Thurrock Council

Statement of Accounts

2016/17

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BACKGROUND AND CONTEXT

1. Location and place

Thurrock is located on the north bank of the River Thames immediately to the east of London. It has excellent transport links with London and the rest of the UK and Europe by road, rail, river and air.

Geography	Extent
Area	165 sqkm
Riverfront	18 miles
Green Belt land	70%

2. Population

Thurrock has a diverse population that is projected to increase by over 10% every 10 years.. In 2001 the population was 143,300 and by 2011 had increased to 158,300. The Office of National Statistics (ONS) estimates it will have risen to 175,000 by the time of the next national census in 2021.

Population estimates are produced by the ONS and are updated periodically. For the latest data – see https://www.nomisweb.co.uk/reports/lmp/la/1946157204/report.aspx

3. Age and gender

The table below summarises ONS' population estimates by age and sex in the UK for mid-2015.

Population section	Estimate
Male	49.25%
Female	50.75%
0 to 14 year-olds	21.13%
15 to 24 year-olds	11.63%
25 to 44 year-olds	29.17%
45 to 64 year-olds	25.19%
65 year-olds and older	12.88%

4. Thurrock's Economic Performance

The local economy

In 2013, the Thurrock economy was worth around £2.8bn. Between 2007 and 2013, nominal Gross valued Added (GVA) growth in Thurrock was 12.2%) which was below the England average of15.9%. Economic output per head of population was £17,300 below the England average of £24,100.

Thurrock has high levels of employment (73.4% of working age residents compared to 72.5% for England). Employment has been sustained despite significant population growth. Between 2004 and 2014, the number of Thurrock residents increased by 16,400 or 11.0% to an estimated 163,300. This compares with 8.2% growth nationally and 7.3% for Essex County.

Population growth partly reflects the employment opportunities in Thurrock itself, particularly in a few core sectors such as transport and logistics, port functions, and retail. The strength of these sectors reflects some of Thurrock's main economic advantages; geography and relatively low labour costs. As a whole, Essex's close proximity to both London and Cambridge, and its international airports and ports make it an attractive proposition for inward investment; while Greater Essex is up to 20% cheaper with regards to labour costs for a

typical logistics operation compared to London and up to 50% cheaper with regards to labour costs for a typical sales/administration services operation.
Investments in Thurrock's core sectors have delivered large numbers of jobs in the area, but significant shares of these are low value and low skill. As such, labour productivity in Thurrock lags the Essex County and national averages.

5. Thurrock's EDS priorities: Progress to date

The 2007 Economic Development Strategy (EDS) stated that: "The overarching challenge for Thurrock is to create new jobs" and included a headline target to create 26,000 more jobs in the local economy by 2021. An increase in job opportunities was considered vital to the Thurrock's "economic, social and environmental sustainability", particularly in light of the area's growing population.

The 2007 EDS identified a number of priorities and set specific targets for realisation by 2021. These targets specifically reflect elements of the local economic context as set out above. The key progress to date is as follows:

- Thurrock has seen strong job growth despite the economic downturn, performing above the national and regional averages
- Projections suggest Thurrock may not meet the target of 26,000 jobs by 2021
- Several large investments (Thames Enterprise Park, DP World, Tilbury and Purfleet for example) do, however, offer the opportunity to see faster jobs growth in coming years. Two recent planning applications alone offer the scope for 4,500 new jobs over the next two to three years.

Recession and the subsequent weak economic recovery at a national level made this a significantly more challenging target than anticipated. Employment in Thurrock fell sharply after the onset of the economic downturn in 2008/09. 75.4% of working age residents were in employment in 2007 but this fell to 70.0% in 2011. This recovered to 73.4% by the end of 2014 and was above the England average 0f 72.5%.

Unemployment in Thurrock peaked at 11.4% of economically active residents in Thurrock in the 12 months to March 2012 but has declined since then and has continued to fall.

Extrapolating trend growth from 2007-2013 would see an increase of 11,800 jobs by 2021. This would be short of the 2007 target. However, potential investments in the local economy - in particular within identified economic hubs (e.g. London Gateway, Port of Tilbury, Lakeside, Purfleet and Thames Enterprise Park) - offer the potential for significant jobs growth in the coming years. Indeed, supporting and enabling delivery on those investments will be crucial to getting close to the target of 26,000 jobs by 2021.

6. Adult skills

Data for 2014 shows Thurrock still has relatively low proportions of residents who are qualified at NVQ Level 3 and above – 40.5% of working age residents in 2014, compared to 53.2% nationally. There is also a relatively high proportion of working age adults with low or no qualifications, including 12,600 Thurrock residents aged 16-64 with no qualifications – making up 12.2% of working age residents, compared to just 8.6% nationally. Employment rates vary significantly by qualification level: 84.4% working age residents qualified at NVQ4+ were in employment in 2014, compared to 63.1% of those qualified at NVQ1 and below (including 'other qualifications').

However, there have been considerable improvements in qualifications attainment in recent years. Between 2007 and 2014 there was a significant shift towards attainment at the highest qualification levels (NVQ3 and above) among working age residents, and away from qualifications at the lowest levels (NVQ1 and below). The proportion of residents qualified at NVQ4 and above has increased by 7.4% in Thurrock since 2009, compared to just 2.7% across Essex County and 6.1% nationally. This is a result of the focus on education to improve schools attainment and, support for academies to increase investment and pupil based planning for place provision.

In total there were 14,200 more working age residents qualified at Level 3 and above in 2014 than in 2007, and 10,500 fewer residents aged 16-64 whose highest level of qualification is at NVQ Level 1 or below (including ‘other qualifications’). While these trends have also taken place nationally, they have been particularly marked in Thurrock.

7. Five strategic priorities to achieve our vision

The current strategic priorities of the Council are:

- Create a great place for learning and opportunity
- Encourage and promote job creation and economic prosperity
- Build pride, responsibility and respect
- Improve health and well-being
- Promote and protect our clean and green environment

They have largely been in place since 2012 and were refreshed slightly in 2015 to take into account of the changing relationship between the council and the community and our role in place shaping and community leadership. The priorities are now under review and are expected to be updated in the 2017/18 municipal year.

8. Homes and houses

According to the Valuation Office as at March 2016, there were 66,065 dwellings in Thurrock. The borough has a target to build 18,500 new homes by 2021 to meet the demand expected. Thurrock has a stock of 10,000 council houses, including 1,200 sheltered and extra care homes.
House price information below is from the Land Registry Housing Price Index, July 2016. Housing status data comes from the national census of 2011.

Housing status	Thurrock	East region	England
Owner-occupier	66.2%	67.6%	63.4%
Rented from the council or housing association	18.4%	15.7%	17.7%
Rented privately	14.1%	14.8%	16.8%
Average house prices	£249,803	£273,806	£232,885

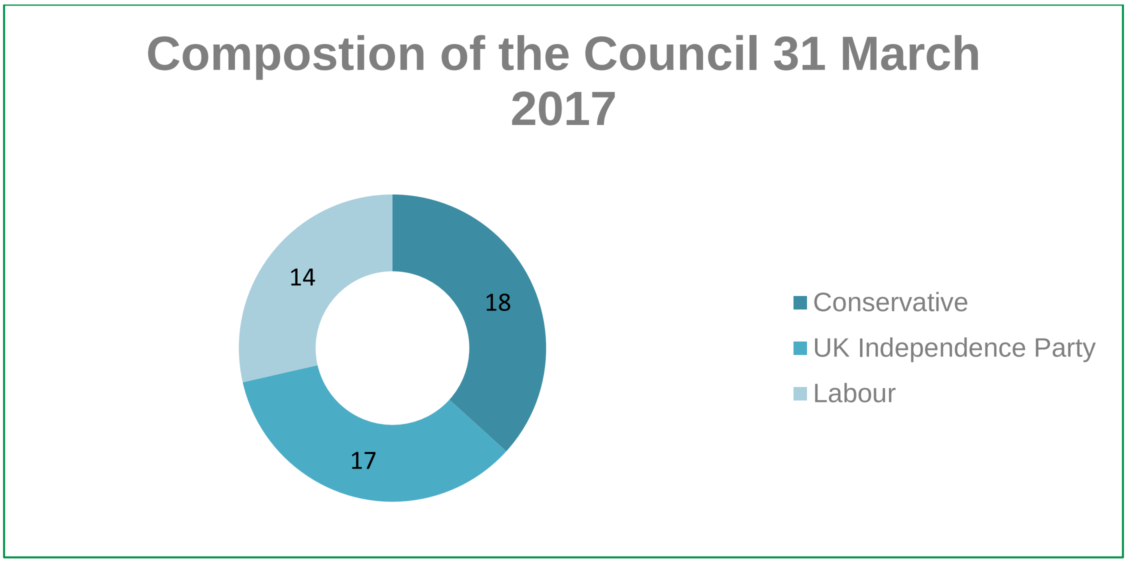
9. Heritage

Thurrock has a wealth of historic sites in the borough and examples include:

- Tilbury Fort, where Queen Elizabeth I gave her famous "heart of a king" speech whilst amassing the fleet to face the Spanish Armada in 1588
- Coalhouse Fort, which was completed in 1874

Thurrock was also the venue for the Empire Windrush's momentous disembarkation at Tilbury. There are other moments from history captured in the displays at Thurrock Museum.

10. Political Structure



Thurrock is made up of 20 electoral wards. There are 49 councillors. Residents elect either 2 or 3 councillors per ward to represent them, depending on the size of population in their ward. Councillors are elected to serve for 4 years, after which a new election must be held. Thurrock holds elections in 3 out of every 4 years, with a third of all councillors being elected or re-elected during an election year. There are no elections during the fourth year – this is called a 'fallow year'.

11. The Cabinet and its members

The Cabinet includes the Leader of the Council and 8 councillors from the ruling party. Each cabinet member is responsible for a policy area, known as a portfolio.

The Cabinet is responsible for:

- publishing a forward plan that gives at least 28 days' notice about the key decisions it will take
- making most of the council's main budget and policy decisions
- recommending the budget and important policies for the council to agree on
- deciding certain policies
- carrying out important plans and strategies

Members of the Cabinet

The current members of the Cabinet and their portfolios are listed below:

Cabinet member	Role	Portfolio
Councillor Rob Gledhill	Leader of the Council	Housing
Councillor Shane Hebb	Deputy Leader of the Council	Finance
Councillor Mark Coxshall		Regeneration
Councillor James Halden		Education and Health
Councillor Brian Little		Highways and Transportation

Councillor Susan Little	Children's and Adult Social Care
Councillor Suzanne MacPherson	Neighbourhoods
Councillor Deborah Huelin	Performance and Central Services
Councillor Pauline Tolson	Environment

12. Risk Management

Risk management involves:

- Identifying and analysing risks
- Taking steps to control and reduce these risks
- Financing the cost of risk in an efficient way

All departments must engage in Risk Management. Insurance cannot eliminate the possibility of all accidents or loss. If there is an accident or loss, insurance cannot cover for:

- Disruption
- Damage to the Council's reputation
- Lowered morale of staff
- The stress and anxiety that always accompanies accidents and losses.

It is also important to keep the number of claims made on an insurance policy to a minimum. A poor claims record will result in higher insurance premiums.
A structured approach to risk management will result in:

- A general awareness of the cost of risk
- A culture that is committed to reducing risk and minimizing loss

The Council's Corporate Risk Management Group consider the whole range of business risks facing the Council. The key risks are identified below:

- ***Adult Social Care, Cost & Quality Standards - Risk 1*** (Rating: 16 Critical/Very Likely)

The risk evaluates the impact of a combination of issues on the maintenance of care quality standards and the ability to meet the needs of service users who meet Adult Social Care eligibility criteria. The risk is rated at the higher level due to the financial pressures on local authorities and the impact this has in turn on providers.
The Council has a plan is in place being implemented which responds to a recent CQC report and also an independent review of our in-house domiciliary care provider – Thurrock Care at Home. Furthermore financial pressures will reduce following additional funding from the social care precept from 2017/18.

- ***Cyber Security - Risk 22*** (Rating: 12 Substantial /Very Likely)

The industry has recently reported that Ransomware attacks have been significantly increasing over the last 12 months. This type of attack progressively infects the host infrastructure encrypting data so it is inaccessible unless a ransom is paid. Ransomware is a "popular headline" cybercrime, but three neighbouring Councils have reported attacks within the last 12 months all of which have an operational impact. This proves that local authorities are being targeted.

The Council continues to manage this risk through a range of measures designed to protect the Council's core IT infrastructure.

- ***Health and Social Care Transformation - Risk 2*** (Rating: 12 Critical/Likely)

Significant programme management capacity and expertise is required to deliver both the Adult Social Care Transformation Programme and the Health and Social Care Integration Programme. There are also challenges to overcome to progress integration with health. This includes current pressures on the Essex-wide health economy, a 'local' health agenda which is geographically broader than Thurrock, and how decisions made by non-Thurrock parts of the Essex-wide system will impact upon what Thurrock wants and needs to achieve.

Whilst initiatives designed to manage, reduce, and meet demand are on-going, the results are in most cases not immediate and the risk rating is still likely to be high. The management of demand in social care has links across the whole system, and therefore the speed at which the NHS can also transform will have a bearing on the success of our own programme. The Council continues to work with the NHS to embed the integration agenda.

- ***Welfare Reforms - Risk 3*** (Rating: 12 Critical/Likely)

The impact of the changes is being monitored by the Welfare Reform Group. In terms of the specific areas:

- The Essential Living Fund has had a lower take-up than expected and the arrangements with Southend are working well. The scheme continues to operate.
- The social sector size criteria affected nearly 1,000 people. Discretionary Housing Payment has been used to minimise the impact; Housing Benefit arrears have been lower than expected; The risk is over maintaining this position;
- The benefit cap has, to date, affected a very small number of people and the impact has been limited.
- The move from Disability Living Allowance to Personal Independent Plan is being monitored and numbers will grow as people switch at their review point. Delays remain the biggest issue to resolve.
- Localised Council Tax Support – again arrears are lower than expected and the long-term impact is hard to assess at this stage; The scheme was updated and approved by full Council in January 2017 and the impact continues to be monitored.
- Universal Credit – The impact is being monitored as it is rolled out but there remains a low level of cases moving to the universal credit system.

- ***CSC, Service Standards & Inspection Outcome - Risk 6*** (Rating: 12 Critical/Likely)

This risk evaluates the impact of increased demand and resource pressures on children's social care quality of service and provision. The pressures outlined throughout previous years remain acute. They include increased volumes, increased complexity and ongoing activity to review high cost placements. The implementation of the early help service model and the Thurrock multiagency safeguarding hub (MASH) has been successful although as anticipated it has led to an increase in the volume of work to children's social care, this is ongoing.

The service continues to maximize the external investment and opportunities presented through the Troubled Families Programme and continuously measures impact of the MASH. Ongoing savings to be made across Children's Services including from the Children's Social care budget will be risk assessed to mitigate the impact on front line services. The service has to be demand and needs lead and cannot fail to respond to the needs of a child due to budget or resource constraints. A target date of 31/03/17 has been applied to the risk, which is the time when the documentation will be fully reviewed, refreshed and updated.

- ***CSC, Safeguarding & Protecting C&YP - Risk 7*** (Rating: 12 Critical/Likely)

The nature of the work in terms of safeguarding and supporting children at risk of harm means that this will always be a high risk area although through the application of the S.E.T (Southend, Essex & Thurrock) Child Protection procedures the department actively works to mitigate this risk and reduce the likelihood. The risk of children and young people coming to harm cannot be completely eliminated and the risk level needs to remain high and ensure clear vigilance across the council and partner agencies.

New and emerging risk factors will arise and there is always a potential for agencies 'not knowing, what they don't know' that needs to be guarded against. Embedding the Multi Agency Safeguarding Hub and Early Offer of Help has supported earlier identification of risk through a multi-agency approach enabling the department to work to intervene at an earlier stage and reduce the risk of harm in some cases. The impact for individual children and families, particularly in cases of child death is significant and whilst actions to reduce the likelihood are implemented the impact will remain as critical. There is also a critical impact score in terms of reputational damage should a child death or serious injury occur.

The ongoing nature of risk in child protection and safeguarding is such that despite effective mitigation the acknowledgement of the risk needs to remain high and will not reduce. This is not to say that the risks are unmanageable but for effective management the gravity and complexity of the risk needs to be acknowledged.
Within the context of this work we have a high level and critical risk that is being proactively managed.

- ***Business Continuity Planning - Risk 8*** (Rating: 12 Critical/Likely)

The risk evaluates the position if business continuity plans are not coordinated and maintained, which would lead to business continuity planning arrangements across the Council becoming inconsistent, outdated and ineffective in times of a disruption affecting the authority.

Review to identify priority functions/ICT systems and to update service business continuity plans were undertaken by Service Managers during 2015/16 and have been updated in early 2017/18. Analysis of the information and an interim solution for ICT Disaster Recover arrangements was initially identified and agreed in March 2016. The interim solution for ICT disaster recovery when implemented along with the updated service business continuity plans put the Council in a fair position to deal with a significant disruption.

The risk is expected to remain at the higher level until assurance is obtained that the business continuity plans for the Council and the critical functions are adequate and effective.

- ***ICT Disaster Recovery Planning - Risk 11*** (Rating: 12 Critical/Likely)

A proposal to install a basic disaster recovery capability to support up to 100 concurrent users at Southend has been approved by Directors Board and is currently being implemented. In parallel the council will be reviewing its strategic infrastructure requirement, but deploying the tactical solution will ensure this exercise is driven by service requirements rather than a disaster recovery imperative.

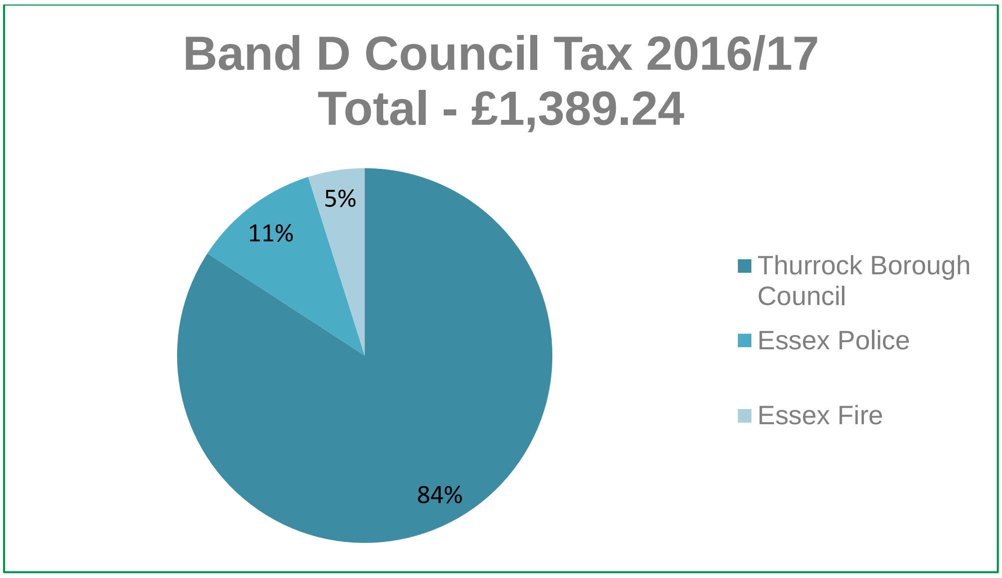
- ***Waste Disposal Contract Re-Procurement - Risk 23*** (Rating: 12 Critical/Likely)

Waste Consulting LLP have been commissioned to support officers in the re-procurement of the waste disposal contracts and fleet replacement. A project team comprising of Environment Officer and colleagues from relevant departments including Legal Services, Corporate Property and Procurement have been engaged to manage the process in line with standard project management methodology. Negotiations with the incumbent contractors are ongoing. Extensions in line with the 31 December 17 date need to be formalised. Veolia have confirmed that they are unwilling to agree to extension of the CA Site contract. A dedicated sub-group has been put in place to manage the CA site re-procurement and related risk.

13. Council Tax 2016/17

The net budget requirement for a council is the amount needed in to finance Council services after allowing for planned expenditure and income. For 2016/17, this was set by the Council £110.29m. The amount met by Revenue Support Grant, other grants from Central Government, the projected surplus/deficit in the collection fund, transfers to and from reserves and Business Rates (under the retention arrangements) was £53.11m leaving £57.14m to be raised locally from Council Tax (the Council Tax Requirement).

The 2016/17 Band D council tax Thurrock Council services, including the adult social care precept was £1,169.46 (an increase of 3.99% over the 2015/16 charge of £1,124.64). The calculated amounts were based on an estimated Council Tax Base (after allowing for irrecoverable and the local council tax support scheme) of Band D equivalent properties.
The total Band D council tax for the borough was £1,389.24 distributed amongst the preceptors as set out in the chart below.



14. Regeneration and Investment

Growth

Thurrock has a growth strategy to create 26,000 jobs by 2021. There are 6 major growth hubs in the borough:

- London Gateway, the world's most modern port, alongside
- Thames Enterprise Park, the UK's largest logistics park
- Grays, Tilbury and Lakeside – major improvement schemes planned
- Purfleet – a transformation of the area building upon the success of the internationally-acclaimed cultural and creative industries centre at High House Production Park

Future proposed developments to transform Thurrock include:

- Further development of Purfleet and High House Production Park to deliver a number of community facilities and housing as well as taking forward the film and television studio. This will enable the job opportunities required to realise the potential of the creative sector.

- Building on Grays as a Market Town to create an exciting, high quality destination for people to live, work, learn, shop and socialise. This will support the development of the night-time economy and provide safe and attractive places for communities to meet and businesses to thrive.

- An expansion of Lakeside and West Thurrock retail offer to include major leisure functions both to the north and south of the existing shopping centre. Work to improve accessibility to Lakeside by car and other means of public transport will help to place shape and delivery of new homes in the area will provide further opportunity.

- Regeneration of Tilbury’s town centre and Civic Square through growth of primary care facilities and wider business opportunities such as port expansion to reduce levels of inequality and support job creation. Expansion of the Port of Tilbury through the development of London Distribution Park is key to growing the port's already successful distribution capability and securing Tilbury as the leading logistics and distribution hub.

- London Gateway is increasingly known as a major operator in international shipping. The first three berths (of an eventual six) have hosted some of the largest ships in the world and the next berth is under construction. Further investment must be secured to ensure potential is reached and complementary skills programmes and development of supply chains is needed to ensure future workforce requirements are understood.

- Enabling the development of Thames Enterprise Park and securing higher value, high-tech sectors with strong innovation, investment in research and development and export potential. In creating a workforce strategy for the area future gaps in labour and skills requirements will be identified. The council has an enabling role to play, especially in delivering the workforce that leads to its success.

- Concentration on enabling and embedding factors to deliver growth and then secure maximum benefit. This shift will support a focus on continuing economic growth rather than developing conditions to encourage growth which has been the focus to date.

STATEMENT OF ACCOUNTS & FINANCIAL PERFORMANCE

1. Statement of Accounts

The Statement of Accounts comprise of the following statements:

(i) The ***Expenditure and Funding Analysis*** shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

(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 ***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.

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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.

For Group Statement of Accounts comprise a group version of items (i) to (iv) incorporating the results of the group company – Gloriana Thurrock Ltd.

2. The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

These accounts have been prepared in accordance with the Code of Practice 2016/17 (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 requirements of The Code. 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.

These create significant charges and credits to the cost of the various services - these are then reversed out through the MIRS, have a zero impact on the Council's overall resources. The financial outturn reported to Cabinet on 12 July 2017 is set out in the section below.

4. The Financial Outturn

The council has successfully delivered savings of £100m since 2010, whilst limiting the impact on its customer offer or quality of service

The council has benefited from a recent history of prudent financial management to meet the financial scenarios arising that have predominantly related to demand-led social care pressures and additional discretionary requirements within Environmental Services. Mitigation has included, managing demand, further income generation, improving efficiency and reducing non-essential spend. Any challenges have been achieved while continuing to support local communities by delivering services in more efficient and innovative ways.
The table below summarises the outturn position

Net Expenditure chargeable to the GF and HRA balances

2015/16 £'000	Directorate	2016/17 £'000
30,730	Adults; Housing and Health	34,105
34,943	Children's Services	37,687
23,053	Environment and Place	23,814
305	Commercial Services	644
4,774	Finance and Information Technology	7,687
2,128	HR; OD and Transformation	2,974
1,609	Corporate Strategy & Communications	2,311
1,931	Legal	1,646
2,538	Schools	3,664
22,838	SERCO	0
918	Corporate Costs	2,034
125,769	**Net Cost of General Fund Services**	**116,566**
(1,855)	Housing Revenue Account	(5,012)
123,914	**Net Cost of Services**	**111,554**
(106,239)	Other Income & Expenditure	(111,997)
17,675	**(Surplus)/Deficit**	**(442)**
(35,814)	Opening General Fund and HRA Balance	**(18,139)**
17,675	(Surplus)/Deficit in year (per table above)	(442)
(18,139)	Closing General Fund and HRA Balance	**(18,581)**

The table above shows the total opening and closing balances of the "usable" reserves of the Council.

The table below sets out the councils reserves by category:

31-Mar-16 £'000	Reserve Category	31-Mar-17 £'000
(5,354)	Education and Schools	(1,430)
(1,480)	Adults, Community and Health	(1,248)
(524)	Grant Carried Forward	(112)
(1,026)	Other Earmarked Reserves	(1,024)
(8,000)	General Fund Balance	(8,000)
(1,754)	HRA Related	(6,766)
(18,139)	**TOTAL**	**(18,581)**

- Education and Schools – Primarily individual schools balances and Dedicated Schools Grant which are ring-fenced for specific use
- Adults, Community and Health – Primarily Public Health grant and Better Care fund which are ring-fenced for specific use.
- The General Fund Balance – the balance maintained to protect the council from unmitigated budget pressures; and
- HRA Related – a balance of £2.175m to protect the council from unmitigated budget pressures, Development Reserve of £3m and £1.4m Housing Zone funding

5. The Budget and Financial Forecast to 2019/20

The Council faced a number of challenges, risks and uncertainties during 2016/17, many of which could have medium or long-term financial implications. There were set out in the Section 151 Officer's report to the Council on the robustness of the budget calculations and adequacy of reserves that accompanied the 2016/17 Budget Report, a copy of which is available on the Council's website. Local government finances continue to experience unprecedented pressures and uncertainties as a result of the continued downward pressure on public sector spending.

The Local Government Finance Settlement for 2017/18 confirmed that there has been no change to the trajectory of Government funding as set out in the settlement for 2016/17. The council accepted the Government's offer (made in the 2016/17 settlement) of an agreed four year settlement and while this has introduced a degree of certainty in funding it does not cover the main variables in Government support i.e. the New Homes Bonus (NHB) and Business Retention (BRR). The Government settlement figures to 2019/20 show a reduction in Government funding for the Council between 2016/17 to 2019/20 of £21.882m.

6. Business Rates Retention

This scheme has a considerable degree of complexity and there is also a high degree of uncertainty as future income is dependent, at least in part, on the buoyancy of local businesses rate growth and the outcome of appeals against valuations and other changes to the rating list including applications for charitable relief. The provisions for rating appeals totals £12.2m of which the councils share is £5.98m. It is intended by 2019/20 local government will retain 100% of business rates revenue to fund local services. The details of this proposal are currently being worked through and their impact on the Council is, therefore, difficult to assess at this time.

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:	Full Year Budget £'000	Spend YTD £'000	Variance from Budget £'000
Repairs and Maintenance	12,602	13,010	408
Housing Operations	11,263	10,491	(772)
Financing and Recharges	24,018	24,607	589
Rent and Income	(48,426)	(48,554)	(128)
Development	543	25	(518)
Grand Total	0	(421)	(421)

The main pressure within the HRA was revenue repairs and has been managed by savings within the housing investment and delivery team. Actual bills issued to Leaseholders for general service charges during the year resulted in increased income which offset the reduction in income from tenants in the New Build schemes due to letting delays. Income pressures continue with the rent reduction policy.

The transforming homes core programme was funded by revenue resources in 2016/17 with 'exceptions' being funded from the non-ring-fenced capital receipts from right to buy sales. Changes were made to the financing of the new build programme to maximise the use of 1-4-1 receipts with the balance through prudential borrowing. One off increased recharges to the HRA during 2016/17 were made to reflect increased infrastructure costs relating to key service areas.

A one off saving on the cost of servicing debt, due to a change to the profiled delivery within the capital programme, has resulted in the HRA increasing its general balance by £0.421m bringing them to £2.175m. Other HRA reserves include a budgeted £3m contribution to the development reserve required to fund multi-year capital schemes within the HRA business plan and £1.4m Housing Zone funding to support future aspirations in building new homes and undertaking estate regeneration schemes. These are all fully committed.

Capital Expenditure

Total capital expenditure for 2016/17 amounted to £44.297m. A summary of this expenditure analysed by service is set out below and also shows the source of financing:-

Service	Budget £000s	Total £000s	Variance £000s
Learning & Universal Outcomes	9,421	7,943	(1,478)
Adult Social Care	763	399	(364)
Housing General Fund	200	112	(88)
Housing Revenue Account	17,995	13,349	(4,646)
Environment	2,860	1,834	(1,026)
Planning and Transportation	19,470	12,700	(6,770)
Property and Regeneration	7,049	5,227	(1,822)
HR, OD & Transformation	4,805	1,447	(3,358)
Finance and I.T.	1,003	1,286	283
Total	**63,566**	**44,297**	**(19,269)**

Source of Finance	Budget £000s	Total £000s	Variance £000s
Prudential Borrowing	26,387	14,013	(12,374)
Supported Borrowing (SCER)	0	0	0
Usable Capital Receipts	1,828	879	(949)
Earmarked Usable Capital Receipts	1,215	1,084	(131)
Major Repairs Reserve	0	0	0
Grants	20,308	16,373	(3,935)
Developers Contributions	2,783	1,924	(859)
Trusts	135	135	0
Reserves	10,910	9,889	(1,021)
Total	**63,566**	**44,297**	**(19,269)**

The capital outturn position includes the delivery of the following projects in 2016/17:

- £10.23m spent on transforming Council homes, with the replacement of kitchens, bathrooms, electrics, boilers, windows and roofs.

- The completion of new council dwellings at Bracelet Close, Corringham, with a gross spend of £5.35m over the period 2013/14 to 2016/17.

- £12.70m spent on improvements to the highways infrastructure, including replacing street lighting with LED lighting, design costs for the widening of the A13 between Orsett Cock and Manorway interchanges, further improvement works to Oliver Road, West Thurrock and car parking improvements at Thames Road, Grays and Canterbury Parade, South Ockendon.

- £0.21m spent on the improvements to the hearing impairment unit at Warren primary school

- £0.15m spent on pothole detecting cameras, fitted to waste collection vehicles, part of the Governments one year funded trial to improve road safety, cut congestion and improve journey times.

- Works in progress - During the year a number of projects commenced which are expected to be completed during the current or next financial year.

As at 31 March 2017, the Council had authorised expenditure in future years of £20.38m. In addition a further £77.96m had been previously authorised for use in 2017/18 and 2018/19, giving a total future years' commitment of £98.33m. This includes £13.4m on the Purfleet redevelopment, £9.1m on improvements to Grays South, £20.0m on housing new build developments and £4.8m on improvement works to the Civic Offices ground floor.

Cash Management

The Council has cash management processes in place to ensure funds are available as required. This is supported by ready access to borrowings from the money markets to cover any day to day cash flow needs. While the PWLB provides access to longer term funds it also acts as a lender of last resort to local authorities. 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. Hence the Council has processes in place to raise finance to meet its commitments as they fall due.

Corporate Performance

The Corporate Performance framework articulates the vision and corporate priority activities for the year, alongside the corporate key performance indicators which demonstrate the statistical evidence the council will use to monitor the progress and performance against those priority activities.

Progress against the corporate performance framework is monitored on a monthly basis by Performance Board – a cross council group of service-specific performance experts – who report to Directors Board and portfolio holders on a monthly basis. This is then reported for further scrutiny on a quarterly basis to Corporate Overview and Scrutiny Committee, before being presented to Cabinet.

The Corporate KPI Framework in 2016/17 included approximately 50 pieces of performance data which were used to monitor activities and progress in key areas.

By the end of 2016/17, 59.2% of those KPIs had achieved their target and 40.8% had failed to reach their target. 47% of indicators had improved on their performance the previous year, including three indicators which had improved but failed to meet their target.

Some of the indicators that were significantly below target include levels of apprenticeships within the council, recycling rates and staff sickness for which there are plans in place to improve in 2017/18.

The full report on end of year performance is available at:

http://thurrock.moderngov.co.uk/ieListDocuments.aspx?CId=163&MId=5218&Ver=4

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 increased by £60.1m to £219.5m between 31 March 2016 and 31 March 2017.

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 2016/17 are:

Long Term Investments

The Council retains its £50m investment with the Local Authority Property Fund run by the Churches, Charities and Local Authorities (CCLA) Investment Management Ltd. This fund was first invested in during 2014/15 to secure a higher return than is available through cash deposits. During 2016/17 the Council invested £15m in a 5 year investment bond with Rockfire Capital Ltd. The Council is one of several local authority investors and the funds are invested by Rockfire Capital Ltd in solar energy with the returns supporting service delivery at the Council.

Both investments are reflected in the Balance Sheet as long term investments 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 2016/17 are set out below:

- **The Introduction of 'Telling the Story'**

The format of the financial statements has been updated in line with the amended requirements for 'Telling the Story' introduced by CIPFA into the Code for 2016/17. The primary aim of these requirements is to provide a closer link between the management and financial reporting of local authorities.

The main impacts of this are

- The Council is required to include an 'Expenditure Funding Analysis' which presents the management reporting outturn and then highlights the amendments required to present the Comprehensive Income and Expenditure Account.

- The Comprehensive Income and Expenditure Account now presents the service headings per the Council's management reporting structure.

- A subjective analysis of the Council's income and expenditure account is presented as a note to the financial statements.

The Expenditure Funding Analysis is included on page 14 with associated notes on pages 39 to 42.

7. 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 children's and adult social care – as well as the council's objective to enhance environmental services, 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 manage the risk arising from successful appeals against rateable value assessments. The current plans for the complete localisation of business rates mean the Council's exposure to risk is likely to increase going forwards.

The Council continues to benefit from low interest rates as a result of the debt restructuring exercise carried out in 2010. Interest rates continue to be 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 2019/20.

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 £16.58m to be delivered.

The Council has currently set a budget that is balanced for the period 2017/18. 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 continues to develop a place making 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 regeneration projects and highways. This is likely to total in the region of £90m.

8. Specific Accounting Issues

Accounting for Group Companies

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 the first regeneration scheme commenced in 2015/16 and continues to progress towards final completion in 2017/18. The transactions within the entity are now considered material to the Council and hence have been fully consolidated into the financial statements.

During 2016/17 Gloriana Thurrock Ltd set up a 100% owned subsidiary company, Gloriana Thurrock Homes Ltd. The company did not undertake any trading activity in 2016/17 and has not been consolidated into the group financial statements in 2016/17 but is expected to be included in subsequent financial years.

The group financial statements are included from page 105 and following.

Highways Network Asset

The Council is 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. CIPFA proposed that from the 2016/17 financial year the Council would be required to value all the elements of the ‘Highways Network Asset’ at current cost which was likely to significantly increase their value in the financial statements. On 8 March 2017 CIPFA/LASAAC decided to delay implementation of these accounting requirements indefinitely.

9. 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.

The Council's senior Leadership Group continue to develop the approach to achieving the £16.58m savings required over the forthcoming three financial years. A number of Boards continue to work to either: increase income; do more or at least the same, for less; or reduce demand. In addition, all services continue to be subject 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.

10. 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.

11. Further Information

Additional information is available from the Director of Finance and IT, Civic Offices, New Road, Grays, Essex, RM17 6SL.

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 2017.

Director of Finance and IT

Date: 21 September 2017

Chair of the Standards and Audit Committee

Date: 21 September 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THURROCK COUNCIL

Opinion on the Authority's financial statements

We have audited the financial statements of Thurrock Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- Related notes 1 to 42, and the Expenditure and Funding Analysis
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to 8, and
- Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and IT and auditor

As explained more fully in the Statement of Responsibilities set out on page 19, the Director of Finance and IT is responsible for the preparation of the Statement of Accounts 2016/17, 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group'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 2016/17 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 and Group as at 31 March 2017 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 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 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 Thurrock Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and 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 Authority 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 Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our 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 2016, 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 Controller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Thurrock Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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 2016, 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 2017.

Certificate

We certify that we have completed the audit of the accounts of Thurrock Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Suresh Patel
for and on behalf of Ernst & Young LLP, Appointed Auditor
London
September 2017

The maintenance and integrity of the Thurrock Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

EXPENDITURE FUNDING ANALYSIS

2015/16				2016/17		
Net Expenditure Chargable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	**£000**		£000	£000	**£000**
30,730	1,785	**32,515**	Adults; Housing and Health	34,105	1,001	**35,106**
34,943	7,196	**42,138**	Children's Services	37,686	3,281	**40,968**
305	52	**358**	Commercial Services	644	16	**660**
918	(444)	**474**	Corporate Costs	2,000	(9,726)	**(7,727)**
1,609	272	**1,882**	Corporate Strategy & Communications	2,311	171	**2,481**
45,700	8,166	**53,866**	Environment and Place	23,814	8,386	**32,200**
4,968	456	**5,424**	Finance and Information Technology	7,687	313	**8,000**
2,128	247	**2,375**	HR; OD and Transformation	2,974	147	**3,121**
1,931	163	**2,094**	Legal	1,646	62	**1,708**
2,538	3,855	**6,393**	Schools	3,664	699	**4,364**
125,772	**21,748**	**147,520**	**General Fund**	116,531	**4,349**	**120,881**
(1,855)	(64,423)	(66,278)	Housing Revenue Account	(10,759)	(1,116)	(11,875)
123,917	(42,675)	81,242	**Cost of Services**	105,772	**3,233**	**109,005**
(106,239)	15,702	**(90,537)**	Other Income and Expenditure	(106,214)	9,376	**(96,838)**
17,678	**(26,973)**	**(9,294)**	**Surplus or Deficit**	**(442)**	12,609	**12,167**
(35,818)			Opening General Fund and HRA Balance at 31 March 2016	**(18,140)**		
17,678			Less Deficit on General Fund and HRA	**(442)**		
(18,140)			**Closing General Fund and HRA Balance at 31 March 2017**	**(18,582)**		

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Primary Statement

2015/16					2016/17		
Gross Expenditure	Gross Income	Net Expenditure		Notes	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
69,856	(37,340)	**32,515**	Adults; Housing and Health		74,469	(39,363)	**35,106**
80,407	(38,269)	**42,138**	Children's Services		82,642	(41,674)	**40,968**
778	(421)	**357**	Commercial Services		628	32	**660**
61,454	(60,979)	**474**	Corporate Costs		54,922	(55,960)	**(1,038)**
2,050	(169)	**1,882**	Corporate Strategy & Communications		3,650	(1,168)	**2,481**
63,138	(9,271)	**53,867**	Environment and Place		43,543	(11,343)	**32,200**
6,771	(1,346)	**5,425**	Finance and Information Technology		11,286	(3,286)	**8,000**
(12,052)	(54,226)	**(66,278)**	Housing Revenue Account		51,570	(63,445)	**(11,875)**
2,710	(335)	**2,375**	HR; OD and Transformation		3,752	(631)	**3,121**
2,588	(493)	**2,094**	Legal		3,118	(1,411)	**1,708**
38,653	(32,259)	**6,393**	Schools		35,012	(30,649)	**4,364**
316,352	**(235,109)**	**81,243**	**Cost of Services**		**364,592**	**(248,897)**	**115,694**
38,155	(13,180)	24,975	Other operating expenditure	10	26,901	(11,151)	15,750
13,429	(2,290)	**11,139**	Financing and investment income and expenditure	11	14,802	(4,670)	10,132
4,359	(131,010)	**(126,651)**	Taxation and non-specific grant income and expenditure	12	3,920	(133,328)	(129,408)
372,295	**(381,589)**	**(9,294)**	**(Surplus) or deficit on Provision of Services**		**410,215**	**(398,047)**	**12,167**
0	(26,417)	**(26,417)**	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	23/30/31	0	(7,410)	**(7,410)**
0	(19,190)	**(19,190)**	Actuarial gains/ losses on pension assets/ liabilities	36	0	54,236	**54,236**
0	(41)	**(41)**	(Surplus) or deficit on revaluation of available for sale financial assets		0	782	**782**
0	**(45,648)**	**(45,648)**	**Other Comprehensive Income and Expenditure**		**0**	**47,608**	**47,608**
372,295	**(427,237)**	**(54,942)**	**Total Comprehensive Income and Expenditure**		**410,215**	**(350,439)**	**59,775**

MOVEMENT IN RESERVES STATEMENT

Primary Statement

	Notes	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2015		**(33,164)**	**(2,654)**	**(5,510)**	**0**	**(11,830)**	**(53,158)**	**(369,910)**	**(423,068)**
Movement in reserves during 2015/16									
Total Comprehensive Income and Expenditure		35,054	(44,348)	0	0	0	(9,294)	(45,648)	(54,942)
Adjustments from income &expenditure charged under the acounting basis to the funding basis	7	(20,974)	45,074	(2,513)	0	(759)	20,828	(20,828)	0
Transfers to/from Other Reserves		2,699	174	0	0	696	3,569	(3,569)	0
Increase or (Decrease) in 2015/16		16,779	900	(2,513)	0	(63)	15,103	(70,045)	(54,942)
Balance at 31 March 2016 carried forward		**(16,385)**	**(1,754)**	**(8,023)**	**0**	**(11,893)**	**(38,055)**	**(439,955)**	**(478,010)**

MOVEMENT IN RESERVES STATEMENT

Primary Statement

		General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2016		**(16,385)**	**(1,754)**	**(8,023)**	**0**	**(11,893)**	**(38,055)**	**(439,955)**	**(478,010)**
Movement in reserves during 2016/17									
Total Comprehensive Income and Expenditure		10,823	1,344	0	0	0	12,167	47,608	59,775
Adjustments from income &expenditure charged under the accounting basis to the funding basis	7	(6,253)	(6,356)	(7,585)	0	(2,683)	(22,877)	22,877	0
Increase or (Decrease) in 2016/17		**4,570**	**(5,012)**	**(7,585)**	**0**	**(2,683)**	**(10,710)**	**70,485**	**59,775**
Balance at 31 March 2017 carried forward		**(11,815)**	**(6,766)**	**(15,608)**	**0**	**(14,576)**	**(48,765)**	**(369,470)**	**(418,235)**

BALANCE SHEET
Primary Statement

31 March 2016 £000		Notes	31 March 2017 £000
916,052	Property, Plant & Equipment	30	919,441
0	Investment Property		0
1,482	Intangible Assets		1,374
22,266	Heritage Assets	28	22,266
51,993	Long Term Investments	33	68,517
1,950	Long Term Debtors		1,802
993,743	**Long Term Assets**		**1,013,400**
9,804	Short Term Investments	33	22,948
2,399	Assets Held for Sale	29	1,890
267	Inventories		512
27,229	Short Term Debtors	20	48,181
7,697	Cash and Cash Equivalents	37	7,935
47,396	**Current Assets**		**81,466**
(164,365)	Short Term Borrowing	33	(205,290)
(28,762)	Short Term Creditors	21	(38,131)
(267)	Leasing Liability		0
(6,213)	Short Term Provisions	19	(1,669)
(199,607)	**Current Liabilities**		**(245,090)**
(3,590)	Long Term Provisions	19	(4,788)
(191,087)	Long Term Borrowing	33	(190,785)
0	Deferred Discounts		0
(159,466)	Pension Liability	36	(219,534)
0	Leasing Liability		0
(187)	Long Term Creditors		(225)
(9,191)	Capital Grants Receipts in Advance	24	(16,209)
(363,521)	**Long Term Liabilities**		**(431,541)**
478,011	**Net Assets**		**418,235**
(38,055)	Usable reserves	22	(48,765)
(439,956)	Unusable Reserves	23	(369,470)
(478,011)	**Total Reserves**		**(418,235)**

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

Director of Finance and IT

21 September 2017.

CASH FLOW
Primary Statement

2015/16 £'000		Notes	2016/17 £'000
9,294	Net surplus or (deficit) on the provision of services		(12,167)
3,736	Adjustment to surplus or deficit on the provision of services for non cash movements		28,636
(28,472)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(32,145)
(15,442)	**Net Cash flows from operating activities**	**41**	**(15,676)**
(32,128)	Investing Activities	39	(27,042)
47,101	Financing Activities	40	42,956
(469)	**Net increase or decrease in cash and cash equivalents**		**238**
8,166	Cash and cash equivalents at the beginning of the reporting period		7,697
7,697	**Cash and cash equivalents at the end of the reporting period**	**37**	**7,935**

Note 1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at 31 March 2017. 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 2016/17 (The Code) and the Service Reporting Code of Practice 2016/17 (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.

[1] Source: Code of Practice 2016/17

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 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 was reassessed in the current year 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 repayment of the total supported debt held by the Council calculated using the annuity method over a period of 50 years. This has been adopted in 2016/17 and backdated to the commencement date in 2007/08 and amendments to the calculated amounts in prior years will be offset over the future periods until the profile is aligned with the revised method.

- 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

Until 2015/16 The costs of overheads and support services were charged to those services that benefit from the supply or service in accordance with the principles of SeRCOP. The Code has been updated in 2016/7 and requires the Council to reflect the management reporting of the Council. The Council does not report overheads and support services within the management accounts and consequently this is no longer included in the Comprehensive Income and Expenditure Account. These charges have also been reversed from the comparative data in 2015/16.

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 2016/17, a revaluation of 20% of Land and Building assets (excluding housing stock) was undertaken as well as a desktop review of council dwellings. For 2016/17 the valuations of the Council's land and property for accounting purposes have been conducted by the Council's own valuers. 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 2017/18 where the transaction was fully committed as at 31 March 2017 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.

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. There has been a full consolidation of the company into the group accounts.

1.30 Inventories

Inventories are included in the balance sheet at the lower of cost and net realisable value.

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

There are no issued accounting standards that have not yet been adopted which have a material impact on the Council as at 31 March 2017.

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 £1.619m.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgments and assumptions.	The Actuaries' sensitivity analysis indicates that an increase in the discount for liabilities of 0.1% would reduce the pension liability by £11.19m
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 £1.03m. If a further 10% of debt over 180 days was provided for this would equate to an additional provision of £0.10m. The HRA bad debt provision is £0.289m. If a further 10% of debt over 180 days was provided for this would equate to an additional provision of £0.42m.

Item	Uncertainty	Effect
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 £12.2m 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 £0.61m.
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 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	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 set out in detail in Note 33 to the financial statements.

Note 5 MATERIAL ITEMS OF INCOME AND EXPENDITURE

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 £57.1m (£67.9m across all preceptors). Similarly sums are collected for business rates – the Council's proportion is £54.8m (£111.8m 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 £55.9m and claiming this back from Central Government.

The Council's debt portfolio currently incurs interest of £9.2m. Of this £5.6m 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 £247m. These are shown in Note 24 to the accounts.

Note 6 RESTATEMENT OF 2015/16 COMPARATIVE FIGURES

In line with 2016/17 Code, the following changes have been included which impact on the brought forward figures from 2015/16. These changes are:

- The introduction of the Expenditure Funding Analysis on page 14 and the associated notes on pages 41-42.
- The reclassification of the cost of services within the Comprehensive Income and Expenditure Account on page 15
- The introduction of a note on Expenditure and Income analysed by nature included on page 50.

In addition the wholly owned subsidiary company has been consolidated into the group financial statements for the first time in 2016/17 including the associated comparative data for 2015/16 which are presented subsequent to the Council accounts from page 106.

Note 7(i) NOTE TO THE EXPENDITURE FUNDING ANALYSIS - ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS

ADJUSTMENTS FOR CAPITAL PURPOSES

1) Adjustments for capital purposes- this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure-** adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- **Financing and investment income and expenditure-** the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- **Taxation and non-specific grant income and expenditure-** capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions were satisfied in the year.

NET CHANGE FOR THE PENSIONS ADJUSTMENTS

2) Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

- **For Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the CIES.

OTHER DIFFERENCES

3) Other differences between amounts debited/ credited to the Comprehensive Income and Expenditure Statement and amounts payable/ receivable to be recognised under statute:

- **For Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses of Deficits on the Collection Fund.

Adjustment from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts 2015/16	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Adults, Housing and Health	334	1,453	(3)	1,785
Children's Services	5,014	2,208	(27)	7,196
Commercial Services	0	54	(3)	52
Corporate Costs	0	80	(524)	(444)
Corporate Strategy & Communications	16	250	6	272
Environment & Place	6,364	1,801	1	8,166
Finance and Information Technology	0	457	(0)	456
HR; OD and Transformation	0	243	4	247
Legal	0	166	(4)	163
Schools	0	3,855	0	3,855
Net Cost of Services	**11,728**	**10,568**	**(548)**	**21,748**
Housing Revenue Account	**(48,492)**	**900**	**(16,831)**	**(64,423)**
Other Income and Expenditure	**13,045**	**5,236**	**(2,579)**	**15,702**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	**(23,719)**	**16,704**	**(19,959)**	**(26,973)**

Adjustment from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts 2016/17	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Adults, Housing and Health	363	613	25	1,001
Children's Services	2,462	777	42	3,281
Commercial Services	0	15	2	16
Corporate Costs	(6,688)	(3,414)	376	(9,726)
Corporate Strategy & Communications	30	132	9	171
Environment and Place	7,580	669	137	8,386
Finance and Information Technology	0	282	31	313
HR; OD and Transformation	0	137	11	147
Legal	0	57	5	62
Schools	0	699	0	699
Net Cost of Services	**3,746**	**(34)**	**637**	**4,349**
Housing Revenue Account	**8,374**	**345**	**(9,835)**	**(1,116)**
Other Income and Expenditure	**4,547**	**5,521**	**(692)**	**9,376**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	**16,667**	**5,832**	**(9,890)**	**12,609**

Note 7(ii) ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

	General Fund Balance £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
	2015/16							
	Usable Reserves							
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 £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 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 w hich council tax credited to the CIES is different from council tax income calculated for the year in accordance w ith statutory requirements	(319)	0	0	0	0	0	(319)	319
Adjustments involving the Collection Fund Adjustment Account:								
Amount by w hich non-domestic rating income credited to the CIES is different from non-domestic rating income calculated for the year in accordance w ith statutory requirements	3,948	0	0	0	0	0	3,948	(3,948)
Adjustment involving the Accumulated Absences Account:								
Amount by w hich officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance w ith 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)**

	2016/17							
	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	(494)	0	0	0	0	0	(494)	494
Charges for depreciation and impairment of non-current assets	(8,453)	(7,457)	0	0	0	0	(15,910)	15,910
Revaluation losses on property, plant and equipment	(752)	(12,959)	0	0	0	0	(13,711)	13,711
Revaluation gains reversing previous losses	894	12,611	0	0	0	0	13,505	(13,505)
Revaluation Depreciation Adjustments	(18)	(533)	0	0	0	0	(551)	551
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	(36)	0	0	0	0	(36)	36
Capital Grants and contributions applied	12,148	0	0	0	0	0	12,148	(12,148)
Donations of assets to the CIES	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute (REFCUS)	(6,549)	0	0	0	0	0	(6,549)	6,549
Grant Funding for REFCUS	4,938	0	0	0	0	0	4,938	(4,938)
Amounts of assets written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES	(7,909)	(17,279)	0	0	0	0	(25,188)	25,188
Capital expenditure funded from revenue reserves	57	0	0	0	0	0	57	(57)
Insertion of items not debited or credited to the CIES								
Statutory provision for the financing of capital investment	0	0	0	0	0	0	0	0

	2016/17							
	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	1,347	1,347	(1,347)
Capital Grants and contributions unapplied credited to the CIES	4,030	0	0	0	0	(4,030)	0	0
Adjustments primarily involving the Capital Receipts Reserve:								
Use of the capital receipts reserve to finance new capital expenditure	0	0	0	1,963	0	0	1,963	(1,963)
Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES	850	10,301	0	(11,151)	0	0	0	0
Capital Receipts from the repayments of external loans	0	0	0	0	0	0	0	0
Statutory provision for the financing of capital investment	0	0	0	0	0	0	0	0
Contribution from the capital receipts reserve towards administration costs of non-current assets disposal	(122)	0	0	122	0	0	0	0
Contribution from the capital receipts reserve to finance the payments to the Government capital receipts pool	(1,041)	0	0	1,041	0	0	0	0
Use of capital receipts funding transformation expenditure	(440)	0	0	440	0	0	0	0
Adjustments primarily involving the Major Repairs Reserve:								
Reversal of notional major repairs allowance credited to the HRA	0	9,832	0	0	(9,832)	0	0	0
Use of major repairs reserve to finance new capital expenditure	0	0	0	0	9,832	0	9,832	(9,832)
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)

	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)
	2016/17							
	Usable Reserves							
	£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	(16,275)	(1,601)	0	0	0	0	(17,876)	17,876
Employer's pension contributions and direct payment to pensioners payable in year	11,282	762	0	0	0	0	12,044	(12,044)
Adjustments involving the Collection Fund Adjustment Account (Council Tax)								
Amount by w hich council tax credited to the CIES is different from council tax income calculated for the year in accordance w ith statutory requirements	(408)	0	0	0	0	0	(408)	408
Adjustments involving the Collection Fund Adjustment Account:								
Amount by w hich non-domestic rating income credited to the CIES is different from non-domestic rating income calculated for the year in accordance w ith statutory requirements	2,142	0	0	0	0	0	2,142	(2,142)
Adjustment involving the Accumulated Absences Account:								
Amount by w hich officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance w ith statutory requirements	(164)	3	0	0	0	0	(161)	161
Total Adjustments	**(6,253)**	**(6,356)**	**0**	**(7,585)**	**0**	**(2,683)**	**(22,877)**	**22,877**

Note 8 EXPENDITURE AND INCOME ANALYSED BY NATURE

31 March 2016 Carrying amount £000		31 March 2017 Carrying amount £000
	Expenditure/Income	
	Expenditure	
105,336	Employee Expenses	104,199
114,901	Third Party Payments	94,942
66,658	Other operating expenses	73,866
57,177	Housing Benefits	54,198
(31,934)	Depreciation, Amortisation and Impairment	36,927
36,475	Gains/Losses on disposal Non-Current Asset	25,188
12,736	Interest Payments	9,281
5,240	Pen Int Cost & Expect ret on Pension Asset	5,522
4,252	Transfer Payments	4,263
1050	Payments to the Housing Capital Receipts Pool	1,041
626	Precepts and Levies	670
135	Support Costs	117
372,652	**Total Expenditure**	**410,215**
	Income	
(2,290)	Investment Income	(4,670)
(1,707)	Support Services Recharges	(1,617)
(18,006)	Gains on disposals of assets and Impairments	(18,444)
(14,688)	Better Care Fund	(15,715)
(10,250)	Capital Grants and contributions	(16,178)
(35,113)	Income from business rates	(34,253)
(29,655)	Fees, Charges and Other Service Income	(43,135)
(53,781)	Dedicated Schools Grant	(54,868)
(54,217)	HRA rent and service charge income	(54,237)
(54,519)	Income from Council Tax	(57,735)
(107,720)	Revenue Grants and Contributions	(97,195)
(381,946)	**Total Income**	**(398,047)**
(9,294)	**Surplus or Deficit on the Provision of Services**	**12,167**

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 2016/17 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 2016/17 before Academy Recoupment	29,632	109,541	139,173
B	Academy figure recouped for 2016/17	(3,198)	(86,178)	(89,376)
C	Total DSG after Academy Recoupment for 2016/17	-	-	49,797
D	Brought Forward from 2015/16	1,149	-	1,149
E	Carry Forward agreed to 2017/18			0
F	Agreed budgeted distribution in 2016/17	27,583	23,363	50,946
G	In Year Budget Adjustments	800	(800)	0
H	Final Budget Distribution for 2017/18	28,383	22,563	50,946
I	Actual Central Expenditures	(29,296)	-	(29,296)
J	Actual ISB deployed to schools		(22,993)	(22,993)
K	Local authority contribution 2016/17	-	-	0
L	Carry Forward to 2017/18	**(913)**	**(430)**	**(1,343)**

Note 10 OTHER OPERATING EXPENDITURE

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

2015/16 £000		2016/17 £000
630	Levies and Non-distributed Costs	672
1,050	Payments to the Government Housing Capital Receipts Pool	1,041
23,295	Gains/losses on the disposal of non current assets	14,037
24,975	**Total**	**15,750**

Note 11 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2015/16 £000		2016/17 £000
8,193	Interest payable and similar charges	9,281
5,236	Net interest on the net defined benefit liability	5,521
(2,290)	Interest receivable and similar income	(4,670)
11,139	**Total**	**10,132**

Note 12 TAXATION AND NON-SPECIFIC GRANT INCOME

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

2015/16 £000		2016/17 £000
(54,519)	Council tax income	(57,735)
(30,754)	Non domestic rates	(31,363)
(31,128)	Non-ringfenced grants	(24,133)
(10,250)	Capital grants and contributions	(16,178)
(126,651)	**Total**	**(129,409)**

Note 13 MEMBERS' ALLOWANCES

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

2015/16 £000	Members' Allowances	2016/17 £000
670	Allowances	630
1	Expenses	0
671	**Total**	**630**

Note 14 REMUNERATION OF SENIOR STAFF

Senior officer remuneration for 2016/17 is set out in the table below:

Senior Staff Emoluments 2016/17	Note	Salary, Fees and Allowances £	Performance Related bonus £	Expense Allowance £	Compensation for loss of office £	Pension Contribution £	Total £
Chief Executive – Lyn Carpenter		170,000	0	0	0	24,310	194,310
Corporate Director of Environment & Place		132,000	0	0	0	18,876	150,876
Corporate Director Of Children's Services		108,167	0	0	0	15,468	123,635
Corporate Director Of Children's Services (Interim)	1	31,496	0	0	0	0	31,496
Corporate Director of Adults, Housing & Health		125,502	0	0	0	17,947	143,449
Corporate Director of Commercial Services	2	32,421	0	0	0	4,636	37,057
Director Of Public Health		108,000	0	0	0	15,444	123,444
Director of Strategy, Communications and Customer Services	3	89,960	0	0	0	12,864	102,824
Director of Finance & IT		95,502	0	0	0	13,657	109,159
Director of HR, OD, & Transformation		95,502	0	0	0	13,657	109,159

1) There was an interim Director for Children's Services who was appointed until 29th May 2016. The interim Director was initially appointed on 19 January 2016.
The post was then replaced by the new Director for Children's Services on 6th June 2016.
2) The Director of Commercial Services was appointed on 25th July 2016 with an annual salary of £37,057.33.
3) The Director of Strategy, Communications and Customer Services position was effective from 1 November 2016.

4) 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 March 2017 towards their remuneration.

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		30,872	0	0	0	1,930	32,802
Chief Executive – Lyn Carpenter		93,017	0	0	0	11,628	104,645
Corporate Director of Environment & Place		105,295	0	0	0	12,004	117,299
Corporate Director Of Children's		121,000	0	0	0	13,794	134,794
Corporate Director Of Children's Services (Interim)		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		81,000	0	0		9,234	90,234
Director of Planning & Transportation		119,267	0	0	67,315	7,562	194,143
Director of Finance & IT		93,626	0	0	0	9,831	103,457
Director of HR, OD, & Transformation		93,818	0	0	0	9,938	103,756
Director of Housing		51,860	0	0	0	5,912	57,772

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	2015/16	2016/17
Pay Band	Numbers of Employees	Numbers of Employees
50,001 - 55,000	53	46
55,001 - 60,000	29	43
60,001 - 65,000	22	36
65,001 - 70,000	14	14
70,001 - 75,000	10	14
75,001 - 80,000	8	5
80,001 - 85,000	4	2
85,001 - 90,000	1	3
90,001 - 95,000	4	4
95,001 - 100,000	1	2
100,001 - 105,000	0	0
105,001 - 110,000	0	0
110,001 - 115,000	0	0
115,001 - 120,000	0	0
120,000+	1	0

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:

	No of Compulsory Redundancies		Other Departures		Total number of Exit package by cost		Total Cost of Exit Packages	
Exit Package cost Band £	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
0 – 20,000	4	0	14	16	18	16	191,473	145,786
20,001- 40,000	5	0	6	3	11	3	325,462	84,754
40,001 – 60,000	2	0	0	2	2	2	93,801	84,215
60,001 – 80,000	0	0	1	0	1	0	67,315	0
80,001 – 100,000	1	0	0	0	1	0	96,425	0
100,001 – 250,000	0	0	1	0	1	0	163,626	0
Total	12	-	22	21	34	21	938,102	314,755

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 2016/17 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.

The current councillors who have not provided a declaration return are Councillor Coxshall, Councillor V Holloway and Councillor C Holloway.

Officers

The Chief Executive is a director of High House Production Park. This is an arts organisation whose transactions with the Council are noted in the table below:

Entity	Income £	Expenditure £	Debtor £	Creditor £
High House Production Park	60,176	26,516	0	0
Thurrock Asian Association	5,717	7,790	0	0
Thurrock CVS	0	760,067	0	0

Note 16 EXTERNAL AUDIT COSTS

In 2016/17 the Council incurred the following costs relating to the audit of the Statement of Accounts, certification of grant claims:

2015/16 £000	External Audit Costs	2016/17 £000
	Fees Payable to Ernst & Young:	
134	External Audit Services including Statutory Inspections	134
16	Certification of Grant Claims and Returns	17
39	Non-Audit Work	19
189	**Total**	**169**

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 2015 £000	Net Transfers (In)/Out £000	Balance at 31 March 2016 £000		Balance at 1 April 2016 £000	Net Transfers (In)/Out £000	Balance at 31 March 2017 £000
(3,884)	131	(3,753)	Balances held by Schools under a Scheme of Delegation	(3,753)	1,163	**(2,590)**
(655)	655	0	Revenue Grants Unapplied	0	0	**0**
(6,700)	6,700	0	Budget Management	0	(325)	**(325)**
(1,305)	1,305	0	Commuted Sums	0	(154)	**(154)**
(141)	141	0	DCLG DC Reserve	0	0	**0**
(1,269)	745	(524)	Grant Carried Forward	(524)	413	**(111)**
(874)	422	(452)	School Improvement Reserve	(452)	259	**(193)**
(2,906)	1,757	(1,149)	DSG	(1,149)	2,492	**1,343**
(867)	500	(367)	Public Health Grant	(367)	(58)	**(425)**
(3,117)	3,117	0	Development Reserve	0	(3,150)	**(3,150)**
0	0	0	Housing Zones	0	(1,440)	**(1,440)**
(3,445)	1,305	(2,140)	Other Earmarked Reserves	(2,140)	780	**(1,360)**
(25,163)	**16,778**	**(8,385)**	**Earmarked Reserves**	**(8,385)**	**(20)**	**(8,405)**

- 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:

2015/16 £000		2016/17 £000
2,678	Not later than 1 year	1,553
3,831	Later than 1 year and not later than 5 years	2,097
671	Later than 5 years	64
7,180		**3,714**

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 2016	(106)	(2,607)	(3,500)	(6,213)
Additional Provision made in 2016/17	0	(3,060)	0	(3,060)
Amounts Used in 2016/17	0	4,104	3,500	7,604
Balance at 31 March 2017	**(106)**	**(1,563)**	**0**	**(1,669)**
Balance at 01 April 2015	(106)	(2,907)	0	(3,013)
Additional Provision made in 2015/16	0	0	(3,500)	0
Amounts Used in 2015/16	0	300	0	710
Balance at 31 March 2016	**(106)**	**(2,607)**	**(3,500)**	**(6,213)**

Long Term Provisions	MMI Insurance £'000	Business Rate Appeals £000	Other £000	Total £000
Balance at 01 April 2016	(404)	(3,060)	(126)	(3,590)
Additional Provision made in 2016/17	(124)	(4,447)	(31)	(4,602)
Amounts Used in 2016/17	254	3,060	90	3,404
Balance at 31 March 2017	**(274)**	**(4,447)**	**(67)**	**(4,788)**
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)**

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 2016 £000		31 March 2017 £000
2,023	Central government bodies	5,864
66	Other local authorities	471
856	NHS bodies	868
0	Public corporations and trading funds	0
24,284	Other entities and individuals	40,978
27,229	**Total**	**48,181**

Note 21 SHORT-TERM CREDITORS

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

31 March 2016 £000		31 March 2017 £000
(6,841)	Central government bodies	(9,907)
(1,012)	Other local authorities	(1,857)
(294)	NHS bodies	(689)
(15)	Public corporations and trading funds	0
(20,600)	Other entities and individuals	(25,678)
(28,762)	**Total**	**(38,131)**

Note 22 USABLE RESERVES

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

31 March 2016 £000		Notes	31 March 2017 £000
(8,000)	General Fund Balance	(a)	(8,000)
(1,754)	Housing Revenue Account Balance	(b)	(2,176)
(8,385)	Earmarked Reserves	(c)	(3,815)
0	HRA Earmarked Reserves	(c)	(4,590)
(8,023)	Capital Receipts Reserve	(d)	(15,608)
(11,893)	Capital Grants Unapplied	(f)	(14,576)
(38,055)	**Total Usable Reserves**		**(48,765)**

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 2016 £000		Notes	31 March 2017 £000
(119,254)	Revaluation Reserve	(a)	(122,700)
(496,633)	Capital Adjustment Account	(b)	(481,949)
14,930	Financial Instruments Adjustment Account	(c)	14,899
159,466	Pensions Reserve	(d)	219,534
(1,323)	Collection Fund Adjustment Account - Council Tax		(915)
2,019	Collection Fund Adjustment Account - NNDR		(123)
(10)	Financial Instruments For Sale Account		772
851	Accumulated Absences Account		1,012
(439,954)	**Total Unusable Reserves**		**(369,470)**

(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 2016 £000		31 March 2017 £000
(98,019)	**Balance at 1 April**	**(119,254)**
(29,102)	Upward revaluation of assets	(15,661)
2,685	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	8,251
(26,417)	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**(7,410)**
1,218	Difference between fair value depreciation and historical cost depreciation	1,233
3,964	Accumulated gains on assets sold or scrapped	2,731
5,182	**Amount written off to the Capital Adjustment Account**	**3,964**
(119,254)	**Balance at 31 March**	**(122,700)**

(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 2016 £000		31 March 2017 £000	
(454,056)	**Balance at 1 April**	**(496,633)**	
	Reversal of items relating to capital expenditure debited or credited to the CIES:		
16,310	Charges for depreciation of non current assets (PPE)	16,461	
15,920	Revaluation and Impairment losses on Property, Plant and Equipment	13,711	
(72,941)	Revaluation gains reversing previous losses (PPE)	(13,505)	
570	Amortisation of intangible assets	494	
8,116	Revenue expenditure funded from capital under statute (REFCUS) - net of Funding	6,549	
26,636	PPE written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	18,194	
9,839	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	6,994	
(3,964)	Accumulated gains on assets sold or scrapped	(2,731)	
486		**46,167**	
(1,218)	Adjusting amounts written out of the Revaluation Reserve		(1,233)
(732)	**Net written out amount of the cost of non current assets consumed in the year**		**44,934**
	Capital financing applied in the year:		
(5,914)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,963)	
(13,736)	Use of the Major Repairs Reserve to finance new capital expenditure	(9,832)	
(14,316)	Application of grants to capital financing from the Capital Grants Unapplied Account	(18,433)	
(4,400)	Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances (including finance lease liabilities)	0	
(3,569)	Capital expenditure charged against the General Fund and HRA balances (DRC)	(57)	
0	Other Adjustments	**0**	
(41,935)			**(30,285)**
90	Movements in assets held for sale debited or credited to the CIES		36
(496,633)	**Balance at 31 March**		**(481,948)**

(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 2016 £000		31 March 2017 £000
14,961	**Balance at 1 April**	**14,930**
(31)	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)
14,930	**Balance at 31 March**	**14,899**

(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 2016 £000		31 March 2017 £000
161,952	**Balance at 1 April**	**159,466**
(19,190)	Actuarial gains or losses on pensions assets and liabilities	54,236
27,993	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	17,876
(11,289)	Employer's pensions contributions and direct payments to pensioners payable in the year	(12,044)
159,466	**Balance at 31 March**	**219,534**

Note 24 ANALYSIS OF GOVERNMENT GRANTS

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

2015/16 £000		2016/17 £000
	Credited to Taxation and Non Specific Grant Income:	
	Revenue	
(54,519)	Council Tax	(58,143)
(30,754)	National Non Domestic Rates	(29,289)
(27,076)	Revenue Support Grant	(20,678)
(2,794)	New Homes Bonus	(3,380)
(951)	Education Services Grant	(870)
(75)	Other	0
	Capital	
(3,273)	Department for Transport	(3,253)
(1,690)	Department for Education	(5,836)
(613)	Homes and Communities Agency	(331)
(4,674)	Other	(6,875)
(126,419)	**Total**	**(128,655)**

2015/16 £000		2016/17 £000
	Credited to Services:	
	Revenue	
(58,225)	Housing Benefit	(53,182)
(9,932)	Public Health Grant	(11,619)
(50,135)	Dedicated Schools Grant	(49,758)
(272)	Music Education Grant	(242)
0	Adult Learning	(32)
(15,052)	Health Authority Social Care Funding (now better care fund)	(15,714)
(1,032)	Unaccompanied Asylum Seekers Grant	(1,876)
(777)	Housing Benefit Admin Grant	(858)
(1,528)	Other	(1,054)
	Capital	
(4,337)	DOE	(3,347)
(489)	Other	(1,591)
(141,780)	**Total**	**(139,274)**

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 2016 £000		31 March 2017 £000
	Capital Grants & Contributions - Receipts in Advance	
(7,798)	Section 106	(9,115)
0	Department for Education	0
(133)	Department of Communities and Local Government	(133)
(38)	Environmental Trusts	0
(516)	Other Contributions	(6,275)
(706)	Port of London Authority	(686)
(9,191)	**Total**	**(16,209)**

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 2017. There have been no events arising between the 31 March 2017 and 30 June 2017 that provides information about conditions existing at 31 March 2017 which need to be reflected in the financial statements.

Note 27 EXCEPTIONAL ITEMS

There were no exceptional items in 2016/17.

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 2016/17 with the only changes in asset values relating to revaluations.

	2013-14 Buildings £'000	2013-14 Artefacts £'000	2014-15 Buildings £'000	2014-15 Artefacts £'000	2015-16 Buildings £'000	2015-16 Artefacts £'000	2016-17 Buildings £'000	2016-17 Artefacts £'000
Opening Carrying Value	21,166	122	21,166	122	22,144	122	22,144	122
Revaluations	0	0	978	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0
Closing Carrying Value	**21,166**	**122**	**22,144**	**122**	**22,144**	**122**	**22,144**	**122**

Note 29 ASSETS HELD FOR SALE

2015/16 £000		2016/17 £000
5,695	**Balance outstanding at start of year**	**2,399**
	Assets newly classified as held for sale:	
6,679	Property, Plant and Equipment	6,607
	Revaluations and Impairments:	
(137)	Revaluation losses	(122)
1	Revaluation gains	0
	Assets declassified as held for sale:	
0	Property, Plant and Equipment	0
(9,839)	Assets sold	(6,994)
2,399	**Balance outstanding at year-end**	**1,890**

Note 30 PROPERTY, PLANT AND EQUIPMENT

Movement in 2016/17	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 2016	633,358	155,485	29,348	18,410	94,385	3,392	61,335	**995,713**
Additions / Donations	10,805	5,000	2,224	456	12,693	5,469	715	**37,362**
Additions - Other	0	0	0	0	0	0	0	**0**
Derecognition - Disposals	0	0	(420)	0	(41)	0	(312)	**(773)**
Derecognition - Other	(10,805)	(6,361)	(4,479)	0	0	0	(625)	**(22,270)**
Revaluations Recognised in Revaluation Reserve	(11,591)	(677)	0	0	0	0	24	**(12,244)**
Revaluations Recognised in Surplus/Deficit on Provision of Services	(16,064)	504	0	0	0	0	(419)	**(15,979)**
Assets reclassified (to)/from Held for Sale	(6,607)	0	0	0	0	0	0	**(6,607)**
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	**0**
Other movements in Cost or Valuation	5,354	0	0	0	0	(5,354)	0	**0**
At 31 March 2017	**604,450**	**153,951**	**26,673**	**18,866**	**107,037**	**3,507**	**60,718**	**975,202**

Movement in 2016/17	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 2016	(25,173)	(7,279)	(17,433)	(6,164)	(23,539)	0	(73)	**(79,661)**
Depreciation charge	(7,273)	(2,910)	(2,393)	(660)	(2,594)	0	(80)	**(15,910)**
Depreciation written back to the Revaluation Reserve	16,739	2,450	0	0	0	0	0	**19,189**
Depreciation written back to Surplus/Deficit on Provision of Services	15,707	66	0	0	0	0	0	**15,773**
Derecognition - Disposals	0	0	324	0	17	0	0	**341**
Derecognition - Other	0	323	4,184	0	0	0	0	**4,507**
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	**0**
At 31 March 2017	**0**	**(7,350)**	**(15,318)**	**(6,824)**	**(26,116)**	**0**	**(153)**	**(55,761)**
NBV At 31 March 2016	**608,185**	**148,206**	**11,915**	**12,246**	**70,846**	**3,392**	**61,262**	**916,052**
NBV At 31 March 2017	**604,450**	**146,601**	**11,355**	**12,042**	**80,921**	**3,507**	**60,565**	**919,441**

Comparative 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**

Comparative 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**
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	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**

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 2017 by the Council's own valuers. 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 2016 the Social Housing Factor, the amount by which the open market value is discounted for properties used for social housing was amended from 39% to 38%, in line with guidelines issued by the Department for Communities and Local Government.

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 2017. Five indices (Halifax, Nationwide, UK House Price Index, Right Move and Zoopla.co.uk) were referenced in order to reach a decision. The consensus from the evidence gathered is that there has been a modest increase in the UK housing market over the period 2016–2017. Based on the information gathered an increase in Council dwellings of 4.12% 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 2017. 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 at 31 March 2017 and based on the evidence obtained, no increase 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 2016 and 31 March 2017 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 2017
	£'000	£'000	£'000	£'000
Recurring Fair Value Measurements Using:				
Land	0	9,659	367	10,026
Industrial properties	0	46,903	0	46,903
Other properties	0	3,340	296	3,636
Total	**0**	**59,902**	**663**	**60,565**

	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**

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.

2015/16 £000		2016/17 £000
305,288	**Opening Capital Financing Requirement**	**327,736**
	Capital investment	
56,347	Property, Plant and Equipment	37,362
(227)	Intangible Assets	387
8,116	Revenue Expenditure Funded from Capital under Statute	6,549
225	Long Term Debtors	0
2015/16 £000		**2016/17 £000**
	Sources of finance	
(5,990)	Capital receipts	(1,963)
(31,623)	Government grants and other contributions (includes REFCUS & MRA)	(28,323)
	Sums set aside from revenue:	
(4,400)	• MRP (including finance leases liabilities)	0
327,736	**Closing Capital Financing Requirement**	**341,748**
	Explanation of movements in year	
(2,261)	Decrease in underlying need to borrowing (supported by government financial assistance)	0
25,455	Increase in underlying need to borrowing (unsupported by government financial assistance)	14,012
(746)	Assets acquired / adjusted under finance leases	0
22,448	**Increase/(Decrease) in Capital Financing Requirement**	**14,012**

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

2015/16 £000	Balance Sheet Item	2016/17 £000
916,052	Property Plant & Equipment	919,441
0	Investment Property	0
2,399	Assets Held for Sale	1,890
1,482	Intangible Assets	1,375
22,266	Heritage Assets	22,266
1,425	Long Term Debtors	1,425
(119,255)	Revaluation Reserve	(122,701)
(496,633)	Capital Adjustment Account	(481,948)
327,736	**Total Capital Financing Requirement**	**341,748**

Note 32 CAPITAL COMMITMENTS

As at 31 March 2017, the Council had authorised expenditure in future years of £20.375m. In addition a further £77.956m had been previously authorised for use in 2017/18 and 2018/19, giving a total future years' commitment of £98.331m. These commitments included contractual commitments of £1.129m

Note 33 FINANCIAL INSTRUMENTS

a. Categories of Financial Instrument

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

31 March 2016 Carrying amount £000	31 March 2016 Fair Value £000		31 March 2017 Carrying amount £000	31 March 2017 Fair Value £000
(164,096)	(164,096)	Temporary Market Debt	(205,020)	(205,020)
(269)	(269)	Long Term Loans maturing in less than 1 year	(270)	(270)
(164,365)	**(164,365)**	**Short Term Borrowing**	**(205,290)**	**(205,290)**
(160,889)	(184,881)	PWLB Debt	(160,889)	(221,921)
(30,195)	(57,239)	Long Term Market Debt	(29,893)	(63,301)
(3)	0	Bonds/Annuities	(3)	(3)
(191,087)	**(242,120)**	**Long Term Borrowing**	**(190,785)**	**(285,225)**
(4,707)	(4,707)	Other Creditors at Contract Amounts	(7,684)	(7,684)
(267)	**(267)**	**Total Leasing Liability**	**0**	**0**
(360,426)	**(411,459)**	**Total Financial Liabilities**	**(403,759)**	**(498,199)**
51,993	51,217	CCLA Property Fund/Gloriana Equity	69,289	68,517
51,993	**51,217**	**Long Term Investments**	**69,289**	**68,517**
9,804	9,804	Tempoarary Investments	22,948	22,948
0	0	Fund Managers Investments	0	0
9,804	**9,804**	**Short Term Investments**	**22,948**	**22,948**
122	122	Cash held by the Council	88	88
2,576	2,576	Bank Current Accounts	6,248	6,248
4,999	4,999	Short term deposits with Financial	1,599	1,599
7,697	**7,697**	**Cash and Cash Equivalents**	**7,935**	**7,935**
23,319	23,319	Other Debtors at Contract Amounts	41,317	41,317
92,813	**92,037**	**Total Financial Assets**	**141,489**	**140,717**

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 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
Total Financial Assets	**49,235**	**1,982**	**0**	**51,217**

	31st March 2017			
	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		(221,991)		(221,991)
Long-term LOBO loans		(61,673)		(61,673)
Other Loans		(878)		(878)
Total Financial Liabilities	**0**	**(284,542)**	**0**	**(284,542)**
Financial Assets				
Gloriana Equity/Solar Investment		19,289		19,289
Available for Sale Financial Instruments:				
CCLA Property Fund		49,228		49,228
Total Financial Assets	**0**	**68,517**	**0**	**68,517**

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:

	2016/17			
	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost	Loans and receivables	Available for Sale Financial Assets	Total
	£000	£000	£000	£000
Interest expense	9,203			**9,203**
Total expense in Surplus or Deficit on the Provision of Services	**9,203**	**0**	**0**	**9,203**
Interest income		(1,086)	(3,506)	**(4,592)**
Total income in Surplus or Deficit on the Provision of Services	**0**	**(1,086)**	**(3,506)**	**(4,592)**
Net gain/(loss) for the year	**9,203**	**(1,086)**	**(3,506)**	**4,611**

	2015/16			
	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	8,193	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**

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 2016 £000	Maturity Profile of Financial Liabilities	31 March 2017 £000
(169,307)	Less than 1 year	(213,184)
(1,200)	Between 2 and 5 years	(900)
(18,000)	Between 25 and 30 years	(18,000)
0	Between 30 and 35 years	
(11,000)	Between 35 and 40 years	(11,000)
(125,000)	Between 40 and 45 years	(160,889)
(35,889)	Over 45 years	
(360,396)	**Total Financial Liabilities**	**(403,973)**

31 March 2016 £000	Maturity Profile of Financial Assets	31 March 2017 £000
88,119	Less than 1 year	113,917
0	Between 1 and 2 years	0
0	Between 2 and 5 years	0
0	Between 5 and 10 years	15,000
0	Between 10 and 15 years	4,289
1,982	Between 15 and 20 years	0
0	Between 25 and 30 years	0
0	Between 30 and 35 years	0
0	Between 35 and 40 years	0
0	Between 40 and 45 years	0
0	Over 45 years	0
90,101	**Total Financial Assets**	**133,206**

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 2017;

- 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 2016/17 the Operational Limit was £453.7m and the Authorised Limit was £483.7m;
  2. Its maximum and minimum exposures to fixed and variable rates. For 2016/17 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 2016/17 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 2016/17 this limit was set at £65m, 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, Arling close.

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 2016	Amount at 31 March 2017	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2017	Estimated maximum exposure
	£000	£000	%	%	£000
Gloriana Equity	1,982	4,289	0	0	0
CCLA Property Fund	50,000	50,000	0	0	0
Banks Rates AAA Long Term	0	0	0	0	0
Banks Rates AA Long Term	0	0	0	0	0
Banks Rates A Long Term	6,000	2,600	0	0	0
Solar Deal	0	34,000	0	0	0
Un-rated Building Societies	6,000	1,000	0	0	0
Local Authorities	2,800	0	0	0	0
Cash	0	0	0	0	0
	66,782	**91,889**	**0**	**0**	**0**

The analysis in the above table is based on the nominal values of investments outstanding as at 31 March 2017 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 £2.2m of the total balance was past its due date for payment at 31st March 2017. Therefore the provision for bad debts of £1.03m 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 procedures 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 2017 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 2017 would have been:

2015/16 £000	Sensitivity Analysis	2016/17 £000
(43,718)	Decrease in fair value of fixed rate borrowings liabilities	(47,476)

(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 2016/17 the Council paid a total of £2.798m, including £1.019m actual teachers' contributions, (£1.257m in 2015/16) 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 2017 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 during the year:

	Local Government Pension Scheme 2015/16 £000	Local Government Pension Scheme 2016/17 £000	Unfunded Benefits 2015/16 £000	Unfunded Benefits 2016/17 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Service cost comprising:				
• current service costs	22,615	12,219	0	0
• administration costs	142	136	0	0
Financing and Investment Income and Expenditure:				
• Net interest cost	5,236	5,521	320	320
Total Post-Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**27,993**	**17,876**	**320**	**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)	(6,698)	51,819	0	0
• actuarial (gains) and losses arising on changes in demographic assumptions	0	9,186	0	453
• actuarial (gains) and losses arising on changes in financial assumptions	25,674	(122,943)	266	(1,017)
• experience loss (gain) on defined benefit obligation	214	691		
• other	0	7,011	(214)	(107)
Total Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**47,183**	**(36,360)**	**372**	**(351)**

	Local Government Pension Scheme 2015/16 £000	Local Government Pension Scheme 2016/17 £000	Unfunded Benefits 2015/16 £000	Unfunded Benefits 2016/17 £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	(27,993)	(17,876)	(320)	(320)
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employers' contributions payable to scheme	11,289	12,044		
• Retirement benefits payable to pensioners			661	640

The cumulative amount of actuarial gains and losses, since 1 April 2005 recognised in the Comprehensive Income and Expenditure statement to 31 March 2017 is a £9.067m 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 2015/16 £000	Local Government Pension Scheme 2016/17 £000	Unfunded Benefits 2015/16 £000	Unfunded Benefits 2016/17 £000
Present value of defined benefit obligation	474,356	605,235	9,210	9,347
Fair Value of plan assets	(324,100)	(395,048)	0	0
Sub-total	150,256	210,187	9,210	9,347
Net liability arising from defined benefit obligation	150,256	210,187	9,210	9,347

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

	Local Government Pension Scheme 2015/16 £000	Local Government Pension Scheme 2016/17 £000	Discretionary Benefits Arrangements 2015/16 £000	Discretionary Benefits Arrangements 2016/17 £000
Opening fair value of scheme assets	**291,273**	**324,100**	**0**	**0**
Opening adjustment	**0**		-	-
Interest income	9,942	11,712	0	0
Remeasurement gain/(loss)	0	7,011	0	0
- The return on plan assets, excluding the amount included in the net interest expense	(6,698)	51,819	0	0
- Other	(142)	(136)	0	0
Contributions from employer	11,289	12,044	0	0
Contributions from employees into the scheme	3,119	3,665	0	0
Benefits paid	(14,699)	(14,481)	0	0
Settlements Received/(Paid)	30,016	(686)	0	0
Closing fair value of scheme assets	**324,100**	**395,048**	**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
	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000
Opening balance at 1 April	453,225	483,566	(10,031)	(9,210)
Current service cost	12,374	13,407	0	0
Interest cost	15,178	17,233	(320)	(320)
Contributions by scheme participants	3,119	3,665	0	0
Liabilities assumed/(extinguished) on settlements	39,179	(1,903)	0	0
Remeasurement (gains) and losses:			214	107
- Actuarial (gains) and losses arising from changes in demographic assumptions		(9,186)	0	453
- Experience loss/(gain) on defined benefit obligation	(214)	(691)		
- Actuarial (gains) and losses arising from in financial assumptions	(25,674)	122,943	266	(1,017)
Estimated Benefits Paid Net of Transfers In	(14,038)	(13,841)	0	0
Curtailments & Settlements	1,078	29	0	0
Unfunded Pension Payments	(661)	(640)	661	640
Closing balance at 31 March	483,566	614,582	(9,210)	(9,347)

Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets 2015/16	Fair Value of Scheme Assets 2016/17
	%	%
Cash and Cash Equivalents	**3**	**4**
Equity Instruments	**68**	**68**
Bonds		
- Corporate	5	4
- Government	3	3
Sub-total Bonds	**8**	**7**
Property	**12**	**10**
Alternative Assets	**4**	**7**
Other Managed Funds	**5**	**4**
Total assets	**100**	**100**

	Fair Value of Scheme Assets 2015/16	Fair Value of Scheme Assets 2016/17
	%	%
Equity instruments:	68	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-16	Local Government Pension Scheme 31-Mar-17
Mortality assumptions:		
Longevity at 65 for current pensioners:		
* Men	22.9 yrs	22.1 yrs
* Women	25.3 yrs	24.6 yrs
Longevity at 65 for future pensioners:		
* Men	25.2 yrs	24.3 yrs
* Women	27.7 yrs	26.9 yrs
Rate of inflation	2.30%	2.70%
Rate of increase in salaries	4.10%	4.20%
Rate of increase in pensions	2.30%	2.70%
Rate for discounting scheme liabilities	3.60%	2.70%
Take-up of option to convert annual pension into retirement lump sum	60.00%	n/a

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)	637,854	592,187
Rate of increase in salaries (increase or decrease by 0.1%)	615,940	613,236
Rate of increase in pensions (increase or decrease by 0.1%)	624,623	604,728
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	603,392	625,991
	2,481,809	2,436,142

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 2017.

The expected employer contribution to the plan for the year to 31 March 2017 is £12.63m.

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 2016 £000		31 March 2017 £000
122	Cash held by the Council and in transit	88
2,576	Bank current accounts	6,248
4,999	Short-term deposits in UK banks & investments in money market funds	1,599
7,697	**Total Cash and Cash Equivalents**	**7,935**

Note 38 OPERATING ACTIVITIES CASH FLOW STATEMENT

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

2015/16 £'000		2016/17 £'000
2,121	Interest Received	3,635
140	Interest Received Opening Debtor	(4)
(4)	Interest Received Closing Debtor	948
(2,575)	Interest paid	(3,419)
0	Adjustments for differences between EIR and actual interest payable	0
(454)	Interest Paid Opening Creditor	562
562	Interest Paid Closing Creditor	(586)
(210)	Total Operating Acivities	1,136

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:

2015/16 £'000		2016/17 £'000
(52,874)	Purchase of property, plant and equipment, investment property and intangible assets	(36,748)
(271,282)	Purchase of short-term and long-term investments	(354,506)
(225)	Other payments for investing activities	(2,167)
13,124	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	11,029
262,000	Proceeds from short-term and long-term investments	325,000
17,129	Other receipts from investing activities (including capital grants)	30,350
(32,128)	**Net cash flows from investing activities**	**(27,042)**

Note 40 FINANCING ACTIVITIES CASH FLOW STATEMENT

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

2015/16 £'000		2016/17 £'000
308,250	Cash receipts of short and long-term borrowing	207,980
(477)	Other receipts from financing activities	0
(269)	Cash payments for the reduction of the outstanding liabilities (finance leases)	(267)
(262,950)	Repayments of short- and long-term borrowing	(167,380)
2,547	Other payments for financing activities	2,623
47,101	**Net cash flows from financing activities**	**42,956**

Note 41 NON CASH MOVEMENT CASH FLOW STATEMENT

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

2015/16 £'000		2016/17 £'000
9,294	**Net Surplus or (Deficit) on the Provision of Services**	**(12,167)**
	Adjust net surplus or deficit on the provision of services for non cash movements:	
16,310	Depreciation	16,461
(56,931)	Impairment and downward valuation	242
570	Amortisation	494
0	Increase/decrease in provision for Impairments/doubtful debts re: Loans & Advances	0
0	Financial Guarantee Adjustments	0
0	Increase/Decrease in Interest Creditors	0
(691)	Increase/Decrease in Creditors	4,875
0	Increase/Decrease in Interest and Dividend Debtors	0
(10,654)	Increase/Decrease in Debtors	(20,863)
(7)	Increase/Decrease in Inventories	(245)
16,704	Movement in Pension Liability	5,832
1,959	Contributions to/(from) Provisions	(3,348)
36,475	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	25,188
0	Movement in Investment Property Values	0
3,735		**28,636**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(15,348)	Capital Grants credited to surplus or deficit on the provision of services	(21,116)
0	Net adjustment from the sale of short and long term investments	0
(13,124)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(11,029)
(28,472)		**(32,145)**
(15,443)	**Net Cash Flows for Operating Activities**	**(15,676)**

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 and health services. Thurrock Council is the lead commissioner and enters into contracts on behalf of both parties but only with the consent of both boides 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 £27.64m which includes the Council contribution of £11.9m. At the end of 2016-17 the pool had an underspend of £0.13m which is held in an earmarked reserve by the Council.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2015/16 £'000		Notes	2016/17 £'000
	EXPENDITURE		
11,162	Repairs and Maintenance		12,158
24,937	Supervision and Management		21,340
184	Rents, rates, Taxes and Other Charges		143
(48,492)	Depreciation and Impairment of Non Current Assets	2	8,374
112	Debt Management Costs	8	140
36	Movement in the Allowance for Bad Debts		206
(12,061)	**Total Expenditure**		**42,361**
	INCOME		
(45,490)	Gross Rent from Dwellings	1	(44,696)
497	Less Voids		0
(44,993)	**Net Rent from Dwellings (sub total)**		**(44,696)**
	Non Dwelling Rents:		
(10)	Shop Rents		(21)
(796)	Garage Rents		(795)
(163)	Premises Income		(200)
(969)	**Non Dwelling Rents (sub-total)**		**(1,016)**
	Charges for Services and Facilities:		
(5,342)	Water Charges		(5,433)
(40)	Central Heating Charges		(41)
(5,382)	**Charges for Services and Facilities (sub total)**		**(5,474)**
	Contributions Towards Expenditure:		
(602)	Leaseholder Charges		(683)
(2,271)	Tenants Service Charges		(2,368)
(2,873)	**Contributions Towards Expenditure (sub total)**		**(3,051)**
0	Micellaneous Income		0
(54,217)	**Total Income**		**(54,237)**
(66,278)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**(11,876)**
(66,278)	**Net Expenditure for HRA Services**		**(11,876)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
15,927	(Gain) or loss on sale of HRA non-current assets		6,978
5,727	Interest payable and similar charges (Deferred Purchase Interest)		5,760
0	Amortisation of Premiums and Discounts (Premium on Debt Restructuring)		0
(34)	Interest and Investment Income		(13)
310	Pensions interest cost and expected return on Pension Assets	3	495
0	Capital Grants and Contributions Receivable		0
(44,348)	**(Surplus)/ Deficit for the Year on HRA Services**		**1,344**

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

MOVEMENT ON HRA BALANCE

2015/16 £'000		2016/17 £'000
(2,654)	**Balance on HRA at 1 April**	**(1,754)**
(44,348)	(Surplus)/Deficit for the Year on HRA Services	1,344
45,074	Adjustments Between Accounting Basis and Funding Basis under Statute:	(6,356)
(1,928)	**Total**	**(6,766)**
174	**Transfer to/(from) Reserves:**	**4,590**
(1,754)	**Balance on HRA at 31 March**	**(2,176)**

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2015/16 £'000		2016/17 £'000
	Reversal of Items debited or credited to the HRA Income and Expenditure Account	
(7,850)	Depreciation of non-current assets	(7,990)
(14,209)	Revaluation and Impairment losses on Property, Plant and Equipment	(12,959)
70,642	Revaluation gains reversing previous losses	12,611
0	Movement in Market Value on Investment Property	0
(90)	Movement in value of Held for Sale Assets	(36)
0	Revenue expenditure funded from capital under statute (REFCUS)	0
(25,033)	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	(17,279)
9,106	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	10,301
32,566		**(15,352)**
	Insertion of items not debited or credited to the HRA Income and Expenditure Account	
13,736	Reversal of Major Repairs Allowance credited to the HRA	9,832
(2,098)	Reversal of items relating to requirement benefits debited or credited to the CIES	(1,601)
888	Employer's pension contributions and direct payment to pensioners payable in year	762
(18)	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	3
12,508		**8,996**
45,074	**Total**	**(6,356)**

Note 1 GROSS RENT INCOME

The level of rent arrears was as follows:

2015/16 £'000	Rent Arrears	2016/17 £'000
808	Gross Current Arrears at 31 March	1,462
1.51%	As a Proportion of Gross Rent Income Collectable in the Year	2.74%

There have been no amounts written off in 2016/17. There is a provision of £0.494m for the potential write-off of irrecoverable debts.

Note 2 DEPRECIATION

Depreciation of £7.45m was charged to the HRA in relation to operational assets comprising dwellings, other land and buildings. There were further charges in respect of impairments of £0.92m.

2015/16 £'000	Analysis of Depreciation and Impairment Charges	2016/17 £'000
	Depreciation:	
6,805	Dwellings	7,273
131	Other Land and Buildings	138
45	Plant and Equipment	0
5	Non-Operational Property, Plant and Equipment	46
(55,478)	Impairment of Property, Plant and Equipment	917
(48,492)	**Total for Year**	8,374

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 2016	Number and Types of Properties at 31 March	31 March 2017
5,334	Number of Houses and Bungalows	5,282
3,540	Number of Flats and Maisonettes	3,510
1,222	Number of Aged Person Dwellings	1,222
10,096	**Total**	**10,014**

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

2015/16	Change in Stock of Properties	2016/17
10,122	Stock at 1 April	10,096
(105)	Less Sales	(94)
79	Additions	12
10,096	**Total**	**10,014**

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

31 March 2016 £'000	Balance Sheet Value of HRA Properties	31 March 2017 £'000
	Operational Non-Current Assets:	
619,611	Dwellings and other land and buildings	616,879
15,448	Non-Operational Non-Current Assets	12,604
635,059	**Total**	**629,483**

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:

2015/16 £'000	Major Repair Reserve	2016/17 £'000
0	Balance as at 1 April	0
(13,736)	Transfer to HRA	(9,832)
13,736	Financing of Capital Expenditure	9,832
0	**Total**	0

Note 6 CAPITAL EXPENDITURE

Capital expenditure on land, houses and other properties within the HRA in 2016/17 was financed as follows:

2015/16 £'000	Financing of Capital Expenditure	2016/17 £'000
13,736	Major Repairs Reserve	9,832
674	Grants	406
5,926	Capital Receipts	1,085
14,031	Prudential Borrowing	2,026
3,117	Development Reserve	0
37,484	**Total**	13,349

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:

2015/16 £'000	Capital Receipts	2016/17 £'000
(9,106)	Sales of Dwellings	(10,301)
(9,106)	**Total**	(10,301)

Note 8 DEBT MANAGEMENT COSTS

Debt management costs charged to the HRA were as follows:

2015/16 £'000	Debt Management Cost	2016/17 £'000
112	Debt Management Costs	140
112	**Totals**	**140**

THE COLLECTION FUND STATEMENT
COUNCIL TAX

Notes		2015/16 £'000	2016/17 £'000	£'000
	INCOME			
2	Council Tax	(65,212)	(68,985)	
	Total Income	**(65,212)**		**(68,985)**
	EXPENDITURE			
	Precepts and Demands:			
	Essex Police Authority	7,047	**7,431**	
	Essex Fire Authority	3,181	**3,307**	
	Thurrock Borough Council	53,858	**57,135**	
	Precepts and Demands (sub-total)	**64,086**		**67,873**
	Provision for Bad Debts:			
	Change in Provision	150	**(16)**	
	Write offs	197	**416**	
	Provision for Bad Debts (sub-total)	**347**		**400**
	CONTRIBUTIONS			
	Essex Police Authority	126	**132**	
	Essex Fire Authority	58	**60**	
	Thurrock Borough Council	980	**1,008**	
	Contributions (sub-total)	**1,164**		**1,199**
	Total Expenditure	**65,597**		**69,472**
	(Surplus)/ Deficit for Year	**385**		**487**
	Fund Balance Brought Forward	**(1,481)**		**(1,096)**
	Fund Balance Carried Forward	**(1,096)**		**(609)**

Share of Collection Fund (Council Tax) Balance:

	2015/16	2016/17
Thurrock Council	**(923)**	**(514)**
Essex Police Authority	**(120)**	**(66)**
Essex Fire Authority	**(53)**	**(29)**
Total	**(1,096)**	**(609)**

THE COLLECTION FUND STATEMENT
NATIONAL NON-DOMESTIC RATES

Notes		2015/16 £'000	2016/17 £'000	£'000
	INCOME			
3	Income Collectable from Non-Domestic Ratepayers	(105,926)	(112,184)	
	Transitional Protection Payments	452	443	
	Total Income	**(105,474)**		**(111,741)**
	EXPENDITURE			
	Share of Business Rates:			
	Essex Fire Authority	1,091	1,118	
	Thurrock Borough Council	53,450	54,783	
	Share of Non-Domestic Rates (sub-total)	**54,541**		**55,901**
	Payment of the Central Share of the Non-Domestic Rating Income to Central Government	**54,541**		**55,901**
	Provision for Bad Debts:			
	Change in Provision	(35)	181	
	Write Offs	296	216	
	Provision for Bad Debts (sub-total)	**261**		**397**
	Provision for Appeals:			
	Change in Provision	(3,264)		700
	Costs of Collection	235		234
	CONTRIBUTIONS			
	Essex Fire Authority	(89)	(58)	
	Thurrock Borough Council	(4,359)	(2,823)	
	Central Government	(4,448)	(2,881)	
	Contributions (sub-total)	**(8,896)**		**(5,761)**
	Total Expenditure	**97,418**		**107,372**
	(Surplus)/ Deficit for Year	**(8,056)**		**(4,369)**
	Fund Balance Brought Forward	**12,176**		**4,120**
	Fund Balance Carried Forward	**4,120**		**(249)**

Share of Collection Fund (NDR) Balance:

Thurrock Council	**2,019**	**(122)**
Essex Fire Authority	**41**	**(2)**
Central Government	**2,060**	**(125)**
Total	**4,120**	**(249)**

Notes to the Collection Fund

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 2016/17 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*	7	5:9	4
A	4,407	6:9	2,938
B	9,732	7:9	7,569
C	22,000	8:9	19,556
D	10,267	9:9	10,267
E	4,119	11:9	5,034
F	1,974	13:9	2,851
G	736	15:9	1,226
H	15	18:9	30
	53,257		**49,475**
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.			(618)
Council Tax Base			**48,857**

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 2016/17 48.4p was the small business multiplier and 49.7p the large business multiplier (48.0p small business multiplier and 49.3p large business multiplier in 2015/16). 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 £54.8m 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 £111.8m.

The total Non-Domestic rateable value at the 31 March 2017 was £252,586,303 (£263,567,417 as at 31 March 2016).

Group Accounts

2016/17

GROUP ACCOUNTS

STATEMENT OF ACCOUNTS- GROUP ACCOUNTS

Introduction

In order to provide a full picture of the Council's economic activities and financial position, the accounting statements of the Council and Gloriana Thurrock Ltd have been consolidated. The Group Accounts are presented in addition to the Council's 'single entity' financial statements and comprise:

- Group Expenditure Funding Analysis
- Group Comprehensive Income and Expenditure Statement
- Group Movement in Reserves Statement
- Group Balance Sheet
- Group Cash Flow Statement

These statements, together with those explanatory notes that are considered necessary in addition to those accompanying the Council's 'single entity' accounts, and accounting policies, are set out in the following pages, as detailed below.

GROUP EXPENDITURE FUNDING ANALYSIS

2015/16				2016/17		
Net Expenditure Chargable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	**£000**		£000	£000	**£000**
31,448	1,785	**33,233**	Adults; Housing and Health	34,095	1,001	**35,096**
34,943	7,196	**42,138**	Children's Services	37,687	3,281	**40,968**
305	52	**358**	Commercial Services	644	16	**660**
918	(444)	**474**	Corporate Costs	2,000	(9,726)	**(7,726)**
1,609	272	**1,882**	Corporate Strategy & Communications	2,311	171	**2,481**
45,895	8,166	**54,061**	Environment and Place	23,814	8,386	**32,200**
4,774	456	**5,230**	Finance and Information Technology	7,687	313	**8,000**
2,128	247	**2,375**	HR; OD and Transformation	2,974	147	**3,121**
1,931	163	**2,094**	Legal	1,646	62	**1,708**
2,538	3,855	**6,393**	Schools	3,664	699	**4,364**
126,490	**21,748**	**148,239**	**General Fund**	116,522	**4,349**	**120,871**
(1,855)	(64,423)	(66,278)	Housing Revenue Account	(10,759)	(1,116)	(11,875)
124,635	(42,675)	81,961	**Cost of Services**	105,763	**3,233**	**108,995**
(106,092)	15,702	**(90,390)**	Other Income and Expenditure	(105,337)	9,376	**(95,961)**
18,543	**(26,973)**	**(8,429)**	**Surplus or Deficit**	**426**	12,609	**13,035**
(35,818)			Opening General Fund and HRA Balance at 31 March 2016	**(17,275)**		
18,543			Less Deficit on General Fund and HRA Balance in Year	**426**		
(17,275)			**Closing General Fund and HRA Balance at 31 March 2017**	**(16,849)**		

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Core Statement

2015/16				2016/17		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
70,574	(37,340)	**33,234**	Adults; Housing and Health	74,339	(39,243)	**35,096**
80,407	(38,269)	**42,138**	Children's Services	82,642	(41,674)	**40,968**
778	(421)	**357**	Commercial Services	628	32	**660**
61,454	(60,979)	**474**	Corporate Costs	54,922	(55,960)	**(1,038)**
2,050	(169)	**1,882**	Corporate Strategy & Communications	3,650	(1,168)	**2,481**
63,138	(9,271)	**53,867**	Environment and Place	43,543	(11,343)	**32,200**
6,771	(1,346)	**5,425**	Finance and Information Technology	11,286	(3,286)	**8,000**
(12,052)	(54,226)	**(66,278)**	Housing Revenue Account	51,570	(63,445)	**(11,875)**
2,710	(335)	**2,375**	HR; OD and Transformation	3,752	(631)	**3,121**
2,588	(493)	**2,094**	Legal	3,118	(1,411)	**1,708**
38,653	(32,259)	**6,393**	Schools	35,012	(30,649)	**4,364**
317,070	**(235,109)**	**81,961**	**Cost of Services**	**364,462**	**(248,777)**	**115,684**
38,215	(13,180)	25,035	Other operating expenditure	26,901	(11,151)	15,750
13,429	(2,203)	**11,226**	Financing and investment income and expenditure	14,802	(3,792)	11,010
4,359	(131,010)	**(126,651)**	Taxation and non-specific grant income and expenditure	3,920	(133,328)	(129,408)
373,074	**(381,502)**	**(8,428)**	**(Surplus) or deficit on Provision of Services**	**410,085**	**(397,049)**	**13,037**
0	(26,417)	**(26,417)**	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	0	(7,410)	**(7,410)**
0	(19,190)	**(19,190)**	Actuarial gains/ losses on pension assets/ liabilities	0	54,236	**54,236**
0	(41)	**(41)**	(Surplus) or deficit on revaluation of available for sale financial assets	0	782	**782**
0	**(45,648)**	**(45,648)**	**Other Comprehensive Income and Expenditure**	**0**	**47,608**	**47,608**
373,074	**(427,150)**	**(54,076)**	**Total Comprehensive Income and Expenditure**	**410,085**	**(349,441)**	**60,645**

GROUP MOVEMENT IN RESERVES STATEMENT

Core Statement

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2015	**(33,164)**	**(2,654)**	**(5,510)**	**0**	**(11,830)**	**(53,158)**	**(369,910)**	**(423,068)**
Movement in reserves during 2015/16								
Total Comprehensive Income and Expenditure	35,919	(44,348)	0	0	0	(8,429)	(45,648)	(54,077)
Adjustments from income &expenditure charged under the acounting basis to the funding basis	(20,974)	45,074	(2,513)	0	(759)	20,828	(20,828)	0
Transfers to/from Other Reserves	2,699	174	0	0	696	3,569	(3,569)	0
Increase or (Decrease) in 2015/16	17,644	900	(2,513)	0	(63)	15,968	(70,045)	(54,077)
Balance at 31 March 2016 carried forward	**(15,520)**	**(1,754)**	**(8,023)**	**0**	**(11,893)**	**(37,190)**	**(439,955)**	**(477,145)**

GROUP MOVEMENT IN RESERVES STATEMENT

Core Statement

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2016	**(15,520)**	**(1,754)**	**(8,023)**	**0**	**(11,893)**	**(37,190)**	**(439,955)**	**(477,145)**
Movement in reserves during 2016/17								
Total Comprehensive Income and Expenditure	11,691	1,344	0	0	0	13,035	47,608	60,643
Adjustments from income &expenditure charged under the accounting basis to the funding basis	(6,253)	(6,356)	(7,585)	0	(2,683)	(22,877)	22,877	0
Increase or (Decrease) in 2016/17	**5,438**	**(5,012)**	**(7,585)**	**0**	**(2,683)**	**(9,842)**	**70,485**	**60,643**
Balance at 31 March 2017 carried forward	**(10,082)**	**(6,766)**	**(15,608)**	**0**	**(14,576)**	**(47,032)**	**(369,470)**	**(416,502)**

GROUP BALANCE SHEET

Core Statement

31 March 2016 £000		Notes	31 March 2017 £000
927,877	Property, Plant & Equipment	9	942,252
0	Investment Property		0
1,482	Intangible Assets		1,374
22,266	Heritage Assets		22,266
50,011	Long Term Investments		63,718
1,950	Long Term Debtors		1,802
1,003,586	**Long Term Assets**		**1,031,412**
9,804	Short Term Investments		22,948
2,399	Assets Held for Sale		1,890
267	Inventories	5	9,804
19,253	Short Term Debtors	6	21,056
7,697	Cash and Cash Equivalents		8,396
39,420	**Current Assets**		**64,094**
(164,365)	Short Term Borrowing		(205,290)
(30,707)	Short Term Creditors	7	(40,504)
(267)	Leasing Liability		0
(6,213)	Short Term Provisions		(1,669)
(201,552)	**Current Liabilities**		**(247,463)**
(3,590)	Long Term Provisions		(4,788)
(191,874)	Long Term Borrowing		(190,785)
0	Deferred Discounts		0
(159,466)	Pension Liability		(219,534)
0	Leasing Liability		0
(187)	Long Term Creditors		(225)
(9,191)	Capital Grants Receipts in Advance		(16,209)
(364,308)	**Long Term Liabilities**		**(431,541)**
477,146	**Net Assets**		**416,502**
(37,190)	Usable reserves	8	(47,032)
(439,956)	Unusable Reserves		(369,470)
(477,146)	**Total Reserves**		**(416,502)**

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

Director of Finance and IT

21 September 2017

GROUP CASH FLOW

Core Statement

2015/16 £'000		Notes	2016/17 £'000
8,576	Net surplus or (deficit) on the provision of services		(12,131)
3,809	Adjustment to surplus or deficit on the provision of services for non cash movements		28,198
(28,472)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(31,282)
(16,087)	**Net Cash flows from operating activities**		**(15,215)**
(31,623)	Investing Activities		(27,042)
47,241	Financing Activities		42,956
(469)	**Net increase or decrease in cash and cash equivalents**		**699**
8,166	Cash and cash equivalents at the beginning of the reporting period		7,697
7,697	**Cash and cash equivalents at the end of the reporting period**		**8,396**

GROUP STATEMENTS

Notes to the Accounts

Note 1 GROUP BOUNDARY

The Council has one material subsidiary company – Gloriana Thurrock Ltd which has been consolidated into the group financial statements. Gloriana Thurrock Ltd set up a further subsidiary company – Gloriana Thurrock (Homes) Ltd in March 2017. This has not been consolidated into the group financial statements as there was no trading activity in the Council's municipal year.

Note 2 ACCOUNTING POLICIES

In preparing the Group Accounts the Council has:

- Aligned the accounting policies of the company with those of the Council and made consolidation adjustments where necessary;
- Consolidated the financial statements of the company with those of the Council on a line by line basis; and
- Eliminated in full balances, transactions, income and expenses between the Council and its subsidiary.

Notes to the Accounts

Note 3 EXPENDITURE AND INCOME ANALYSED BY NATURE

31 March 2016 Carrying amount £000		31 March 2017 Carrying amount £000
	Expenditure/Income	
	Expenditure	
105,336	Employee Expenses	104,199
114,901	Third Party Payments	94,942
67,019	Other operating expenses	73,814
57,177	Housing Benefits	54,198
(31,934)	Depreciation, Amortisation and Impairment	36,927
36,475	Gains/Losses on disposal Non-Current Asset	25,188
12,736	Interest Payments	9,281
5,240	Pen Int Cost & Expect ret on Pension Asset	5,522
4,252	Transfer Payments	4,263
1050	Payments to the Housing Capital Receipts Pool	1,041
626	Precepts and Levies	670
135	Support Costs	117
373,013	**Total Expenditure**	**410,163**
	Income	
(2,143)	Investment Income	(3,792)
(1,707)	Support Services Recharges	(1,617)
(18,006)	Revaluations	(18,444)
(14,688)	Better Care Fund	(15,715)
(10,250)	Capital Grants and contributions	(16,178)
(35,113)	Income from business rates	(34,253)
(29,298)	Fees, Charges and Other Service Income	(43,135)
(53,781)	Dedicated Schools Grant	(54,868)
(54,217)	HRA rent and service charge income	(54,195)
(54,519)	Income from Council Tax	(57,735)
(107,720)	Revenue Grants and Contributions	(97,195)
(381,442)	**Total Income**	**(397,127)**
(8,429)	**Surplus or Deficit on the Provision of Services**	**13,036**

GROUP STATEMENTS

Notes to the Accounts

Note 4 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2015/16 £000		2016/17 £000
8,193	Interest payable and similar charges	9,203
5,236	Net interest on the net defined benefit liability	5,521
(2,203)	Interest receivable and similar income	(3,714)
11,226	**Total**	**11,010**

Note 5 INVENTORIES

31 March 2016 £000		31 March 2017 £000
267	Materials	512
0	Residential Property	9,292
267	**Total**	**9,804**

Note 6 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 2016 £000		31 March 2017 £000
2,023	Central government bodies	6,195
66	Other local authorities	471
856	NHS bodies	868
0	Public corporations and trading funds	0
16,308	Other entities and individuals	13,522
19,253	**Total**	**21,056**

Notes to the Accounts

Note 7 SHORT-TERM CREDITORS

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

31 March 2016 £000		31 March 2017 £000
(6,841)	Central government bodies	(9,907)
(1,012)	Other local authorities	(1,857)
(294)	NHS bodies	(689)
(15)	Public corporations and trading funds	0
(22,545)	Other entities and individuals	(28,051)
(30,707)	**Total**	**(40,504)**

Note 8 USABLE RESERVES

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

31 March 2016 £000		Notes	31 March 2017 £000
(7,135)	General Fund Balance	(a)	(6,267)
(1,754)	Housing Revenue Account Balance	(b)	(2,176)
(8,385)	Earmarked Reserves	(c)	(8,405)
(8,023)	Capital Receipts Reserve	(d)	(15,608)
(11,893)	Capital Grants Unapplied	(f)	(14,576)
(37,190)	**Total Usable Reserves**		**(47,032)**

GROUP STATEMENTS

Notes to the Accounts

Note 9 PROPERTY, PLANT AND EQUIPMENT

Movement in 2016/17	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 2016	633,358	155,485	29,348	18,410	94,385	3,392	61,335	**995,713**
Additions / Donations	10,805	5,000	2,224	456	12,693	37,572	715	**69,465**
Additions - Other	0	0	0	0	0	0	0	**0**
Derecognition - Disposals	0	0	(420)	0	(41)	0	(312)	**(773)**
Derecognition - Other	(10,805)	(6,361)	(4,479)	0	0	0	(625)	**(22,270)**
Revaluations Recognised in Revaluation Reserve	(11,591)	(677)	0	0	0	0	24	**(12,244)**
Revaluations Recognised in Surplus/Deficit on Provision of Services	(16,064)	504	0	0	0	0	(419)	**(15,979)**
Assets reclassified (to)/from Held for Sale	(6,607)	0	0	0	0	0	0	**(6,607)**
Assets reclassified (to)/from Stock	0	0	0	0	0	(9,292)	0	**(9,292)**
Other movements in Cost or Valuation	5,354	0	0	0	0	(5,354)	0	**0**
At 31 March 2017	**604,450**	**153,951**	**26,673**	**18,866**	**107,037**	**26,318**	**60,718**	**998,013**

Movement in 2016/17	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 2016	(25,173)	(7,279)	(17,433)	(6,164)	(23,539)	0	(73)	**(79,661)**
Depreciation charge	(7,273)	(2,910)	(2,393)	(660)	(2,594)	0	(80)	**(15,910)**
Depreciation written back to the Revaluation Reserve	16,739	2,450	0	0	0	0	0	**19,189**
Depreciation written back to Surplus/Deficit on Provision of Services	15,707	66	0	0	0	0	0	**15,773**
Derecognition - Disposals	0	0	324	0	17	0	0	**341**
Derecognition - Other	0	323	4,184	0	0	0	0	**4,507**
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	**0**
At 31 March 2017	**0**	**(7,350)**	**(15,318)**	**(6,824)**	**(26,116)**	**0**	**(153)**	**(55,761)**
NBV At 31 March 2016	**608,185**	**148,206**	**11,915**	**12,246**	**70,846**	**3,392**	**61,262**	**916,052**
NBV At 31 March 2017	**604,450**	**146,601**	**11,355**	**12,042**	**80,921**	**26,318**	**60,565**	**942,252**

Notes to the Accounts

Comparative 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	25,964	381	**68,171**
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**	**15,217**	**61,335**	**1,007,538**

Comparative 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 w ritten back to the Revaluation Reserve	53	2,400	0	0	0	0	0	**2,453**
Depreciation w ritten back to Surplus/Deficit on Provision of Services	204	521	0	0	0	0	0	**725**
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	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**	**15,217**	**61,262**	**927,877**

Notes to the Accounts

Note 10 NOTE TO THE EXPENDITURE FUNDING ANALYSIS

Adjustment from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts 2015/16	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Adults, Housing and Health	334	1,453	(3)	1,785
Children's Services	5,014	2,208	(27)	7,196
Commercial Services	0	54	(3)	52
Corporate Costs	0	80	(524)	(444)
Corporate Strategy & Communications	16	250	6	272
Environment & Place	6,364	1,801	1	8,166
Finance and Information Technology	0	457	(0)	456
HR; OD and Transformation	0	243	4	247
Legal	0	166	(4)	163
Schools	0	3,855	0	3,855
Net Cost of Services	**11,728**	**10,568**	**(548)**	**21,748**
Housing Revenue Account	**(48,492)**	**900**	**(16,831)**	**(64,423)**
Other Income and Expenditure	**13,045**	**5,236**	**(2,579)**	**15,702**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	**(23,719)**	**16,704**	**(19,959)**	**(26,973)**

Notes to the Accounts

Note 10b NOTE TO THE EXPENDITURE FUNDING ANALYSIS

Adjustment from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts 2016/17	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Adults, Housing and Health	363	613	25	1,001
Children's Services	2,462	777	42	3,281
Commercial Services	0	15	2	16
Corporate Costs	(6,688)	(3,414)	376	(9,726)
Corporate Strategy & Communications	30	132	9	171
Environment and Place	7,580	669	137	8,386
Finance and Information Technology	0	282	31	313
HR; OD and Transformation	0	137	11	147
Legal	0	57	5	62
Schools	0	699	0	699
Net Cost of Services	**3,746**	**(34)**	**637**	**4,349**
Housing Revenue Account	**8,374**	**345**	**(9,835)**	**(1,116)**
Other Income and Expenditure	**4,547**	**5,521**	**(692)**	**9,376**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	**16,667**	**5,832**	**(9,890)**	**12,609**

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.

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.