550	(80,430)	30,120

NOTES TO THE CORE STATEMENTS
General Notes

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure statement.

Directorate Income and Expenditure	Adult Social Care	Chief Executive Delivery Unit	Chief Executive	Children Service	Environment	Finance and Corporate Governance	Housing General Fund	Housing Revenue Account	Planning & Transportion	Libraries and Cultural Service	Public Protection	Treasury	Transformation	Total
2012/13 Figures Comparative	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(8,299)	(446)	(165)	(8,386)	(636)	(4,250)	(643)	(47,458)	(2,133)	(421)	(469)	(435)	(1,541)	(75,283)
Government Grants	(3,224)	(2,132)	(116)	(14,615)	(7)	(71,433)	(164)	198	(1,333)	0	(1,317)	0	(330)	(94,473)
Directorate Income and Expenditure	Adult Social Care	Chief Executive Delivery Unit	Chief Executive	Children Service	Environment	Finance and Corporate Governance	Housing General Fund	Housing Revenue Account	Planning & Transportion	Libraries and Cultural Service	Public Protection	Treasury	Transformation	Total
2012/13 Figures Comparative	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Employee expenses	9,587	1,698	1,119	19,752	7,362	4,797	742	5,253	2,944	1,050	1,854	0	171	56,330
Other service expenses	35,538	2,445	172	35,361	15,903	75,280	2,741	39,087	7,472	969	2,306	8,676	21,605	247,556
Support service recharges	3,108	0	1,206	(9)	(7,432)	6,200	0	0	(766)	0	0	0	0	2,307
Grand Total	36,709	1,565	2,217	32,103	15,190	10,594	2,676	(2,920)	6,185	1,598	2,375	8,240	19,906	136,438

NOTES TO THE CORE STATEMENTS

General Notes

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure statement

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	2012/13
	£000
Net expenditure in the Directorate Analysis	136,438
Amounts not included in the analysis included in cost of services	47,394
Amounts included in the analysis not included in cost of services	0
Allocation of support service recharges	(13,256)
Cost of Services in Comprehensive Income and Expenditure Statement	170,575

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure statement.

NOTES TO THE CORE STATEMENTS

General Notes

	Directorate Analysis	Additional segments not in analysis	Amount not Included in the Analysis Included in Cost of Services	Amounts Included in the Analysis not Included in Cost of Services	Allocation of Support Service Recharges	Cost of Services	Amounts Reported below Net Cost of Services	Total
2012/13 figures comparative	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(75,283)	0	4,352	0	0	(70,931)	(6,537)	(77,468)
Interest and investment income	0	0	0	0	0	0	(13,544)	(13,544)
Income from council tax	0	0	0	0	0	0	(58,927)	(58,927)
Government grants and contributions	(94,473)	0	(74,383)	0	0	(168,856)	(88,406)	(257,262)
Total Income	(169,756)	0	(70,031)	0	0	(239,787)	(167,414)	(407,201)
Employee expenses	56,330	0	20,897	0	0	77,227	0	77,227
Other service expenses	239,338	0	32,143	0	0	271,481	0	271,481
Support Service recharges	2,307	0	0	0	(13,256)	(10,949)	0	(10,949)
Depreciation, amortisation and impairment	0	0	72,508	0	0	72,508	0	72,508
Interest Payments	8,218	0	(8,123)	0	0	95	23,860	23,955
Precepts & Levies	0	0	0	0	0	0	578	578
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	758	758
Value of Fixed Assets written out of I&E	0	0	0	0	0	0	51,562	51,562
Total expenditure	306,194	0	117,425	0	(13,256)	410,362	76,758	487,121
Surplus or deficit on the provision of services	136,438	0	47,394	0	(13,256)	170,575	(90,656)	79,920

NOTES TO THE CORE STATEMENTS
Capital Notes

Note 28 HERITAGE ASSETS SUMMARY OF TRANSACTIONS

These assets relate to buildings, art, a coin collection, ship models and antiques.

The application of FRS30 required a summary of transactions relating to heritage assets reported in the balance sheet in the current year and for the four preceding periods – these are listed below.

There have been no additions or disposals of heritage assets between 2009/10 and 2013/14 with the only changes in asset values relating to revaluations.

	2010-11	2010-11	2011-12	2011-12	2012-13	2012-13	2013-14	2013-14
	Buildings	Artefacts	Buildings	Artefacts	Buildings	Artefacts	Buildings	Artefacts
Opening Carrying Value	19,261	122	19,879	123	20,751	122	21,166	122
Revaluations	618	1	872	(1)	415	0	0	0
Impairments	0	0	0	0	0	0	0	0
Closing Carrying Value	19,879	123	20,751	122	21,166	122	21,166	122

Note 29 INTANGIBLE ASSETS

2012/13		2013/14
£000		£000
	Balance at start of the year:	
1,368	Gross Carrying Amounts	4,059
0	Accumulated Amortisation	(195)
1,368	Net carrying amount as start of year:	3,864
	Additions:	
2,692	- Purchases	34
(195)	Amortisation for the period	(644)
	Balance at end of the year:	
4,059	Gross Carrying Amounts	4,093
(195)	Accumulated Amortisation	(839)
3,864	Net carrying amount at the end of the year:	3,254

NOTES TO THE CORE STATEMENTS
Capital Notes

Note 30 PROPERTY, PLANT AND EQUIPMENT

Movement in 2013/14	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation:								
At 1 April 2013	502,978	177,432	19,701	16,980	80,069	0	46,770	843,930
Additions / Donations	16,457	3,633	4,751	456	5,011	31	472	30,811
Additions - Other	0	0	0	0	0	0	0	0
Reclassification of Former Development Corporation Assets	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	(190)	(246)	0	0	0	0	(436)
Derecognition - Other	(16,183)	(27,381)	0	0	0	0	0	(43,564)
Revaluations Recognised in Revaluation Reserve	232	254	0	0	0	0	0	486
Revaluations Recognised in Surplus/Deficit on Provision of Services	8,854	(1,766)	0	0	0	0	(36)	7,052
Assets reclassified (to)/from Held for Sale	(4,972)	(400)	0	0	0	0	0	(5,372)
Assets reclassified (to)/from Investment Property	0	275	0	0	0	0	0	275
Other movements in Cost or Valuation	0	0	0	0	0	0	0	0
At 31 March 2014	507,366	151,857	24,206	17,436	85,080	31	47,206	833,182

NOTES TO THE CORE STATEMENTS
Capital Notes

Movement in 2013/14	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Accumulated Depreciation and Impairment								
At 1 April 2013	(6,253)	(4,390)	(10,641)	(4,467)	(16,500)	0	0	(42,251)
Depreciation charge	(6,255)	(3,799)	(1,934)	(562)	(2,238)	0	(57)	(14,845)
Depreciation charge on previous impairment loss reversals	0	0	0	0	0	0	0	0
Depreciation written back to the Revaluation Reserve	1	558	0	0	0	0	0	559
Depreciation written back to Surplus/Deficit on Provision of Services	94	355	0	0	0	0	0	449
Impairments/reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairments/reversals recognised in Surplus/Deficit on Provision of Services	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	123	0	0	0	0	123
Derecognition - Other	0	751	0	0	0	0	0	751
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	0
Other movements in Depreciation and Impairment	0	9	0	0	0	0	0	9
At 31 March 2014	(12,413)	(6,516)	(12,452)	(5,029)	(18,738)	0	(57)	(55,205)
NBV At 31 March 2013	496,725	173,042	9,060	12,513	63,569	0	46,770	801,679
NBV At 31 March 2014	494,953	145,341	11,754	12,407	66,342	31	47,149	777,977

NOTES TO THE CORE STATEMENTS
Capital Notes

Comparative 2012-13	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation								
At 1 April 2012	445,836	335,700	19,038	15,862	75,833	1,014	10,213	903,496
Additions / Donations	7,843	6,384	695	1,218	3,236	0	4,639	24,015
Additions - Other	0	0	0	0	0	0	0	0
Reclassification of Former Development Corporation Assets	0	(49,259)	0	0	1,000	0	45,124	(3,135)
Derecognition - Disposals	0	(2)	(32)	0	0	0	0	(34)
Derecognition - Other	(7,843)	(38,846)	0	(100)	0	(121)	0	(46,910)
Revaluations Recognised in Revaluation Reserve	4,227	41,667	0	0	0	0	453	46,347
Revaluations Recognised in Surplus/Deficit on Provision of Services	54,602	(118,581)	0	0	0	0	(14,510)	(78,489)
Assets reclassified (to)/from Held for Sale	(2,641)	0	0	0	0	0	1,255	(1,386)
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	0
Other movements in Cost or Valuation	954	368	0	0	0	(893)	(404)	25
At 31 March 2013	502,978	177,432	19,701	16,980	80,069	0	46,770	843,930

NOTES TO THE CORE STATEMENTS
Capital Notes

Comparative 2012-13	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Accumulated Depreciation and Impairment								
At 1 April 2012	(18,256)	(8,644)	(8,825)	(3,984)	(14,343)	0	(139)	(54,192)
Depreciation charge	(6,276)	(4,841)	(1,848)	(503)	(2,157)	0	(39)	(15,664)
Depreciation charge on previous impairment loss reversals	0	215	0	0	0	0	0	215
Depreciation written back to the Revaluation Reserve	332	4,223	0	0	0	0	53	4,608
Depreciation written back to Surplus/Deficit on Provision of Services	17,948	4,098	0	0	0	0	125	22,171
Impairments/reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairments/reversals recognised in Surplus/Deficit on Provision of Services	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	32	0	0	0	0	32
Derecognition - Other	0	558	0	20	0	0	0	578
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	0
Other movements in Depreciation and Impairment	(1)	1	0	0	0	0	0	0
At 31 March 2013	(6,253)	(4,390)	(10,641)	(4,467)	(16,500)	0	0	(42,252)
NBV At 31 March 2012	427,580	327,056	10,213	11,878	61,490	1,014	10,074	849,304
NBV At 31 March 2013	496,725	173,042	9,060	12,513	63,569	0	46,770	801,678

NOTES TO THE CORE STATEMENTS

Financial Instrument Notes

Note 30 PROPERTY, PLANT AND EQUIPMENT (cont.)

Valuation of Property, Plant and Equipment

The freehold and leasehold properties which comprise the Council's property portfolio have been valued at 31 March 2014 by the Council's own valuers and GVA Grimley Limited (for former Development Corporation Assets). The valuers are members of the Royal Institution of Chartered Surveyors (RICS). The valuations have been prepared in accordance with the UK Practice Statements contained in the RICS Appraisal and Valuation Standards (the "Red Book").

From the 1st April 2010 the Social Housing Factor, the amount by which the open market value is discounted for the fact the properties are used for social housing was amended to 39%, in line with guidelines issued by the Department for Communities and Local Government. There has been no change to the Social Housing Factor during 2013/14.

A full valuation of council dwellings was undertaken at 1 April 2012 and this is followed by an annual desktop valuation to determine any further increases or decreases in property values as at 31 March 2014. Six indices (Halifax, Nationwide, Land Registry, "Office for National Statistics", Right Move and Zoopla.co.uk) were referenced in order to reach a decision. The indices indicated a mixed picture, there being no consensus opinion on direction of movement. The information from Right Move provided the most comprehensive information geographically and given most weight; therefore an increase in Council dwellings of 1.85% was applied. The next full valuation of council dwellings is scheduled to take place in 2017.

A desktop review of other land and building assets was undertaken as at 31 March 2014. Four categories were reviewed (Retail, Offices, Development Land and Industrial) and each indicated a 0% change.

Details of the basis for the valuation of Property, Plant and Equipment are outlined in Note 1 to these financial statements – Accounting Policies.

Note 31 CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, including the value of assets acquired under finance leases, together with the resources that have been used to finance them. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The methodology for the calculation of the CFR is set by Central Government regulation.

2012/13 £000		2013/14 £000
295,718	Opening Capital Financing Requirement	295,319
	Capital investment	
24,015	Property, Plant and Equipment	30,813
0	Investment Property	0
2,692	Intangible Assets	35
0	Held for Sale Assets	0
0	Heritage Assets	0
6,470	Revenue Expenditure Funded from Capital under Statute	3,787
0	Development Corporation Assets Transferred	0
0	HRA Financing Reform	0

NOTES TO THE CORE STATEMENTS
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2012/13		2013/14
£000		£000
	Sources of finance	
(5,309)	Capital receipts	(4,450)
(21,980)	Government grants and other contributions (includes REFCUS & MRA)	(26,416)
	Sums set aside from revenue:	
0	• Direct revenue contributions	0
0	• Deferred Purchase	0
(6,287)	• MRP (including finance leases liabilities)	(5,928)
	• Statutory repayment of debt (finance leases liabilities)	
0	Development Corporation Assets Transferred Value	0
0	Other Adjustments	0
295,319	Closing Capital Financing Requirement	293,160
	Explanation of movements in year	
(3,114)	Decrease in underlying need to borrowing (supported by government financial assistance)	(2,875)
2,715	Increase in underlying need to borrowing (unsupported by government financial assistance)	716
0	HRA Financing Reform	0
0	Assets acquired / adjusted under finance leases	0
(399)	Increase/(Decrease) in Capital Financing Requirement	(2,159)

Reconciliation of the capital financing requirement to the Balance Sheet is shown in the table below:

2012/13	Balance Sheet Item	2013/14
£000		£000
801,678	Property Plant & Equipment	777,977
3,745	Investment Property	2,407
777	Assets Held for Sale	364
3,864	Intangible Assets	3,254
21,288	Heritage Assets	21,288
(94,857)	Revaluation Reserve	(89,690)
(441,176)	Capital Adjustment Account	(422,440)
295,319	Total Capital Financing Requirement	293,160

Note 32 CAPITAL COMMITMENTS

As at 31 March 2014, the Council had authorised expenditure in future years of £7.42m. In addition a further £43.20m had been previously authorised for use in 2014/15 and 2015/16, giving a total future years' commitment of £50.62m. These commitments included contractual commitments of £23.07m.

NOTES TO THE CORE STATEMENTS
Financial Instrument Notes

Note 33 FINANCIAL INSTRUMENTS

a. Categories of Financial Instrument

The following categories of financial instruments are shown in the Balance Sheet:

31 March 2013			31 March 2014	
Carrying amount	Fair Value		Carrying amount	Fair Value
£000	£000		£000	£000
(93,626)	(93,626)	Temporary Market Debt	(94,120)	(94,120)
(243)	(243)	Long Term Loans maturing in less than 1 year	(268)	(268)
(93,869)	(93,869)	Short Term Borrowing	(94,388)	(94,388)
(160,889)	(175,698)	PWLB Debt	(160,889)	(165,387)
(28,224)	(53,037)	Long Term Market Debt	(28,233)	(46,497)
(3)	(3)	Bonds/Annuities	(3)	(3)
(189,116)	(228,738)	Long Term Borrowing	(189,125)	(211,887)
(15,401)	(15,401)	Other Creditors at Contract Amounts	(11,412)	(11,412)
(2,389)	(2,389)	Total Leasing Liability	(1,719)	(1,719)
(300,775)	(340,397)	Total Financial Liabilities	(296,644)	(319,406)
24,604	24,604	Temporary Investments	17,412	17,412
20,148	20,148	Fund Managers Investments	20,007	20,007
44,752	44,752	Short Term Investments	37,419	37,419
147	147	Cash held by the Council	176	176
(653)	(653)	Bank Current Accounts	5,073	5,073
4,199	4,199	Short term deposits with Financial	3,649	3,649
3,693	3,693	Cash and Cash Equivalents	8,898	8,898
8,603	8,603	Other Debtors at Contract Amounts	10,207	10,207
57,049	57,049	Total Financial Assets	56,524	56,524

NOTES TO THE CORE STATEMENTS
Financial Instrument Notes

b. Financial Instruments Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure statement in relation to financial instruments are made up as follows:

2013/14				
	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost	Loans and receivables	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000	£000	£000	£000
Interest expense	8,023	0	0	8,023
Total expense in Surplus or Deficit on the Provision of Services	8,023	0	0	8,023
Interest income	0	(213)	(86)	(299)
Total income in Surplus or Deficit on the Provision of Services	0	(213)	(86)	(299)
Net gain/(loss) for the year	8,023	(213)	(86)	7,724
2012/13				
	Liabilities measured at amortised cost	Loans and receivables	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000	£000	£000	£000
Interest expense	8,123	0	0	8,123
Total expense in Surplus or Deficit on the Provision of Services	8,123	0	0	8,123
Interest income	0	(242)	(193)	(435)
Total income in Surplus or Deficit on the Provision of Services	0	(242)	(193)	(435)
Net gain/(loss) for the year	8,123	(242)	(193)	7,688

NOTES TO THE CORE STATEMENTS

Financial Instrument Notes

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

Financial liabilities and assets represented by loans and receivables, debtors and creditors are carried on the Balance Sheet at amortised cost. The fair values of financial instruments calculated (using the assumptions listed above) are as follows:

31 March 2013 £000	Maturity Profile of Financial Liabilities	31 March 2014 £000
(106,022)	Less than 1 year	(105,412)
(18,000)	Between 25 and 30 years	(18,000)
0	Between 35 and 40 years	(10,000)
(61,000)	Between 40 and 45 years	(76,000)
(110,889)	Over 45 years	(85,889)
(295,911)	Total Financial Liabilities	(295,301)

The fair value calculates the present value of the cash flows that take place over the remaining term of the instruments, using the following assumptions:

31 March 2013 £000	Maturity Profile of Financial Assets	31 March 2014 £000
58,717	Less than 1 year	51,229
58,717	Total Financial Assets	51,229

- The Public Works Loans Board (PWLB) figures were calculated with reference to the premature repayments rates in force on 31st March 2014.
- For market loans the Council's advisers have assessed fair value by using the equivalent swap rates ruling in the market on 31st March 2014;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months the carrying value is assumed to be the same as fair value;
- 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 either the principal outstanding or the billed amount;
- For investments held by the Council's Fund Managers the market value taken from the end of year valuations have been used;
- The fair value of creditors and debtors is taken to be the invoiced or billed amount; and
- The element of long term liabilities maturing in less than one year is now transferred to this category.

The fair value of financial liabilities is greater than the carrying amount because the Council'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 Council would have to pay if the lender requested or agreed to early repayment of the loan.

NOTES TO THE CORE STATEMENTS

Financial Instrument Notes

Note 34 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key Risks

The Council is exposed to a variety of financial risks. The key risks are:

- **Credit Risk** – the possibility that other parties might fail to pay amounts due to the Council;
- **Liquidity Risk** – the possibility that the Council might not have funds available to meet its commitments to make payments as they fall due;
- **Re-Financing Risk** – the possibility that the Council might need to renew a financial instrument on maturity at disadvantageous interest rates or terms; and
- **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:

- By formally adopting the requirements of the Code of Practice;
- By approving annually in advance at the start of the financial year a set of prudential indicators for the following three years limiting:
 1. The Council's overall borrowing. For 2013/14 the Operational Limit was £352.6m and the Authorised Limit was £377.6m,
 2. Its maximum and minimum exposures to fixed and variable rates. For 2013/14 the Upper Limit on Fixed Interest Rates was 100% and the Upper Limit of Variable Interest rates was 50%,
 3. The maturity structure of its debt. For 2013/14 the Upper Limit for less than 12 months was 100%; 12 months to 40 years was 60% and for 40 years to 50 years and above was 100% while the Lower Limit in all periods was 0%.
 4. Its maximum annual exposure to investments maturing beyond a year. For 2013/14 this limit was set at £15m, and 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 Service to implement the approved strategies and policies.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The Council's current credit policy is not solely based on credit ratings. The minimum credit rating for institutions is A- and for countries is AA+; this is based on the ratings from all three rating agencies with the lowest rating of all three being used. Assessments are also made

NOTES TO THE CORE STATEMENTS

Financial Instrument Notes

of Credit Default Swaps (when quoted), Public Debt as a percentage of GDP (for Countries), levels of sovereign support, share prices, macro economic indicators and corporate developments/news articles/market sentiment. For foreign countries the Council may not invest more than £12.5m in each country, except for the UK where all the Council's funds can be invested. For single institutions the maximum level of investment is £5m. The assessments are all made by the Council's Treasury Management Advisors, Arlingclose.

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

Deposits with Banks and Financial Institutions	Amount at 31 March 2013	Amount at 31 March 2014	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2014	Estimated maximum exposure
	£000	£000	%	%	£000
Investec Target return Fund	10,018	9,878	0	0	0
Banks Rates AAA Long Term	770	0	0	0	0
Banks Rates AA Long Term	9,098	10,140	0	0	0
Banks Rates A Long Term	11,200	6,450	0	0	0
Co-Op Bank	5,000	0	0	0	0
Un-rated Building Societies	2,200	13,550	0	0	0
Local Authorities	10,600	1,000	0	0	0
Cash	15	4	0	0	0
	48,901	41,022	0	0	0

The analysis in the above table is based on the nominal values of investments outstanding as at 31 March 2014 and therefore not comparable to the balance sheet.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or to repay the principal sum is specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments.

The Council does not generally allow credit for its trade debtors, and effectively £3.92m of the total balance was past its due date for payment at 31st March 2014. Therefore provision for bad debts of £1.07m has been calculated with reference to estimated default rates.

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 local authorities (although it will not provide funding to an authority 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 set out above (Prudential Indicators and its Treasury and Investment Strategy), as well as through prudent cash flow management as required by the Code of Practice. Cash is managed so as to ensure that funds are available when required.

NOTES TO THE CORE STATEMENTS

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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 on page 75. The total of debtors outstanding at the end of the financial year is shown in the table for financial assets in the Less Than 1 Year.

Refinancing Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow management proceeds described above are considered to be adequate to deal with short-term financing risks, there is a longer-term risk to the Council relating to managing exposure to the replacement of financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets that might need to be replenished at a time of unfavourable interest rates. The Council sets limits on the proportion of fixed rate borrowing maturing during specified periods.

The 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's 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:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt; and
- 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 and financial assets is set out on page 76.

The maturity analysis of both financial assets and liabilities are based on the nominal value of the assets outstanding at 31st March 2014 and therefore not comparable to the balance sheet.

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.

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 Comprehensive Income and Expenditure statement. However, changes in interest payable and receivable on variable rate borrowings and investments are posted to the Comprehensive Income and Expenditure statement and affect the General Fund Balance, subject to any account that might be taken of such changes in the setting of Government Grants. Movements in the fair value of fixed rate investments that have a quoted market price are reflected in the Comprehensive Income and Expenditure statement.

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 and 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 at 31 March 2014 would have been:

NOTES TO THE CORE STATEMENTS

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2012/13 £000	Sensitivity Analysis	2013/14 £000
35,540	Decrease in fair value of fixed rate borrowings liabilities	32,346

(Note – there is no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

Price Risk

The Council, with the exception of its' attributable share of the Essex Pension Fund, does not 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 rate

NOTES TO THE CORE STATEMENTS

Pension Notes

Note 35 PENSION SCHEME ACCOUNTED FOR AS A DEFINED CONTRIBUTION SCHEME

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education. The Scheme provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of fund members' pensionable salaries.

However, because the scheme is unfunded the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities (i.e., the Council). It is not possible for the Council to identify its share of the underlying financial position and performance of the scheme attributable to its own employees with sufficient reliability for accounting purposes. For the purposes of these accounts, it is therefore treated on the same basis as if it were a fully funded defined contribution scheme.

In 2013/14 the Council paid a total of £3.833m, including £1.474m actual teachers' contributions, (£1.848m in 2012/13) in respect of teachers' retirement benefits. The employer's contribution rate remained at 14.1%.

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 36.

Note 36 DEFINED BENEFIT PENSION SCHEMES

Change in Accounting Policy

There are new classes of components of the defined benefit cost of the scheme required to be recognised in the financial statements in 2013/14. These include:

- Net interest on the net defined benefit liability
- Re-measurements of the net defined benefit liability

There are also new recognition criteria for service costs...

The change in accounting policy applies from 1 April 2013.

The impact of the new definitions on the 2012/13 Comprehensive Income and Expenditure statement shown in Note 6 to the accounts.

Participation in Pension Schemes

As part of the terms and conditions of the employment of its officers and its employees, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and to disclose the items at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme administered by Essex County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a Fund, calculated at a level intended to balance the pension liabilities with investment assets; and
- Arrangements for the award of discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. The costs shown in the tables below arise from awards made some years ago.

NOTES TO THE CORE STATEMENTS

Pension Notes

- The Essex Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Essex County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee and consist of the director of finance and resources of Essex and Barnabus Investment Fund managers.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Post Employment Benefits

The cost of retirement benefits is recognised in the reported Cost of Services within the Comprehensive Income and Expenditure statement 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 post employment/retirement benefits is reversed out of the General Fund by way of the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure statement and the General Fund Balance in the Movement in Reserves statement during the year:

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Pension Notes

	Local Government Pension Scheme 2012/13 £000	Local Government Pension Scheme 2013/14 £000	Unfunded Benefits 2012/13 £000	Unfunded Benefits 2013/14 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Service cost comprising:				
• current service costs	284	7,059	0	0
• administration costs	51	37		
Financing and Investment Income and Expenditure:				
• Net interest cost	6,544	6,576	449	438
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	6,879	13,672	449	438
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
• return on plan assets (excluding the amount included in the net interest expense)	(15,867)	(8,864)	0	0
• actuarial (gains) and losses arising on changes in demographic assumptions	0	(22,233)	0	(379)
• actuarial (gains) and losses arising on changes in financial assumptions	23,498	11,036	401	349
• other	120	(1,276)	0	0
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	14,630	(7,665)	850	408
	Local Government Pension Scheme 2012/13 £000	Local Government Pension Scheme 2013/14 £000	Unfunded Benefits 2012/13 £000	Unfunded Benefits 2013/14 £000
Movement in Reserves Statement				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(6,879)	(13,672)	(449)	(438)
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employers' contributions payable to scheme	10,244	10,493		
• Retirement benefits payable to pensioners			660	656

NOTES TO THE CORE STATEMENTS

Pension Notes

The cumulative amount of actuarial gains and losses, since 1 April 2005 recognised in the Comprehensive Income and Expenditure statement to 31 March 2014 is a £26.536m loss.

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme 2012/13 £000	Local Government Pension Scheme 2013/14 £000	Unfunded Benefits 2012/13 £000	Unfunded Benefits 2013/14 £000
Present value of defined benefit obligation	374,085	382,237	10,269	10,021
Fair Value of plan assets	(226,389)	(252,451)	0	0
Sub-total	147,696	129,786	10,269	10,021
Net liability arising from defined benefit obligation	147,696	129,786	10,269	10,021

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	Local Government Pension Scheme 2012/13 £000	Local Government Pension Scheme 2013/14 £000	Discretionary Benefits Arrangements 2012/13 £000	Discretionary Benefits Arrangements 2013/14 £000
Opening fair value of scheme assets	204,370	226,389	0	0
Interest income	9,191	10,105	0	0
Remeasurement gain/(loss)	0	1,443	0	0
- The return on plan assets, excluding the amount included in the net interest expense	15,867	8,864	0	0
- Other	(51)	(37)	0	0
Contributions from employer	10,244	10,493	0	0
Contributions from employees into the sche	2,704	2,876	0	0
Benefits paid	(11,649)	(11,669)	0	0
Other (if applicable)	(4,287)	3,987	0	0
Closing fair value of scheme assets	226,389	252,451	0	0

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 relevant markets.

The actual return on scheme assets in the year was £18.969m (£25.058m in 2012/13)

NOTES TO THE CORE STATEMENTS
Pension Notes

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme (all benefits)	Local Government Pension Scheme (all benefits)	Unfunded Liabilities: Discretionary Benefits	Unfunded Liabilities: Discretionary Benefits
	2012/13	2013/14	2012/13	2013/14
	£000	£000	£000	£000
Opening balance at 1 April	357,949	384,354	(10,079)	(10,269)
Current service cost	9,005	10,708	0	0
Interest cost	15,737	16,681	(449)	(438)
Contributions by scheme participants	2,704	2,876	0	0
Liabilities extinguished on settlements	(13,466)	(391)	0	0
Remeasurement (gains) and losses:				
- Actuarial (gains) and losses arising from changes in demographic assumptions	118	(22,066)	0	
- Actuarial (gains) and losses arising from in financial assumptions	23,498	11,036	(401)	30
Benefits/Transfers paid	(10,989)	(11,013)	0	0
Curtailments & Settlements	458	729	0	0
Unfunded Pension Payments	(660)	(656)	660	656
Closing balance at 31 March	384,354	392,258	(10,269)	(10,021)

Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets 2012/13	Fair Value of Scheme Assets 2013/14
	%	%
Cash and Cash Equivalents	4	2
Equity instruments:	64	67
Sub-total Equity	64	67
Bonds		
- Corporate	8	8
- Government	7	8
Sub-total Bonds	15	16
Property	12	11
Private Equity	12	11
Alternative Assets	5	4
Total assets	100	100

NOTES TO THE CORE STATEMENTS

Pension Notes

	Fair Value of Scheme Assets 2012/13 %	Fair Value of Scheme Assets 2013/14 %
Equity instruments:	64	67

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit 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 Barnett Waddingham LLP, an independent firm of actuaries. Estimates for Thurrock Council are based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary are as follows:

	Local Government Pension Scheme 31-Mar-13	Local Government Pension Scheme 31-Mar-14
Long-term expected rate of return on assets in the scheme:		
Equity investments	6.10%	6.70%
Government Bonds	3.00%	3.60%
Other Bonds	4.10%	4.20%
Property	5.10%	5.70%
Cash/Liquidity	0.50%	3.40%
Alternative Assets	6.10%	4.20%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
* Men	22.7 yrs	22.7 yrs
* Women	25.3 yrs	25.1 yrs
Longevity at 65 for future pensioners:		
* Men	24.2 yrs	24.9 yrs
* Women	26.9 yrs	27.4 yrs
Rate of inflation	2.60%	2.80%
Rate of increase in salaries	4.40%	4.60%
Rate of increase in pensions	2.60%	2.80%
Rate for discounting scheme liabilities	4.40%	4.40%
Take-up of option to convert annual pension into retirement lump sum	50.00%	60.00%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method.

NOTES TO THE CORE STATEMENTS

Pension Notes

The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme:

	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	378,511	406,129
Rate of inflation (increase or decrease by 1%)	0	0
Rate of increase in salaries (increase or decrease by 0.1%)	392,933	391,586
Rate of increase in pensions (increase or decrease by 0.1%)	398,467	386,158
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	385,595	399,042
	1,555,506	1,582,915

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100%. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. The authority anticipated to pay £16.39m expected contributions to the scheme in 2014/2015.

Note 37 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents in the Balance Sheet is made up of the following elements:

31 March 2013 £000		31 March 2014 £000
(161)	Cash held by the Council and in transit	176
(345)	Bank current accounts	4,173
4,199	Short-term deposits in UK banks & investments in money market funds	3,649
3,693	Total Cash and Cash Equivalents	7,998

NOTES TO THE CORE STATEMENTS
Cash Flow Notes

Note 38 OPERATING ACTIVITIES CASH FLOW STATEMENT

A breakdown of the cash flows arising from the Council operating activities is shown below:

2012/13		2013/14
£'000		£'000
373	Interest Received	275
65	Interest Received Opening Debtor	3
(3)	Interest Received Closing Debtor	(12)
(2,366)	Interest paid	(2,337)
0	Adjustments for differences between EIR and actual interest payable	0
(505)	Interest Paid Opening Creditor	(457)
367	Interest Paid Closing Creditor	485
(2,069)	Total Operating Activities	(2,043)

Note: the table above only includes interest received and interest paid in line with the disclosure requirements of the Code, and therefore does not correlate to the figures in the Cash Flow Statement.

Note 39 INVESTING ACTIVITIES CASH FLOW STATEMENT

A breakdown of the cash flows arising from the Council investing activities is shown below:

2012/13		2013/14
£'000		£'000
(26,707)	Purchase of property, plant and equipment, investment property and intangible assets	(30,846)
0	New Finance Leases	0
0	Capital grant repaid	0
(4,304)	Opening Capital Creditors	(1,969)
1,969	Closing Capital Creditors	3,093
(17,600)	Purchase of short-term and long-term investments	0
0	Other payments for investing activities	0
6,229	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	9,074
0	Proceeds from short-term and long-term investments	7,200
18,949	Other receipts from investing activities (including capital grants)	13,070
(21,464)	Net cash flows from investing activities	(378)

NOTES TO THE CORE STATEMENTS
Cash Flow Notes

Note 40 FINANCING ACTIVITIES CASH FLOW STATEMENT

A breakdown of the cash flows arising from the Council financing activities is shown below:

2012/13 £'000		2013/14 £'000
206,650	Cash receipts of short and long-term borrowing	197,000
(5,286)	Billing Authorities - Council Tax and NNDR adjustments	6,946
90	Other receipts from financing activities	(114)
(635)	Cash payments for the reduction of the outstanding liabilities (finance leases)	(706)
(207,650)	Repayments of short- and long-term borrowing	(196,500)
0	Other payments for financing activities	0
(6,831)	Net cash flows from financing activities	6,626

Note 41 NON CASH MOVEMENT CASH FLOW STATEMENT

A breakdown of the cash flows arising from the Council non cash movement is shown below:

2012/13 £'000		2013/14 £'000
(79,920)	Net Surplus or (Deficit) on the Provision of Services	(30,120)
	Adjust net surplus or deficit on the provision of services for non cash movements:	
72,377	Depreciation	7,456
195	Amortisation	644
117	Increase/decrease in provision for Impairments/doubtful debts re: Loans & Advances	117
0	Financial Guarantee Adjustments	0
(138)	Increase/Decrease in Interest Creditors	28
(7,287)	Increase/Decrease in Creditors	(12,083)
62	Increase/Decrease in Interest and Dividend Debtors	(9)
20,214	Increase/Decrease in Debtors	(4,474)
296	Increase/Decrease in Inventories	(79)
(5,953)	Movement in Pension Liability	2,961
1,162	Contributions to/(from) Provisions	5,651
51,561	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	49,851
(1,204)	Movement in Investment Property Values	3
131,403		50,066
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(17,815)	Capital Grants credited to surplus or deficit on the provision of services	(12,186)
119	Net adjustment from the sale of short and long term investments	142
(6,472)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(9,845)
(24,168)		(21,889)
27,314	Net Cash Flows for Operating Activities	(1,943)

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2012/13		2013/14
£'000	Note	£'000
	EXPENDITURE	
13,944	Repairs and Maintenance	12,494
19,221	Supervision and Management	21,682
50	Rents, rates, Taxes and Other Charges	288
(60,852)	Depreciation and Impairment of Non Current Assets	(2,322)
60	Debt Management Costs	101
300	Movement in the Allowance for Bad Debts	347
(27,277)	Total Expenditure	32,589
	INCOME	
(40,386)	Gross Rent from Dwellings	(45,271)
1,156	Less Voids	1,053
(39,230)	Net Rent from Dwellings (sub total)	(44,218)
	Non Dwelling Rents:	
(740)	Shop Rents	(731)
(596)	Garage Rents	(787)
(134)	Premises Income	(129)
(1,470)	Non Dwelling Rents (sub-total)	(1,646)
	Charges for Services and Facilities:	
(5,156)	Water Charges	(5,437)
(37)	Central Heating Charges	(43)
(5,193)	Charges for Services and Facilities (sub total)	(5,480)
	Contributions Towards Expenditure:	
(546)	Leaseholder Charges	(561)
(1,978)	Tenants Service Charges	(2,245)
(2,524)	Contributions Towards Expenditure (sub total)	(2,806)
(48,418)	Total Income	(54,151)
(75,695)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(21,562)
(75,695)	Net Expenditure for HRA Services	(21,562)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
6,911	(Gain) or loss on sale of HRA non-current assets	14,183
5,619	Interest payable and similar charges (Deferred Purchase Interest)	5,714
0	Income and expenditure in relation to investment properties and changes in their fair value	(116)
0	Interest and Investment Income	(33)
0	Pensions interest cost and expected return on Pension Assets	586
(63,165)	(Surplus)/ Deficit for the Year on HRA Services	(1,229)

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

MOVEMENT ON HRA BALANCE

2012/13		2013/14
£'000		£'000
(1,047)	Balance on HRA at 1 April	(1,700)
(63,165)	(Surplus)/Deficit for the Year on HRA Services	(1,229)
61,553	Adjustments Between Accounting Basis and Funding Basis under Statute:	275
(2,659)	Total	(2,654)
959	Transfer to/(from) Reserves:	0
(1,700)	Balance on HRA at 31 March	(2,654)

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2012/13		2013/14
£'000		£'000
	Reversal of Items debited or credited to the HRA Income and Expenditure Account	
(6,470)	Depreciation of non-current assets	(6,512)
(11,291)	Revaluation and Impairment losses on Property, Plant and Equipment	(233)
78,612	Revaluation gains reversing previous losses	9,177
14	Movement in Market Value on Investment Property	(5)
(65)	Movement in value of Held for Sale Assets	(112)
0	Amounts of Assets Held for Sale written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES	(21,044)
(10,231)	Amounts of Property, Plant and Equipment written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES	6,861
50,569		(11,868)
	Insertion of items not debited or credited to the HRA Income and Expenditure Account	
0	HRA Self Financing Capital Expenditure	0
0	Capital grants and contributions applied credited to the HRA	0
3,319	Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES	0
7,593	Reversal of Major Repairs Allowance credited to the HRA	12,850
(368)	Reversal of items relating to requirement benefits debited or credited to the CIES	(1,215)
433	Employer's pension contributions and direct payment to pensioners payable in year	509
7	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1)
10,984		12,143
61,553	Total	275

NOTES TO THE HOUSING REVENUE ACCOUNT

Note 1 GROSS RENT INCOME

The level of rent arrears was as follows:

2012/13 £'000	Rent Arrears	2013/14 £'000
1,119	Gross Current Arrears at 31 March	1,024
2.77%	As a Proportion of Gross Rent Income Collectable in the Year	2.26%
435	Former Tenant Arrears at 31 March	0

Amounts written-off during the year amounted to £670,442. There is a provision in the sum of £108,996 for the potential write-off of irrecoverable debts.

Note 2 DEPRECIATION

Depreciation of £6.51m was charged to the HRA in relation to operational assets comprising dwellings, other land and buildings. The charges in respect of impairment were £0.3m offset by reversals of impairments of £9.1m.

2012/13 £'000	Analysis of Depreciation and Impairment Charges	2013/14 £'000
	Depreciation:	
6,276	Dwellings	6,256
82	Other Land and Buildings	131
32	Plant and Equipment	45
80	Non-Operational Property, Plant and Equipment	80
(67,322)	Impairment of Property, Plant and Equipment	(8,832)
(60,852)	Total for Year	(2,320)

Note 3 PENSION RESERVE MOVEMENT

In order to comply with proper accounting practices under IFRS the current service costs of pensions and interest costs/ expected return on scheme assets applicable to the HRA and have been included in the HRA Income and Expenditure Statement. The impact has been reversed out in the Movement on the HRA Balance Statement to the Pensions Reserve leaving no overall impact upon HRA balance.

Note 4 HOUSING STOCK

The Council was responsible for housing stock split into the following categories:

31 March 2013	Number and Types of Properties at 31 March	31 March 2014
5,523	Number of Houses and Bungalows	5,450
3,525	Number of Flats and Maisonettes	3,511
1,222	Number of Aged Person Dwellings	1,222
10,270	Total	10,183

NOTES TO THE HOUSING REVENUE ACCOUNT

The change in the stock of properties is analysed as follows:

2012/13	Change in Stock of Properties	2013/14
10,299	Stock at 1 April	10,270
(46)	Less Sales	(87)
17	Additions	0
10,270	Total	10,183

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

2012/13	Balance Sheet Value of HRA Properties	2013/14
£'000		£'000
	Operational Non-Current Assets:	
508,205	Dwellings and other land and buildings	506,185
13,682	Non-Operational Non-Current Assets	13,679
521,887	Total	519,864

The vacant possession value of dwellings within the HRA as at 1st April 2013 was £1.269bn. 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.

Note 5 MAJOR REPAIRS RESERVE

The following table analyses the movement on the Major Repairs Reserve:

2012/13	Major Repair Reserve	2013/14
£'000		£'000
(2,394)	Balance as at 1 April	(3,103)
(6,470)	Depreciation	0
(1,124)	Transfer to HRA	(12,850)
6,884	Financing of Capital Expenditure	13,660
(3,103)	Total	(2,293)

Note 6 CAPITAL EXPENDITURE

Capital expenditure on land, houses and other properties within the HRA in 2013/14 was financed as follows:

2012/13	Financing of Capital Expenditure	2013/14
£'000		£'000
6,884	Major Repairs Reserve	13,660
0	Development Reserve	2,791
6,884	Total	16,451

NOTES TO THE HOUSING REVENUE ACCOUNT

Note 7 CAPITAL RECEIPTS

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

2012/13 £'000	Capital Receipts	2013/14 £'000
(3,319)	Sales of Dwellings	(6,861)
(3,319)	Total	(6,861)

Note 8 DEBT MANAGEMENT COSTS

Debt management costs charged to the HRA were as follows:

2012/13 £'000	Debt Management Cost	2013/14 £'000
60	Debt Management Costs	101

THE COLLECTION FUND STATEMENT COUNCIL TAX

Notes	2012/13	2013/14	
	£'000	£'000	£'000
INCOME			
2	Council Tax	(58,052)	(62,107)
	Transfers from General Fund:		
	Council Tax Benefits	(11,001)	0
		(69,053)	(62,107)
EXPENDITURE			
	Precepts and Demands:		
	Essex Police Authority	7,137	6,443
	Essex Fire Authority	3,468	3,025
	Thurrock Borough Council	57,573	51,219
	Precepts and Demands (sub-total)	68,178	60,687
	Provision for Bad Debts:		
	Change in Provision	(1,088)	41
	Write offs	532	470
	Provision for Bad Debts (sub-total)	(556)	511
CONTRIBUTIONS			
	Essex Police Authority	(3)	(48)
	Essex Fire Authority	(1)	(24)
	Thurrock Borough Council	(24)	(400)
	Contributions (sub-total)	(28)	(472)
	Total Expenditure	67,594	60,726
	(Surplus)/ Deficit for Year	(1,459)	(1,381)
	Fund Balance Brought Forward	936	(523)
	Fund Balance Carried Forward	(523)	(1,904)
Share of Collection Fund (Council Tax) Balance:			
	Thurrock Council	(441)	(1,603)
	Essex Police Authority	(56)	(206)
	Essex Fire Authority	(26)	(95)
	Total	(523)	(1,904)

THE COLLECTION FUND STATEMENT NON-DOMESTIC RATES

Notes	2012/13	2013/14	
	£'000	£'000	£'000
	INCOME		
3	Income Collectable from Non-Domestic Ratepayers	(94,673)	(109,117)
	Transitional Protection Payments		(1,171)
	Total Income	(94,673)	(110,288)
	EXPENDITURE		
	Share of Business Rates:		
	Essex Fire Authority	-	1,065
	Thurrock Borough Council	-	52,200
	Share of Non-Domestic Rates (sub-total)	-	53,265
	Payment of the Central Share of the Non-Domestic Rating Income to Central Government	-	53,265
	Business Rates:		
	Payment to National Pool	93,702	0
	Business Rate (sub-total)	93,702	
	Provision for Bad Debts:		
	Change in Provision	(862)	263
	Write Offs	1,610	(1,456)
	Provision for Bad Debts (sub-total)	-	(1,193)
	Provision for Appeals:		
	Change in Provision	-	12,997
	Costs of Collection	223	223
	CONTRIBUTIONS		
	Essex Fire Authority	-	0
	Thurrock Borough Council	-	0
	Contributions (sub-total)	-	0
	Total Expenditure	94,673	118,557
	(Surplus)/ Deficit for Year	0	8,269
	Fund Balance Brought Forward	-	0
	Fund Balance Carried Forward	-	8,269
	Share of Collection Fund (NDR) Balance:		
	Thurrock Council	-	4,052
	Essex Fire Authority	-	83
	Central Government	-	4,134
	Total	-	8,269

NOTES TO THE COLLECTION FUND STATEMENT

Note 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 Code. The balance on the account attributable to Thurrock Council is consolidated into the Council's Balance Sheet as an Unusable Reserve, the remainder is consolidated into debtors or creditors on the Balance Sheet as amounts owed to or owing by the other preceptors on the Fund (i.e. Police and Fire Authorities).

Note 2 COUNCIL TAX

For 2013/14 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 Dwelling
A*	10	5:9	6
A	3,831	6:9	2,554
B	8,818	7:9	6,858
C	20,460	8:9	18,187
D	9,928	9:9	9,928
E	3,932	11:9	4,805
F	1,897	13:9	2,740
G	714	15:9	1,191
H	26	18:9	52
	49,616		46,321
			(782)
			45,539
Council Tax Base			45,539

Note 3 INCOME FROM BUSINESS RATE PAYERS

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. In 2013/14 46.2p was the small business multiplier and 47.1p the large business multiplier (45.0p small business multiplier and 45.8p large business multiplier in 2012/13). The Council is responsible for collecting rates due from the ratepayers in its area. The total amount, less certain reliefs and other deductions, is collected by the Council and then redistributed to the major preceptors - The Government (50%) and Essex Fire Authority (1%) The remainder of £52.2m was paid into the Council's General Fund, and this amount has been credited to the Comprehensive Income and Expenditure statement. Overall amount collected from NNDR Rate payers was £105.1m.

The total Non-Domestic rateable value at the 31 March 2014 was £264,250,466 (£258,319,457 at 31 March 2013).

GLOSSARY OF TERMS

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 Held for Sale

These are classified as current assets in the Balance Sheet on the basis that they are currently being actively marketed with every expectation that they will be disposed of within 12 months.

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.

Capital Adjustment Account (CAA)

This is a reserve set up in 2007 in accordance the then new accounting standards. 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. It is classified as an Unusable Reserve.

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.

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; and
- 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.

GLOSSARY OF TERMS

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.

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.

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.

Depreciation

This is the annual charge to a local authority's Comprehensive Income and Expenditure Statement 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.

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.

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.

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.

GLOSSARY OF TERMS

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. Impairments also occur where further capital is invested in an asset which does not produce a fully matching increase in the fair value of an asset.

Infrastructure Assets

These are non-current 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 re-valued.

Intangible Assets

Intangible assets are defined in 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.

International Financial Reporting Standards (IFRS)

These are international accounting standards, applicable throughout the European Union and many other countries (but not the United States, which have replaced UK GAAP from 1 April 2010 as the standards with which local authority accounts must comply.

Investments (Pensions)

This comprises the share of pension scheme assets in Essex County Pension Fund 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 in excess of 12 months for its yield and/or capital appreciation. Most local authority investments, however, are short term and are held for cash management purposes.

Levies

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

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 Current Assets

These comprise Property, Plant and Equipment, Intangible Assets, Investment Property, Surplus Assets not Held for Sale, and Assets Held for Sale all of which yield economic benefits to a local authority and the services it provides for a period of more than one year.

GLOSSARY OF TERMS

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 rateable 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.

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; and
- 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.

Property, Plant and Equipment

These are assets which yield economic benefits to a local authority and the services it provides for a period of more than one year. They are assets which are 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.

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 in 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 Comprehensive Income and Expenditure Statement. It is classified as an Unusable Reserve

Scheme Liabilities (Pensions)

These are the liabilities of a defined benefit scheme for outgoing 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:

GLOSSARY OF TERMS

- 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.

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.

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 Non-current asset.