Thurrock Council

Statement of Accounts

2015/16

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NARRATIVE REPORT

1. Statement of Accounts

The Statement of Accounts comprise of 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 cannot 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 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 is an allowance fixed in accordance with the relevant regulations.

2. The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

These accounts have been prepared in accordance with the Code of Practice 2015/16 (The Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA), which defines proper accounting practice for local authorities.

3. Financial Performance

General Fund

The net cost of services in the Comprehensive Income and Expenditure Statement 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 based on a fixed percentage charged 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 reported to Cabinet on 13 July 2016 is set out below:

Explantory Forward - General Fund

General Fund Outturn by Service Areas:	Revised Budget £'000	Outturn £'000	Variance £'000
Adults, Health and Commisssioning	31,820	31,986	166
Commercial Services	14,925	14,095	(830)
Chief Executive Delivery Unit	2,589	1,129	(1,460)
Chief Executive Department	12,749	10,877	(1,872)
Children's Services	29,896	35,373	5,477
Environment	18,108	18,579	471
Housing	735	595	(140)
Planning and Transportation	6,370	6,107	(263)
Public Protection	1,737	1,652	(85)
Public Health	10,550	10,186	(364)
Treasury Management	7,907	3,907	(4,000)
			0
Financed by:			0
Non-Specific Grants	(14,358)	(15,195)	(837)
National Non-Domestic Rates	(26,780)	(26,806)	(26)
Revenue Support Grant	(26,462)	(26,535)	(73)
Council Tax	(54,758)	(54,838)	(80)
Operating Net Surplus	**15,028**	**11,112**	**(3,916)**

This table above confirms that the Council underspent against the agreed budget envelope at service level by £3.92m.

There were significant pressures faced during the financial year. The overspend in Children's Services relates to a combination of factors including service pressures that have meant in year savings on staffing and placements have not been able to be achieved. The staffing costs were made up of both increased numbers over establishment because of demand pressures and the costs of agency staff as recruitment and retention continue to be a problem. Placements costs have remained at a similar level to 2014/15 but the original 2015/16 budget proposed significant savings. The number of Unaccompanied Asylum Seekers has continued to increase placing significant pressure on the budget as rates paid by the home office are considerably below the costs incurred.

The underspend of £4.00m in Treasury relates predominantly to savings arising from the rescheduling of minimum revenue provision payments, greater returns on investments and lower than expected interest payments.

The underspend in the Chief Executive's Delivery Unit relates predominantly to community hub grant funding received but earmarked for future periods and additional income from shops and premises. The remaining underspend has been earmarked for regeneration. Other savings have been delivered across other services under the Shaping the Council programme.

The net position after accounting for exceptional items was an overspend of £10.91m which has been funded from usable reserves. The exceptional item relates to the total costs of termination of the Strategic Services Partnership with Serco. These totalled £13.40m which consisted of £9.9m termination payment and £3.50m of pension costs. £11.70m of the costs have been charged to the general fund, £1.20m to the Housing Revenue Account and £0.50m has been capitalised.

This has been funded from:

- The Operating Net Surplus of £3.92m detailed above.
- Use of Usable Reserves – The balance of the additional costs not met by the items above were offset by funds released from usable reserves to retain the general fund balance at £8m which is the level advised by the s151 officer.

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
Rent and Income	(48,828)	(48,791)	37
Repairs and Maintenance	12,671	12,871	200
Supervision and Management	10,734	10,913	179
Financing and Overheads	24,547	25,405	858
Service Improvement	83	21	(62)
New Build and Regeneration	793	481	(312)
Grand Total	**0**	**900**	**900**

The key variances that stand out in the HRA are as follows:

- Repairs and Maintenance – overspend of £0.200m. Expenditure on voids was higher than budgeted due to a larger than budgeted number of properties falling void during the year along with increased costs relating to exclusions from the price per property contract with Mears;

- Supervision and Management – overspend of £0.179m. This was due to increased consultancy and agency costs across the HRA;

- Financing and Overheads – overspend of £0.858m. This relates to the HRA charge relating to the Council's decision to terminate the contract with the Strategic Services Partner in 2015/16. This totals £1.2m and is partially offset by a reduction in borrowing costs of £0.3m. The borrowing costs for the various new build schemes have not been as high as originally expected resulting in the underspend.

- New Build and Regeneration – underspend of £0.312m. The budget is the remaining surplus from the original budget to be used towards new build and regeneration. The negative outturn is due to previous costs relating to pre-development that were met from revenue now being capitalised as development is realised

Capital Expenditure

The total capital expenditure for 2015/16 amounted to £64.430m. A summary of this expenditure analysed by service is set out below and also shows the sources of financing:-

Service	Budget £000s	Total £000s	Variance £000s
Learning & Universal Outcomes	10,628	8,745	(1,883)
Adult Social Care	128	61	(67)
Housing General Fund	1,402	949	(453)
Housing Revenue Account	36,511	37,484	973
Environment	3,396	1,763	(1,633)
Planning and Transportation	8,320	5,908	(2,412)
Transformation	8,500	123	(8,377)
Commercial Services	454	3,375	2,921
Chief Executives	0	0	0
Chief Executives Delivery Unit	11,619	6,022	(5,597)
Total	**80,958**	**64,430**	**(16,528)**

Source of Finance	Budget £000s	Total £000s	Variance £000s
Prudential Borrowing	38,181	26,435	(11,746)
Supported Borrowing (SCER)	31	31	0
Usable Capital Receipts	1,156	64	(1,092)
Earmarked Usable Capital Receipts	5,926	5,926	0
Major Repairs Reserve	13,736	13,736	0
Grants	16,207	13,272	(2,935)
Developers Contributions	2,788	1,292	(1,496)
Trusts	197	105	(92)
Reserves	2,736	3,569	833
Total	**80,958**	**64,430**	**(16,528)**

The capital outturn position includes the delivery of the following projects in 2015/16:

- £19.59m spent on transforming Council homes, with the replacement of kitchens, bathrooms, electrics, boilers, windows and roofs.
- The completion of new council dwellings and community hall at Seabrooke Rise, Grays, with a gross spend of £13.64m over the period 2013/14 to 2015/16.
- The completion of new council dwellings at Derry Avenue, South Ockendon, with a gross spend of £6.11m over the period 2013/14 to 2015/16.
- £5.91m spent on improvements to the highways infrastructure, including the creation of the Lakeside to Tesco bus link road, works to improve safety around schools, works to North Stifford Interchange and improvement works to Oliver Road.
- £3.48m spent on converting the former Grays magistrates’ court into 39 business units of varying sizes, for start-up and more established businesses.
- Works in progress - During the year a number of projects commenced which are expected to be completed during the current or next financial year.

Corporate Performance

The Corporate Plan articulates the vision and corporate priorities for the year and is supported by the Corporate KPI (Key Performance Indicator) Framework which details the statistical evidence the council will use to monitor the progress and performance against those priority activities. Further information is available here:

https://thurrockintranet.moderngov.co.uk/documents/s8562/Appendix%201%20-%20Corporate%20Performance%20Framework%20201617%20and%20End%20of%20Year%20Corporate%20Performance%20Report%20201.pdf

The Corporate KPI Framework in 2015/16 included approximately 50 pieces of performance data which were used to monitor activities and progress in key areas. By the end of 2015/16, 48.94% of those KPIs had reached their target, a further 40.43% were slightly below target but within acceptable tolerance, and 10.63% were significantly below target. 61.7% of indicators had improved on their performance the previous year. Of that 10% that were significantly below target – which were around waste and recycling and attainment of looked after children - there are plans in place to improve in 2016/17, including the "Recycle It" campaign, a full awareness and communications initiative with residents. The full report is available at:

https://thurrockintranet.moderngov.co.uk/documents/s8564/Appendix%203%20-%20Corporate%20Performance%20Framework%20201617%20and%20End%20of%20Year%20Corporate%20Performance%20Report%20201.pdf

One of the challenges for all services during 2015/16 was (and will continue to be throughout 2016/17 and beyond) how to deliver council services within the available budget. This is a particular challenge given the increased demand and complexity of many of our services, especially children's social care and services for older people and, as such, will continue to be monitored closely by officers and members throughout the year.

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 ,in summary, the Comprehensive Income and Expenditure Statement includes the amounts due for the year 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 liability has decreased by £2.49m to £159.47m between 31 March 2015 and 31 March 2016.

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.

Further material items to note in 2015/16 are:

Termination Payment for the Strategic Services Partner

The contract with the Strategic Services Partner was terminated on 30 November 2015. A termination payment of £9.9m was agreed. A further £3.5m was also due to fund the pension surplus on the Local Government Pension Scheme. This pension related payment was capped and the Council's share of the Pension Fund benefits the fund by £4.5m

Long Term Investments

The Council took out a long term investment of £20m in the Local Authority Property Fund of Churches, Charities and Local Authorities (CCLA) Investment Management Ltd in November 2014. This was undertaken to secure a higher return than available through cash deposits. During 2015/16 a further £30m has been invested in the fund bringing the total investment to £50m. This is reflected in the Balance Sheet as a long term investment with dividends reflected within the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Account.

- **Significant changes in accounting policies**

The key changes in 2015/16 are set out below:

Minimum Revenue Provision

The policy for the set aside of Minimum Revenue Provision has been amended in 2015/16 to enable this to be funded from capital receipts.

Better Care Fund

The Better Care Fund is a collaborative arrangement governed by a section 75 agreement with Thurrock Clinical Commissioning Group (CCG) to enable the joint provision of a range of adult social care services. Thurrock Council is the lead commissioner and enters into contracts on behalf of both parties but only with the consent of both parties through the Integrated Care Executive. Consequently the Council reflects all the transactions in these financial statements as well as the associated funding from Thurrock CCG.

Fair Value under IFRS13

The 2015/16 financial statements are required to reflect the requirements of IFRS 13 as it has been applied through the Code of Practice to Local Authority accounts. This requires the Council to disclose assets and liabilities at a fair valuation (the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants) with explanation of the basis of these values. The impact on the Council is reflected in the notes to the financial statements with specific impact on the capital notes and the financial instruments notes. (See Notes 30 and 34 respectively).

4. Future Financial Issues

- **Economic Outlook**

The outlook for Local Authority funding remains challenging and there are now clearly defined plans for further reductions in government funding over the next 4 year period. This enables Local Authorities to plan with more clarity but further increases the challenges faced. The main sources of income to fund general services remain government grants, business rates income and council tax. The combination of these reductions in income combined with greater demands for services - especially in childrens and adult social care - means the shape of the organisation continues to flex to meet these challenges.

The Council continues to face additional funding risks arising from the localisation of business rates. The Council retains approximately 27% of the total amount collected but continues to face a reduced income stream as the risks arising from successful appeals against rateable value assessments require significant provision. Proposals for the complete localisation of business rates mean the Council’s exposure to risk would increase going forwards to the financial savings required.

The Council continues to benefit from low interest rates as a result of the debt restructuring exercise carried out in 2010. Interest rates are monitored in conjunction with advice from treasury management advisors and the debt profile will be considered going forward. The Medium Term Financial Strategy assumes a phased move to fixed rates from 2018/19.

- **Event After the Balance Sheet Date**

Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&P, Fitch and Moody's) took action on the UK Sovereign credit rating and, following the rating action on the UK Government. The Treasury Management team perform an ongoing review of the Treasury Management Strategy in conjunction with our advisors to ensure financial risks are managed appropriately. There is likely to be an impact on the valuation of the Council's defined benefit pension obligations. It is too early to estimate the quantum of any impact on the financial statements, and there is likely to be significant ongoing uncertainty over the forthcoming year and beyond while the UK renegotiates its relationships with the EU and other nations. For the purposes of these financial statements, the Referendum is considered a non-adjusting event. There have been no other events occurring after the reporting date that would have a material impact on these financial statements.

- **General Fund**

For the period 2017/18–2019/20, the Council continues to deal with a reduction in government related support, together with service pressures mainly due to demographic growth, requiring overall savings of £18.5m to be delivered.

The Council has currently set a budget that is balanced for the period 2016/17. The Council continues to monitor the implications of the medium term financial strategy to the delivery of services and the achievement of priorities going forward. There will be renewed consultation on this between members and officers in the coming months.

The Medium Term Financial Strategy assumes further grant reductions in line with government fiscal announcements as well as 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. The Council also continues to assess capital bids to support service areas and provides funding for those which meet the relevant investment criteria.

In addition the Council is developing a placemaking capital programme to support wider regeneration aims in the borough. This will be supported by funding from a range of sources including internal resources, prudential borrowing, grant funding as well as seeking investment from relevant partners.

The Council is now accessing the South Essex Local Enterprise Partnership funding for highways. This is likely to total in the region of £90m.

5. Specific Accounting Issues

- **Accounting for the Wholly Owned Subsidiary Company**

The Council set up a wholly owned company to contribute to the delivery of the Council's regeneration priorities. Gloriana Thurrock Ltd was incorporated on 23

October 2013 and a model for the first regeneration scheme of the company was developed with an anticipated commencement date in 2015/16. This project commenced during June 2015 with building works in progress as at year-end. The financial transactions of the company have been been reviewed and are not considered either quantitatively or qualitatively material by the Council in 2015/16. Consequently the Council has accounted for only the equity investment in Gloriana Thurrock Ltd and the loan balance with the company. There will be a full consolidation of the company into group accounts from 2016/17.

- **Highways Network Asset**

The Council is currently required to account for the Highways Network assets within the borough on an historic cost basis within the Infrastructure Asset category of Property, Plant and Equipment. This means as costs are incurred on the roads (as well as footways and cycle tracks, street lights, structures and street furniture) they are added to this asset which is then depreciated over its useful life. From 2016/17 the Council is required to value all the elements of the 'Highways Network Asset' at current cost which will result in these items being held at a significantly higher value in the financial statements. This will enable the Council to reflect a true value of these assets as well as being consistent with the valuation of highways by the Highways Agency. There is a risk attached to this since the values are likely to be material and based on subjective valuations and hence the likelihood of error in the financial statements is increased. The Council has processes in place to address these risks and will continue to review the position as part of the completion of the 2016/17 financial statements.

6. The Council's Economy, Efficiency and Effectiveness in the Use of Resources

The Council has consistently come within the operational budget, despite significant in-year pressures, since 2010. This has demonstrated strong financial management between both Members and officers, and sets a strong foundation going forward.

Similarly, pressures within both Children's and Adults' Social Care was identified early in the current financial year and have already been mitigated.

The Council's senior Leadership Group are taking a new approach to achieving the £18.5m for the forthcoming three financial years. A number of Boards have been set up, each sponsored by a Director, that will identify and manage a series of projects that will either: increase income; do more or at least the same, for less; or reduce demand. In addition, all services will be subjected to independent service reviews against set criteria, including demand, customers, process, people, digital and ICT as well as commercial and procurement opportunities, over the medium term.

This approach has been presented and accepted by the cross party Budget Review Panel and will be reported back through that Panel as part of the budget setting consultation and process.

7. Annual 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.

8. Further Information

Additional information is available from the Director of Finance and IT, 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 IT;

- 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 Director of Finance and IT's Responsibilities

The Director of Finance and IT 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 IT 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 Director of Finance and IT 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 Director of Finance and IT'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 2016.

Director of Finance and IT

Date: 30 June 2016

Independent auditor's report to the members of Thurrock Council

Opinion on the Council's financial statements

We have audited the financial statements of Thurrock Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The Council's financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement;
- Notes to the core statements 1 to 42
- Housing Revenue Account Income and Expenditure Statement and related notes 1 to 8; and
- Collect Fund Statement and 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 2015/16.

This report is made solely to the members of Thurrock Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and IT and auditor

As explained more fully in the Statement of the Director of Finance and IT's Responsibilities set out on page 10, the Director of Finance and IT 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 2015/16, 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 Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and IT and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 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 2016 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 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 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 is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

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

Council's responsibilities

The Council 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.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Council 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 Council'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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether Thurrock Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves Thurrock Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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, Thurrock Council 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 issued by the C&AG in November 2015, 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 2016.

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
Luton

MOVEMENT IN RESERVES STATEMENT

Core Statement

Balance at 31 March 2014	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
	(8,011)	**(2,654)**	**(20,511)**	**(5,921)**	**(2,293)**	**(14,777)**	**(54,167)**	**(354,498)**	**(408,665)**
Movement in Reserves in 2014/15									
Surplus or (deficit) on provision of services	11,251	(30,747)	0	0	0	0	**(19,496)**	0	**(19,496)**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	**0**	5,093	**5,093**
Total Expenditure and Income	**11,251**	**(30,747)**	**0**	**0**	**0**	**0**	**(19,496)**	**5,093**	**(14,403)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(13,745)	27,630	0	411	2,293	2,933	19,522	(19,522)	**0**
Net Increase/Decrease before Transfers to/from Earmarked Reserves	**(2,494)**	**(3,117)**	**0**	**411**	**2,293**	**2,933**	**26**	**(14,429)**	**(14,403)**
Transfers to/from Other Reserves	(14)	0	0	0	0	14	**0**	0	**0**
Transfers to/from Earmarked Reserves (Note 17)	2,518	3,117	(4,652)	0	0	0	**983**	(983)	**0**
Increase/Decrease in Year	**10**	**0**	**(4,652)**	**411**	**2,293**	**2,947**	**1,009**	**(15,412)**	**(14,403)**
Balance at 31 March 2015	**(8,001)**	**(2,654)**	**(25,163)**	**(5,510)**	**0**	**(11,830)**	**(53,158)**	**(369,910)**	**(423,068)**

MOVEMENT IN RESERVES STATEMENT

Core Statement

Balance at 31 March 2015	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
	(8,001)	**(2,654)**	**(25,163)**	**(5,510)**	**0**	**(11,830)**	**(53,158)**	**(369,910)**	**(423,068)**
Movement in Reserves in 2015/16									
Surplus or (deficit) on provision of services	35,054	(44,348)	0	0	0	0	**(9,294)**	0	**(9,294)**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	**0**	(45,648)	**(45,648)**
Total Expenditure and Income	**35,054**	**(44,348)**	**0**	**0**	**0**	**0**	**(9,294)**	**(45,648)**	**(54,942)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(20,974)	45,074	0	(2,513)	0	(759)	**20,828**	(20,828)	**0**
Net Increase/Decrease before	**14,080**	**726**	**0**	**(2,513)**	**0**	**(759)**	**11,534**	**(66,476)**	**(54,942)**
Transfers to/from Other Reserves (Note 17)	(14,079)	174	16,778	0	0	696	**3,569**	(3,569)	**0**
Increase/Decrease in Year	**1**	**900**	**16,778**	**(2,513)**	**0**	**(63)**	**15,103**	**(70,045)**	**(54,942)**
Balance at 31 March 2016	**(8,000)**	**(1,754)**	**(8,385)**	**(8,023)**	**0**	**(11,893)**	**(38,055)**	**(439,955)**	**(478,010)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
Core Statement

2014/15				2015/16		
Gross Exp £'000	Gross Income £'000	Net Exp £'000		Gross Exp £'000	Gross Income £'000	Net Exp £'000
			Continuing Services:			
48,599	(11,868)	36,731	Adult Social Care	58,342	(25,055)	33,287
5,261	(2,594)	2,667	Central Services to the Public	27,270	(4,130)	23,140
125,615	(79,099)	46,516	Education and Children's Services	126,955	(70,598)	56,357
7,707	(1,281)	6,426	Cultural and Related Services	6,004	(1,610)	4,394
20,093	(2,041)	18,052	Environmental and Regulatory Services	18,058	(979)	17,079
4,929	(5,466)	(537)	Planning Services	6,183	(4,950)	1,233
11,841	(2,223)	9,618	Highways and Transport Services	11,210	(1,133)	10,077
(957)	(53,808)	(54,765)	Local Authority Housing (HRA)	(12,052)	(54,226)	(66,278)
66,922	(63,571)	3,351	Other Housing Services	63,704	(62,450)	1,254
7,818	(8,797)	(979)	Public Health	10,677	(9,977)	700
297,828	**(230,748)**	**67,080**	**Cost Of Services**	**316,351**	**(235,108)**	**81,243**
38,530	(7,161)	31,369	Other Operating Expenditure (Note 10)	38,155	(13,180)	24,975
14,230	(1,902)	12,328	Financing and Investment Income and Expenditure (Note 11)	13,429	(2,290)	11,139
23,225	(153,498)	(130,273)	Taxation and Non-Specific Grant Income (Note 12)	4,359	(131,010)	(126,651)
373,813	**(393,309)**	**(19,496)**	**(Surplus) or Deficit on Provision of Services**	**372,294**	**(381,588)**	**(9,294)**
0	(11,860)	(11,860)	Surplus or Deficit on the Revaluation of non-current assets (Note 23/30/31)	0	(26,417)	(26,417)
0	18,346	18,346	Remeasurement of the net defined benefit liability (Note 36)	0	(19,190)	(19,190)
0	**30**	30	Surplus or Deficit on the Revaluation of available for sale financial assets	0	(41)	(41)
0	(1,423)	(1,423)	Inclusion of Voluntary Controlled and Foundation Schools	0	0	0
0	**5,093**	**5,093**	**Other Comprehensive Income and Expenditure**	**0**	**(45,648)**	**(45,648)**
373,813	**(388,216)**	**(14,403)**	**Total Comprehensive Income and Expenditure**	**372,294**	**(427,236)**	**(54,942)**

BALANCE SHEET
Core Statement

31 March 2015 £000		Notes	31 March 2016 £000
823,526	Property, Plant & Equipment	30	916,052
2,322	Investment Property		0
2,279	Intangible Assets		1,482
22,266	Heritage Assets	28	22,266
19,970	Long Term Investments	33	51,993
1,917	Long Term Debtors		1,950
872,280	**Long Term Assets**		**993,743**
32,640	Short Term Investments	33	9,804
5,695	Assets Held for Sale	29	2,399
259	Inventories		267
16,049	Short Term Debtors	20	27,229
8,166	Cash and Cash Equivalents	37	7,697
62,809	**Current Assets**		**47,396**
(120,169)	Short Term Borrowing	33	(164,365)
(23,733)	Short Term Creditors	21	(28,762)
(744)	Leasing Liability		(267)
(3,013)	Short Term Provisions	19	(6,213)
(147,659)	**Current Liabilities**		**(199,607)**
(4,832)	Long Term Provisions	19	(3,590)
(189,875)	Long Term Borrowing	33	(191,087)
(161,952)	Pension Liability	36	(159,466)
(269)	Leasing Liability		0
(222)	Long Term Creditors		(187)
(7,212)	Capital Grants Receipts in Advance	24	(9,191)
(364,362)	**Long Term Liabilities**		**(363,521)**
423,068	**Net Assets**		**478,011**
(53,158)	Usable reserves	22	(38,055)
(369,910)	Unusable Reserves	23	(439,956)
(423,068)	**Total Reserves**		**(478,011)**

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2016 and its income and expenditure for the year ended 31 March 2016. These financial statements replace the unaudited financial statements signed by the Director of Finance and IT on 27 June 2016.

CASH FLOW
Core Statement

2014/15 £'000		Notes	2015/16 £'000
19,496	Net surplus or (deficit) on the provision of services		9,294
20,362	Adjustment to surplus or deficit on the provision of services for non cash movements		3,736
(21,375)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(28,472)
18,483	**Net Cash flows from operating activities**	**41**	**(15,442)**
(43,682)	Investing Activities	39	(32,128)
25,367	Financing Activities	40	47,101
168	**Net increase or decrease in cash and cash equivalents**		**(469)**
7,998	Cash and cash equivalents at the beginning of the reporting period		8,166
8,166	**Cash and cash equivalents at the end of the reporting period**	**37**	**7,697**

Note 1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at 31 March 2016. 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 2015/16 (The Code) and the Service Reporting Code of Practice 2015/16 (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.

- ***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.

- ***Understandibility*** – 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.

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.

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
  - unitised 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.

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:

- ***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.
- ***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, the amount presented in the Balance

[1] Source: Code of Practice 2015/16

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 interest for the instrument. For most of the borrowings that the Council has, 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.

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-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure statement.

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.

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 are assessed against the requirements of IAS 17 to assess whether they are reflected in the financial statements as a finance or operating lease.

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 was reviewed and amended in February 2015 and is now stated as:

The Council will set an aside an amount each year which it deems to be prudent and appropriate, having regard to statutory requirements and relevant guidance issued by DCLG.

The approach supporting this policy has also been amended to continue to prudently set aside annual amounts for the repayment of the Council's outstanding debt:

- For supported borrowing, the Council will set aside an annual amount of 2% of the total supported debt held by the Council as measured by the capital financing requirement.
- For prudential (or unsupported) borrowing the asset life (annuity) method has been adopted. This method involves making provision by instalments over the estimated useful life of the

asset in respect of which the borrowing was made. For assets purchased up to 2012/13 an equal instalment approach was taken over the asset life. For assets purchased from 2013/14 onwards an annuity approach has been taken which calculates the instalment due by reference to the relevant PWLB rates (which differ depending on the length of the loan taken out).

- For assets held under a finance lease the amount set aside is calculated from the reduction in the underlying lease liability relating to each leased asset.

1.15 Overheads and Support Services

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the principles of SeRCOP. The full cost of overheads and support services are allocated/ apportioned to the service headings in the Comprehensive Income and Expenditure: (CI&E) statement to ensure the total cost of those serves is reflected in the accounts. Central costs which aren't allocated to services, as set out in SeRCOP, are:-

- Corporate and Democratic Core – costs relating to central corporate functions, such as those of the Head of Paid Service, as well as costs of democratic processes.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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 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.

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 2015/16, a revaluation of 20% of Land and Building assets (excluding housing stock) was undertaken as well as a desktop review of council dwellings. For 2015/16 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 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 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.

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 2016/17 where the transaction was fully committed as at 31 March 2016 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.

1.19 Fair Value Measurement

The Council measures surplus assets and some financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes the transaction to sell the asset or transfer the liability takes place either:

a) In the principal market for the asset or liability, or
b) In the absence of the principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the management date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability

1.20 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.

1.21 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.

1.22 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

1.23 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.

1.24 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.

The land and buildings of Community, Voluntary Controlled and Foundation Schools have been recognised on the Council's Balance Sheet as the Council controls the service potential of these assets. In respect of Voluntary Aided schools the service potential of the school buildings are deemed to be controlled by the Board of Governors and consequently these are not included in the Council's Balance Sheet. However the land held by these schools is controlled by the Council and is included on 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.

1.25 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.

1.26 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.

1.27 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 periodically (and at least every 5 years) as at 31 March by the Council's building surveyor – 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 periodically (and at least every 5 years) 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.

1.28 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.

1.29 Interests in Companies and Other Entities

The Council is required to produce Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates and/or joint ventures. The Council has one identified group company – Gloriana (Thurrock) Ltd. The financial transactions of the company have been been reviewed and are not considered either quantitatively or qualitatively material by the Council in 2015/16. Consequently the Council has accounted for only the equity investment in Gloriana Thurrock Ltd and the loan balance with the company. There will be a full consolidation of the company into group accounts from 2016/17.

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

The following standards will be introduced in the 2016/17 code but have not yet been adopted:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRS's (2010-2012 cycle)
- Amendment to IFRS 11 Joint Arrangements
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (clarification of acceptable methods of depreciation and amortisation)
- Annual Improvements to IFRS's (2012-2014 cycle)
- Amendments to IAS1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.

The annual improvements to IFRS's represent minor changes and clarifications to existing standards and are not expected to have a material impact on the Council's financial statements.

The other changes are not anticipated to have a material impact on the Net Cost of Services or on the Surplus or Deficit on the Provision of Services in the Council's financial statements.

From 2016/17 the Council will need to reflect the new formats for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement required as a result of the Telling the Story review of the presentation of the local authority financial statements.

From 2016/17 an accounting policy will be required for the Highways Network Asset to reflect the change in measurement of the assets included in this category. These assets are currently measured at historical replacement cost but will need to be measured at depreciated replacement cost. There will be no requirement to restate the 2015-16 balances or the opening balance for the Highways Network Asset as at 1 April 2016.

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;
- Property, plant and equipment assets included in the balance sheet at fair value are revalued sufficiently regularly to ensure their carrying amount is not materially different from their fair value at the year-end. As a minimum this is at least once every five years. At the end of each year the valuer determines whether the carrying amount of the assets is consistent with their fair value.
- The Council has acquired the use of Property, Plant and Equipment by entering into either leases or arrangements that have a lease implicit within them. The Council considers the terms of the lease to determine whether the risks and rewards of ownership have passed to the Council and whether they should be reflected as a finance or operating lease.

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 items in the Authority's Balance Sheet at 31 March 2016 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 £1.130m.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of	The Actuaries' sensitivity analysis indicates that an

Item	Uncertainty	Effect
	complex judgments and assumptions.	increase in the discount for liabilities of 0.1% would reduce the pension liability by £8.28m
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 purposes of £1.07m. If a further 10% of debt over 180 days was provided for this would equate to an additional provision of £0.17m. The HRA bad debt provision is £0.289m. If debt over a year old was completely provided against this would require an additional provision of £0.07m.
Provisions	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. This also includes the proportion of a provision made in the collection fund for appeals received from business rate payers against their assessed amount of non-domestic rates. This has been set at £11.6m following review by specialist valuers. The impact of this is shared between the Council (49%), Central Government (50%) and Essex Fire Authority (1%). These provisions are based on judgements by officers and by their nature may vary over time.	There is potential for provisions to be under or overstated as the uncertainty over the timing and amount of liabilities are resolved. The appeals against business rates assessments are considered to potentially vary by 5 per cent upwards or downwards which is equivalent to £0.58m.
Fair Value Measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Where Level 1 inputs are not available,	The authority has relied on expert valuations to measure the fair value of surplus assets, assets held for sale and financial instruments. These are based on observable inputs used in the fair value measurement which for property assets include industrial land values, residential sales, and consideration of the lease status of these assets. For financial instruments the observable inputs are

Item	Uncertainty	Effect
	the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example surplus assets, an external valuer is employed). Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 30 and 34 below	set out in detail in Note 33 to the financial statements.

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 £53.9m (£64.1m across all preceptors). Similarly sums are collected for business rates – the Council's proportion is £53.5m (£109.1m across all preceptors). The Council's proportion is reduced by £23.9m 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 £59m and claiming this back from Central Government.

The Council's debt portfolio currently incurs interest of £8.2m. £5.6m 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 £278m. These are shown in Note 24 to the accounts.

In 2015/16 the Council terminated the contract with the strategic services partner. The total termination payment was £13.4m. The charge to the general fund was £11.7m, the charge to the Housing Revenue Account was £1.2m with the remaining £0.5m capitalised.

Note 6 RESTATEMENT OF 2015/16 COMPARATIVE FIGURES

The comparative figures for the senior officer remuneration shown in the banding note in Note 14 have been updated to reflect more accurate information provided in the current year.

The unfunded benefits shown in Note 36 have been updated to reflect the final actuary report received in respect of the 2014/15 data.

In both cases there is no impact on figures reflected in the core statements.

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.

	2014/15 Usable Reserves							
	General Fund Balance £000	Housing Revenue Account Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves (total) £000	Movement in Unusable Reserves (total) £000
Adjustments primarily involving the Capital Adjustment Account:								
Reversal of items debited or credited to the CIES								
Amortisation of intangible assets	(651)	0	0	0	0	0	(651)	651
Charges for depreciation and impairment of non-current assets	(8,526)	(6,499)	0	0	0	0	(15,025)	15,025
Revaluation losses on property, plant and equipment	(2,670)	(479)	0	0	0	0	(3,149)	3,149
Revaluation gains reversing previous losses	8,162	39,231	0	0	0	0	47,393	(47,393)
Revaluation Depreciation Adjustments	0	(4)	0	0	0	0	(4)	4
Movement in the fair value of investment	187	0	0	0	0	0	187	(187)
Movement in the value of held for sale assets	0	(82)	0	0	0	0	(82)	82
Capital Grants and contributions applied	6,754	0	0	0	0	0	6,754	(6,754)
Donations of assets to the CIES	9	0	0	0	0	0	9	(9)
Revenue expenditure funded from capital under statute (REFCUS)	(6,927)	(119)	0	0	0	0	(7,046)	7,046
Grant Funding for REFCUS	5,854	0	0	0	0	0	5,854	(5,854)
Amounts of assets written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES	(13,584)	(23,694)	0	0	0	0	(37,278)	37,278
Insertion of items not debited or credited to the CIES								
Statutory provision for the financing of capital investment	4,612	0	0	0	0	0	4,612	(4,612)
Statutory provision for the financing of capital investment (Adjustment)	(3,537)	0	0	0	0	0	(3,537)	3,537

	2014/15 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	4,012	4,012	(4,012)
Capital Grants and contributions unapplied credited to the CIES	1,079	0	0	0	0	(1,079)	0	0
Adjustments primarily involving the Capital Receipts Reserve:								
Use of the capital receipts reserve to finance new capital expenditure	0	0	0	7,181	0	0	7,181	(7,181)
Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES	2,099	5,679	0	(7,778)	0	0	0	0
Contribution from the capital receipts reserve towards administration costs of non-current assets disposal	(90)	0	0	90	0	0	0	0
Contribution from the capital receipts reserve to finance the payments to the Government capital receipts pool	(918)	0	0	918	0	0	0	0
Adjustments primarily involving the Major Repairs Reserve:								
Reversal of notional major repairs allowance credited to the HRA	0	14,157	0	0	(14,157)	0	0	0
Use of major repairs reserve to finance new capital expenditure	0	0	0	0	16,450	0	16,450	(16,450)
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	34	0	0	0	0	0	34	(34)

	2014/15 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 Pension Reserve:								
Reversal of items relating to retirement benefits debited or credited to the CIES	(13,537)	(1,125)	0	0	0	0	(14,662)	14,662
Employer's pension contributions and direct payment to pensioners payable in year	10,281	582	0	0	0	0	10,863	(10,863)
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 year in accordance with statutory requirements	(362)	0	0	0	0	0	(362)	362
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	(1,915)	0	0	0	0	0	(1,915)	1,915
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	(99)	(17)	0	0	0	0	(116)	116
Total Adjustments	**(13,745)**	**27,630**	**0**	**411**	**2,293**	**2,933**	**19,522**	**(19,522)**

	2015/16							
	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 Adjustment Account:								
Reversal of items debited or credited to the CIES								
Amortisation of intangible assets	(570)	0	0	0	0	0	(570)	570
Charges for depreciation and impairment of non-current assets	(8,424)	(6,986)	0	0	0	0	(15,410)	15,410
Revaluation losses on property, plant and equipment	(1,711)	(14,209)	0	0	0	0	(15,920)	15,920
Revaluation gains reversing previous losses	2,299	70,641	0	0	0	0	72,940	(72,940)
Revaluation Depreciation Adjustments	(37)	(864)	0	0	0	0	(901)	901
Movement in the fair value of investment property	0	0	0	0	0	0	0	0
Movement in the value of held for sale assets	0	(90)	0	0	0	0	(90)	90
Capital Grants and contributions applied	7,573	0	0	0	0	0	7,573	(7,573)
Donations of assets to the CIES	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute (REFCUS)	(8,116)	0	0	0	0	0	(8,116)	8,116
Grant Funding for REFCUS	4,826	0	0	0	0	0	4,826	(4,826)
Amounts of assets written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES	(11,442)	(25,033)	0	0	0	0	(36,475)	36,475
Insertion of items not debited or credited to the CIES								
Statutory provision for the financing of capital investment	4,400	0	0	0	0	0	4,400	(4,400)

	2015/16							
	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	1,918	1,918	(1,918)
Capital Grants and contributions unapplied credited to the CIES	2,677	0	0	0	0	(2,677)	0	0
Adjustments primarily involving the Capital Receipts Reserve:								
Use of the capital receipts reserve to finance new capital expenditure	0	0	0	5,990	0	0	5,990	(5,990)
Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES	4,074	9,106	0	(13,180)	0	0	0	0
Capital Receipts from the repayments of external loans	0	0	0	(75)	0	0	(75)	75
Statutory provision for the financing of capital investment	(3,572)	0	0	3,572	0	0	0	0
Contribution from the capital receipts reserve towards administration costs of non-current assets disposal	(131)	0	0	131	0	0	0	0
Contribution from the capital receipts reserve to finance the payments to the Government capital receipts pool	(1,050)	0	0	1,050	0	0	0	0
Adjustments primarily involving the Major Repairs Reserve:								
Reversal of notional major repairs allowance credited to the HRA	0	13,736	0	0	(13,736)	0	0	0
Use of major repairs reserve to finance new capital expenditure	0	0	0	0	13,736	0	13,736	(13,736)
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	31	0	0	0	0	0	31	(31)

	2015/16							
	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 Pension Reserve:								
Reversal of items relating to retirement benefits debited or credited to the CIES	(25,895)	(2,098)	0	0	0	0	(27,993)	27,993
Employer's pension contributions and direct payment to pensioners payable in year	10,401	888	0	0	0	0	11,289	(11,289)
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 year in accordance with statutory requirements	(319)	0	0	0	0	0	(319)	319
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	3,948	0	0	0	0	0	3,948	(3,948)
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	64	(18)	0	0	0	0	46	(46)
Total Adjustments	**(20,974)**	**45,073**	**0**	**(2,512)**	**0**	**(759)**	**20,828**	**(20,828)**

Note 8 EXCEPTIONAL ITEMS

In 2015/16 the Council terminated the contract with the strategic services partner. This resulted in an exceptional item of a one off termination payment was £13.4m. An amount of £11.7m was charged to the general fund, £1.2m to the housing revenue account with the remaining £0.5m capitalised.

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 (DfE) - the Dedicated Schools Grant (DSG). An element of DSG is recouped by the DfE 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 the DSG receivable for 2015/16 are as follows:

Notes	Schools Budget Funded By Dedicated Schools Grant (DSG)	Central Expenditure £000	Individual Schools Budget £000	Total £000
A	Final DSG for 2015/16 before Academy Recoupment	-	-	135,983
B	Academy figure recouped for 2015/16	-	-	85,896
C	Total DSG after Academy Recoupment for 2015/16	-	-	50,087
D	Brought Forward from 2014/15	2,906	0	2,906
E	Carry Forward agreed to 2016/17			0
F	Agreed budgeted distribution in 2015/16	4,981	45,106	50,087
G	In Year Budget Adjustments	0	171	171
H	Actual Central Expenditures	6,738		6,738
I	Actual ISB deployed to schools		45,277	45,277
J	Local authority contribution 2015/16	0	0	0
K	Carry Forward to 2016/17	**1,149**	**0**	**1,149**

Comparatives for 2014/15 were as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Income	7,408	50,143	57,551
Less Expenditure	(4,502)	(50,143)	(54,645)
Carrying Forward to 2016/17	**2,906**	0	**2,906**

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 2016. For Funding Maintained Schools and Specific Education services to Schools and Academies.
D	This figure brought forward from 2014/15, is unspent Central DSG Contingency.
E	Any amount which the authority decided after consultation with the schools forum to carry forward to 2016/17 rather than distribute in 2015/16.
F	Budgeted distribution of DSG, adjusted for in year Academy conversions, as agreed with the schools forum.
G	Budget movements from Contingency to the Individual Schools Budget (ISB)
H	Actual amount of central expenditure items in 2015/16, 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 2015/16 which will have the effect of substituting for DSG in funding the Schools Budget.
K	Carry forward to 2016/17.

Note 10 OTHER OPERATING EXPENDITURE

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

2014/15 £000		2015/16 £000
583	Levies	630
918	Payments to the Government Housing Capital Receipts Pool	1,050
29,868	Gains/losses on the disposal of non current assets	23,295
31,369	**Total**	**24,975**

Note 11 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2014/15 £000		2015/16 £000
8,062	Interest payable and similar charges	8,193
5,781	Net interest on the net defined benefit liability	5,236
(797)	Interest receivable and similar income	(2,290)
(718)	Income and expenditure in relation to investment properties and changes in their fair value	0
12,328	**Total**	**11,139**

Note 12 TAXATION AND NON-SPECIFIC GRANT INCOME

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

2014/15 £000		2015/16 £000
(53,612)	Council tax income	(54,519)
(29,371)	Non domestic rates	(30,754)
(39,457)	Non-ringfenced grants	(31,128)
(7,833)	Capital grants and contributions	(10,250)
(130,273)	**Total**	**(126,651)**

Note 13 MEMBERS' ALLOWANCES

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

2014/15 £000	Members' Allowances	2015/16 £000
657	Allowances	670
1	Expenses	1
658	**Total**	**671**

Note 14 REMUNERATION OF SENIOR STAFF

Senior officer remuneration for 2015/16 is set out in the table below:

Senior Staff Emoluments 2015/16	Note	Salary, Fees and Allowances £	Performance Related bonus £	Expense Allowance £	Compensation for loss of office £	Pension Contribution £	Total £
Chief Executive – Graham Farrant	1	30,872	0	0	0	1,930	32,802
Chief Executive – Lynn Carpenter	2	93,017	0	0	0	11,628	104,645
Corporate Director of Environment & Place	3	105,295	0	0	0	12,004	117,299
Corporate Director Of Children's Services	4	121,000	0	0	0	13,794	134,794
Corporate Director Of Children's Services (Interim)	4	37,062	0	0	0	0	37,062
Corporate Director of Adults, Housing & Health		125,502	0	0	0	14,309	139,811
Director Of Public Health	5	81,000	0	0		9,234	90,234
Director of Planning & Transportation	6	119,267	0	0	67,315	7,562	194,143
Director of Finance & IT	7	93,626	0	0	0	9,831	103,457
Director of HR, OD, & Transformation	7	93,818	0	0	0	9,938	103,756
Director of Housing	8	51,860	0	0	0	5,912	57,772

Notes

1) The former Chief Executive left the council on 31 May 2015. His annual salary was £175,000.
2) The current Chief Executive joined the Council on 14 September 2015. Her annual salary is £170,000.
3) The post was newly created under the senior management restructure and applied from 1 January 2016. The Assistant Chief Executive from the previous structure was the successful applicant and the figures reflect the total remuneration in both roles in 2015/16. The annual salary of the newly created post is £135,000.
4) The Director of Children's Services departed on 25 January 2016. An interim Director was appointed for the remainder of 2015/16.
5) The Director of Public Health was appointed on 1 July 2015 with an annual salary of £108,000.
6) The Director of Planning & Transportation served as interim Chief Executive between the departure of the former and current Chief Executives. The Director left the council on 26 February 2016 and the post was deleted as part of the senior management restructure.
7) The posts entitled Head of Corporate Finance and the Head of Human Resources, Organisational and Transformation posts were deleted as part of the senior management restructure. These responsibilities are included within the Director of Finance and IT and the Director of HR,OD and Transformation posts.
8) The Head of Housing left the council on 11 September 2015. The post was deleted under the senior management restructure.
9) The Director of Legal is a shared post with London Borough Council of Barking & Dagenham (LBBD).Thurrock Council paid a contribution of £30,000 up until 31st Mar 16 towards their remuneration.

Senior officer remuneration for 2014/15 is set out in the table below:

Senior Staff Emoluments 2014/15	Salary, Fees and Allowances	Performance Related bonus	Expenses Allowance	Compensation for loss of office	Pension Contribution	Total
	£	£	£	£	£	£
Chief Executive – Graham Farrant	185,000	0	0	0	24,250	209,250
Assistant Chief Executive	103,000	0	0	0	14,729	117,729
Director of Children's' Services	132,000	0	0	0	15,048	147,048
Acting Head of Environment	143,930	0	0	0	0	143,930
Director of Housing	117,000	0	0	0	16,731	133,731
Director of Planning & Transportation	117,000	0	0	0	5,577	122,577
Director of Adults, Health and Commisoning	121,939	0	0	0	10,688	132,627
Head of Corparate Finance	93,000	0	0	0	13,299	106,299
Head of HR OD & Transformation	93,000	0	0	0	13,299	106,299

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

Remuneration of Senior Staff	2014/15	2015/16
Pay Band	Numbers of Employees	Numbers of Employees
50,001 - 55,000	44	53
55,001 - 60,000	29	29
60,001 - 65,000	17	22
65,001 - 70,000	22	14
70,001 - 75,000	11	10
75,001 - 80,000	8	8
80,001 - 85,000	2	4
85,001 - 90,000	2	1
90,001 - 95,000	4	4
95,001 - 100,000	1	1
100,001 - 105,000	1	0
105,001 - 110,000	0	0
110,001 - 115,000	0	0
115,001 - 120,000	0	0
120,000+	1	1

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 2014/15	No of Compulsory Redundancies 2015/16	Other Departures 2014/15	Other Departures 2015/16	Total number of Exit package by cost 2014/15	Total number of Exit package by cost 2015/16	Total Cost of Exit Packages 2014/15	Total Cost of Exit Packages 2015/16
0 – 20,000	13	4	40	14	53	18	516,042	191,473
20,001- 40,000	8	5	18	6	26	11	678,915	325,462
40,001 – 60,000	1	2	2	0	3	2	127,857	93,801
60,001 – 80,000	0	0	3	1	3	1	222,688	67,315
80,001 – 100,000	0	1	0	0	0	1	0	96,425
100,001 – 250,000	0	0	2	1	2	1	228,505	163,626
Total	22	12	65	22	87	34	1,774,007	938,102

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 2015/16 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.

Declarations were not received from Councillor Baldwin and Councillor Kerin.

Officers

The former Chief Executive (who was in place until 31 May 2015) declared he is a trustee to High House Production Park. This is an arts organisation whose transactions with the Council are noted in the table below. The former Chief Executive did not take part in any discussion, decision or administration relating to the grant funding.

Entity	Income £	Expenditure £	Debtor £	Creditor £
High House Production Park	1,180	17,600	0	0
Open Door	0	347,791	0	0
Thurrock CVS	0	640,591	0	0

Note 16 EXTERNAL AUDIT COSTS

In 2015/16 the Council incurred the following costs relating to the audit of the Statement of Accounts, certification of grant claims:

2014/15 £000	External Audit Costs	2015/16 £000
	Fees Payable to Ernst & Young:	
188	External Audit Services including Statutory Inspections	134
21	Certification of Grant Claims and Returns	16
22	Non-Audit Work	39
231	**Total**	**189**

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 2014 £000	Net Transfers (In)/Out £000	Balance at 31 March 2015 £000		Balance at 1 April 2015 £000	Net Transfers (In)/Out £000	Balance at 31 March 2016 £000
(4,819)	935	**(3,884)**	Balances held by Schools under a Scheme of Delegation	(3,884)	131	**(3,753)**
(655)	0	**(655)**	Revenue Grants Unapplied	(655)	655	**0**
(1,179)	(5,521)	**(6,700)**	Budget Management	(6,700)	6,700	**0**
(1,525)	220	**(1,305)**	Commuted Sums	(1,305)	1,305	**0**
(288)	147	**(141)**	DCLG DC Reserve	(141)	141	**0**
(2,127)	858	**(1,269)**	Grant Carried Forward	(1,269)	745	**(524)**
(1,000)	126	**(874)**	School Improvement Reserve	(874)	422	**(452)**
(2,781)	(125)	**(2,906)**	DSG	(2,906)	1,757	**(1,149)**
0	(3,117)	**(3,117)**	Development Reserve	(3,117)	3,117	**0**
(1,053)	186	**(867)**	Public Health Grant	(867)	500	**(367)**
(5,084)	1,639	**(3,445)**	Other Earmarked Reserves	(3,445)	1,305	**(2,140)**
(20,511)	**(4,652)**	**(25,163)**	**Earmarked Reserves**	**(25,163)**	**16,778**	**(8,385)**

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*** was 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.
- The ***Grant Carried Forward Reserve*** relates to grants where the conditions have been yet, 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*** was 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 2015.

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:

2014/15 £000		2015/16 £000
2,060	Not later than 1 year	2,678
3,146	Later than 1 year and not later than 5 years	3,831
599	Later than 5 years	671
5,805		**7,180**

Note 19 PROVISIONS

A provision has been made to reflect the likely financial impact of business rate appeals against the Council. This represents the Council's proportion of the overall provision of £11.6m.

A provision has also been made for a payment of £3.5m to fund the pension surplus on the Local Government Pension Fund arising on the termination of the strategic services contract. The amount provided was an estimate based on the advice of the Essex Pension Fund.

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 £1.1m but officers have been advised a provision of £0.51m remains appropriate.

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

Short Term Provisions	MMI Insurance £'000	Business Rate Appeals £000	Pension Provision £000	Total £000
Balance at 01 April 2015	(106)	(2,907)	0	(3,013)
Additional Provision made in 2015/16	0	0	(3,500)	(3,500)
Amounts Used in 2015/16	0	300	0	300
Balance at 31 March 2016	**(106)**	**(2,607)**	**(3,500)**	**(6,213)**
Balance at 01 April 2014	(106)	(3,617)	0	(3,723)
Additional Provision made in 2014/15	0	0	0	0
Amounts Used in 2014/15	0	710	0	710
Balance at 31 March 2015	**(106)**	**(2,907)**	**0**	**(3,013)**

Long Term Provisions	MMI Insurance £'000	Business Rate Appeals £000	Other £000	Total £000
Balance at 01 April 2015	(404)	(4,361)	(67)	(4,832)
Additional Provision made in 2015/16	0	0	(59)	(59)
Amounts Used in 2015/16	0	1,301	0	1,301
Balance at 31 March 2016	**(404)**	**(3,060)**	**(126)**	**(3,590)**
Balance at 01 April 2014	(404)	(2,752)	(45)	(3,201)
Additional Provision made in 2014/15	0	(1,609)	(67)	(1,676)
Amounts Used in 2014/15	0	0	45	45
Balance at 31 March 2015	**(404)**	**(4,361)**	**(67)**	**(4,832)**

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 2015 £000		31 March 2016 £000
2,327	Central government bodies	2,023
243	Other local authorities	66
0	NHS bodies	856
0	Public corporations and trading funds	0
13,479	Other entities and individuals	24,284
16,049	**Total**	**27,229**

Note 21 SHORT-TERM CREDITORS

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

31 March 2015 £000		31 March 2016 £000
(5,096)	Central government bodies	(6,841)
(2,492)	Other local authorities	(1,012)
(58)	NHS bodies	(294)
(15)	Public corporations and trading funds	(15)
(16,072)	Other entities and individuals	(20,600)
(23,733)	**Total**	**(28,762)**

Note 22 USABLE RESERVES

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

31 March 2015 £000		Notes	31 March 2016 £000
(8,001)	General Fund Balance	(a)	(8,000)
(2,654)	Housing Revenue Account Balance	(b)	(1,754)
(25,163)	Earmarked Reserves	(c)	(8,385)
(5,510)	Capital Receipts Reserve	(d)	(8,023)
0	Major Repairs Reserve	(e)	0
(11,830)	Capital Grants Unapplied	(f)	(11,893)
(53,158)	**Total Usable Reserves**		**(38,055)**

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.

(a) General Fund Balance
Resources available to meet the future running cost 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 2015 £000		Notes	31 March 2016 £000
(98,019)	Revaluation Reserve	(a)	(119,254)
(454,056)	Capital Adjustment Account	(b)	(496,633)
14,961	Financial Instruments Adjustment Account	(c)	14,930
161,952	Pensions Reserve	(d)	159,466
(1,642)	Collection Fund Adjustment Account - Council Tax		(1,323)
5,967	Collection Fund Adjustment Account - NNDR		2,019
30	Financial Instruments For Sale Account		(10)
898	Accumulated Absences Account		851
(369,910)	**Total Unusable Reserves**		**(439,954)**

(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.

31 March 2015 £000		31 March 2016 £000
(89,690)	**Balance at 1 April**	**(98,019)**
(12,511)	Upward revaluation of assets	(29,102)
652	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	2,685
(11,859)	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**(26,417)**
1,540	Difference between fair value depreciation and historical cost depreciation	1,218
1,990	Accumulated gains on assets sold or scrapped	3,964
3,530	**Amount written off to the Capital Adjustment Account**	**5,182**
(98,019)	**Balance at 31 March**	**(119,254)**

(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.

31 March 2015 £000		31 March 2016 £000	
(422,440)	**Balance at 1 April**		**(454,056)**
	Reversal of items relating to capital expenditure debited or credited to the CIES:		
15,029	Charges for depreciation of non current assets (PPE)	16,310	
3,149	Revaluation and Impairment losses on Property, Plant and Equipment	15,920	
(47,393)	Revaluation gains reversing previous losses (PPE)	(72,941)	
651	Amortisation of intangible assets	570	
7,046	Revenue expenditure funded from capital under statute (REFCUS) - net of Funding	8,116	
272	Investment property written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	
33,025	PPE written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	26,636	
3,982	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	9,839	
(1,990)	Accumulated gains on assets sold or scrapped	(3,964)	
13,771		**486**	
(1,540)	Adjusting amounts written out of the Revaluation Reserve		(1,218)
12,231	**Net written out amount of the cost of non current assets consumed in the year**		**(732)**
	Capital financing applied in the year:		
(7,181)	Use of the Capital Receipts Reserve to finance new capital expenditure	(5,914)	
(16,450)	Use of the Major Repairs Reserve to finance new capital expenditure	(13,736)	
(16,620)	Application of grants to capital financing from the Capital Grants Unapplied Account	(14,316)	
(1,075)	Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances (including finance lease liabilities)	(4,400)	
(983)	Capital expenditure charged against the General Fund and HRA balances (DRC)	(3,569)	
(1,424)	Other Adjustments	**0**	
(43,733)			**(41,935)**
(9)	Donated Assets		0
(187)	Movements in the market value of Investment Properties debited or credited to the CIES		0
82	Movements in assets held for sale debited or credited to the CIES		90
(454,056)	**Balance at 31 March**		**(496,633)**

(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.

31 March 2015 £000		31 March 2016 £000
14,995	**Balance at 1 April**	**14,961**
(34)	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	(31)
14,961	**Balance at 31 March**	**14,930**

(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.

31 March 2015 £000		31 March 2016 £000
139,807	**Balance at 1 April**	**161,952**
18,346	Actuarial gains or losses on pensions assets and liabilities	(19,190)
14,662	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	27,993
(10,863)	Employer's pensions contributions and direct payments to pensioners payable in the year	(11,289)
161,952	**Balance at 31 March**	**159,466**

Note 24 ANALYSIS OF GOVERNMENT GRANTS

The Council credited the following material grants and contributions to the Comprehensive Income and Expenditure statement:

2014/15 £000		2015/16 £000
	Credited to Services:	
	Revenue	
(59,717)	Housing Benefit	(58,225)
(8,748)	Public Health Grant	(9,932)
(54,583)	Dedicated Schools Grant	(50,135)
0	Music Education Grant	(272)
(3,656)	Health Authority Social Care Funding (now better care fund)	(15,052)
(1,285)	Unaccompanied Asylum Seekers Grant	(1,032)
(1,036)	Housing Benefit Admin Grant	(777)
(1,196)	Adult Community College	0
(10,538)	Other	(1,528)
	Capital	
(5,330)	DOE	(4,337)
(524)	Other	(489)
(146,613)	**Total**	**(141,780)**

2014/15 £000		2015/16 £000
	Credited to Taxation and Non Specific Grant Income:	
	Revenue	
(53,612)	Council Tax	(54,519)
(29,371)	National Non Domestic Rates	(30,754)
(35,937)	Revenue Support Grant	(27,076)
(1,901)	New Homes Bonus	(2,794)
(1,367)	Education Services Grant	(951)
(253)	Other	(75)
	Capital	
(3,672)	Department for Transport	(3,273)
(990)	Department for Education	(1,690)
(1,672)	Homes and Communities Agency	(613)
(1,498)	Other	(4,674)
(130,273)	**Total**	**(126,419)**

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 2015 £000		31 March 2016 £000
	Capital Grants & Contributions - Receipts in Advance	
(5,993)	Section 106	(7,798)
(237)	Department for Education	0
(136)	Department of Communities and Local Government	(133)
(33)	Environmental Trusts	(38)
(109)	Other Contributions	(516)
(704)	Port of London Authority	(706)
(7,212)	**Total**	**(9,191)**

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 2016. There have been no events arising between the 31 March 2016 and 30 June 2016 that provides information about conditions existing at 31 March 2016 which need to be reflected in the financial statements.

Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. It is too early to estimate the quantum of any impact on the financial statements, and there is likely to be significant ongoing uncertainty over the forthcoming year and beyond while the UK renegotiates its relationships with the EU and other nations. For the purposes of these financial statements, the Referendum is considered a non-adjusting event.

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	Public Protection	Childrens Service	Environment	Planning and Transportation	Chief Executive's Office	Treasury	Commercial Services	Chief Executive's Delivery Unit	Public Protection	Housing General Fund	Housing Revenue Account	Total
2015/16 Figures	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(10,621)	(45)	(8,185)	(98)	(2,892)	(3,730)	(2,257)	(1,116)	(3,544)	(517)	(1,273)	(52,576)	**(86,852)**
Government Grants	(7,185)	0	(23,001)	0	0	(59,698)	0	0	(550)	0	0	0	**(90,435)**
Employee expenses	10,573	857	22,664	4,595	3,746	12,575	0	512	2,789	1,834	800	7,346	**68,292**
Other service expenses	39,219	9,374	43,896	11,932	5,253	61,730	6,164	14,698	2,435	335	1,067	46,129	**242,232**
Support service recharges	0	0	0	2,150	0	0	0	0	0	0	0	0	**2,150**
Grand Total	**31,986**	**10,186**	**35,373**	**18,579**	**6,108**	**10,877**	**3,907**	**14,095**	**1,130**	**1,652**	**595**	**899**	**135,387**

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	2015/16 £000
Net expenditure in the Directorate Analysis	135,387
Additional segments not in the analysis	6,381
Amounts not included in the analysis included in cost of services	(45,539)
Amounts included in the analysis not included in cost of services	(14,986)
Allocation of support service recharges	(0)
Cost of Services in Comprehensive Income and Expenditure Statement	**81,242**

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.

2015/16 figures	Directorate Analysis £000	Additional segments not in analysis £000	Amount not Included in the Analysis Included in Cost of Services £000	Amounts Included in the Analysis not Included in Cost of Services £000	Allocation of Support Service Recharges £000	Cost of Services £000	Amounts Reported below Net Cost of Services £000	Total £000
Fees, charges & other service income	(85,169)	(7,209)	0	0	0	**(92,378)**	(13,180)	**(105,558)**
Interest and investment income	(2,257)	0	0	2,257	0	**0**	(2,290)	**(2,290)**
Income from council tax	0	0	0	0	0	**0**	(54,519)	**(54,519)**
Income from non-domestic rates	0	0	0	0	0	**0**	(35,113)	**(35,113)**
Government grants and contributions	(90,435)	(26,711)	(25,586)	0	0	**(142,731)**	(41,378)	**(184,109)**
Total Income	**(177,860)**	**(33,920)**	**(25,586)**	**2,257**	**0**	**(235,109)**	**(146,480)**	**(381,589)**

2015/16 figures	Directorate Analysis £000	Additional segments not in analysis £000	Amount not Included in the Analysis Included in Cost of Services £000	Amounts Included in the Analysis not Included in Cost of Services £000	Allocation of Support Service Recharges £000	Cost of Services £000	Amounts Reported below Net Cost of Services £000	Total £000
Employee expenses	70,720	27,043	7,333	0	0	**105,096**	0	**105,096**
Other service expenses	242,561	13,257	4,648	(17,277)	(34,939)	**208,250**	4,359	**212,609**
Support Service recharges	0	0	0	0	34,939	**34,939**	0	**34,939**
Depreciation, amortisation and impairment	0	0	(31,934)	0	0	**(31,934)**	0	**(31,934)**
Interest Payments	(34)	0	0	34	0	**0**	13,429	**13,429**
Precepts & Levies	0	0	0	0	0	**0**	630	**630**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	**0**	1,050	**1,050**
Value of Fixed Assets w ritten out of I&E	0	0	0	0	0	**0**	36,475	**36,475**
Total expenditure	**313,247**	**40,300**	**(19,953)**	**(17,243)**	**(0)**	**316,351**	**55,943**	**372,293**
Surplus or deficit on the provision of services	**135,387**	**6,381**	**(45,539)**	**(14,986)**	**(0)**	**81,242**	**(90,537)**	**(9,295)**

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	Adults, Health and Commissioning	Commercial Services	Chief Executive's Delivery unit	Chief Executive's Office	Childrens Service	Environment	Housing Services	Housing Revenue Account	Planning and Transportation	Public Protection	SERCO	Total
2014/15 Figures	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(9,662)	(347)	(1,361)	(2,679)	(81,246)	(912)	(894)	(50,186)	(2,867)	(400)	(1,203)	**(151,757)**
Government Grants	(13,310)	0	(941)	(61,540)	(8,522)	(77)	1	(111)	(1,068)	(65)	(26)	**(85,659)**
Employee expenses	11,254	284	2,108	10,372	20,957	8,233	641	7,136	4,323	2,132	36	**67,476**
Other service expenses	47,909	2,484	2,997	59,678	104,125	13,057	944	40,671	7,824	422	18,027	**298,138**
Support service recharges	0	42	41	48	0	2,228	0	18	0	0	0	**2,377**
Grand Total	**36,191**	**2,463**	**2,844**	**5,879**	**35,314**	**22,529**	**692**	**(2,472)**	**8,212**	**2,089**	**16,834**	**130,575**

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	2014/15 £000
Net expenditure in the Directorate Analysis	130,575
Additional segments not in the analysis	(47,774)
Amounts not included in the analysis included in cost of services	4,296
Amounts included in the analysis not included in cost of services	(7,290)
Allocation of support service recharges	(12,727)
Cost of Services in Comprehensive Income and Expenditure Statement	**67,080**

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.

2014/15 figures	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
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(151,757)	0	67,622	0	0	**(84,135)**	(7,161)	**(91,296)**
Interest and investment income	0	0	0	0	0	**0**	(1,902)	**(1,902)**
Income from council tax	0	0	0	0	0	**0**	(53,612)	**(53,612)**
Income from non-domestic rates	0	0	0	0	0	**0**	(52,596)	**(52,596)**
Government grants and contributions	(85,659)	0	(60,954)	0	0	**(146,613)**	(47,290)	**(193,903)**
Total Income	**(237,416)**	**0**	**6,668**	**0**	**0**	**(230,748)**	**(162,561)**	**(393,309)**

2014/15 figures	£000	£000	£000	£000	£000	£000	£000	£000
Employee expenses	67,476	40,759	0	0	0	**108,235**	0	**108,235**
Other service expenses	290,147	(74,298)	0	0	(29,087)	**186,762**	23,612	**210,374**
Support Service recharges	2,379	0	0	0	29,087	**31,466**	0	**31,466**
Depreciation, amortisation and impairment	0	0	(28,563)	0	0	**(28,563)**	0	**(28,563)**
Interest Payments	7,989	0	0	(8,061)	0	**(72)**	13,843	**13,771**
Precepts & Levies	0	0	0	0	0	**0**	583	**583**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	**0**	918	**918**
Value of Fixed Assets written out of I&E	0	0	0	0	0	**0**	37,029	**37,029**
Total expenditure	**367,991**	**(33,539)**	**(28,563)**	**(8,061)**	**0**	**297,828**	**75,985**	**373,813**
Surplus or deficit on the provision of services	**130,575**	**(33,539)**	**(21,895)**	**(8,061)**	**0**	**67,080**	**(86,576)**	**(19,496)**

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 2011/12 and 2015/16 with the only changes in asset values relating to revaluations.

	2012-13 Buildings £'000	2012-13 Artefacts £'000	2013-14 Buildings £'000	2013-14 Artefacts £'000	2014-15 Buildings £'000	2014-15 Artefacts £'000	2015-16 Buildings £'000	2015-16 Artefacts £'000
Opening Carrying Value	20,751	122	21,166	122	21,166	122	22,144	122
Revaluations	415	0	0	0	978	0	0	0
Impairments	0	0	0	0	0	0	0	0
Closing Carrying Value	**21,166**	**122**	**21,166**	**122**	**22,144**	**122**	**22,144**	**122**

Note 29 ASSETS HELD FOR SALE

2014/15 £000		2015/16 £000
364	**Balance outstanding at start of year**	**5,695**
	Assets newly classified as held for sale:	
9,398	Property, Plant and Equipment	6,679
	Revaluations and Impairments:	
(85)	Revaluation losses	(137)
0	Revaluation gains	1
	Assets declassified as held for sale:	
0	Property, Plant and Equipment	0
(3,982)	Assets sold	(9,839)
5,695	**Balance outstanding at year-end**	**2,399**

Note 30 PROPERTY, PLANT AND EQUIPMENT

Movement in 2015/16	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 2015	544,632	149,368	26,406	17,663	88,423	9,001	56,122	**891,615**
Additions / Donations	19,752	12,377	2,988	747	5,962	14,139	381	**56,346**
Additions - Other	0	0	0	0	0	0	0	**0**
Derecognition - Disposals	0	0	(46)	0	0	0	(160)	**(206)**
Derecognition - Other	(18,764)	(7,327)	0	0	0	0	(1,000)	**(27,091)**
Revaluations Recognised in Revaluation Reserve	19,473	(1,494)	0	0	0	0	5,130	**23,109**
Revaluations Recognised in Surplus/Deficit on Provision of Services	56,258	(823)	0	0	0	0	862	**56,297**
Assets reclassified (to)/from Held for Sale	(6,679)	0	0	0	0	0	0	**(6,679)**
Assets reclassified (to)/from Investment Property	0	2,322	0	0	0	0	0	**2,322**
Other movements in Cost or Valuation	18,686	1,062	0	0	0	(19,748)	0	**0**
At 31 March 2016	**633,358**	**155,485**	**29,348**	**18,410**	**94,385**	**3,392**	**61,335**	**995,713**

NOTES TO THE CORE STATEMENTS
Capital Notes

Movement in 2015/16	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 2015	(18,625)	(8,074)	(14,743)	(5,554)	(21,093)	0	0	**(68,089)**
Depreciation charge	(6,805)	(2,769)	(2,707)	(610)	(2,446)	0	(73)	**(15,410)**
Depreciation charge on previous impairment loss reversals	0	0	0	0	0	0	0	**0**
Depreciation written back to the Revaluation Reserve	53	2,400	0	0	0	0	0	**2,453**
Depreciation written back to Surplus/Deficit on Provision of Services	204	521	0	0	0	0	0	**725**
	0	0	0	0	0	0	0	
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**
	0	0	0	0	0	0	0	
Derecognition - Disposals	0	0	17	0	0	0	0	**17**
Derecognition - Other	0	643	0	0	0	0	0	**643**
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	0	0	0	0	0	0	**0**
At 31 March 2016	**(25,173)**	**(7,279)**	**(17,433)**	**(6,164)**	**(23,539)**	**0**	**(73)**	**(79,661)**
NBV At 31 March 2015	**526,007**	**141,294**	**11,663**	**12,109**	**67,330**	**9,001**	**56,122**	**823,526**
NBV At 31 March 2016	**608,185**	**148,206**	**11,915**	**12,246**	**70,846**	**3,392**	**61,262**	**916,052**

NOTES TO THE CORE STATEMENTS
Capital Notes

Comparative 2014-15	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 2014	507,366	151,857	24,206	17,436	85,080	31	47,206	**833,182**
Additions / Donations	20,782	10,162	2,505	420	3,364	8,970	246	**46,449**
Additions - Other	0	1,408	15	0	0	0	0	**1,423**
Derecognition - Disposals	0	(200)	(320)	(133)	(21)	0	0	**(674)**
Derecognition - Other	(19,842)	(13,318)	0	(60)	0	0	0	**(33,220)**
Revaluations Recognised in Revaluation Reserve	1,390	1,727	0	0	0	0	7,161	**10,278**
Revaluations Recognised in Surplus/Deficit on Provision of Services	38,638	(543)	0	0	0	0	5,479	**43,574**
Assets reclassified (to)/from Held for Sale	(3,702)	(1,725)	0	0	0	0	(3,970)	**(9,397)**
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	**0**
Other movements in Cost or Valuation	0	0	0	0	0	0	0	**0**
At 31 March 2015	**544,632**	**149,368**	**26,406**	**17,663**	**88,423**	**9,001**	**56,122**	**891,615**

Comparative 2014-15	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 2014	(12,413)	(6,516)	(12,452)	(5,029)	(18,738)	0	(57)	**(55,205)**
Depreciation charge	(6,326)	(3,222)	(2,457)	(585)	(2,363)	0	(72)	**(15,025)**
Depreciation charge on previous impairment loss reversals	0	0	0	0	0	0	0	**0**
Depreciation written back to the Revaluation Reserve	1	499	0	0	0	0	101	**601**
Depreciation written back to Surplus/Deficit on Provision of Services	113	529	0	0	0	0	28	**670**
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	166	60	8	0	0	**234**
Derecognition - Other	0	636	0	0	0	0	0	**636**
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	0	0	0	0	0	0	**0**
At 31 March 2015	**(18,625)**	**(8,074)**	**(14,743)**	**(5,554)**	**(21,093)**	**0**	**0**	**(68,089)**
NBV At 31 March 2014	**494,953**	**145,341**	**11,754**	**12,407**	**66,342**	**31**	**47,149**	**777,977**
NBV At 31 March 2015	**526,007**	**141,294**	**11,663**	**12,109**	**67,330**	**9,001**	**56,122**	**823,526**

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 2016 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 properties 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 2015/16.

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 2016. Six indices (Halifax, Nationwide, Land Registry, "Office for National Statistics", Right Move and Zoopla.co.uk) were referenced in order to reach a decision. There is compelling evidence from Right to buy valuations carried out over the year, in addition to that taken from the 3 main sources of information –i.e. Land Registry, Right Move and Zoopla, which points to increases in house prices in all post code areas between the 12 month period of 31 March 2015 and 31 March 2016. Based on the information gathered an increase in Council dwellings of 16.6% 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 2016. Four categories were reviewed (Retail, Offices, Development Land and Industrial) and each indicated a 0% change. A desktop review of the former Development Corporation Assets was undertaken by GVA Grimley Limited at 31 March 2016 and based on the evidence obtained, an increase of 10% was applied.

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

SURPLUS ASSETS

Fair Value Hierarchy

Details of the Council's surplus properties and information about the fair value hierarchy as at 31 March 2015 and 31 March 2016 are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2016
	£'000	£'000	£'000	£'000
Recurring Fair Value Measurements Using:				
Land	0	10,078	343	10,421
Industrial properties	0	46,887	0	46,887
Other properties	0	3,658	297	3,955
Total	**0**	**60,623**	**640**	**61,263**

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2015
	£'000	£'000	£'000	£'000
Recurring Fair Value Measurements Using:				
Land	0	8,400	1,249	9,649
Industrial properties	0	42,685	0	42,685
Other properties	0	3,490	299	3,789
Total	**0**	**54,575**	**1,548**	**56,123**

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels 1, 2 and 3 during the year.

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Surplus Properties

Significant Observable Inputs – Level 2

The fair value for the residential properties (at market rents) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

The value of the assets disclosed at Level 3 in the table above are not material to the Council accounts and have been valued at existing use value by the Council's internal valuers. It has been confirmed these values would not alter materially if valued on the open market.

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.

2014/15 £000		2015/16 £000
293,160	**Opening Capital Financing Requirement**	**305,288**
	Capital investment	
46,440	Property, Plant and Equipment	56,347
(325)	Intangible Assets	(227)
7,046	Revenue Expenditure Funded from Capital under Statute	8,116
1,275	Long Term Debtors	225

2014/15 £000		2015/16 £000
	Sources of finance	
(7,180)	Capital receipts	(5,990)
(34,053)	Government grants and other contributions (includes REFCUS & MRA)	(31,623)
	Sums set aside from revenue:	
(1,075)	• MRP (including finance leases liabilities)	(4,400)
305,288	**Closing Capital Financing Requirement**	**327,736**
	Explanation of movements in year	
2,617	Decrease in underlying need to borrowing (supported by government financial assistance)	(2,261)
11,577	Increase in underlying need to borrowing (unsupported by government financial assistance)	25,455
(2,066)	Assets acquired / adjusted under finance leases	(746)
12,128	**Increase/(Decrease) in Capital Financing Requirement**	**22,448**

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

2014/15 £000	Balance Sheet Item	2015/16 £000
823,526	Property Plant & Equipment	916,052
2,322	Investment Property	0
5,695	Assets Held for Sale	2,399
2,279	Intangible Assets	1,482
22,266	Heritage Assets	22,266
1,275	Long Term Debtors	1,425
(98,019)	Revaluation Reserve	(119,255)
(454,056)	Capital Adjustment Account	(496,633)
305,288	**Total Capital Financing Requirement**	**327,736**

Note 32 CAPITAL COMMITMENTS

As at 31 March 2016, the Council had authorised expenditure in future years of £18.461m. In addition a further £61.312m had been previously authorised for use in 2015/16 and 2016/17, giving a total future years' commitment of £79.773m. These commitments included contractual commitments of £6.862m.

Note 33 FINANCIAL INSTRUMENTS

a. Categories of Financial Instrument

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

31 March 2015 Carrying amount £000	31 March 2015 Fair Value £000		31 March 2016 Carrying amount £000	31 March 2016 Fair Value £000
(119,898)	(119,898)	Temporary Market Debt	(164,096)	(164,096)
(271)	(271)	Long Term Loans maturing in less than 1 year	(269)	(269)
(120,169)	**(120,169)**	**Short Term Borrowing**	**(164,365)**	**(164,365)**
(160,889)	(222,127)	PWLB Debt	(160,889)	(184,881)
(28,233)	(56,676)	Long Term Market Debt	(30,195)	(57,239)
(753)	(753)	Bonds/Annuities	(3)	0
(189,875)	**(279,556)**	**Long Term Borrowing**	**(191,087)**	**(242,120)**
(10,680)	(10,680)	Other Creditors at Contract Amounts	(4,707)	(4,707)
(1,011)	**(1,011)**	**Total Leasing Liability**	**(267)**	**(267)**
(321,735)	**(411,416)**	**Total Financial Liabilities**	**(360,426)**	**(411,459)**
19,970	**19,970**	**CCLA Property Fund/Gloriana Equity**	**51,993**	**51,217**
19,970	**19,970**	**Long Term Investments**	**51,993**	**51,217**
32,640	32,640	Tempoarary Investments	9,804	9,804
0	0	Fund Managers Investments	0	0
32,640	**32,640**	**Short Term Investments**	**9,804**	**9,804**
93	93	Cash held by the Council	122	122
2,574	2,574	Bank Current Accounts	2,576	2,576
5,499	5,499	Short term deposits with Financial	4,999	4,999
8,166	**8,166**	**Cash and Cash Equivalents**	**7,697**	**7,697**
10,916	10,916	Other Debtors at Contract Amounts	23,319	23,319
71,692	**71,692**	**Total Financial Assets**	**92,813**	**92,037**

The Council has invested in equity in the wholly owned company Gloriana Thurrock Ltd in 2015/16. This is reflected in the Council accounts as set out above. As at 31 March 2015 the company is not considered qualitatively or quantitatively material to the Council and hence group financial statements have not been prepared in the current year. As the activity in the company develops going forwards it is expected that group statements will be prepared.

Fair Values are shown in the table below, split by their level in the fair value hierarchy:
Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields on similar instruments
Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

Fair Value Hierarchy for Financial Assets and Financial Liabilities that are not Measured at Fair Value on the Balance Sheet

	31st March 2015			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£000	£000	£000	£000
Financial Liabilities				
Financial Liabilities held at Amortised Cost:				
Long-term loans from PWLB	0	(222,127)	0	(222,127)
Long-term LOBO loans	0	(56,676)	0	(56,676)
Other Loans	0	0	0	0
Total Financial Liabilities	**0**	**(278,803)**	**0**	**(278,803)**
Financial Assets				
Available for Sale Financial Instruments:				
CCLA Property Fund	19,970	0	0	19,970
Total Financial Assets	**19,970**	**0**	**0**	**19,970**

	31st March 2016			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£000	£000	£000	£000
Financial Liabilities				
Financial Liabilities held at Amortised Cost:				
Long-term loans from PWLB	0	(184,881)	0	(184,881)
Long-term LOBO loans	0	(56,115)	0	(56,115)
Other Loans	0	(1,124)	0	(1,124)
Total Financial Liabilities	**0**	**(242,120)**	**0**	**(242,120)**
Financial Assets				
Gloriana Equity		1,982		1,982
Available for Sale Financial Instruments:				
CCLA Property Fund	49,235	0	0	49,235

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:

	2015/16			
	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost	Loans and receivables	Available for Sale Financial Assets	Total
	£000	£000	£000	£000
Interest expense	8,193	0	0	**8,193**
Total expense in Surplus or Deficit on the Provision of Services	**8,193**	**0**	**0**	**8,193**
Interest income	0	(403)	(1,887)	**(2,290)**
Total income in Surplus or Deficit on the Provision of Services	**0**	**(403)**	**(1,887)**	**(2,290)**
Net gain/(loss) for the year	**8,193**	**(403)**	**(1,887)**	**5,903**

	2014/15			
	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	8,062	0	0	**8,062**
Total expense in Surplus or Deficit on the Provision of Services	**8,062**	**0**	**0**	**8,062**
Interest income	0	(405)	(393)	**(798)**
Total income in Surplus or Deficit on the Provision of Services	**0**	**(405)**	**(393)**	**(798)**
Net gain/(loss) for the year	**8,062**	**(405)**	**(393)**	**7,264**

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 2015 £000	Maturity Profile of Financial Liabilities	31 March 2016 £000
(130,430)	Less than 1 year	(169,307)
(750)	Between 2 and 5 years	(1,200)
(18,000)	Between 25 and 30 years	(18,000)
(11,000)	Between 35 and 40 years	(11,000)
(100,000)	Between 40 and 45 years	(125,000)
(60,889)	Over 45 years	(35,889)
(321,069)	**Total Financial Liabilities**	**(360,396)**

31 March 2015 £000	Maturity Profile of Financial Assets	31 March 2016 £000
68,916	Less than 1 year	88,119
0	Between 15 and 20 years	1,982
68,916	**Total Financial Assets**	**90,101**

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:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of LOBO loans have been increased by the value of the embedded options. Lenders options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrowers contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate;
- No early repayment or impairment is recognised;
- The fair values of other long term loans and investments have been discounted at the market rates of similar instruments with similar remaining terms to maturity on 31 March 2016;
- The fair value of short term investments/loans, including trade payables and receivables is assumed to approximate the carrying amount;

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.

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 2015/16 the Operational Limit was £486.7m and the Authorised Limit was £516.7m;

    2. Its maximum and minimum exposures to fixed and variable rates. For 2015/16 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 2015/16 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 2015/16 this limit was set at £35m, 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 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 2015**	**Amount at 31 March 2016**	**Historical experience of default**	**Historical experience adjusted for market conditions at 31 March 2016**	**Estimated maximum exposure**
	£000	**£000**	**%**	**%**	**£000**
Gloriana Equity	0	1,982	0	0	0
CCLA Property Fund	20,000	50,000	0	0	0
Banks Rates AAA Long Term	0	0	0	0	0
Banks Rates AA Long Term	10,000	0	0	0	0
Banks Rates A Long Term	7,500	6,000	0	0	0
Co-Op Bank	0	0	0	0	0
Un-rated Building Societies	13,000	6,000	0	0	0
Local Authorities	2,000	2,800	0	0	0
Cash	5,500	0	0	0	0
	58,000	**66,782**	**0**	**0**	**0**

The analysis in the above table is based on the nominal values of investments outstanding as at 31 March 2016 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 £1.73m of the total balance was past its due date for payment at 31st March 2016. Therefore the 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 to ensure that funds are available when required.

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 in Note 33c. 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 in note 33c.

The maturity analysis of both financial assets and liabilities are based on the nominal value of the assets outstanding at 31st March 2016 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 2016 would have been:

2014/15 £000	Sensitivity Analysis	2015/16 £000
48,451	Decrease in fair value of fixed rate borrowings liabilities	(43,718)

(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.

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 2015/16 the Council paid a total of £2.724m, including £1.027m actual teachers' contributions, (£1.257m in 2014/15) in respect of teachers' retirement benefits. The employer's contribution rate remained at 16.48%.

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

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 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.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

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.

On an Employer's withdrawal from the Fund, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by the Employer, on a set of assumptions deemed appropriate by the Fund Actuary.

In addition, as many unrelated employers participate in the Essex Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

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:

	Local Government Pension Scheme 2014/15 £000	Local Government Pension Scheme 2015/16 £000	Unfunded Benefits 2014/15 £000	Unfunded Benefits 2015/16 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Service cost comprising:				
• current service costs	8,765	22,615	0	0
• administration costs	116	142	0	0
Financing and Investment Income and Expenditure:				
• Net interest cost	5,781	5,236	426	320
Total Post-Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**14,662**	**27,993**	**426**	**320**
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)	(23,993)	(6,698)	0	0
• actuarial (gains) and losses arising on changes in demographic assumptions	0	25,674	0	0
• actuarial (gains) and losses arising on changes in financial assumptions	43,865	214	247	266
• other	(1,526)	0	(295)	(214)
Total Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**33,008**	**47,183**	**378**	**372**

	Local Government Pension Scheme 2014/15 £000	Local Government Pension Scheme 2015/16 £000	Unfunded Benefits 2014/15 £000	Unfunded Benefits 2015/16 £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	(14,662)	(27,993)	(426)	(320)
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employers' contributions payable to scheme	10,863	11,289		
• Retirement benefits payable to pensioners			663	661

The cumulative amount of actuarial gains and losses, since 1 April 2005 recognised in the Comprehensive Income and Expenditure statement to 31 March 2016 is a £65.303m 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 2014/15 £000	Local Government Pension Scheme 2015/16 £000	Unfunded Benefits 2014/15 £000	Unfunded Benefits 2015/16 £000
Present value of defined benefit obligation	443,194	474,356	10,031	9,210
Fair Value of plan assets	(291,273)	(324,100)	0	0
Sub-total	151,921	150,256	10,031	9,210
Net liability arising from defined benefit obligation	151,921	150,256	10,031	9,210

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

	Local Government Pension Scheme 2014/15 £000	Local Government Pension Scheme 2015/16 £000	Discretionary Benefits Arrangements 2014/15 £000	Discretionary Benefits Arrangements 2015/16 £000
Opening fair value of scheme assets	**252,451**	**291,273**	**0**	**0**
Opening adjustment	**1,231**	0	-	-
Interest income	11,214	9,942	0	0
Remeasurement gain/(loss)	0	0	0	0
- The return on plan assets, excluding the amount included in the net interest expense	23,993	(6,698)	0	0
- Other	(116)	(142)	0	0
Contributions from employer	10,863	11,289	0	0
Contributions from employees into the scheme	3,124	3,119	0	0
Benefits paid	(11,288)	(14,699)	0	0
Settlements Received/(Paid)	(199)	30,016	0	0
Closing fair value of scheme assets	**291,273**	**324,100**	**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 at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the relevant markets.

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
	2014/15	2015/16	2014/15	2015/16
	£000	£000	£000	£000
Opening balance at 1 April	392,258	453,225	(10,021)	(10,031)
Current service cost	10,688	12,374	0	0
Interest cost	16,995	15,178	(426)	(320)
Contributions by scheme participants	3,124	3,119	0	0
Liabilities assumed/(extinguished) on settlements	(2,430)	39,179	0	0
Remeasurement (gains) and losses:			295	214
- Actuarial (gains) and losses arising from changes in demographic assumptions	(295)	(214)	0	0
- Actuarial (gains) and losses arising from in financial assumptions	43,865	(25,674)	(542)	266
Estimated Benefits Paid Net of Transfers In	(10,625)	(14,038)	0	0
Curtailments & Settlements	308	1,078	0	0
Unfunded Pension Payments	(663)	(661)	663	661
Closing balance at 31 March	453,225	483,566	(10,031)	(9,210)

Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets 2014/15	Fair Value of Scheme Assets 2015/16
	%	%
Cash and Cash Equivalents	**2**	**3**
Sub-total Equity	**67**	**68**
Bonds		
- Corporate	10	5
- Government	4	3
Sub-total Bonds	**14**	**8**
Property	**11**	**12**
Alternative Assets	**6**	**4**
Other Managed Funds	**0**	**5**
Total assets	**100**	**100**

	Fair Value of Scheme Assets 2014/15	Fair Value of Scheme Assets 2015/16
	%	%
Equity instruments:	**67**	**68**

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-15	Local Government Pension Scheme 31-Mar-16
Mortality assumptions:		
Longevity at 65 for current pensioners:		
* Men	22.8 yrs	22.9 yrs
* Women	25.2 yrs	25.3 yrs
Longevity at 65 for future pensioners:		
* Men	25.1 yrs	25.2 yrs
* Women	27.6 yrs	27.7 yrs
Rate of inflation	2.30%	2.30%
Rate of increase in salaries	4.10%	4.10%
Rate of increase in pensions	2.30%	2.30%
Rate for discounting scheme liabilities	3.30%	3.60%
Take-up of option to convert annual pension into retirement lump sum	60.00%	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. 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)	498,353	469,231
Rate of increase in salaries (increase or decrease by 0.1%)	484,257	482,877
Rate of increase in pensions (increase or decrease by 0.1%)	491,402	475,866
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	475,289	491,994
	1,949,301	1,919,968

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 expected employer contribution to the plan for the year to 31 March 2017 is £10.02m.

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 2015 £000		31 March 2016 £000
93	Cash held by the Council and in transit	122
2,574	Bank current accounts	2,576
5,499	Short-term deposits in UK banks & investments in money market funds	4,999
8,166	**Total Cash and Cash Equivalents**	**7,697**

Note 38 OPERATING ACTIVITIES CASH FLOW STATEMENT

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

2014/15 £'000		2015/16 £'000
883	Interest Received	2,121
12	Interest Received Opening Debtor	140
(140)	Interest Received Closing Debtor	(4)
(2,297)	Interest paid	(2,575)
0	Adjustments for differences between EIR and actual interest payable	0
(484)	Interest Paid Opening Creditor	(454)
515	Interest Paid Closing Creditor	562
(1,511)	Total Operating Acivities	(210)

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:

2014/15 £'000		2015/16 £'000
(48,632)	Purchase of property, plant and equipment, investment property and intangible assets	(52,874)
(35,100)	Purchase of short-term and long-term investments	(271,282)
(1,275)	Other payments for investing activities	(225)
7,688	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	13,124
20,007	Proceeds from short-term and long-term investments	262,000
13,630	Other receipts from investing activities (including capital grants)	17,129
(43,682)	**Net cash flows from investing activities**	**(32,128)**

Note 40 FINANCING ACTIVITIES CASH FLOW STATEMENT

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

2014/15 £'000		2015/16 £'000
288,750	Cash receipts of short and long-term borrowing	308,250
470	Other receipts from financing activities	(477)
(744)	Cash payments for the reduction of the outstanding liabilities (finance leases)	(269)
(262,250)	Repayments of short- and long-term borrowing	(262,950)
(859)	Other payments for financing activities	2,547
25,367	**Net cash flows from financing activities**	**47,101**

Note 41 NON CASH MOVEMENT CASH FLOW STATEMENT

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

2014/15 £'000		2015/16 £'000
19,496	**Net Surplus or (Deficit) on the Provision of Services**	**9,294**
	Adjust net surplus or deficit on the provision of services for non cash movements:	
15,029	Depreciation	16,310
(44,162)	Impairment and downward valuation	(56,931)
651	Amortisation	570
117	Increase/decrease in provision for Impairments/doubtful debts re: Loans & Advances	0
0	Financial Guarantee Adjustments	0
31	Increase/Decrease in Interest Creditors	0
5,324	Increase/Decrease in Creditors	(691)
(128)	Increase/Decrease in Interest and Dividend Debtors	0
1,884	Increase/Decrease in Debtors	(10,654)
42	Increase/Decrease in Inventories	(7)
3,562	Movement in Pension Liability	16,704
921	Contributions to/(from) Provisions	1,959
37,278	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	36,475
(187)	Movement in Investment Property Values	0
20,362		**3,735**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(13,687)	Capital Grants credited to surplus or deficit on the provision of services	(15,348)
0	Net adjustment from the sale of short and long term investments	0
(7,688)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(13,124)
(21,375)		**(28,472)**
18,483	**Net Cash Flows for Operating Activities**	**(15,443)**

NOTE 42 BETTER CARE FUND

The Better Care Fund is a collaborative arrangement governed by a section 75 agreement with Thurrock Clinical Commissioning Group (CCG) to enable the joint provision of a range of adult social care services. Thurrock Council is the lead commissioner and enters into contracts on behalf of both parties but only with the consent of both parties through the Integrated Care Executive. Consequently the Council reflects all the transactions in these financial statements as well as the associated funding from Thurrock CCG.

The total value of the pool was £18.02m which includes the Council contribution of £3.25m. At the end of 2015-16 the pool had an underspend of £0.1m of which £0.018m was allocated to the Council.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2014/15 £'000		Notes	2015/16 £'000
	EXPENDITURE		
11,380	Repairs and Maintenance		11,162
19,388	Supervision and Management		24,937
200	Rents, rates, Taxes and Other Charges		184
(32,169)	Depreciation and Impairment of Non Current Assets	2	(48,492)
69	Debt Management Costs	8	112
144	Movement in the Allowance for Bad Debts		36
(988)	**Total Expenditure**		**(12,061)**
	INCOME		
(45,093)	Gross Rent from Dwellings	1	(45,490)
638	Less Voids		497
(44,455)	**Net Rent from Dwellings (sub total)**		**(44,993)**
	Non Dwelling Rents:		
0	Shop Rents		(10)
(801)	Garage Rents		(796)
(112)	Premises Income		(163)
(913)	**Non Dwelling Rents (sub-total)**		**(969)**
	Charges for Services and Facilities:		
(5,552)	Water Charges		(5,342)
(43)	Central Heating Charges		(40)
(5,595)	**Charges for Services and Facilities (sub total)**		**(5,382)**
	Contributions Towards Expenditure:		
(551)	Leaseholder Charges		(602)
(2,264)	Tenants Service Charges		(2,271)
(2,815)	**Contributions Towards Expenditure (sub total)**		**(2,873)**
0	Micellaneous Income		0
(53,778)	**Total Income**		**(54,217)**
(54,766)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**(66,278)**
(54,766)	**Net Expenditure for HRA Services**		**(66,278)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
18,015	(Gain) or loss on sale of HRA non-current assets		15,927
5,736	Interest payable and similar charges (Deferred Purchase Interest)		5,727
0	Amortisation of Premiums and Discounts (Premium on Debt Restructuring)		0
(42)	Interest and Investment Income		(34)
310	Pensions interest cost and expected return on Pension Assets	3	310
0	Capital Grants and Contributions Receivable		0
(30,747)	**(Surplus)/ Deficit for the Year on HRA Services**		**(44,348)**

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

MOVEMENT ON HRA BALANCE

2014/15 £'000		2015/16 £'000
(2,654)	**Balance on HRA at 1 April**	**(2,654)**
(30,747)	(Surplus)/Deficit for the Year on HRA Services	(44,348)
27,630	Adjustments Between Accounting Basis and Funding Basis under Statute:	45,073
(5,771)	**Total**	**(1,929)**
3,117	**Transfer to/(from) Reserves:**	**174**
(2,654)	**Balance on HRA at 31 March**	**(1,755)**

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2014/15 £'000		2015/16 £'000
	Reversal of Items debited or credited to the HRA Income and Expenditure Account	
(6,499)	Depreciation of non-current assets	(7,850)
(479)	Revaluation and Impairment losses on Property, Plant and Equipment	(14,209)
39,231	Revaluation gains reversing previous losses	70,641
(4)	Movement in Market Value on Investment Property	0
(82)	Movement in value of Held for Sale Assets	(90)
(119)	Revenue expenditure funded from capital under statute (REFCUS)	0
(23,694)	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	(25,033)
5,679	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	9,106
14,033		**32,565**
	Insertion of items not debited or credited to the HRA Income and Expenditure Account	
14,157	Reversal of Major Repairs Allowance credited to the HRA	13,736
(1,125)	Reversal of items relating to requirement benefits debited or credited to the CIES	(2,098)
582	Employer's pension contributions and direct payment to pensioners payable in year	888
(17)	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	(18)
13,597		**12,508**
27,630	**Total**	**45,073**

Note 1 GROSS RENT INCOME

The level of rent arrears was as follows:

2014/15 £'000	Rent Arrears	2015/16 £'000
1,088	Gross Current Arrears at 31 March	808
2.41%	As a Proportion of Gross Rent Income Collectable in the Year	1.51%

Amounts written-off during the year amounted to £0.66m. There is a provision of £0.253m for the potential write-off of irrecoverable debts.

Note 2 DEPRECIATION

Depreciation of £6.5m was charged to the HRA in relation to operational assets comprising dwellings, other land and buildings. The charges in respect of impairment were £0.48m offset by reversals of impairments of £39.2m.

2014/15 £'000	Analysis of Depreciation and Impairment Charges	2015/16 £'000
	Depreciation:	
6,328	Dwellings	6,805
123	Other Land and Buildings	131
45	Plant and Equipment	45
5	Non-Operational Property, Plant and Equipment	5
(38,670)	Impairment of Property, Plant and Equipment	(55,478)
(32,169)	**Total for Year**	(48,492)

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 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 2015	Number and Types of Properties at 31 March	31 March 2016
5,406	Number of Houses and Bungalows	5,334
3,494	Number of Flats and Maisonettes	3,540
1,222	Number of Aged Person Dwellings	1,222
10,122	**Total**	**10,096**

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

2014/15	Change in Stock of Properties	2015/16
10,183	Stock at 1 April	10,122
(65)	Less Sales	(105)
4	Additions	79
10,122	**Total**	**10,096**

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

31 March 2015 £'000	Balance Sheet Value of HRA Properties	31 March 2016 £'000
	Operational Non-Current Assets:	
536,985	Dwellings and other land and buildings	619,611
16,034	Non-Operational Non-Current Assets	15,448
553,019	**Total**	**635,059**

The vacant possession value of dwellings within the HRA as at 1st April 2015 was £1.56bn. 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:

2014/15 £'000	Major Repair Reserve	2015/16 £'000
(2,293)	Balance as at 1 April	0
(14,157)	Transfer to HRA	(13,736)
16,450	Financing of Capital Expenditure	13,736
0	**Total**	0

Note 6 CAPITAL EXPENDITURE

Capital expenditure on land, houses and other properties within the HRA in 2015/16 was financed as follows:

2014/15 £'000	Financing of Capital Expenditure	2015/16 £'000
16,450	Major Repairs Reserve	13,736
1,977	Grants	674
4,836	Capital Receipts	5,926
7,223	Prudential Borrowing	14,031
0	Development Reserve	3,117
30,486	**Total**	37,484

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:

2014/15 £'000	Capital Receipts	2015/16 £'000
(5,679)	Sales of Dwellings	(9,106)
(5,679)	**Total**	(9,106)

Note 8 DEBT MANAGEMENT COSTS

Debt management costs charged to the HRA were as follows:

2014/15 £'000	Debt Management Cost	2015/16 £'000
69	Debt Management Costs	112

THE COLLECTION FUND STATEMENT
COUNCIL TAX

Notes		2014/15 £'000	2015/16 £'000	£'000
	INCOME			
2	Council Tax	(63,450)	(65,212)	
	Total Income	**(63,450)**		**(65,212)**
	EXPENDITURE			
	Precepts and Demands:			
	Essex Police Authority	6,700	**7,047**	
	Essex Fire Authority	3,085	**3,181**	
	Thurrock Borough Council	52,233	**53,858**	
	Precepts and Demands (sub-total)	**62,018**		**64,086**
	Provision for Bad Debts:			
	Change in Provision	241	**150**	
	Write offs	270	**197**	
	Provision for Bad Debts (sub-total)	**511**		**347**
	CONTRIBUTIONS			
	Essex Police Authority	143	**126**	
	Essex Fire Authority	67	**58**	
	Thurrock Borough Council	1,134	**980**	
	Contributions (sub-total)	**1,344**		**1,164**
	Total Expenditure	**63,873**		**65,597**
	(Surplus)/ Deficit for Year	**423**		**385**
	Fund Balance Brought Forward	**(1,904)**		**(1,481)**
	Fund Balance Carried Forward	**(1,481)**		**(1,096)**

Share of Collection Fund (Council Tax) Balance:

	2014/15	2015/16
Thurrock Council	**(1,242)**	**(923)**
Essex Police Authority	**(163)**	**(120)**
Essex Fire Authority	**(76)**	**(53)**
Total	**(1,481)**	**(1,096)**

THE COLLECTION FUND STATEMENT
NATIONAL NON-DOMESTIC RATES

Notes		2014/15	2015/16	
		£'000	£'000	£'000
	INCOME			
3	Income Collectable from Non-Domestic Ratepayers	(103,445)	(105,926)	
	Transitional Protection Payments	(481)	452	
	Total Income	**(103,926)**		**(105,474)**
	EXPENDITURE			
	Share of Business Rates:			
	Essex Fire Authority	1,080	1,091	
	Thurrock Borough Council	52,953	53,450	
	Share of Non-Domestic Rates (sub-total)	**54,033**		**54,541**
	Payment of the Central Share of the Non-Domestic Rating Income to Central Government	**54,033**		**54,541**
	Provision for Bad Debts:			
	Change in Provision	(207)	(35)	
	Write Offs	(18)	296	
	Provision for Bad Debts (sub-total)	**(225)**		**261**
	Provision for Appeals:			
	Change in Provision	1,832		(3,264)
	Costs of Collection	224		235
	CONTRIBUTIONS			
	Essex Fire Authority	(20)	(89)	
	Thurrock Borough Council	(1,012)	(4,359)	
	Central Government	(1,032)	(4,448)	
	Contributions (sub-total)	**(2,064)**		**(8,896)**
	Total Expenditure	**107,833**		**97,418**
	(Surplus)/ Deficit for Year	**3,907**		**(8,056)**
	Fund Balance Brought Forward	**8,269**		**12,176**
	Fund Balance Carried Forward	**12,176**		**4,120**

Share of Collection Fund (NDR) Balance:

	2014/15	2015/16
Thurrock Council	**5,966**	**2,019**
Essex Fire Authority	**122**	**41**
Central Government	**6,088**	**2,060**
Total	**12,176**	**4,120**

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 2015/16 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*	9	5:9	5
A	4,244	6:9	2,829
B	9,494	7:9	7,384
C	21,573	8:9	19,176
D	10,045	9:9	10,045
E	4,058	11:9	4,960
F	1,942	13:9	2,805
G	743	15:9	1,238
H	26	18:9	52
	52,134		**48,495**
Less adjustment for collection rate and for anticipated changes during the year for successful appeals against valuation banding, new properties, demolitions, disabled persons relief and exempt properties.			(606)
Council Tax Base			**47,889**

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 2015/16 48.0p was the small business multiplier and 49.3p the large business multiplier (47.1p small business multiplier and 48.2p large business multiplier in 2014/15). 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 £53.45m 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 £105.5m.

The total Non-Domestic rateable value at the 31 March 2016 was £263,567,417 (£258,527,308 as at 31 March 2015).

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 arm's 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.

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.

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 outgoings due after the valuation date. Scheme liabilities are measured using the projected unit method to reflect the benefits that an employer is committed to provide for employees up to the valuation date.

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

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

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.