

Thurrock Council

# Statement of Accounts

DRAFT



2020/21

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# NARRATIVE REPORT

## BACKGROUND AND CONTEXT

### 1. Context

Situated on the north side of the River Thames bordering Essex, Kent and east London, Thurrock is an area of great contrast and unique opportunities.

Thurrock has a well-balanced mix of beauty and business, with major investment planned for homes, jobs and infrastructure and including private sector jobs.

The borough is a mix of green belt interspersed with rural villages and market towns. Nature reserves, heritage locations and sites of special scientific interest abound. Three major ports punctuate the 18 miles of riverfront with associated cranes and gigantic container ships, while industrial parks line the A13.

Thurrock also has a growing population – predicted to rise by approximately 10% every decade. The ethnic profile of Thurrock has become increasingly diverse over the last decade. Both the age and ethnic profiles change significantly between the 20 wards.

Under the banner People, Place, Prosperity, the Council is creating a place where people and businesses want to stay and thrive, and developers and investors want to invest.

Investment in infrastructure for the benefit of residents and local businesses is key. Good roads, health services, schools and leisure facilities are all required to enable people to live and work, play and stay in the borough.

There has been a lot of talk about plans in the past but there is now a step-change to actual delivery – several masterplans are agreed with contractors on-site and work is beginning.

Together with partners, Thurrock Council is delivering an extensive capital programme, investing in schools, health, community facilities, transport and regeneration. Our refreshed Local Plan will provide our plan to meet the needs of local people and ensure that growth is high quality, community led and infrastructure first. The recently announced Thames Freeport led by our private sector partners, with Thurrock Council as the lead local authority, will deliver transformational change across the entire borough, creating thousands of new jobs and seeing further investment. Additional opportunities are also offered through the Town Fund submissions as well as existing regeneration programme.

There are plans for four Integrated Medical Centres in the borough – the first of which is now being built in Corringham and is due to open in 2022. This is just one of a series of game-changing initiatives being delivered with our health partners.

Thurrock is a place with a rich cultural heritage. With our cultural partners we are developing plans which will enable all Thurrock residents to enjoy and benefit from high quality arts and heritage activity, creating a strong pride in place, better well-being and economic prosperity.



## NARRATIVE REPORT

### 2. Vision and Priorities

The vision and priorities of the Council are set out below:



#### Our Vision

An ambitious and collaborative community which is proud of its heritage and excited by its diverse opportunities and future.

#### Our Priorities

**People – a borough where people of all ages are proud to work and play, live and stay.**

This means:

- high quality, consistent and accessible public services which are right first time
- build on our partnerships with statutory, community, voluntary and faith groups to work together to improve health and wellbeing
- communities are empowered to make choices and be safer and stronger together

**Place – a heritage-rich borough which is ambitious for its future.**

This means:

- roads, houses and public spaces that connect people and places
- clean environments that everyone has reason to take pride in
- fewer public buildings with better services

## NARRATIVE REPORT

### Prosperity – a borough which enables everyone to achieve their aspirations.

This means:

- attractive opportunities for businesses and investors to enhance the local economy
- vocational and academic education, skills and job opportunities for all
- commercial, entrepreneurial and connected public services

### 3. 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 square km
Riverfront	29 km
Green Belt land	70%

### 4. Population

Thurrock has a diverse population that is increasing by over 10% every decade.

In 2001 the population was 143,300. In 2011 our population was 158,300. The latest Office of National Statistics (ONS) data estimates the population at 174,500 in 2019. We await the results of the March 2021 Census for the most up to date insight.

Population estimates are produced by the ONS and are updated periodically. For the latest Thurrock population, go to [NOMIS: local authority profile for Thurrock](#).

The website also provides the latest available information on the labour market profile of Thurrock, including employment, income and benefits statistics.

### 5. Age and gender

The ONS usually provides new population predictions once a year. For the latest mid-year estimate reports by single age group and by gender, go to ONS: Population estimates for UK, England and Wales, Scotland and Northern Ireland.

The table below summarises ONS' population estimates by age and sex in the UK for 2016. These were made in 2019.

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Population section	Estimate
Male	49.34%
Female	50.66%
0 to 14 year-olds	21.86%
15 to 24 year-olds	10.90%
25 to 44 year-olds	28.74%
45 to 64 year-olds	24.56%
65 year-olds and older	14.11%

### 6. Homes and Houses

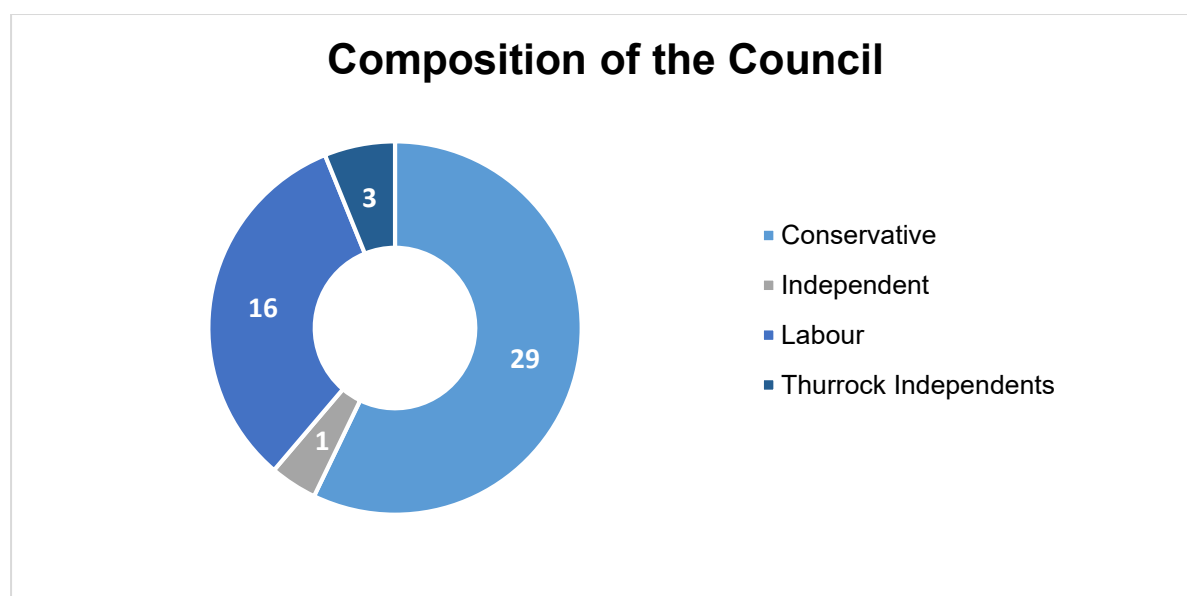
According to the Valuation Office, April 2021, there are 69,248 dwellings in Thurrock. The borough has a target to build 30,000 new homes by 2037 to meet the demand expected from people wanting to live here.

Thurrock has a stock of 9,840 Council houses and flats, including 1,214 sheltered and extra care homes.

House price information below is from the Land Registry Housing Price Index, June 2019. Housing status information is from the national census of 2011.

Housing status	Thurrock	East region	England
Owner-occupier	66.20%	67.60%	63.40%
Rented from the Council or housing association	18.40%	15.70%	17.70%
Rented privately	14.10%	14.80%	16.80%
Other	1.30%	1.90%	2.1%
Average house prices	£264,059	£291,370	£246,728

### 7. Political Structure





## NARRATIVE REPORT

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'.

### 8. The Cabinet

The Cabinet includes the Leader of the Council and 9 other Councillors. 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 members of the Cabinet and their portfolios are listed below as at the 31 March 2021, since then there has been changes to the Cabinet and respective portfolio responsibility:

Cabinet Member	Role	Portfolio
<b>Councillor Rob Gledhill</b>	Leader of the Council	Public Protection and Anti-Social Behaviour
<b>Councillor Shane Hebb</b>	Deputy Leader of the Council	Finance and Transformation
<b>Councillor Deborah Huelin</b>		Central Services and Communities
<b>Councillor James Halden</b>		Children and Adult Social Care
<b>Councillor Andrew Jefferies</b>		Education
<b>Councillor Aaron Watkins</b>		Environment and Sports and Leisure
<b>Councillor Allen Mayes</b>		Health and Air Quality
<b>Councillor Ben Maney</b>		Transport and Highways
<b>Councillor Barry Johnson</b>		Housing
<b>Councillor Mark Coxshall</b>		Regeneration and Strategic Planning

### 9. Risk Management

Risk and Opportunity Management (ROM) describes the planned and systematic approach used to identify, evaluate and manage the risks to and the opportunities for the achievement of the council's objectives. All Council officers are responsible for the management of the risks and opportunities that surround their role and adherence to the risk and opportunity management framework.

ROM makes a significant contribution to the sound Corporate Governance arrangements to meet the requirements set out in the Account and Audit Regulations and is an important part of the Council's overall Performance Management Framework.

In accordance with the ROM Policy Strategy and Framework regular reviews of the Strategic/Corporate Risk and Opportunity register are undertaken and reported to Directors Board and Standards & Audit Committee.

For details of this service contact the Corporate Risk and Insurance Manager.

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The Corporate Risks and Risks are summarised below from the Quarter 4 Review of the Strategic/Corporate Risk and Opportunity Register presented to the Standards and Audit Committee.

- **Adult Social Care Stability and Market Failure**

Adult Social Care has received additional funding in recent years – through a precept as part of the Council Tax and also through the Improved Better Care Fund. A significant proportion of this money has been used to stabilise the market place and deliver sustainability for care providers. The domiciliary care rate has been increased with the retender of the domiciliary care contract – this has resulted in greater stability, but difficulties remain. For example, issues concerning recruitment and retention and hospital capacity, although the Council's ability to move people on more quickly has increased as a result of increased investment in a Bridging Service and enhancing existing services. The additional funding is however limited which is likely to be an additional risk to stability. There is also a risk that additional capacity is used inappropriately as a backstop due to lack of capacity in domiciliary care. The recent and ongoing Covid-19 pandemic has highlighted the pressures on the adult social care market and the extent to which local authorities and the nation are dependent upon the market to provide care for some of the most vulnerable people. A number of residential care providers have had to close temporarily due to Covid-19 outbreaks, leading to additional temporary measures being put in place, the situation may continue throughout the pandemic. Staffing is also a major issue, with increasing staff absence across both residential and domiciliary care sectors. For providers, fees and rates are still an issue compounded by the National Living Wage, and despite activity over the last 18 months, the risk of failure is still very real. This risk is that a combination of on-going pressures will result in lack of stability in the care market place resulting ultimately in market failure.

- **Impact of Coronavirus**

The Council working with other agencies and the community have a critical role to play in the response to the crisis, shaping the transition and recovery for the borough, local residents and businesses. Failure to maintain plans and resources to deal with the situation will lead to uncoordinated, delayed or an ineffective response and recovery to the crisis and the Council not complying with the requirements of the Coronavirus and Civil Contingencies Acts.

- **A13 Widening Project**

The A13 corridor is a vital part of the transport network in Thurrock and the south Essex area, enabling the economy to grow through expanding businesses, new housing and more jobs. Work is in progress to widen the A13 from 2 to 3 lanes in both directions between the A128 (Orsett Cock roundabout) and the A1014 (The Manorway, Stanford-le-Hope). When complete, the widened section will join with the existing 3-lane section of the A13, west of the A128, providing a continuous 3-lane road in both directions between the M25 and Stanford-le-Hope. As part of the work, 4 bridges will be replaced, the Orsett Cock roundabout will be widened and new traffic lights will be installed to help manage vehicle flows. Public bridges will be built and opened before the old bridges are demolished.

The Council is undertaking a number of major projects which place significant demands on the Council and failure to increase capacity to meet the demand could impact the successful delivery of the project.

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- **Local Plan**

There is a statutory requirement on the Council to produce an up-to-date Local Plan to guide the future development and growth of the Borough. Any failure on the part of the Council to prepare a Local Plan in accordance with the timescale and programme set out the Council's Local Development Scheme will put it at risk of possible intervention by the Secretary of State, losing the ability to plan for future development of Thurrock with its plan-making powers being taken away. Further sanctions could also come in the form of the loss of the Council's New Homes Bonus and a reduced ability to bid for national funding support for new infrastructure.

The preparation of a Local Plan is a complex process and a number of risks need to be managed over the period of the plans preparation. Key risks include the alignment, design and phasing of the Lower Thames Crossing (LTC), ongoing impact of Covid-19, lack of adequate and ongoing funding, delays in preparing South Essex Joint Strategic Plan JSP, recruiting and retaining experienced policy planners, proposed changes to the planning system and the impact of local and national political considerations.

- **Children's Social Care, Service Standards & Inspection Outcome**

Failure to manage the increases in demand and budget/resource pressures for Children's Social Care could lead to a breakdown in the quality or performance of the service provided to vulnerable children and results in less favourable outcomes from inspection and damage to reputation of the service. The pressures include increased volumes, increased complexity and high cost placements. The service is demand led and cannot fail to respond to the needs of a child due to budget or resource constraints. As a consequence of Covid19 since March 2020 there has been a significant impact on the way in which the Council delivers services within children's social care. There has been an impact on the budget which is subject to continuous scrutiny. The Council continues to review and prepare for the next Ofsted Covid 19 reassurance visit/focus visit, and the full ILACS inspection.

It is anticipated that there will be an increase in volumes of contacts into the service, including court delays regarding management of cases, in addition to staff self-isolation due to the ongoing global pandemic.

- **Children's Social Care, Safeguarding & Protecting Children & Young People**

Failure to ensure that all children and young people in need of help or protection are safeguarded and supported could result in them not achieving their full potential and increasing the risk of a child death or serious injury. 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 inter-agency arrangements to safeguarding and promoting the welfare of children and young people living in Thurrock will further improve through the development of the Thurrock Local Safeguarding Children Partnership arrangement and with the embedding of the Multi Agency Safeguarding Hub and Early Offer of Help.

Managing this risk places inherent pressures on the Children's Social Care budget as a demand led budget. The emergence of Covid19 has resulted in a number of changes to service delivery. An Operational Procedures document ensures business continuity is maintained following appropriate risk assessments and government guidelines.

## **NARRATIVE REPORT**

- **Property Ownership Liability**

The Council is a significant owner and user of operational property and ensuring that buildings comply with appropriate statutory, regulatory and corporate standards is a significant challenge. It is therefore imperative that systems are in place to ensure compliance and manage these risks.

The Facilities management (FM) function was brought back in house in April 2020, in light of this change the Corporate Property Team's restructure needs to be finalised to strengthen the capacity of the service.

The constitution has been changed limiting requiring consent for all disposal from the Leader or Cabinet. As there are currently no exclusions to this requirement the Assets Team should be obtaining consent for even day to day de Minimis transactions, all disposal are on hold until the Director has agreed a way forward, this is having a significant impact on the Property Team dealing with day to day business.

Covid-19 pandemic - recommissioning of buildings was carefully planned to ensure health and safety hazards are managed thereby ensuring buildings are safe for re-occupation.

The Corporate Property Team has been asked to undertake a wider ranging Asset Review with a view to identifying buildings that can be re-tasked or disposed of to generate capital receipts in order to support the overall Council budget. This piece of work has been a significant draw on the Team's resources and has impacted on the Team's delivery of other pieces of work.

- **Fraud**

There is a risk that the Council experiences significant incidents of fraud, bribery, corruption or other economic crime as well as cases of money laundering.

During this year the council has come under pressure from COVID-19 and due to this, many services have been affected by the threat of fraud. Council's across the country were required to 'pay out' grants that Government issued to small businesses and other areas of our communities to assist with their survival through COVID-19. During this time the Council was the victim of excess fraud risk and due to a lack of systems to sit behind the applications for the grants, was targeted. The Revenues Department (responsible for paying the grants) and Fraud have worked closely and have a system in place that allows for 'pre-payment' checks to take place and for the early grants to be 'post-payment' checked. This will result in possible fraud being identified. The council will be part of the National Fraud Initiative project that has been launched by the Cabinet Office, which form part of a Post Assurance 'toolkit' being made available to Local Authorities. These risks have sat alongside the 'normal' fraud risks that the Council faces every day, namely Single Person Discount fraud, Tenancy fraud, Right To Buy fraud as well as other forms of fraud such as Procurement/Contract fraud.

With changing working practices during Covid, communication is largely placed within the email systems. This can create the opportunity for criminals to compromise email accounts and facilitate a fraud, increasing the mandate fraud risk faced by the Council.

- **Major Projects**

The growth programme in Thurrock continues to be one of the largest and most exciting opportunities in the country. As a direct result of the scale of the growth agenda in Thurrock the Council will be involved in three National Infrastructure Projects over the coming years. Managing these projects alongside the other key regeneration projects will place significant demands on the Council and ensuring the authority have capacity in key areas is important in maintaining momentum and maximising opportunity for the borough. Failure to increase

## NARRATIVE REPORT

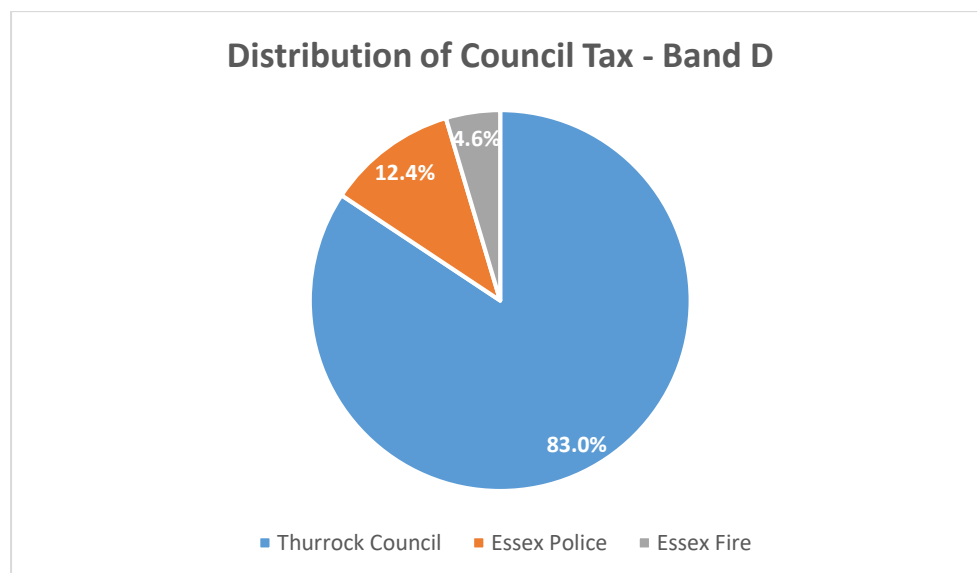
capacity to meet current, future or competing demands could impact the successful delivery of the major schemes and projects.

### 10. Council Tax 2020/21

The net budget requirement for a Council is the amount needed to finance Council services after allowing for planned expenditure and income. For 2020/21, this was set by the Council at £117.124m. The amount met by Revenue Support Grant (£6.806m), other grants from Central Government (£3.484m), the projected surplus/deficit in the collection fund (£1.390m), and Business Rates (under the retention arrangements) (£36.275m) leaving £69.169m to be raised locally from Council Tax (the Council Tax Requirement).

The 2020/21 Band D Council tax for Thurrock Council services, including the adult social care precept was £1,332.81. The calculated amounts were based on an estimated Council Tax Base (after allowing for irrecoverable debts and the local Council tax support scheme) of Band D equivalent properties.

The total Band D Council tax for the borough was £1,605.33 distributed amongst the preceptors as set out in the chart below.



### 11. Regeneration and Investment – Thurrock - Gets Business, Does Business, Means Business

Thurrock has a growth strategy which includes £20 billion of investment in jobs, homes and infrastructure, 1,000 acres of land ready for business development, 3 international ports along 18 miles of riverfront, 30 minutes from central London by train and 24,500 new jobs to be created.

Thurrock is a major regeneration area in the UK. There are 6 growth hubs in the borough and a number of significant schemes in development that will together transform the economic, social and environmental opportunities open to residents and the business community.

Future proposed developments to transform Thurrock include:

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- Proposals to transform predominately brownfield sites in **Purfleet** into a new community and world class creative hub were granted outline planning permission in April 2019 and the first phase of residential development started on site in March 2021
- The plans for the 58 hectare scheme, which are expected to create about 2,200 new jobs, have been designed in close partnership with the community and include a new town centre, shops and restaurants, a media village, medical centre, new primary school, improved transport infrastructure and 2,800 new homes.
- In **Grays**, work continues to design new public spaces and other developments to go either side of a pedestrian underpass that's planned to go under the railway line and a town centre design guide which will set the standard for future development in the town centre. For the Town Investment Plan £19.9m of funding has been awarded as part of the Government's Town Funds programme. The Plan proposes significant investment in the Grays riverfront area supporting recreation and leisure uses alongside a new jetty to facilitate river bus services between London and Tilbury.
- An expansion of **Lakeside and West Thurrock** retail to become a regional town centre. The area will see major changes to include new leisure facilities, homes, commercial facilities and an extension of the current shopping facilities. Improvements in the area will include a road that will link the Lakeside Basin to the regional town centre.
- Planned regeneration of **Tilbury's** town centre and Civic Square through the development of an Integrated Medical Centre, including an improved library, will be built upon through an award of the Government's Towns Fund bringing an additional £22.8m of central government investment to the town. The Tilbury Town Investment Plan proposes a new exemplar youth facility and improvements to the riverfront and station gateway alongside a new jetty to facilitate river bus services to and from London. The recent 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. This will support job creation and reduce inequality.
- **London Gateway** is the largest project of its kind in Britain and cost £1.5billion. The project has created a world class deep sea container port with a business park. The benefits for Thurrock include 12,000 new jobs in the port and an estimated 3,000 new jobs linked to the port's activities.
- Enabling the development of **Thames Enterprise Park** based around energy and streamlining logistics operations. The former Coryton Oil Refinery site will be transformed into a vibrant manufacturing, energy and logistics hub.
- Adoption of the Backing Thurrock Roadmap and Action Plan - strategy for economic recovery, building resilience and a return to growth. The Roadmap sets the context for economic growth in Thurrock and the action plan sets out priorities for the next 12 months which are being taken forward by the Council and key stakeholders.



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### Thames Freeport

The Thames Freeport covers a 34-kilometre-wide economic corridor along the tidal Thames, recognised by Government as an area of national significance and strategic growth. Sitting on the doorstep of the UK's largest consumer and labour market, and already one of the busiest ports in the UK, the Thames Freeport will cement the Thames Estuary as the UK's global gateway for trade.

The Thames Freeport consortium partners, DP World London Gateway, Port of Tilbury and Ford is working collaboratively with local authorities, and other public sector bodies such as the Thames Estuary Growth Board (TEGB), Port of London Authority (the PLA) and the South East LEP (SELEP), to catalyse investment opportunities along this strategic corridor, unleashing huge potential for local regeneration, sustainable and inclusive growth.

The Freeport is projected to secure and accelerate over £4.5 billion of public and private investment, deliver an additional £5.1 billion in GVA and create more than 25,000 jobs directly across Thurrock, Barking and Dagenham (LBBD) and Havering, areas in the top decile of deprivation and with persistently high unemployment levels. It will grow clusters of innovative, productive and clean activity in the manufacturing, logistics, clean energy and circular economy sectors, bringing investment into automated and electric commercial vehicles, hydrogen, renewable energy and battery storage. The pace of development at the Freeport and its role in UK construction sector supply chains also makes it critical to a national 'building back better' programme following Covid-19.

Thames Freeport includes 1,700 acres of development land at the heart of Europe's largest consumer market, it connects Ford's Dagenham facility to the ports at London Gateway and Tilbury. Developments will include first-class onward road, rail and marine connections, alongside well-honed investment promotion, trade facilitation, skills development and automation services.

The Freeport will support green-tech growth, including future mobility solutions and the hydrogen economy, supported by an Innovation Hub and local authorities committed to economic growth.

## 12. STATEMENT OF ACCOUNTS & FINANCIAL PERFORMANCE

### Statement of Accounts

The Statement of Accounts comprise of the following statements:

- (i) The **Comprehensive Income and Expenditure Statement** shows the accounting cost in the year of providing services in accordance with proper accounting practices (rather than the amount to be funded from taxation). The taxation position is shown in the Movement in Reserves Statement.
- (ii) 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.

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

For Group Statement of Accounts comprise a group version of items (i) to (iv) incorporating the results of the group companies – Thurrock Regeneration Ltd and Thurrock Homes Ltd.

### 1. The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

These accounts have been prepared in accordance with the Code of Practice 2020/21 (The Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA), which defines proper accounting practice for local authorities.

### 2. Financial Performance

#### ■ Overall Position

The Council's outturn position as reported below is a surplus of £2.761m, excluding Covid funding that is available to support expenditure in 2021/22 and this position is reflected in the Expenditure Funding Account (EFA). 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 outturn presented to Cabinet as it contains a number of technical accounting charges that are later reversed out through the Movement in Reserves Statement (MIRS). The Expenditure and Funding Analysis brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund (including the HRA). The Expenditure and Funding Analysis takes the net expenditure that is chargeable to taxation and rents and reconciles it to the Comprehensive Income and Expenditure Statement.

These adjustments include:

- Depreciation – the writing down of the value of an asset over its useful life;

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- 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 was reported to Cabinet on 7 July 2021 is set out in the section below.

### The Financial Outturn

The 2020/21 financial year required the Council to deliver front line services alongside responsive measures to address the impact of the Covid-19 pandemic. This is reflected in the financial outturn of the Council which reflects the use of core funding alongside emergency funding provided to address the pressures arising from the pandemic. The Covid-19 grant funding from Central Government has been fully utilised to ensure the financial impact of the pandemic has not adversely affected individual service positions.

In summary, for the financial year 2020/21, expenditure has largely been achieved within the overall budget envelope for the general fund and an increase in balances to the HRA. Where Covid-19 pressures were identified through the regular budget monitoring process mitigations included:

- General Covid-19 grant allocations from central government;
- Income losses offset by the income compensation scheme;
- Hospital Discharge Initiative reimbursements from Thurrock CCG and NHS England;
- Use of the Job retention scheme grant (furlough); Reducing levels of expenditure elsewhere within the service;
- Savings achieved through the pause to all non-essential recruitment;
- Utilisation of the previously-budgeted surplus; and
- Increases in some revenue streams (particularly related to the Fraud Investigation Team's external contracts).

Children's Services also continued to manage high levels of demand for placements, in particular those young people placed as sibling groups with independent fostering agencies.

While the in-year impacts of the pandemic have been managed through the support mechanisms available there remains concern over the medium to longer term impacts of the pandemic – particularly in respect of the robustness of both local tax sources and commercial revenues and the possibility of significant additional financial pressures relating to children's social care, adult social care and homelessness. There is some further support from central government in place for 2021/22 and the balance between this funding and the anticipated additional pressures continues to be monitored.

Over the course of the 2020/21 financial year, the Council maintained the General Fund Balance at £11.000m. The Housing Revenue Account Balance has been maintained at £2.175m.

It should be noted that these balances remain the most important reserves a Council holds as they are set aside for unplanned impacts on the budget which are now being felt through the ongoing impact of the pandemic. There are some additional reserves which provide further financial resilience and support the forecast outturn for 2021/22. The wider central government

## NARRATIVE REPORT

funding review of local government in response to Covid-19 for 2021/22 remains under assessment.

At the Council meeting in February 2021, Council agreed to reduce borrowing windows by £350m and to desist from further investment activity. Whilst the overall portfolio continued to perform and earn interest receivable, and in spite of an international, once in a century crisis, by not taking out new investments, or replacing maturing investments, there will be a year on year reduction going forward in net receivable income available to support front line services, and to provide services above the statutory minimum, and the headspace to reform services at a more considered pace.

This report provides a summary of the financial outturn for 2020/21 for the General Fund and the Housing Revenue Account, also including capital and treasury management outturn positions.

### Financial Outturn 2020/21

The table below summarises the outturn position in line with financial reporting requirements, including the movement in reserves, and the prior year position to allow year on year comparison. This excludes Covid funding that is available to support expenditure in 2021/22.

#### Net expenditure chargeable to the GF and HRA balances

2019/20 £'000	Directorate	2020/21 £'000
43,086	Adults; Housing and Health	44,805
41,021	Children's Services	40,954
769	Commercial Services	602
(2,952)	Corporate Costs	(4,983)
22,724	Environment and Highways	24,177
18,144	Finance, Governance & Property	13,049
3,927	HR; OD and Transformation	3,796
3,665	Place	2,942
347	Schools	0
2,985	Strategy, Communications & Customer Services	2,554
<b>133,716</b>	<b>Net Cost of General Fund Services</b>	<b>127,898</b>
5,521	Housing Revenue Account	(2,589)
<b>139,237</b>	<b>Net Cost of Services</b>	<b>125,309</b>
(142,241)	Other Income & Expenditure	(128,070)
<b>(3,004)</b>	<b>(Surplus)/Deficit</b>	<b>(2,761)</b>
(35,217)	Opening General Fund and HRA Balance	(38,221)
(3,004)	(Surplus)/Deficit in year (per table above)*	(2,761)
<b>(38,221)</b>	<b>Closing General Fund and HRA Balance</b>	<b>(40,982)</b>

\*In year surplus of £2.761m represents the 20/21 position and differs from £40.314m within the Expenditure Funding Analysis. The difference of £37.554m of grant funding which has been recognised in 2020/21 but has not been spent in the same year. This largely relates to Covid-19 adjustments which would otherwise distort the underlying position shown above. The same adjustment has been made to the reserves below or consistency.

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The table above shows the opening and closing usable reserves of the Council. It must be stressed that a number of reserves are held for specific purposes (usually called “earmarked” reserves) and also include those relating to maintained schools end of year balances. It should also be noted that reserves that are not held for specific purposes, such as the General Fund Balance, can provide a one-time form of mitigation and not replace budget deficits on an on-going basis.

The table below sets out the Council’s reserves by category:

31-Mar-20 £'000	Reserve Category	31-Mar-21 £'000
949	Education and Schools	1,151
(463)	Adults, Community and Health	(4,250)
(10,421)	Other Earmarked Reserves	(9,426)
(5,272)	Transformation Reserve	(4,016)
(6,162)	Financial Resilience Reserve	(5,000)
(11,000)	General Fund Balance	(11,000)
(5,852)	HRA Related	(8,441)
(38,221)	<b>TOTAL</b>	(40,982)

- Education and Schools – This includes individual schools’ balances and Dedicated Schools Grant (DSG) which are ring-fenced for specific use. The movement on this reserve reflects the outturn DSG position;
- Adults, Community and Health – This includes carry forward funding from the Public Health Grant and the Better Care Fund – these are also ring-fenced for specific use;
- Other earmarked reserves –This captures all other earmarked reserves including ring-fenced accounts such as building control and planning and also grant allocations for specific use in accordance with grant conditions;
- Transformation Reserve – This includes the surplus funding and balances set aside to enable specific transformation projects and manage the funding and delivery of these between financial periods;
- Financial Resilience Reserve – This reserve was primarily established to manage any funding implications associated with the fair funding review, transition into the new system of business rates retention and investment reserves. This reserve enables wider financial resilience to offset any wider impacts which may emerge;
- The General Fund Balance – the balance has been 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. The remaining balance represent the capital reserves supporting existing Council programmes.

## **NARRATIVE REPORT**

### **Front Line Service Commentary**

#### **Adults, Housing & Health**

Delivered under budget. The department were able to manage service pressures (which were not as a result of the Covid-19 pandemic) within the overall service budget allocations. These costs relate to the running of front line social care and safeguarding activities.

There remained pressure within the Commissioning & Service Delivery function due to a delay in the planned implementation of service changes as a result of the response required to deal with the Covid-19 pandemic. This impacted on the associated planned cost savings.

Funds held within the pooled Better Care Fund further supported the directorate in their efforts to stabilise the domiciliary and residential care market but this area remains a high risk with providers experiencing ongoing issues with recruitment and retention of staff. Additional resilience funding was provided from the core Covid-19 funding in 2020/21.

Support to care homes to implement Covid-secure working practices was funded through the Infection Control Grant and further supported by the core Covid-19 from central government.

As noted government grant funding was allocated to community care providers in the form of financial resilience payments. This enabled providers to respond to increased levels of demand, implementation of measures to address the increased risk arising from Covid-19, higher levels of staff sickness and absenteeism and the overall volatility within the marketplace.

To reduce pressure on acute services during the height of the pandemic, the Government made changes to hospital discharge requirements and agreed to fully fund the cost of the associated new or extended health and social care support packages over agreed timescales. This funding was claimed through Thurrock Clinical Commissioning Group from NHS England and therefore further reduced pressures on existing social care budgets.

#### **Housing General Fund**

Delivered within budget. The initial response to Covid-19 required Local Authorities to take measures to address rough sleeping and homelessness. This required additional accommodation to be purchased locally and was funded through the Covid-19 funding.

Furthermore the Coronavirus Act 2020 provided protection to social and private tenants during the pandemic by delaying when landlords could evict tenants and by increasing the notice periods required before seeking possession of a residential property.

The ban on bailiff enforcement included mortgage repossessions. No action to enforce repossession should commence until at least 1 June 2021 unless the homeowner agrees to a voluntary repossession.

These measures, alongside the funding, enabled the service were able to contain costs within their existing resources. The concern remains that when the measures in place are removed there may be a significant increase in the demand for rough sleeping and homelessness services.

#### **Children's Services**

Delivered under budget. Covid-19 restricted the placements market in-year with limited settings and movement available. The service experienced an increased demand for sibling group placements which required young people to be matched with foster carers supplied by external agencies. As in previous years there was significant pressure on this budget and the profiling of placements remained the key issue (limited capacity within the in-house service and the need for more expensive externally provided placements).



## **NARRATIVE REPORT**

There remains significant financial risk in 2021/22 particularly in light of the impacts of Covid-19 on children in the borough. There is the potential for significant increased demand for services as Covid-19 restrictions are removed. This continues to be monitored.

The service have successfully recruited when social workers leave even through the difficulties presented by the pandemic. However, there remains a reliance on agency personnel across the social work teams.

The Learning & Universal Outcomes service restricted non-essential spend, held posts vacant and claimed funding through the Job Retention Scheme to offset pressures within the wider directorate.

A number of educational services were significantly impacted by the national restrictions (e.g. Grangewaters Outdoor Education Centre and Nurseries) the associated loss of income for these functions were mitigated by the Income Compensation scheme and associated reductions in expenditure.

### **Environment and Highways**

Delivered under budget. Despite the logistical challenges posed by the Central Government restrictions in response to the pandemic, the directorate continued to deliver key front line services to the borough throughout the financial year. Street cleansing and essential grounds maintenance functions were carried out, occasionally at reduced frequencies.

Waste services dealt with increased demand due to the 'stay at home' guidance and these additional costs were appropriately allocated against the additional government funding. Fluctuations within the waste disposal contracts were mitigated by the control of costs elsewhere within the service.

A mild winter and the use of the Thurrock-based weather station allowed for more accurate local forecasting and a lower need for gritting services to be charged against the winter maintenance budget.

Additional income was generated from the external works secured by the Fraud Investigation Team with MHCLG to review the financial support that was awarded to local businesses during the lockdown period.

Wider losses of fees and charges income was mitigated through a combination of reduced expenditure elsewhere within the service and the use of the income compensation scheme which prevented an adverse impact on the core budget position.

### **Finance, Governance & Property**

Delivered under budget. Significant levels of resource were redirected to responding to the pandemic and administering the allocation of funding to local businesses through a number of schemes across the whole financial year.

The directorate offset service pressures arising from Covid-19 through use of core funding to address specific impacts and managing core service budgets in response to the pandemic. This included the management of vacant posts.

The Corporate Landlord function was able to utilise appropriate capital funding for works where appropriate. In addition many operational assets were utilised to significantly lower levels in 2020/21 while wider planned works were paused pending a wider reassessment of Council assets. This meant inherent cost pressures could be managed within existing budgets. Furthermore, despite initial concerns over the impact of Covid-19, income generated from commercial property remained resilient.

## **NARRATIVE REPORT**

Careful management of staff within the Revenues & Benefits Team enabled the delivery of the budget within this area. Grant funding supported the administration of the Covid-19 support to businesses and ensured there was no adverse impact on the service position.

Where appropriate ICT licences are capitalised and additional costs incurred as a result of the move towards agile working were funded through the Covid- 19 support grant, this included software upgrades, hardware purchases and additional staff capacity.

### **HR, OD & Transformation**

Delivered under budget. Non-essential spend was tightly controlled across the directorate; a number of learning and development events were moved to online platforms whilst still delivering a diverse programme of courses (including additional wellbeing support to staff throughout the pandemic). Staff training funded through the apprentice levy was maximised therefore reducing the level of spend allocated against the central training budget.

Staff vacancies were managed across the service to reduce the budgetary impact in 2020/21.

The costs associated with the continued development of Oracle Cloud were capitalised and other transformation linked costs were funded from capital where appropriate.

### **Place**

Balanced within budget. The directorate was significantly impacted by loss of income following the restrictive measures placed on public movement throughout the borough and the closure of services such as the Thameside Theatre. The income compensation scheme, job retention scheme (furlough) and a reduction in expenditure across the service areas mitigated these pressures.

Where appropriate staff time specific to delivering regeneration projects was charged against the relevant capital budgets. Additional staffing resource required to support the wider Place delivery service was funded through vacant post slippage and a tight control over costs.

All project work budgets and non-essential spend were reviewed in-year to ensure the directorate were able to absorb pressures within their allocated resources.

### **Strategy, Communications & Customer Services**

Delivered under budget. All vacancies were reviewed to ensure that only essential recruitment took place during the year and all non-essential spend halted across the directorate.

Due to the national restrictions as a result of the COVID pandemic, the Civic Offices were closed to the public and therefore the face-to-face customer services function was delivered remotely. Residents were able to continue to access services online and contact the council by telephone through the contact centre and email. Face-to-face staff were redeployed to support with the increased volume of calls and more complex enquiries.

The Registrars service had significant restrictions placed on them throughout the year which affected their income recovery levels particularly in relation to wedding ceremonies, however, corresponding reductions in expenditure and the income compensation scheme mitigated this.

### **Dedicated Schools Grant (DSG)**

Delivered within budget. Nationally, all local authorities and the education system have struggled to meet the additional demand for payments in support of children with Education Health and Care plans (EHCP); for out of borough placements, independent special school residential placements and for special educational needs and disabilities (SEND) top up payments.

## **NARRATIVE REPORT**

The high needs block remained a significant issue for Thurrock, with the number of EHCP's increasing by 9%, in 2020/21. This has required both additional top up funding to be paid to Schools and Academies and an increase in demand for specialist placements.

The DSG has a carried forward deficit of £1.883m. This is a decrease of £0.095m from 2019/20. Discussions continue with the ESFA and the Schools Forum on options available to reduce demand for EHCP's and to increase Thurrock's Local Offer. A meeting is scheduled with ESFA in July to discuss Thurrock's DSG Management Plan.

### **Other Income and Expenditure**

The overall breakeven position reflects a pause to the investment strategy, including investment income relating to the subsidiary company - Thurrock Regeneration Ltd. With the council no longer taking out new investments, or replacing maturing investments, there will be a year on year reduction going forward in net income available to support front line services and to provide services above the statutory minimum, and the headspace to reform services at a more considered pace.

The investment approach contributed a net income of £23.7m in 2020/21 and in total has contributed £116.7m since implementation in 2016/17 and continues to support the delivery of Council priorities.

The Council also undertook action to stabilise cashflow in-year in light of increased demands arising from the response to the pandemic and react to the reduction in funding from other local authorities and funding bodies. The Council refinanced capital investment through increased fixed term borrowing in 2020/21 which was at a higher interest rate than borrowing previously available in the local authority market thus reducing the net income still further. It is expected that, in 2021/22, a further proportion of the Council's overall debt will also be refinanced.

### **Housing Revenue Account**

Delivered within Budget. The HRA was successful in delivering the overall financial outturn within budget, and manage the level of general reserves in line with the HRA business plan. While across the service expenditure was contained within budget, there were some pressures within the Rent and Income service as a result of under recovery of affordable rents due to delays in the expected completions of new build properties.

In addition, there was a requirement to increase bad debt provision arising from an increase in rent arrears of current tenants impacted by the pandemic, as well as the ongoing roll out of Universal Credit and reduction of direct Housing Benefit payments. This situation will continue to be monitored closely as the longer term impacts of the pandemic become clear.

These pressures were mitigated by underspends on the Repairs and Maintenance budgets, staff vacancies which were managed throughout the year, legal fees and project costs delayed by the pandemic.

It is essential going forward that the HRA continues to manage income streams in order to sustain the levels of service provided, and to meet the further demands arising as a result of changes in legislation and stock maintenance requirements.

### **Covid Grants**

During the year the Council received £54.8m of Covid grants covering the general fund and the Collection Fund which have been posted to the revenue account. There was a further £41.3m of grants which have been accounted for within the balance sheet where the Council has acted as an agent for Central Government, this mainly covers the Business Covid Grants which have been passported to local businesses.

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### Capital Programme

Total capital expenditure for 2020/21 amounted to £92.195m. A summary of this expenditure analysed by service, is set out below along with the associated sources of financing.

Service	Budget £m	Total £m	Variance £m
Adults; Housing and Health	3.255	1.923	(1.332)
Children's Services	11.635	9.247	(2.388)
Environment and Highways	13.031	8.400	(4.631)
Finance and Information Technology	8.006	4.963	(3.043)
Housing Revenue Account	19.492	18.933	(0.559)
HR; OD & Transformation	6.843	5.419	(1.424)
Corporate Strategy & Communications	0.249	0.156	(0.093)
Place	44.826	43.154	(1.672)
<b>Total</b>	<b>107.337</b>	<b>92.195</b>	<b>(15.142)</b>

Source of Finance	Budget £m	Total £m	Variance £m
Prudential Borrowing	33.084	21.600	(11.484)
Usable Capital Receipts	0.082	0.071	(0.011)
Earmarked Usable Capital Receipts	4.898	5.194	0.296
Major Repairs Reserve	10.378	10.540	0.162
Grants	18.384	14.208	(4.176)
Other Grants	37.025	37.898	0.873
Developers Contributions	3.415	2.684	(0.731)
Housing Zones Funding	0.071	0.000	(0.071)
<b>Total</b>	<b>107.337</b>	<b>92.195</b>	<b>(15.142)</b>

Table above reflects £0.414m funding change from the position reported to Cabinet in July impacting the Housing Zones Funding and Earmarked usable capital receipts.

The capital outturn position includes expenditure supporting the delivery of the following major projects in 2020/21:

- £45.8m spent on highways improvements, including drainage and bridge construction costs for the widening of the A13 between Orsett Cock and Manorway interchanges, works to the Stanford le Hope rail interchange, road safety works to Lodge Lane Grays, highway improvements to Stonehouse Lane and Dock Road Tilbury remedial works. The widening of the A13 continues to face significant cost pressures and was impacted by Covid-19 in the early stage of the pandemic. Progress in the early part of 2021 has been positive and the project is expected to be delivered by the end of the 2021/22 financial year. The project costs remain under close assessment and the Council continues to work with SELEP and wider partners to seek financial support for additional costs incurred. The Stanford le Hope rail interchange project plan has been subject to a review to develop an improved solution with greater accessibility; made possible by the acquisition of land adjacent to the site. A revised design and updated cost forecast will be brought forward in 2021/22.

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- HRA new build schemes to the value of £5.7m have been delivered in the financial year. This included the completion of the Claudian Way (Heathlyn Close) development and the further development of the Calcutta Road site.
- £13.3m has been spent on the continued transformation of council homes, which includes the replacement of kitchens, bathrooms, electrics, boilers, windows and roofs.
- £7.2m has been spent on Schools including improvements as part of the St Clere's school expansion, additional classrooms at Harris and Benyon Academies and nursery provision at Corringham Academy;
- £1.1m was spent on Headstart housing, purchasing properties to add to the housing stock and enable the reduction of homelessness in the borough; and
- £0.9m spend on environmental improvements including works to Grays Beach Riverside Park, improvements to burial grounds and open spaces.
- £5.4m has been spent on the St Clere's school expansion with a further £2m spent on Tilbury Manor, Corringham Primary and Orsett Heath free school.

As at 31 March 2021, the Council had authorised expenditure in future years of £15.1m. In addition a further £208m had been previously authorised for use in 2021/22 to 2023/24, giving a total future years' commitment of £223.1m.

This includes:

- £50.2m on East Facing access roads to the A13 from Lakeside;
- £2.6m on housing new build developments;
- £31.4m on widening of the A13;
- £12.6m on the Purfleet redevelopment;
- £7.1m on improvements to Stanford Le Hope rail/bus interchange;
- £10.3m on school expansions;
- £7.8m on a 21st Century Care Home;
- £23.1m on improvements to Grays South; and
- £1.8m School access improvement at Treetops

### Treasury Management

This section is prepared in accordance with the requirements of the CIPFA Prudential Code and presents details of treasury management activity for the year to 31 March 2021.

### Borrowing

The Council's borrowing position as at 31 March 2021 is summarised in the table below:

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Source of Loan	Balance as at 31 March 2021 £m
Long Term Market Loans	29.0
Long Term Market Loans re Investments	95.0
PWLB	535.9
Temporary Market Loans Re Investments	598.0
Other Temporary Market Loans	95.5
<b>Total Debt</b>	<b>1,353.4</b>
<b>Total Investment</b>	<b>(1,054.0)</b>
<b>Total Net Indebtedness</b>	<b>299.4</b>

The net indebtedness (borrowing less repayable investments) of the council is £299.4m, made up of £160.9m of PWLB long term debt relating to the HRA and £138.5m of long and short term debt relating to current/historic capital funding.

The Council continues to fund the £84.0m ex-PWLB debt on a temporary basis. In the last few years temporary loans have been replaced with PWLB loans. Interest rates fell to 0.10% in March 2020 due to the pandemic and forecasts predict that the rate will remain at this level for the time being. This remains under review.

This forecast would suggest that further interest savings should still be accrued for future years compared with the costs of borrowing longer term debt. However predictions for the bank base rate are open to change depending on government responses to market events and developments and continue to be closely monitored by officers with appropriate action taken as necessary.

The council's PWLB debt portfolio currently consists of four elements: £160.9m of loans taken out with regards to the HRA settlement undertaken on 28 March 2012; £50m of loans at 1.89% taken out in March 2020 to assist with funding to support the response to the pandemic (£100m borrowed initially with £50m subsequently repaid); to replace temporary market debt, with a loan of £125m at 1.77% taken out in October 2020; and a further £200m taken out in January 2021 at 0.68% to also replace temporary market debt. All new PWLB loans have been taken out on a two year equal instalment principle (EIP) basis.

Officers continue to assess the council's LOBO loans for any early repayment opportunities but the premia involved of approximately £29m and the high refinancing costs continue to make it unfavourable to undertake any rescheduling. Officers will continue to monitor the council's debt portfolio for any rescheduling opportunities.

### Investments

The corresponding figures for investments are set out in the table below:

Source of Loan	Balance as at 31 March 2021 £m
Overnight Cash Investments	20.0
Short Term Cash Investments (2 to 365 days)	1.0
Repayable Capital Investments	929.0
Fund Manager Investments–Repayable on demand	104.0
<b>Total Investment</b>	<b>1,054.0</b>



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A proportion of the internally managed investments are held for very short time periods in order to meet day to day cash requirements.

The Council maintains its investment in the CCLA Property Fund and has only increased its capital/non-capital investments during the year in line with pre-agreed commitments only as previously reported to the Standards and Audit Committee. There are no further commitments and no further investments, new or replacements, will take place whilst guidance remains as it is.

No attempt was made to meet the budgeted target for new investment income for 2020/21 and, with the review of the role of Thurrock Regeneration Ltd in housing delivery in a post-Covid world, contributes to the adverse budget versus outturn Treasury position for the financial year.

Internally held balances currently stand at £21m and are mainly held with Banks and Building Societies on a fixed term basis ranging from overnight to 3 months in duration.

All investments made have been with organisations included on the "List of Acceptable Counterparties and Credit Limits" within the 2020/21 Annual Treasury Management Strategy and the total sums invested with individual institutions have been contained within the limits specified therein.

### ■ 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 2020/21 included approximately 50 pieces of performance data which were used to monitor activities and progress in key areas.

The provisional outturns for 2020/21 showed that the percentage of indicators which achieved their end of year target was 63%, lower than that achieved in 2019/20. Performance in several services has been significantly impacted, directly or indirectly, by COVID. This has been transparently and thoroughly reported to members at both Cabinet and Corporate Overview and Scrutiny Committee on a quarterly basis throughout 2020/21.

### ■ 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 30 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 £37.047m to £195.941m between 31 March 2020 and 31 March 2021 due to changes in financial assumptions, mainly the fall of the discount rate.

### 3. Future Financial Issues

#### ■ Economic Outlook

The Local Government Finance Settlement for 2021/22 was confirmed by the Ministry for Housing, Communities and Local Government (MHCLG) on 10 February 2021 and was reflected in the 2021/22 budget. The latest Finance Settlement maintains the key changes in the way that Local Government is now financed, which were introduced in April 2013, with the main changes being from the launch of the Business Rates Retention (BRR) scheme as the principle form of local government funding. All forecasts continue with the principle of phasing out reliance on central government support and to replace this with income raised locally through Council Tax and Business Rates alongside wider grant funding and locally raised fees and charges.

Council Tax and Business Rates remain the main sources of funding for the Council's total General Fund budget (excluding schools). Government funding of its main grant is the third ranked provider of funding. As such it remains a reducing factor in determining the Council's revenue budget.

The localisation of business rates continues to increase uncertainty over the level of income retained from this source. The Council retains circa £37.1m from a total collection of £121.8m (30%) against a headline of 49% retention. Gains for Thurrock Council through a greater headline retention cannot be guaranteed and so are not assumed. Change to the business rates system could affect the Council's funding from day one if, as now expected, a "baseline" reset would be required. Due to the growth within Thurrock over recent years it is more than likely that the amount currently retained would be reduced. What is known at this time is that other grants, such as Public Health Grant, will be met from greater retention but then at the loss of the specific grant

The continuing financial challenges to be addressed include ongoing impacts of the Covid-19 pandemic, the wider cost pressures arising from demand pressures and the decision to pause the investment strategy.

#### ■ General Fund

The Council in February 2021 set a budget that was balanced for the period 2021/22 and a medium-term financial strategy with a budget gap of £14.838m in 2022/23 and a further budget gap of £10.511m in 2023/24, a total deficit of £25.349m over the full three year period. The use of one-off interventions results in underlying base pressures being carried forward into 2022/23 and 2023/24. The budget also reflects the agreed pause to the Investment Strategy approach adopted by the Council in October 2017. A financial update was presented to Cabinet in July 2021, setting out measures taken to date to address the funding gaps in the subsequent 2 years.

The underlying budget pressure will be mitigated through a combination of identified savings, the anticipated but partial use of reserves (built up from the investment approach) and capital flexibilities as well as additional Covid-19 funding from the government. This also includes the full level of council tax increase, including the Adult Social Care precept. In 2021/22, a 1.99% council tax increase and a 3% increase in the ASC precept was applied with a further 1.99% increase in council tax for subsequent years. This is in line with the flexibility provided to local government from the MHCLG.

Updates continue to be presented to Cabinet setting out the measures to address the funding gaps alongside updates to the MTFS.

#### ■ 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

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support service areas and provides funding for those approved by the relevant boards. In light of the MTFS gap there are implications for the capital programme where only essential projects will be approved, minimising the use of prudential borrowing as a funding source.

The Capital Programme plays an understated role in not just supporting and maintaining the borough's and the council's infrastructure but also includes strategic and place making schemes supporting both the place making and commercial agendas. This will be supported by funding from a range of sources including internal resources, capital receipts, prudential borrowing, grant funding as well as seeking investment from relevant partners.

The Council continues to access the South Essex Local Enterprise Partnership funding for regeneration projects and highways. Further funding has now been secured from the Towns Fund to support projects in Grays and Tilbury, while the Freeports programme will also support significant further development in the borough.

### 4. Specific Accounting Issues

#### ■ Accounting for Group Companies

The Council continues to consolidate the financial statements of the subsidiary companies Thurrock Regeneration Ltd and Thurrock Homes Ltd.

The group financial statements are included in this document.

#### ■ Prior Period Adjustment

The Council has undertaken a review of its investments to ensure investments have been correctly classified as revenue and capital and also between Investments and Long Term debtors. As part of this review the Council has identified that the CCLA property fund of £103m is a capital investment meeting the definition of Long Term Debtor. In order to amend for this reclassification the accounts include a prior year adjustment affecting 2019/20 opening and closing balances and notes to the accounts.

### 5. 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 savings required over period of the Medium Term Financial Strategy. Significant actions across services have been taken in response to the savings gap identified and further plans are being developed to address the budget gaps for 2022/23 and 2023/24. All of the identified savings will be challenging in themselves but there are also more challenging reductions in staffing/services and assets to identify. Significant further action is required by Members to move the Council back to a financially sustainable position.

This approach has been developed with members and specifically Cabinet and shared with a wide range of stakeholders including senior management, trade unions and external audit. This continues to develop as part of the budget setting process.

## **NARRATIVE REPORT**

### **6. 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.

### **7. Further Information**

Additional information is available from the Corporate Director of Resources and Place Delivery, Civic Offices, New Road, Grays, Essex, RM17 6SL

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### **The Council's Responsibilities**

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs; in this Council, that officer is the Corporate Director of Resources and Place Delivery;
- 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 Corporate Director of Resources and Place Delivery's Responsibilities**

The Corporate Director of Resources and Place Delivery 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 Corporate Director of Resources and Place Delivery has:

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

The Corporate Director of Resources and Place Delivery 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 Corporate Director of Resources and Place Delivery'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 2021.

Corporate Director of Resources and Place Delivery

Date: 30 July 2021

Chair of the Standards and Audit Committee

Date: 30 July 2021

## AUDITOR'S REPORT

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## AUDITOR'S REPORT

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## EXPENDITURE FUNDING ANALYSIS

The Expenditure and Funding Analysis (EFA) 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/Services/Departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20			2020/21			
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	
43,086	3,751	46,838	Adults; Housing and Health	44,805	2,384	47,189
41,021	14,278	55,299	Children's Services	40,955	9,261	50,216
769	125	894	Commercial Services	602	0	602
(2,952)	(130)	(3,082)	Corporate Costs	(4,983)	277	(4,706)
			Strategy, Communications and			
2,985	619	3,604	Customer Services	2,554	403	2,957
22,724	9,073	31,796	Environment and Highways	24,177	10,264	34,442
18,144	10,941	29,085	Finance, Governance & Property	13,048	(1,061)	11,987
3,927	887	4,814	HR, OD and Transformation	3,797	298	4,095
3,665	6,218	9,883	Place Directorate	2,942	6,308	9,251
347	0	347	Schools	0	0	0
133,716	45,761	179,478	General Fund	127,898	28,134	156,032
5,521	2,649	8,169	Housing Revenue Account	(2,589)	25,603	23,014
139,237	48,410	187,647	Cost of Services	125,309	53,737	179,046
(142,241)	(35,320)	(177,561)	Other Income and Expenditure	(165,624)	(12,880)	(178,503)
(3,004)	13,091	10,086	Surplus or Deficit	(40,314)	40,857	543
			Opening General Fund and HRA			
(35,217)			Balance at 31 March 2020	(38,221)		
			Less Deficit on General Fund and HRA			
(3,004)			Balance in Year	(40,314)		
			Closing General Fund and HRA			
(38,221)			Balance at 31 March 2021*	(78,536)		

\*For a split of the balance between the General Fund and the HRA – see the Movement in Reserves Statement.

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## Primary Statement

2019/20			2020/21				
Gross Expenditure	Gross Income	Net Expenditure		Notes	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
95,554	(48,716)	46,838	Adults; Housing and Health		100,089	(52,900)	47,189
105,073	(49,774)	55,299	Children's Services		108,640	(58,424)	50,216
890	4	894	Commercial Services		602	0	602
39,899	(42,982)	(3,082)	Corporate Costs		43,795	(48,501)	(4,706)
4,033	(429)	3,604	Strategy, Communications and Customer Services		3,316	(359)	2,957
35,439	(3,643)	31,796	Environment and Highways		38,517	(4,075)	34,442
30,252	(1,167)	29,085	Finance, Governance & Property		15,793	(3,806)	11,987
47,512	(54,796)	(7,284)	Housing Revenue Account		61,781	(55,448)	6,333
5,155	(341)	4,814	HR; OD and Transformation		4,299	(205)	4,095
20,478	(10,595)	9,883	Place Directorate		21,648	(12,397)	9,251
9,527	(9,180)	347	Schools		0	0	0
393,813	(221,619)	172,194	Cost of Services		398,480	(236,115)	162,365
22,853	(7,960)	14,893	Other operating expenditure	8	26,927	(6,874)	20,053
27,778	(49,928)	(22,150)	Financing and investment income and expenditure	9	42,294	(46,188)	(3,894)
1,389	(156,241)	(154,851)	Taxation and non-specific grant income and expenditure	10	4,101	(182,082)	(177,981)
445,834	(435,747)	10,086	(Surplus) or deficit on Provision of Services		471,802	(471,259)	543
0	(12,156)	(12,156)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	20/26	0	(36,334)	(36,334)
0	(22,308)	(22,308)	Remeasurement of the net defined benefit liability/(asset)	30	26,314	0	26,314
0	0	0	(Surplus) or deficit on financial assets measured at fair value through other comprehensive income		0	0	0
0	(34,464)	(34,464)	Other Comprehensive Income and Expenditure		26,314	(36,334)	(10,020)
445,834	(470,211)	(24,378)	Total Comprehensive Income and Expenditure		498,116	(507,593)	(9,477)

## MOVEMENT IN RESERVES STATEMENT

### Primary Statement

	Notes	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2019</b>		<b>(23,845)</b>	<b>(11,373)</b>	<b>(28,055)</b>	<b>(30,966)</b>	<b>(94,239)</b>	<b>(570,419)</b>	<b>(664,658)</b>
<b>Movement in reserves during 2019/20</b>								
Total Comprehensive Income and Expenditure		1,917	8,169	0	0	10,086	(34,464)	(24,378)
Adjustments from income & expenditure charged under the accounting basis to the funding basis	5	(10,441)	(2,648)	(929)	7,147	(6,871)	6,871	0
<b>Increase or (Decrease) in 2019/20</b>		<b>(8,524)</b>	<b>5,521</b>	<b>(929)</b>	<b>7,147</b>	<b>3,215</b>	<b>(27,593)</b>	<b>(24,378)</b>
<b>Balance at 31 March 2020 carried forward</b>		<b>(32,369)</b>	<b>(5,852)</b>	<b>(28,984)</b>	<b>(23,819)</b>	<b>(91,024)</b>	<b>(598,012)</b>	<b>(689,036)</b>

## MOVEMENT IN RESERVES STATEMENT

### Primary Statement

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2020</b>	<b>(32,369)</b>	<b>(5,852)</b>	<b>(28,984)</b>	<b>(23,819)</b>	<b>(91,024)</b>	<b>(598,012)</b>	<b>(689,036)</b>
Reporting of schools budget deficit to new adjustment account at 1 April 2020	(1,978)	0	0	0	(1,978)	1,978	0
<b>Restated Balance at 1 April 2020</b>	<b>(34,347)</b>	<b>(5,852)</b>	<b>(28,984)</b>	<b>(23,819)</b>	<b>(93,002)</b>	<b>(596,034)</b>	<b>(689,036)</b>
<b>Movement in reserves during 2020/21</b>							
Total Comprehensive Income and Expenditure	(22,471)	23,014	0	0	543	(10,020)	(9,477)
Adjustments from income & expenditure charged under the accounting basis to the funding basis	5	(25,603)	3,719	2,599	(34,457)	34,457	0
<b>Increase or (Decrease) in 2020/21</b>	<b>(37,643)</b>	<b>(2,589)</b>	<b>3,719</b>	<b>2,599</b>	<b>(33,914)</b>	<b>24,437</b>	<b>(9,477)</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>(71,990)</b>	<b>(8,441)</b>	<b>(25,265)</b>	<b>(21,220)</b>	<b>(126,916)</b>	<b>(571,597)</b>	<b>(698,513)</b>

## BALANCE SHEET Primary Statement

1st April 2019 Restated £000	31 March 2020 Restated £000		Notes	31 March 2021 £000
1,079,683	1,122,414	Property, Plant & Equipment	26	1,166,443
1,115	6,162	Intangible Assets		9,686
22,616	22,851	Heritage Assets		32,370
28,046	54,833	Long Term Investments	29	65,797
849,135	916,926	Long Term Debtors	17	925,150
<b>1,980,595</b>	<b>2,123,186</b>	<b>Long Term Assets</b>		<b>2,199,446</b>
27,507	88,995	Short Term Investments	29	46,162
1,605	1,605	Assets Held for Sale		2,294
282	311	Inventories		242
46,855	77,685	Short Term Debtors	17	78,067
15,308	63,483	Cash and Cash Equivalents	31	30,420
<b>91,557</b>	<b>232,079</b>	<b>Current Assets</b>		<b>157,185</b>
(971,266)	(1,073,010)	Short Term Borrowing	29	(983,258)
(48,316)	(50,357)	Short Term Creditors	18	(80,823)
(4,631)	(6,466)	Short Term Provisions	16	(2,760)
<b>(1,024,213)</b>	<b>(1,129,833)</b>	<b>Current Liabilities</b>		<b>(1,066,841)</b>
(660)	(4,284)	Long Term Provisions	16	(7,404)
(195,196)	(347,902)	Long Term Borrowing	29	(374,307)
(162,609)	(158,894)	Pension Liability	30	(195,941)
(132)	(185)	Long Term Creditors		(262)
(24,683)	(25,131)	Capital Grants Receipts in Advance	21	(13,363)
<b>(383,280)</b>	<b>(536,396)</b>	<b>Long Term Liabilities</b>		<b>(591,277)</b>
<b>664,659</b>	<b>689,036</b>	<b>Net Assets</b>		<b>698,513</b>
(94,239)	(91,024)	Usable reserves	19	(126,916)
(570,420)	(598,012)	Unusable Reserves	20	(571,597)
<b>(664,659)</b>	<b>(689,036)</b>	<b>Total Reserves</b>		<b>(698,513)</b>

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Corporate Director of Resources and Place Delivery

Date: 30 July 2021



## CASH FLOW Primary Statement

2019/20 £'000		Notes	2020/21 £'000
(10,086)	Net surplus or (deficit) on the provision of services		(543)
83,756	Adjustment to surplus or deficit on the provision of services for non cash movements		122,193
(52,621)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(59,065)
<b>21,049</b>	<b>Net Cash flows from operating activities</b>	<b>35</b>	<b>62,585</b>
(224,223)	Investing Activities	33	(7,656)
251,349	Financing Activities	34	(87,992)
<b>48,175</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>(33,063)</b>
15,308	Cash and cash equivalents at the beginning of the reporting period		63,483
<b>63,483</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>31</b>	<b>30,420</b>

## **Note 1 ACCOUNTING POLICIES**

### **1.1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, 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 2020/21 (The Code), 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.

## NOTES TO THE CORE STATEMENTS

### General Notes

- **Timeliness** – The information is made available to key stakeholders of the Council in accordance with statutory timescales.
- **Understandability** – the financial statements have been prepared clearly and concisely to ensure that they are as easy to understand as possible;

#### 1.4 Accruals of Income and Expenditure

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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- 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 Council's cash management.

#### 1.6 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council 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 Council. 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***

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for

## NOTES TO THE CORE STATEMENTS

### General Notes

services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the movement in reserves statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

#### ***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.

#### ***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 projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate 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

## NOTES TO THE CORE STATEMENTS

### General Notes

- 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
- 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.

## NOTES TO THE CORE STATEMENTS

### General Notes

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

#### 1.9 Financial Instruments

##### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) 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.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES 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.

##### Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

##### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

## NOTES TO THE CORE STATEMENTS

### General Notes

#### Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

#### Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure 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.

## NOTES TO THE CORE STATEMENTS

### General Notes

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. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

#### **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) in the Comprehensive Income and Expenditure statement.

#### **1.11 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. All other leases are classified as operating leases. 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.

#### ***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 to the relevant service account 'Place directorate' in the Comprehensive Income and Expenditure statement on a straight line basis over the term of the lease. 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.



## NOTES TO THE CORE STATEMENTS

### General Notes

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

#### 1.12 Minimum Revenue Provision

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance (England and Wales). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the general fund balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the movement in reserves statement for the difference between the two.

#### 1.13 Overheads and Support Services

The Council does not report overheads and support services within the management accounts and consequently not included in the Comprehensive Income and Expenditure Account.

#### 1.14 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 Council'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.

## NOTES TO THE CORE STATEMENTS

### General Notes

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

#### 1.15 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.

#### 1.16 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

## NOTES TO THE CORE STATEMENTS

### General Notes

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 – current value, determined using the basis of existing use value for social housing(EUV–SH)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current 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 current value are re-valued sufficiently regularly to ensure their carrying amount is not materially different from their current 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 2020/21, a revaluation of 20% of Land and Building assets was undertaken. In addition a desktop review of the Land and Building assets (including dwellings) was also undertaken at the 31 March 2021. For 2020/21 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

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 'Revaluation decreases' as stated above.

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.

## NOTES TO THE CORE STATEMENTS

### General Notes

#### 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	10 - 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	<b>£2,000,000</b>
The minimum value of a component as a proportion of total asset value	<b>10%</b>

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.

#### 1.17 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. Once classified as Asset Held for Sale, the carrying value is compared to fair value less costs to sell. 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 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. These losses can have arisen at any time in the asset's life, but where they were recognised before its reclassification as held for sale, an adjustment is made for any depreciation that would have been debited if the asset had held its value up to the reclassification date.

Subsequent losses in fair value 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.

## NOTES TO THE CORE STATEMENTS

### General Notes

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 2021/22 where the transaction was fully committed as at 31 March 2021 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. The written off value is appropriated 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.

## NOTES TO THE CORE STATEMENTS

### General Notes

#### 1.18 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 Council 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

#### 1.19 Provisions

Provisions are made where an event has taken place that gives the Council 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 Council 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 Council 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 Council settles the obligation.

#### 1.20 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

## NOTES TO THE CORE STATEMENTS

### General Notes

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 reserve is then transferred back into the General Fund balance so that there is no net charge against Council tax for the expenditure. 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.

#### 1.21 Revenue Expenditure Funded from Capital under Statute

Legislation allows for specified expenditure to be classified as capital for funding purposes covering statutory provisions 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.

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, so that there is no impact on the level of Council tax. 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

#### 1.22 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.

#### 1.23 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 but the Council is satisfied their valuations are reasonable. 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.



## NOTES TO THE CORE STATEMENTS

### General Notes

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.

#### 1.24 Council tax and non-domestic rates (England)

Billing authorities act as agents, collecting Council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the collection fund) for the collection and distribution of amounts due in respect of Council tax and NDR. Under the legislative framework for the collection fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council tax and NDR collected could be less or more than predicted.

#### *Accounting for Council tax and NDR*

The Council tax and NDR income included in the comprehensive income and expenditure statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of Council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the general fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The balance sheet includes the Council's share of the end of year balances in respect of Council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

#### 1.25 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 identified two group companies – Thurrock Regeneration Ltd and Thurrock Homes Ltd. Inclusion in the group is dependent upon the extent of the Council's control over the company or entity and the materiality of the interest. The Council considers that it has a material interest in various entities detailed in Note 17 and has classified them as a subsidiaries. There has been a full consolidation of the companies into the group accounts, all transactions and balances between the Council and the subsidiary are eliminated in full. In the Council accounts the investment in Thurrock Regeneration Ltd is held at amortised cost.

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

Standards that have been issued but not yet adopted, which will require disclosure in 2020/21 accounts, which are introduced in the 2021/22 Code are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform (Phase1) - Amendments to IFRS 9, IAS 39 and IFRS 7.
- Interest Rate Benchmark Reform (Phase2) - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.



## NOTES TO THE CORE STATEMENTS

### General Notes

It is not anticipated that these amendments will have a material impact on the Council's Statement of Accounts.

#### **Note 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in Note 1 the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements 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.
- Group boundaries have been estimated using the criteria associated with the Code of Practice. The Council has a wholly owned company, Thurrock Regeneration Ltd. The aim of this company is to deliver a range of affordable, private rented and for sale housing. Thurrock Regeneration Ltd has a wholly owned subsidiary, Thurrock Regeneration Homes Ltd. Both Thurrock Regeneration Ltd and Thurrock Regeneration Homes Ltd are deemed to constitute a material group interest and these wholly-owned subsidiaries have been consolidated within the Council's Group Accounts.
- Local authorities are required by the Code of Practice on Local Authority Accounting 2020/21 to prepare their accounts on a going concern basis, that is that the functions of the Council will continue to operate for the foreseeable future, as it can only be discontinued under statutory prescription. This is despite the impact of COVID-19 on the financial sustainability of the Council because the going concern basis and the rationale behind it remains unchanged.

#### **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 Council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

## NOTES TO THE CORE STATEMENTS

### General Notes

Item	Uncertainty	Effect
<b>Property, Plant and Equipment</b>	<p>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. Assets are held on a valuation basis. Valuations are inherently subjective and based on the expert judgement of the Council's valuers.</p> <p>Assets are valued based on estimates and assumptions at a point in time but market conditions can fluctuate, the effect of which may be increased by the Covid-19 pandemic.</p>	<p>The incorrect application of expert judgement in the valuation of assets could result in a material misstatement of the asset values on the balance sheet.</p>
<b>Pensions Liability</b>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements and assumptions. This includes: mortality assumptions, the rate of inflation, the rate of increase in salaries, the rate of increase in pensions and the rate for discounting scheme liabilities. There has been judgements and assumptions made in relation to McCloud and Sergeant when estimating the pension liability.</p> <p>Barnett Waddingham as the pension fund's actuary has provided expert advice about the assumptions applied.</p> <p>As with the Council's own property valuations, the impact of Covid-19 also has similar uncertainty in the valuation of pension fund assets.</p>	<p>The Actuaries' sensitivity analysis indicates that an increase in the discount for liabilities of 0.1% would reduce the pension liability by £15.0m.</p>
<b>Fair Value Measurements</b>	<p>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.</p> <p>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for</p>	<p>The authority has relied on expert valuations to measure the fair value of surplus assets, assets held for sale and financial instruments.</p> <p>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.</p> <p>For financial instruments the observable inputs are set out in detail in Note 29 to the financial statements.</p>

## NOTES TO THE CORE STATEMENTS

### General Notes

Item	Uncertainty	Effect
	<p>example surplus assets, an external valuer is employed).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in note 29.</p>	
<b>Arrears</b>	<p>At 31 March 2021, the Council had a balance of short term sundry debtors of £9.0m. A review of significant balances suggested that an impairment allowance for doubtful debts of £2.6m is appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate an increase in the amount of the impairment for doubtful debts would be required. The impairment allowances held are based on policies adapted to historic experience and success rates experienced in collection. The nature of the debt and service area have been considered and further review, in some areas a case by case review, has been carried out to reflect the uncertainty of the collection rates.</p>

## NOTES TO THE CORE STATEMENTS

### General Notes

#### Note 5(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 proper accounting practices.
- **Taxation and non-specific grant income and expenditure-** capital grants are adjusted for income not chargeable under proper 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 proper accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## NOTES TO THE CORE STATEMENTS

### General Notes

2019/20

Adjustment from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts 2019/20	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	485	3,139	128	3,751
Children's Services	9,597	4,466	215	14,278
Commercial Services	0	127	(2)	125
Corporate Costs	0	142	(272)	(130)
Strategy, Communications and Customer Services	31	573	16	619
HR; OD and Transformation	0	652	235	887
Place Directorate	4,892	1,218	108	6,218
Environment and Highways	7,236	1,781	55	9,073
Finance, Governance & Property	9,478	1,382	81	10,941
<b>Net Cost of Services</b>	<b>31,719</b>	<b>13,479</b>	<b>564</b>	<b>45,761</b>
Housing Revenue Account	18,585	1,729	(17,665)	2,649
Other Income and Expenditure	(37,668)	3,385	(1,037)	(35,320)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>12,636</b>	<b>18,593</b>	<b>(18,138)</b>	<b>13,091</b>

## NOTES TO THE CORE STATEMENTS

### General Notes

2020/21

Adjustment from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts 2020/21	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	23	2,007	354	2,384
Children's Services	6,667	2,661	(67)	9,261
Corporate Costs	0	689	(412)	277
Strategy, Communications and Customer Services	31	341	31	403
HR; OD and Transformation	3	0	295	298
Place Directorate	6,308	0	0	6,308
Environment and Highways	8,319	1,956	(11)	10,264
Finance, Governance & Property	330	(1,401)	10	(1,061)
<b>Net Cost of Services</b>	<b>21,682</b>	<b>6,251</b>	<b>201</b>	<b>28,134</b>
<b>Housing Revenue Account</b>	<b>34,841</b>	<b>1,289</b>	<b>(10,527)</b>	<b>25,603</b>
<b>Other Income and Expenditure</b>	<b>(30,820)</b>	<b>3,192</b>	<b>14,748</b>	<b>(12,880)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>25,703</b>	<b>10,733</b>	<b>4,421</b>	<b>40,857</b>

**NOTES TO THE CORE STATEMENTS**  
**General Notes**

**Note 5(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.

## NOTES TO THE CORE STATEMENTS

### General Notes

	2019/20						
	Usable Reserves					Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Restated	Restated
	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<u>Reversal of items debited or credited to the CIES</u>							
Amortisation of intangible assets	(681)	0	0	0	0	(681)	681
Charges for depreciation and impairment of non-current assets	(9,810)	(9,216)	0	0	0	(19,026)	19,026
Revaluation losses on property, plant and equipment	(13,421)	(2)	0	0	0	(13,423)	13,423
Revaluation gains reversing previous losses	2,598	271	0	0	0	2,869	(2,869)
Revaluation Depreciation Adjustments	(1)	(6)	0	0	0	(7)	7
Movement in the fair value of long term debtors	(3,412)	0	0	0	0	(3,412)	3,412
Movement in the value of held for sale assets	0	(2)	0	0	0	(2)	2
Capital Grants and contributions applied	39,750	0	0	0	0	39,750	(39,750)
Revenue expenditure funded from capital under statute (REFCUS)	(13,875)	0	0	0	0	(13,875)	13,875
Grant Funding for REFCUS	3,472	0	0	0	0	3,472	(3,472)
Amounts of assets written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES	(3,736)	(17,375)	0	0	0	(21,111)	21,111
Capital expenditure funded from revenue reserves	10	7,180	0	0	0	7,190	(7,190)
<u>Insertion of items not debited or credited to the CIES</u>							
Statutory provision for the financing of capital investment	6,019	0	0	0	0	6,019	(6,019)



## NOTES TO THE CORE STATEMENTS

### General Notes

	2019/20						
	Usable Reserves						
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
	Restated £000	£000	£000	£000	£000	Restated £000	Restated £000
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
Application of grants to capital financing transferred to the capital adjustment account	0	0	0	0	8,586	8,586	(8,586)
Capital Grants and contributions unapplied credited to the CIES	1,439	0	0	0	(1,439)	0	0
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Use of the capital receipts reserve to finance new capital expenditure	0	0	5,823	0	0	5,823	(5,823)
Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES	215	7,819	(8,034)	0	0	0	0
Capital Receipts from the repayments of external loans	0	0	(39)	0	0	(39)	39
Contribution from the capital receipts reserve towards administration costs of non-current assets disposal	0	(74)	74	0	0	0	0
Contribution from the capital receipts reserve to finance the payments to the Government capital receipts pool	(1,032)	0	1,032	0	0	0	0
Use of capital receipts funding transformation expenditure	(215)	0	215	0	0	0	0
<b>Adjustments primarily involving the Major Repairs Reserve:</b>							
Reversal of notional major repairs allowance credited to the HRA	0	10,540	0	(10,540)	0	0	0
Use of major repairs reserve to finance new capital expenditure	0	0	0	10,540	0	10,540	(10,540)
<b>Adjustments primarily involving the Financial Instrument Adjustment Account:</b>							
Amounts by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements	422	0	0	0	0	422	(422)

## NOTES TO THE CORE STATEMENTS

### General Notes

	2019/20						
	Usable Reserves					Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Restated	Restated
	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Pension Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the CIES	(26,862)	(2,763)	0	0	0	(29,625)	29,625
Employer's pension contributions and direct payment to pensioners payable in year	9,998	1,034	0	0	0	11,032	(11,032)
<b>Adjustments involving the Collection Fund Adjustment Account (Council Tax)</b>							
Amount by which council tax credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	106	0	0	0	0	106	(106)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>							
Amount by which non-domestic rating income credited to the CIES is different from non-domestic rating income calculated for the year in accordance with statutory requirements	(644)	0	0	0	0	(644)	644
<b>Adjustment involving the Accumulated Absences Account:</b>							
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	(781)	(55)	0	0	0	(836)	835
<b>Total Adjustments</b>	<b>(10,441)</b>	<b>(2,649)</b>	<b>(929)</b>	<b>0</b>	<b>7,147</b>	<b>(6,872)</b>	<b>6,871</b>

## NOTES TO THE CORE STATEMENTS

### General Notes

	2020/21						
	Usable Reserves					Movement in Usable Reserves (total) £000	Movement in Unusable Reserves (total) £000
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£000	£000	£000	£000	£000		
Adjustments primarily involving the Capital Adjustment Account:							
<u>Reversal of items debited or credited to the CIES</u>							
Amortisation of intangible assets	(1,659)	0	0	0	0	(1,659)	1,659
Charges for depreciation and impairment of non-current assets	(11,483)	(9,052)	0	0	0	(20,535)	20,535
Revaluation losses on property, plant and equipment	(1,705)	(17,610)	0	0	0	(19,315)	19,315
Revaluation gains reversing previous losses	2,420	2,463	0	0	0	4,883	(4,883)
Revaluation Depreciation Adjustments	(8)	(1)	0	0	0	(9)	9
Adjustments to and movement in the fair value of long term debtors	(17,298)	0	0	0	0	(17,298)	17,298
Movement in the value of held for sale assets	0	(3)	0	0	0	(3)	3
Capital Grants and contributions applied	44,622	0	0	0	0	44,622	(44,622)
Revenue expenditure funded from capital under statute (REFCUS)	(12,522)	0	0	0	0	(12,522)	12,522
Grant Funding for REFCUS	3,276	0	0	0	0	3,276	(3,276)
Amounts of assets written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES	(4,743)	(16,863)	0	0	0	(21,606)	21,606
Capital expenditure funded from revenue reserves	0	0	0	0	0	0	0
<u>Insertion of items not debited or credited to the CIES</u>							
Statutory provision for the financing of capital investment	19,189	0	0	0	0	19,189	(19,189)

## NOTES TO THE CORE STATEMENTS

### General Notes

2020/21							
	Usable Reserves						
	General Fund Balance	Housing Revenue Account Balance	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
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
Application of grants to capital financing transferred to the capital adjustment account	0	0	0	0	6,892	6,892	(6,892)
Capital Grants and contributions unapplied credited to the CIES	4,293	0	0	0	(4,293)	0	0
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Use of the capital receipts reserve to finance new capital expenditure	0	0	5,265	0	0	5,265	(5,265)
Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES	648	6,283	(6,931)	0	0	0	0
Capital Receipts from the repayments of external loans	0	0	(41)	0	0	(41)	41
Contribution from the capital receipts reserve towards administration costs of non-current assets disposal	0	(57)	57	0	0	0	0
Contribution from the capital receipts reserve to finance the payments to the Government capital receipts pool	(4,751)	0	4,751	0	0	0	0
Use of capital receipts funding transformation expenditure	(617)	0	617	0	0	0	0
<b>Adjustments primarily involving the Major Repairs Reserve:</b>							
Reversal of notional major repairs allowance credited to the HRA	0	10,540	0	(10,540)	0	0	0
Use of major repairs reserve to finance new capital expenditure	0	0	0	10,540	0	10,540	(10,540)
<b>Adjustments primarily involving the Financial Instrument Adjustment</b>							
Amounts by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements	422	0	0	0	0	422	(422)

## NOTES TO THE CORE STATEMENTS

### General Notes

	2020/21						
	Usable Reserves						
	General Fund Balance	Housing Revenue Account Balance	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
<b>Adjustments primarily involving the Pension Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the CIES	(24,215)	(2,623)	0	0	0	(26,838)	26,838
Employer's pension contributions and direct payment to pensioners payable in year	14,772	1,333	0	0	0	16,105	(16,105)
<b>Adjustments involving the Collection Fund Adjustment Account (Council Tax)</b>							
Amount by which council tax credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(1,426)	0	0	0	0	(1,426)	1,426
<b>Adjustments involving the Collection Fund Adjustment Account:</b>							
Amount by which non-domestic rating income credited to the CIES is different from non-domestic rating income calculated for the year in accordance with statutory requirements	(24,469)	0	0	0	0	(24,469)	24,469
<b>Adjustment involving the Accumulated Absences Account:</b>							
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	(11)	(13)	0	0	0	(24)	24
<b>Adjustment involving the Dedicated Schools Grant Adjustment Account:</b>							
Transfer of in-year surplus/deficit	95	0	0	0	0	95	(95)
<b>Total Adjustments</b>	<b>(15,170)</b>	<b>(25,603)</b>	<b>3,718</b>	<b>0</b>	<b>2,599</b>	<b>(34,456)</b>	<b>34,456</b>

**NOTES TO THE CORE STATEMENTS**  
**General Notes**

**Note 6 EXPENDITURE AND INCOME ANALYSED BY NATURE**

<b>2019/20</b>	<b>2020/21</b>
<b>Carrying amount</b>	<b>Carrying amount</b>
<b>£000</b>	<b>£000</b>
<b>Expenditure</b>	
125,482 Employee expenses	122,179
225,558 Other service expenses	228,927
(1,112) Support Services Recharges	(1,274)
43,687 Depreciation, Amortisation, Impairment & REFCUS	49,161
24,578 Interest payments and pension movement	24,482
711 Precepts and Levies	569
1,375 NNDR Pooling Expenses	4,101
1,032 Payments to housing capital receipts pool	4,751
21,111 Gains/losses on disposals of non current assets	21,606
3,412 Adjustments to and movement in fair value of Long Term Debtors	17,299
<b>445,834 Total Expenditure</b>	<b>471,802</b>
<b>Income</b>	
(89,300) Fees, charges and other service income	(88,217)
(49,928) Investment income	(46,188)
(105,289) Income from Council Tax and Non-Domestic Rates	(112,779)
(183,270) Government Grants and Contributions	(217,201)
(7,960) Gains/losses on disposals of non current assets	(6,874)
<b>(435,747) Total Income</b>	<b>(471,259)</b>
<b>10,086 Surplus or Deficit on the Provision of Services</b>	<b>543</b>

## NOTES TO THE CORE STATEMENTS

### General Notes

#### Note 7 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 and Early Years Finance (England) Regulations 2018. 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 2020/21 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 2020/21 before Academy Recoupment			167,433
B Academy and high needs figure recouped for 2020/21			(125,217)
C Total DSG after academy and high needs recoupment for 2020/21			42,216
D Plus: Brought Forward from 2019/20			(1,978)
E Less: Carry Forward to 2021/22 agreed in advance			1,978
F Agreed initial budgeted distribution in 2020/21	36,824	5,392	42,216
G In Year Adjustments	(564)	0	(564)
H Final Budget Distribution for 2020/21	36,260	5,392	41,652
I Less: Actual Central Expenditure	(36,165)	0	(36,165)
J Less: Actual ISB deployed to schools	0	(5,392)	(5,392)
K Plus: Local authority contribution 2020/21	0	0	0
L Carry Forward to 2021/22	95	0	(1,883)

On the 30 January 2020, the secretary of state for education laid before Parliament the School and Early Years Finance (England) Regulations 2020.

The new regulations from the Department for Education (DfE) mandate that a DSG deficit from 2020/21 may only be funded and recovered through DfE financial support and recovery arrangements.

Thurrock in 2020/21 has a deficit of £1.883m, this is an in year reduction of £0.095m. The deficit has arisen from significant increase in demand for Education, Health and Care Plans and specialist placements. Thurrock is working with the DfE in the development of a DSG Deficit recovery plan.

The opening DSG deficit of £1.978m was transferred from earmarked reserves to unusable reserves as at 01 April 2020. The total DSG deficit of £1.883m as at 31 March 2021 is an unusable reserve.

## NOTES TO THE CORE STATEMENTS

### General Notes

#### Note 8 OTHER OPERATING EXPENDITURE

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

2019/20		2020/21
£000		£000
710	Levies	570
1,032	Payments to the Government Housing Capital Receipts	4,751
13,151	Gains/losses on the disposal of non current assets	14,732
<b>14,893</b>	<b>Total</b>	<b>20,053</b>

#### Note 9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2019/20		2020/21
£000		£000
20,632	Interest payable and similar charges	20,944
3,735	Net interest on the net defined benefit liability	3,538
(49,928)	Interest receivable and similar income	(46,188)
3,412	Adjustments to and movement in fair value of Long Term Debtors	17,299
0	Movement in Impairment Allowance	513
<b>(22,149)</b>	<b>Total</b>	<b>(3,894)</b>

#### Note 10 TAXATION AND NON-SPECIFIC GRANT INCOME

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

2019/20		2020/21
£000		£000
(66,325)	Council tax income	(68,414)
(37,574)	Non domestic rates*	(40,263)
(9,763)	Non-ringfenced grants	(20,389)
(41,189)	Capital grants and contributions	(48,915)
<b>(154,851)</b>	<b>Total</b>	<b>(177,981)</b>

\*£40.3m Non domestic rates – this includes additional Sec 31 grants to compensate for Business Rate and Council Tax income loss (£1.5m) and to offset the reliefs given to businesses during lockdown (£26.8m), to be discharged against the Collection Fund deficit from 2021/22 onwards. This has been appropriated to earmarked reserves through the MIRS. Also included under this item is £24.5m deficit adjustment for NDR which has not had an impact on the GF in 2020/21, this has been transferred to the Collection Fund adjustment account through the MIRS.



## NOTES TO THE CORE STATEMENTS

### General Notes

#### Note 11 MEMBERS' ALLOWANCES

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

2019/20 £000	Members' Allowances	2020/21 £000
678	Allowances	708
<b>678</b>	<b>Total</b>	<b>708</b>

Total allowance for 20/21 includes backdated pay for 19/20 for three members.

#### Note 12 REMUNERATION OF SENIOR STAFF

Senior officer remuneration for 2020/21 is set out in the table below:

Senior Staff Emoluments 2020/21	Note	Salary, Fees and Allowances	Pension Contribution	Total
		£	£	£
Chief Executive – Lyn Carpenter		182,000	36,036	218,036
Corporate Director of Adults, Housing & Health		156,273	29,799	186,072
Director of HR, OD & Transformation		110,000	21,780	131,780
Corporate Director of Children's Services		141,000	27,918	168,918
Director of Place		125,000	24,750	149,750
Director of Finance, Governance and Property		134,000	26,532	160,532
Director of Public Health		117,042	23,174	140,216
Director of Strategy, Communication & Customer Services		110,000	21,780	131,780
Director of Adult Social Care and Community Development*		44,583	8,828	53,411
Director of Environment Highways and Counter Fraud		125,000	24,750	149,750

\*Director of Adult Social Care and Community Development was in post until 31 August 2020

Pension contribution reflect an increase in Local Government Pension Scheme employer contribution rates from 16.1% to 19.8%.

## NOTES TO THE CORE STATEMENTS

### General Notes

Senior officer remuneration for 2019/20 is set out in the table below:

Senior Staff Emoluments 2019/20	Note	Salary, Fees and Allowances £	Pension Contribution £	Total £
Chief Executive – Lyn Carpenter		178,500	28,739	207,239
Corporate Director of Adults, Housing & Health and Children's Services		145,150	23,369	168,520
Director of HR, OD & Transformation		108,000	17,388	125,388
Director of Children's and Families		106,056	17,075	123,131
Director of Place		120,794	19,448	140,241
Director of Finance, Governance and Property		120,263	19,362	139,625
Director of Public Health		113,001	18,193	131,194
Director of Strategy, Communication & Customer Services		108,000	17,388	125,388
Director of Adult Social Care and Community Development		103,273	16,627	119,900
Director of Environment Highways and Counter Fraud		111,626	17,972	129,597

The number of employees whose remuneration (including severance payments where applicable) 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.

## NOTES TO THE CORE STATEMENTS

### General Notes

Remuneration of Senior Staff	2019/20	2020/21
Pay Band	Numbers of Employees	Numbers of Employees
50,001 - 55,000	77	118
55,001 - 60,000	45	55
60,001 - 65,000	41	37
65,001 - 70,000	41	23
70,001 - 75,000	20	20
75,001 - 80,000	9	18
80,001 - 85,000	5	5
85,001 - 90,000	3	5
90,001 - 95,000	9	6
95,001 - 100,000	4	6
100,001 - 105,000	2	2
105,001 - 110,000	1	1

Note: The above includes Council officers and staff at grant maintained schools.

The number of exit packages with total cost per band and total cost of the compulsory and other departures are set out in the table below. The total cost of the exit package includes the redundancy payment to the individual and the pension contribution paid directly to Essex County Council.

Exit Package cost Band £	No of Compulsory Redundancies		Other Departures		Total number of Exit package by cost		Total Cost of Exit Packages	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
0 – 20,000	1	6	4	8	5	14	63,040	111,286
20,001 - 40,000	0	0	1	1	1	1	28,505	25,001
40,001 - 60,000	0	0	0	0	0	0	0	0
60,001 - 80,000	0	0	0	0	0	0	0	0
80,001 - 100,000	0	0	0	0	0	0	0	0
100,001 - 150,000	0	0	0	0	0	0	0	0
150,001 - 200,000	0	0	0	0	0	0	0	0
Total	1	6	5	9	6	15	91,545	136,287

### Note 13 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 Council 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 21.

## NOTES TO THE CORE STATEMENTS

### General Notes

#### Members and Other Public Bodies

In addition to the relationship with Central Government, Thurrock Council has relationships with various NHS bodies. The significant transactions are disclosed in Note 36 Pooled Budgets. Thurrock Council has relationships with various schools where funding (Dedicated Schools Grant) is provided as well as other services such as school catering. Thurrock Council has no direct control over Academy schools, although Members and Officers may hold positions within the Governing Bodies of these schools.

Members have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in Note 11.

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.

Councillor Mark Coxshall is a Council Director on the South East Local Enterprise Partnership (SELEP) Board. SELEP is a body set up by government to determine strategic economic priorities and making investment and delivering activities to drive growth and create jobs. SELEP has several capital investment projects which are facilitated by the Government Growth Deal, including the Purfleet Centre Project, Thurrock Logistics Centre, Tilbury Riverside Business Centre expansion and A13 Widening. Also operating Growth Hubs, such as South East Business Hub to drive economic growth.

There are 13 Councillors who have not provided a declaration return.

#### Officers

The Chief Executive is a director of High House Production Park which also has a wholly owned subsidiary, High House Enterprise Limited. This is an arts organisation whose transactions with the Council are noted in the table below:

Entity	Income £	Expenditure £
High House Production Park	87,031	29,799
High House Enterprise Limited	0	2,721
Thurrock CVS	150	905,594
Thurrock Open Door	198	157,957
Trans Vol	440	131,076
SELEP - Capital	34,740,000	32,087,000
EDS Minibus & Coach Hire	330	108,621
Impulse Leisure	4,202	16,069

The transactions between the Council and Thurrock Regeneration Ltd are noted in the table below, these transactions are also included within the group accounts:

## NOTES TO THE CORE STATEMENTS

### General Notes

Thurrock Regeneration Ltd	2020/21 £	31-Mar-2021 £
Expenditure with Council	1,240,718	
Capital Expenditure with Council	104,972	
Debtors		0
Short Term Creditors		750,657
Long Term Creditors		32,000,954
Share Equity		5,797,231

#### Note 14 EXTERNAL AUDIT COSTS

In 2020/21 the Council incurred the following costs relating to the audit of the Statement of Accounts and certification of grant claims:

2019/20 £000	External Audit Costs	2020/21 £000
	Fees Payable to Auditors:	
108	External Audit Services including Statutory Inspections*	117
25	Certification of Grant Claims and Returns	26
0	Non-Audit Work	0
<b>133</b>	<b>Total</b>	<b>143</b>

\*2020/21 includes £9,038 additional fees for the 2018/19 financial statements audit

#### Note 15 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.

## NOTES TO THE CORE STATEMENTS

### General Notes

Balance at 01 April 2019 £000	Net Transfers (In)/Out £000	Balance at 31 March 2020 £000		Balance at 01 April 2020 £000	Net Transfers (In)/Out £000	Balance at 31 March 2021 £000
(1,543)	1,255	(288)	Balances held by Schools under a Scheme of Delegation	(288)	297	9
(2,523)	2,523	0	Budget Management	0	0	0
(154)	0	(154)	Commutated Sums	(154)	(237)	(391)
(93)	93	0	Grant Carried Forward	0	0	0
(135)	(315)	(450)	School Improvement Reserve	(450)	150	(300)
2,655	(677)	1,978	DSG*	0	0	0
(305)	130	(175)	Public Health Grant	(175)	(206)	(380)
(5,785)	5,785	0	Development Reserve	0	0	0
(1,274)	0	(1,274)	Housing Zones	(1,274)	0	(1,274)
(3,472)	(1,800)	(5,272)	Transformation Reserve	(5,272)	1,288	(3,984)
(4,000)	(162)	(4,162)	Financial Resilience Reserve	(4,162)	(838)	(5,000)
0	(1,500)	(1,500)	Adult Social Care Reserve	(1,500)	0	(1,500)
0	(4,374)	(4,374)	Covid-19 Funding	(4,374)	1,000	(3,374)
0	(2,000)	(2,000)	Treasury Equalisation Reserve	(2,000)	2,000	0
0	0	0	Collection Fund Section 31 Reserve	0	(28,582)	(28,582)
(5,412)	(302)	(5,715)	Other Earmarked Reserves	(5,715)	(15,104)	(20,819)
<b>(22,041)</b>	<b>(1,344)</b>	<b>(23,386)</b>	<b>Earmarked Reserves</b>	<b>(25,364)</b>	<b>(40,232)</b>	<b>(65,595)</b>

\*DSG balance £1.978m transferred to Dedicated Schools Grant Adjustment Account – unusable reserve as at 01/04/20.

- 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 **Grant Carried Forward Reserve** relates to grants where the conditions have been met, but the expenditure is yet to be incurred.
- The **School Improvement Reserve** was identified as a requirement during the budget setting process.

## NOTES TO THE CORE STATEMENTS

### General Notes

- 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.
- The **Transformation Reserve** is to provide investment to support the implementation of the service transformation projects.
- The **Financial Resilience Reserve** is to provide stability to Council funds and mitigate against external funding and treasury management risks.
- The **Adult Social Care Reserve** consists of specific funding identified to support service improvement within the directorate.
- **Covid-19 Funding** consists of grants to be allocated as part of the 2021/22 financial outturn in order to address on-going pressures associated with the pandemic.
- **Treasury Equalisation Reserve** was set up to mitigate changes in interest rates.
- **Collection Fund Section 31 Reserve** consists of funding from Section 31 grants relating to reliefs given to retail and nursery businesses during lockdown and grants to compensate for Business Rate and Council Tax income loss which will be used for the 2021/22 and beyond collection fund deficit.
- **Other Earmarked Reserves** consists of all other earmarked reserves.

#### Note 16 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 £18.6m.

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 £0.330m remains appropriate.

Other provisions has been adjusted to reflect potential contractual obligations the Council may need to meet in 2021/22

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

## NOTES TO THE CORE STATEMENTS

### General Notes

Short Term Provisions	MMI Insurance £'000	Business Rate Appeals £000	Other Provision £000	Total £000
Balance at 01 April 2020	(106)	(2,485)	(3,875)	(6,466)
Additional Provision/Amount Used 2020/21	0	531	3,175	3,706
<b>Balance at 31 March 2021</b>	<b>(106)</b>	<b>(1,954)</b>	<b>(700)</b>	<b>(2,760)</b>
Balance at 01 April 2019	(106)	(4,495)	(30)	(4,631)
Additional Provision/Amount Used 2019/20	0	2,010	(3,845)	(1,835)
<b>Balance at 31 March 2020</b>	<b>(106)</b>	<b>(2,485)</b>	<b>(3,875)</b>	<b>(6,466)</b>

Long Term Provisions	MMI Insurance £'000	Business Rate Appeals £000	Other £000	Total £000
Balance at 01 April 2020	(224)	(4,059)	0	(4,283)
Additional Provision/Amount Used 2020/21	0	(3,121)	0	(3,121)
<b>Balance at 31 March 2021</b>	<b>(224)</b>	<b>(7,180)</b>	<b>0</b>	<b>(7,404)</b>
Balance at 01 April 2019	(224)	(436)	0	(660)
Additional Provision/Amount Used 2019/20	0	(3,623)	0	(3,623)
<b>Balance at 31 March 2020</b>	<b>(224)</b>	<b>(4,059)</b>	<b>0</b>	<b>(4,283)</b>

#### Note 17 DEBTORS

##### Long-Term Debtors

The Long term debtors consist of a combination of the following:

- Long term capital investments in projects in the 100% owned subsidiary company Thurrock Regeneration Ltd £30.856m
- Long term capital investment in projects with external companies predominantly in the property, housing and energy sectors £894.294m

##### 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 2020 £000		31 March 2021 £000
28,632	Trade receivables	21,360
3,759	Prepayments	637
45,294	Other receivable amounts	56,070
<b>77,685</b>	<b>Total</b>	<b>78,067</b>



## NOTES TO THE CORE STATEMENTS

### General Notes

#### Note 18 CREDITORS

##### Short-Term Creditors

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

31 March 2020 £000		31 March 2021 £000
(21,052)	Trade payables	(41,776)
(29,305)	Other payables	(39,047)
<b>(50,357)</b>	<b>Total</b>	<b>(80,823)</b>

#### Note 19 USABLE RESERVES

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

31 March 2020 £000		Notes	31 March 2021 £000
(11,000)	General Fund Balance	(a)	(11,000)
(3,834)	Housing Revenue Account Balance	(b)	(3,834)
(21,368)	General Fund Earmarked Reserves	(c)	(60,988)
(2,018)	HRA Earmarked Reserves	(c)	(4,607)
(28,986)	Capital Receipts Reserve	(d)	(25,267)
(23,818)	Capital Grants Unapplied	(e)	(21,220)
<b>(91,024)</b>	<b>Total Usable Reserves</b>		<b>(126,916)</b>

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 5.

##### (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 15.

##### (d) Capital Receipts Reserve

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

##### (e) Capital Grants Unapplied

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

## NOTES TO THE CORE STATEMENTS

### General Notes

#### Note 20 UNUSABLE RESERVES

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

31 March 2020 Restated £000		Notes	31 March 2021 £000
(247,946)	Revaluation Reserve	(a)	(280,968)
(521,722)	Capital Adjustment Account	(b)	(526,711)
13,619	Financial Instruments Adjustment Account	(c)	13,197
158,894	Pensions Reserve	(d)	195,941
(727)	Collection Fund Adjustment Account - Council Tax		699
(1,365)	Collection Fund Adjustment Account - NDR	(e)	23,104
1,234	Accumulated Absences Account		1,258
0	Dedicated Schools Grant Adjustment Account*		1,883
<b>(598,013)</b>	<b>Total Unusable Reserves</b>		<b>(571,597)</b>

\*The impact of School and Early Years Finance (England) Regulations 2020, (the 2020 Regulations) and Regulation 30L of The Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations) inserted by SI 1212/2020 is to establish a new reserve, a statutorily ring-fenced unusable reserve – the Dedicated Schools Grant Adjustment Account, where a schools budget deficit occurs to the 2020/21 closing balance. This separates the schools budget deficits from the Council's general fund.

#### (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 2020 £000		31 March 2021 £000
<b>(239,035)</b>	<b>Balance at 1 April</b>	<b>(247,946)</b>
(13,032)	Upward revaluation of assets	(39,979)
876	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	3,645
<b>(12,156)</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(36,334)</b>
2,002	Difference between fair value depreciation and historical cost depreciation	2,047
1,243	Accumulated gains on assets sold or scrapped	1,265
<b>3,245</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>3,312</b>
<b>(247,946)</b>	<b>Balance at 31 March</b>	<b>(280,968)</b>

## NOTES TO THE CORE STATEMENTS

### General Notes

#### (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 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 5.

31 March 2020 Restated £000		31 March 2021 £000
(505,805)	<b>Balance at 1 April</b>	<b>(521,723)</b>
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
19,033	Charges for depreciation of non current assets (PPE)	20,544
13,423	Revaluation and Impairment losses on Property, Plant and Equipment	19,315
(2,869)	Revaluation gains reversing previous losses (PPE)	(4,883)
681	Amortisation of intangible assets	1,659
13,875	Revenue expenditure funded from capital under statute (REFCUS) - net of Funding	12,522
16,504	PPE written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	17,942
3,412	Adjustments to and fair value (increase)/decrease of Long Term Capital Debtors	17,300
4,607	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	3,664
(1,243)	Accumulated gains on assets sold or scrapped	(1,265)
<b>67,423</b>		<b>86,798</b>
(2,002)	Adjusting amounts written out of the Revaluation Reserve	(2,047)
<b>65,421</b>	<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>84,751</b>
	Capital financing applied in the year:	
(5,784)	Use of the Capital Receipts Reserve to finance new capital expenditure	(5,224)
(10,540)	Use of the Major Repairs Reserve to finance new capital expenditure	(10,540)
(51,808)	Application of grants to capital financing	(54,789)
(6,019)	Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances (including finance lease liabilities)	(19,189)
(7,190)	Capital expenditure charged against the General Fund and HRA balances (DRC)	0
<b>(81,341)</b>		<b>(89,742)</b>
2	Movements in assets held for sale debited or credited to the CIES	3
<b>(521,723)</b>	<b>Balance at 31 March</b>	<b>(526,711)</b>

#### (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

## NOTES TO THE CORE STATEMENTS

### General Notes

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 2020 £000		31 March 2021 £000
14,041	Balance at 1 April	13,619
(422)	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	(422)
13,619	Balance at 31 March	13,197

#### (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 2020 £000		31 March 2021 £000
162,609	Balance at 1 April	158,894
(22,308)	Actuarial gains or losses on pensions assets and liabilities	26,314
29,625	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	26,838
(11,032)	Employer's pensions contributions and direct payments to pensioners payable in the year	(16,105)
158,894	Balance at 31 March	195,941

#### (e) Collection Fund Adjustment Account - NDR

The Collection Fund Adjustment Account manages the differences arising from the recognition of business rate income in the Comprehensive Income and Expenditure Statement as it falls due from business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31 March 2020 £000		31 March 2021 £000
(2,009)	Balance at 1 April	(1,365)
644	Amount by which business rate income credited to the CIES is difference from business rate income calculated for the year in accordance with statutory requirements	24,469
(1,365)	Balance at 31 March	23,104

## NOTES TO THE CORE STATEMENTS

### General Notes

#### Note 21 ANALYSIS OF GOVERNMENT GRANTS

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

2019/20 £000	2020/21 £000
<b>Credited to Taxation and Non Specific Grant Income:</b>	
<b>Revenue</b>	
(66,325) Council Tax	(68,414)
(37,574) National Non Domestic Rates	(40,263)
(6,654) Revenue Support Grant	(6,806)
(3,107) New Homes Bonus	(2,993)
(2) Other	(10,590)
<b>(113,663)</b>	<b>(129,066)</b>
<b>Capital</b>	
(3,069) Department for Transport	(7,531)
(624) Department for Education	(18)
(34,937) South Essex Local Enterprise Partnership	(31,176)
(2,559) Other	(10,190)
<b>(154,852) Total</b>	<b>(177,981)</b>
2019/20 £000	2020/21 £000
<b>Credited to Services:</b>	
<b>Revenue</b>	
(36,430) Housing Benefit	(33,584)
(10,750) Public Health Grant	(11,501)
(43,400) Dedicated Schools Grant	(41,651)
(16,888) Better Care Fund	(17,035)
(4,752) Better Care Fund - Improved BCF	(5,405)
(4,374) COVID -19 LA Support	0
(735) Unaccompanied Asylum Seekers Grant	(857)
(718) LOCASE	(771)
(605) Adult social care support grant	(3,823)
0 Covid - Hardship Fund	(1,284)
0 Covid - Test and Trace	(5,260)
0 Covid - Business Grant	(5,180)
0 Covid - Income compensation	(1,069)
0 Covid - Other grants	(3,534)
0 SECCADS	(1,224)
0 Thames Estuary Growth Board	(1,400)
(10,194) Other	(11,043)
<b>Capital</b>	
(665) DOE	(529)
(2,101) S106	(1,143)
(706) Other	(1,604)
<b>(132,319) Total</b>	<b>(147,898)</b>

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:

## NOTES TO THE CORE STATEMENTS

### General Notes

31 March 2020 £000		31 March 2021 £000
	<b>Capital Grants &amp; Contributions - Receipts in Advance</b>	
(11,222)	Section 106	(9,764)
(126)	Department of Communities and Local Government	(115)
(4,189)	South Essex Local Enterprise Partnership	(50)
(8,893)	Other Contributions	(3,108)
(701)	Port of London Authority	(326)
<b>(25,131)</b>	<b>Total</b>	<b>(13,363)</b>

#### Note 22 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 23 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Corporate Director of Resources and Place Delivery on 30 July 2021. There have been no events arising between the 31 March 2021 and 30 July 2021 that provides information about conditions existing at 31 March 2021 which need to be reflected in the financial statements.

#### Note 24 HERITAGE ASSETS

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 has been minimal additions and no disposals of heritage assets between 2017/18 and 2020/21 with the only main change in asset values relating to revaluations.

	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	2020/21	2020/21
	Buildings	Artefacts	Buildings	Artefacts	Buildings	Artefacts	Buildings	Artefacts
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Carrying Value	22,144	122	22,144	122	22,494	122	22,667	184
Expenditure	0	0	350	0	173	0	14	0
Revaluations	0	0	0	0	0	62	9,505	0
Impairments	0	0	0	0	0	0	0	0
Closing Carrying Value	22,144	122	22,494	122	22,667	184	32,186	184

**NOTES TO THE CORE STATEMENTS**  
**General Notes**

**Note 25            INTANGIBLE ASSETS**

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
<b>Balance at start of the year:</b>		
<b>5,897</b>	Gross Carrying Amounts	13,185
3,856	Prior Year Adjustment	0
<b>(4,783)</b>	Accumulated Amortisation	(7,023)
(1,559)	Prior Year Adjustment	0
<b>3,411</b>	<b>Net carrying amount as start of year:</b>	<b>6,162</b>
Additions:		
3,432	- Purchases	5,183
(681)	Amortisation for the period	(1,659)
<b>Balance at end of the year:</b>		
13,185	Gross Carrying Amounts	18,368
(7,023)	Accumulated Amortisation	(8,682)
<b>6,162</b>	<b>Net carrying amount at the end of the year:</b>	<b>9,686</b>

## NOTES TO THE CORE STATEMENTS

### General Notes

#### Note 26 PROPERTY, PLANT AND EQUIPMENT

Movement 2020/21	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
<b>Cost or Valuation</b>								
At 01 April 2020	719,773	126,358	34,876	19,534	198,408	30,298	62,121	<b>1,191,368</b>
Adjustment to opening balance	0	228	0	0	0	0	(228)	<b>0</b>
Additions / Donations	14,316	2,045	2,189	323	45,842	9,186	573	<b>74,474</b>
Derecognition - Disposals	0	0	(326)	0	0	0	0	<b>(326)</b>
Derecognition - Other - Note 2	(13,198)	(4,468)	0	0	0	(429)	0	<b>(18,095)</b>
Revaluations Recognised in Revaluation Reserve	16,617	53	0	0	0	0	64	<b>16,734</b>
Revaluations Recognised in Surplus/Deficit on Provision of Services	(15,700)	243	0	0	0	0	1	<b>(15,456)</b>
								<b>0</b>
Assets reclassified (to)/from Held for Sale	(3,722)	(691)	0	0	0	0	0	<b>(4,413)</b>
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	<b>0</b>
Other movements in Cost or Valuation	22,084	2,166	0	0	0	(24,250)	0	<b>0</b>
<b>At 31 March 2021</b>	<b>740,170</b>	<b>125,934</b>	<b>36,739</b>	<b>19,857</b>	<b>244,250</b>	<b>14,805</b>	<b>62,531</b>	<b>1,244,286</b>



**NOTES TO THE CORE STATEMENTS**  
**General Notes**

<b>Movement 2020/21</b>	<b>Council Dwellings £000</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant &amp; Equipment £000</b>	<b>Community Assets £000</b>	<b>Infrastructure Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Surplus Assets £000</b>	<b>Total PP&amp;E £000</b>
<b>Accumulated Depreciation and Impairment</b>								
At 01 April 2020	0	(5,492)	(17,565)	(8,943)	(36,710)	0	(243)	<b>(68,953)</b>
Depreciation charge	(8,863)	(1,825)	(3,817)	(749)	(5,212)	0	(69)	<b>(20,535)</b>
Depreciation written back to the Revaluation Reserve	8,455	1,685	0	0	0	0	0	<b>10,140</b>
Depreciation written back to Surplus/Deficit on Provision of Services	408	616	0	0	0	0	0	<b>1,024</b>
Derecognition - Disposals	0	0	317	0	0	0	0	<b>317</b>
Derecognition - Other - Note 2	0	162	0	0	0	0	0	<b>162</b>
Other movements in Depreciation and Impairment	0	2	0	0	0	0	0	<b>2</b>
<b>At 31 March 2021</b>	<b>0</b>	<b>(4,852)</b>	<b>(21,065)</b>	<b>(9,692)</b>	<b>(41,922)</b>	<b>0</b>	<b>(312)</b>	<b>(77,843)</b>
<b>NBV At 31 March 2020</b>	<b>719,773</b>	<b>120,866</b>	<b>17,311</b>	<b>10,591</b>	<b>161,698</b>	<b>30,298</b>	<b>61,878</b>	<b>1,122,415</b>
<b>NBV At 31 March 2021</b>	<b>740,170</b>	<b>121,082</b>	<b>15,674</b>	<b>10,165</b>	<b>202,328</b>	<b>14,805</b>	<b>62,219</b>	<b>1,166,443</b>

**NOTES TO THE CORE STATEMENTS**  
**General Notes**

<b>Movement 2019/20</b>	<b>Council Dwellings £000</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant &amp; Equipment £000</b>	<b>Community Assets £000</b>	<b>Infrastructure Assets £000</b>	<b>Assets Under Construction <i>Restated</i> £000</b>	<b>Surplus Assets £000</b>	<b>Total PP&amp;E £000</b>
<b>Cost or Valuation:</b>								
At 01 April 2019	730,211	134,351	34,926	19,438	156,685	10,839	59,277	<b>1,145,727</b>
Additions / Donations	13,055	5,065	4,173	95	41,723	19,459	64	<b>83,634</b>
Adjustment - Note 1	0	0	(3,856)	0	0	0	0	<b>(3,856)</b>
Derecognition - Disposals	0	(54)	(367)	0	0	0	0	<b>(421)</b>
Derecognition - Other - Note 2	(12,768)	(4,731)	0	0	0	0	0	<b>(17,499)</b>
Revaluations Recognised in Revaluation Reserve	(5,840)	7,167	0	0	0	0	1,045	<b>2,372</b>
Revaluations Recognised in Surplus/Deficit on Provision of Services	(205)	(15,440)	0	0	0	0	1,735	<b>(13,910)</b>
Assets reclassified (to)/from Held for Sale	(4,681)	0	0	0	0	0	0	<b>(4,681)</b>
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	<b>0</b>
Other movements in Cost or Valuation	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2020</b>	<b>719,772</b>	<b>126,358</b>	<b>34,876</b>	<b>19,533</b>	<b>198,408</b>	<b>30,298</b>	<b>62,121</b>	<b>1,191,366</b>

## NOTES TO THE CORE STATEMENTS

### General Notes

Movement 2019/20	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction <i>Restated</i> £000	Surplus Assets £000	Total PP&E £000
<b>Accumulated Depreciation and Impairment</b>								
At 01 April 2019	0	(8,979)	(16,137)	(8,209)	(32,541)	0	(178)	<b>(66,044)</b>
Adjustment - Note 1	0	0	1,559	0	0	0		<b>1,559</b>
Depreciation charge	(9,023)	(1,699)	(3,332)	(734)	(4,169)	0	(69)	<b>(19,026)</b>
Depreciation written back to the Revaluation Reserve	8,606	1,176	0	0	0	0	4	<b>9,786</b>
Depreciation written back to Surplus/Deficit on Provision of Services	417	2,939	0	0	0	0	0	<b>3,356</b>
Derecognition - Disposals	0	3	346	0	0	0	0	<b>349</b>
Derecognition - Other - Note 2	0	1,068	0	0	0	0	0	<b>1,068</b>
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2020</b>	<b>0</b>	<b>(5,492)</b>	<b>(17,564)</b>	<b>(8,943)</b>	<b>(36,710)</b>	<b>0</b>	<b>(243)</b>	<b>(68,952)</b>
<b>NBV At 31 March 2019</b>	<b>730,211</b>	<b>125,372</b>	<b>18,789</b>	<b>11,229</b>	<b>124,144</b>	<b>10,839</b>	<b>59,099</b>	<b>1,079,683</b>
<b>NBV At 31 March 2020</b>	<b>719,772</b>	<b>120,866</b>	<b>17,312</b>	<b>10,590</b>	<b>161,698</b>	<b>30,298</b>	<b>61,878</b>	<b>1,122,414</b>

Note 1 – Reclassification of vehicles, plant and equipment from PPE to Intangible assets

Note 2 – For Council Dwellings this includes in year capital expenditure for new kitchens, bathrooms and roofing. Other Land and Buildings relates to derecognition of schools as they convert to Academies.

## NOTES TO THE CORE STATEMENTS

### General Notes

#### Note 26 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 2021 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 multiplied by (for properties used for social housing) was amended from 39% to 38%, in line with guidelines issued by the Ministry of Housing, Communities and Local Government.

The last full valuation of Council dwellings was undertaken at 1 April 2017 and this is followed by an annual desktop valuation to determine any further increases or decreases in property values as at the balance sheet date. The 2020/21 desktop review referenced four indices (Halifax, Land Registry, Nationwide and Office for National Statistics) in order to reach a decision. In addition a mini beacon exercise was undertaken using the Council's HRA Dwellings data.

The various sources of information on house price movements for the period 31 March 2020 to 31 March 2021 all showed a clear consensus in an upward direction of movement. An annual change for this year of +3.73% has been chosen and applied, as a result of the mini "Beacon exercise", as this is considered to best represent the condition, type and composition of the Council's portfolio. The next full valuation of Council dwellings is scheduled to take place in 2022.

A desktop review of other land and building assets was undertaken as at 31 March 2021. Three categories were reviewed (Retail, Offices and Industrial) and each indicated a 0% change. A desktop review of the former Development Corporation Assets was undertaken at 31 March 2021 and based on the evidence obtained, no increase was applied.

##### Revaluations

The authority carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset. Please refer to the accounting policies note for details (Note 1.16).

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Community Assets	Infrastructure Assets	Assest Under Construction	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Valued at current value as at:</b>								
<b>31st March 2021</b>	740,170	121,082	15,674	10,165	202,328	14,805	62,219	1,166,443
<b>31st March 2020 *</b>	719,772	120,866	17,312	10,590	161,698	30,298	61,878	1,122,414
<b>31st March 2019</b>	730,210	125,372	18,789	11,228	124,145	10,840	59,099	1,079,683
<b>31st March 2018</b>	719,110	132,531	14,659	11,801	101,712	1,929	59,859	1,041,601
<b>31st March 2017</b>	604,450	146,600	11,356	12,041	80,920	453	60,566	916,386

\*Other land and buildings updated for consistency with the table above.

## NOTES TO THE CORE STATEMENTS

### General Notes

#### SURPLUS ASSETS

##### Fair Value Hierarchy

Details of the Council's surplus properties and information about the fair value hierarchy as at 31 March 2020 and 31 March 2021 are as follows:

31/03/2020	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2020
	£'000	£'000	£'000
Recurring Fair Value Measurements Using:			
Land	11,340	441	11,781
Industrial properties	45,456	0	45,456
Other properties	3,867	774	4,641
Total	60,663	1,215	61,878

31/03/2021	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2020
	£'000	£'000	£'000
Recurring Fair Value Measurements Using:			
Land	11,338	1,076	12,414
Industrial properties	45,395	0	45,395
Other properties	3,866	544	4,410
Total	60,599	1,620	62,219

##### 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 value of the surplus industrial properties has been based on market data, such as publicly available information about market sale values or rental evidence, and that reflect the assumptions that market participants use when pricing the asset. The income and comparable methods have been used for these valuations, relying on evidence from arms-length market transactions of similar industrial properties, and leading to the Council properties being categorised at Level 2 in the fair value hierarchy.

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.

## NOTES TO THE CORE STATEMENTS

### General Notes

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 27 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.

2019/20 Restated £000		2020/21 £000
<b>1,209,573</b>	<b>Opening Capital Financing Requirement</b>	<b>1,330,552</b>
	<b>Capital investment</b>	
83,634	Property, Plant and Equipment	74,474
3,432	Intangible Assets	5,183
173	Heritage Assets	14
13,875	Revenue Expenditure Funded from Capital under Statute	12,522
101,244	Net Long Term Debtors	15,302
	<b>Sources of finance</b>	
(5,823)	Capital receipts	(5,265)
(58,997)	Government grants and other contributions (includes REFCUS & MRA)	(54,789)
(10,540)	Major Repairs Reserve (MRR)	(10,540)
(6,019)	MRP (including finance leases liabilities)	(19,189)
<b>1,330,552</b>	<b>Closing Capital Financing Requirement</b>	<b>1,348,264</b>
	<b>Explanation of movements in year</b>	
120,979	Increase in underlying need to borrowing (unsupported by government financial assistance)	17,712
<b>120,979</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>17,712</b>

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

## NOTES TO THE CORE STATEMENTS

### General Notes

2019/20 £000 <i>Restated</i>	Balance Sheet Item	2020/21 £000
1,122,414	Property Plant & Equipment	1,166,443
1,605	Assets Held for Sale	2,294
6,162	Intangible Assets	9,686
22,851	Heritage Assets	32,370
916,929	Long Term Debtors	925,150
30,000	Short Term Debtors	20,000
(247,946)	Revaluation Reserve	(280,968)
(521,464)	Capital Adjustment Account	(526,711)
<b>1,330,551</b>	<b>Total Capital Financing Requirement</b>	<b>1,348,264</b>

#### Note 28 CAPITAL COMMITMENTS

As at 31 March 2021, the Council had authorised expenditure in future years of £15.1m. In addition a further £208.0m had been previously authorised for use in 2021/22 and 2023/24, giving a total future years' commitment of £223.1m. These commitments included contractual commitments of £39.7m. Projects include the A13 widening, Civic Centre and new housing schemes.

## NOTES TO THE CORE STATEMENTS

### Financial Instruments Notes

#### Note 29 FINANCIAL INSTRUMENTS

##### (a) Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

##### Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

All of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders,
- short-term loans from other local authorities,
- trade payables for goods and services received.

##### Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:

- cash in hand,
- bank current and deposit accounts with RBS bank,
- fixed term deposits with banks and building societies,
- loans to other local authorities,
- bonds issued by large companies,
- trade receivables for goods and services provided.

Fair value through profit and loss (all other financial assets) comprising:

- Long Term debtor pooled property funds managed by CCLA fund managers
- Long Term debtor - capital investment

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.



## NOTES TO THE CORE STATEMENTS

### Financial Instruments Notes

#### (b) Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term		Short Term	
	31.03.2021 £000	31.3.2020 £000	31.03.2021 £000	31.3.2020 £000
Loans at amortised cost:				
- Principal sum borrowed	(375,042)	(348,642)	(979,000)	(1,068,200)
- Accrued interest	0	0	(4,258)	(4,809)
- EIR adjustments	735	741	0	0
At fair value through profit & loss:				
<b>Total Borrowing</b>	<b>(374,307)</b>	<b>(347,901)</b>	<b>(983,258)</b>	<b>(1,073,009)</b>
Liabilities at amortised cost:				
- Trade payables	0	0	(1,673)	(10,197)
<b>Included in Creditors</b>	<b>0</b>	<b>0</b>	<b>(1,673)</b>	<b>(10,197)</b>
<b>Total Financial Liabilities</b>	<b>(374,307)</b>	<b>(347,901)</b>	<b>(984,931)</b>	<b>(1,083,206)</b>

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long Term		Short Term	
	31/03/2021 £000	31.3.2020 £000 <i>Restated</i>	31.3.2021 £000	31.3.2020 £000
At amortised cost:				
- Principal	65,797	54,832	45,203	88,015
- Accrued interest	0	0	36	22
- Loss allowance	0	0	(41)	(41)
At fair value through profit & loss:				
- Fair value	0	0	1,000	1,000
<b>Total Investments</b>	<b>65,797</b>	<b>54,832</b>	<b>46,198</b>	<b>88,996</b>
At amortised cost:				
- Principal	0	0	30,420	63,483
<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>30,420</b>	<b>63,483</b>
At amortised cost:				
- Trade receivables	0	0	36,453	41,520
- Long term capital debtors	555,922	544,400	0	0
- Capital debtors	0	0	20,000	30,000
At fair value through profit & loss:				
- Long term capital debtors	369,227	372,525	0	0
<b>Included in Debtors</b>	<b>925,149</b>	<b>916,925</b>	<b>56,453</b>	<b>71,520</b>
<b>Total Financial Assets</b>	<b>990,946</b>	<b>971,757</b>	<b>133,071</b>	<b>223,999</b>

The Council holds long term debtors of £925m as at 31 March 2021. £795m of the balance relates to long term capital investment in the renewable energy sector secured by the associated assets and £98m in property funds. These investments are repayable to the Council as set out below based on the contracted maturity dates:

Maturing within:  
 1 to 5 years: £161m  
 5 to 10 years £658m  
 Over 10 Years £74m

## NOTES TO THE CORE STATEMENTS

### Financial Instruments Notes

Within the capital investments, £369m is reflected at Fair Value through Profit and Loss. £271m of this fair value has been assessed at level 3 and is calculated based on contractual cash flows discounted back to 31 March 2021. In 2020/21, the movement of £2.592m in fair value was posted to CIES Financing and Investment Income and Expenditure and then reversed in the MIRS and posted to CAA. With this financial asset fair value will not fall below the costs of this investment.

The Council has capital investment of £103m within the Local Authorities Property Fund with CCLA. This investment is valued at fair value which is based on the bid price. As at 31 March 2021 the fair value of the Local Authorities Property Fund with CCLA was £98.301m. The difference between the carrying value and the fair value, £0.706m has been posted to CIES Financing and Investment Income and Expenditure and then reversed in the MIRS and posted to CAA.

#### Financial Assets at at Fair Value through Profit & Loss

The Council has the following financial assets at fair value through profit and loss.

	Fair Value		Returns	
	31.03.21 £000	31.03.20 £000 <i>Restated</i>	2020/21 £000	2019/20 £000 <i>Restated</i>
Long Term Capital Debtors	369,227	372,525	19,155	17,637

#### (c) Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	2020/21 Total £'000	2019/20 Total £'000
Interest expense	20,829	20,872
Adjustments to and movement in fair value of Long Term Debtors	17,299	3,411
Impairment Allowance	513	(41)
<b>Interest payable and similar finance charges</b>	<b>38,641</b>	<b>24,242</b>
Interest income	(46,188)	(50,168)
Gains from changes in fair value	0	0
<b>Interest and investment income</b>	<b>(46,188)</b>	<b>(50,168)</b>
<b>Net impact on surplus/deficit on provision of services</b>	<b>(7,547)</b>	<b>(25,926)</b>
<b>Net Gain/(Loss) for the Year</b>	<b>(7,547)</b>	<b>(25,926)</b>

#### (d) Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price.

## NOTES TO THE CORE STATEMENTS

### Financial Instruments Notes

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31<sup>st</sup> March 2021, using the following methods and 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 “Lender’s Option Borrower’s Option” (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. Borrower’s 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.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31<sup>st</sup> March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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 for 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 Level	Balance Sheet 31.3.2021 £000	Fair Value 31.3.2021 £000	Balance Sheet 31.3.2020 £000	Fair Value 31.3.2020 £000
<i>Financial liabilities held at amortised cost:</i>					
Loan from PWLB	2	(535,889)	(599,948)	(260,889)	(324,027)
Long-term LOBO loans	2	(28,265)	(59,801)	(28,259)	(60,822)
Other long-term loans	2	(22,653)	(22,198)	(58,753)	(58,626)
<b>TOTAL</b>		<b>(586,807)</b>	<b>(681,947)</b>	<b>(347,901)</b>	<b>(443,475)</b>

The table above does not include the fair values for short term temporary and market loans.

## NOTES TO THE CORE STATEMENTS

### Financial Instruments Notes

	Fair Value Level	Balance Sheet 31.3.2021 £000	Fair Value 31.3.2021 £000	Balance Sheet 31.3.2020 £000 <i>Restated</i>	Fair Value 31.3.2020 £000
<i>Financial assets held at fair value:</i>					
Long term capital debtors	3	270,925	270,925	273,517	273,517
Long term capital debtors - property funds	1	98,302	98,302	99,008	99,008
<i>Financial assets held at amortised cost:</i>					
Corporate, covered and government bonds	1	60,000	60,000	49,209	49,209
Long-term capital debtors	3	555,922	555,922	544,400	544,400
<b>TOTAL</b>		<b>985,149</b>	<b>985,149</b>	<b>966,134</b>	<b>966,134</b>
<b>TOTAL FINANCIAL ASSETS</b>		<b>985,149</b>		<b>966,134</b>	
<i>Recorded on balance sheet as:</i>					
Long-term debtors		925,149		916,925	
Long-term investments		60,000		49,209	
<b>TOTAL FINANCIAL ASSETS</b>		<b>985,149</b>		<b>966,134</b>	

#### (e) Financial Instruments - Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- *Credit Risk:* The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- *Liquidity Risk:* The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk:* The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

#### **Credit Risk: Treasury Investments**

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

## NOTES TO THE CORE STATEMENTS

### Financial Instruments Notes

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

Credit Rating	31.3.2021		31.3.2020	
	Long-term £000	Short-term £000	Long-term £000	Short-term £000
Pooled property fund - unrated	103,000	1,000	103,000	1,000
Bonds - Unrated	833,922	20,000	822,402	30,000
Bond - rated A	50,000	44,203	39,203	35,015
Credit Rating A	0	0	0	0
Unrated local authorities	0	1,000	0	52,500
Unrated building societies	0	20,000	0	20,500
<b>Total Investments</b>	<b>986,922</b>	<b>86,203</b>	<b>964,605</b>	<b>139,015</b>

#### Credit Risk: Trade Receivables

The Council's trade receivables as at 31 March 2021 was £9.0m (31 March 2020 £6.4m).

Debts are written off to the Surplus or Deficit on the Provision of Services when they are deemed uneconomical to pursue or, for example, subject to insolvency. However where appropriate and, where there is no legal or ethical reason to cease collection (and in recognition that debtors circumstances can change over time or in the case of absconding debtors rearise) selected cases are passed to an external Debt Collection Agency (DCA) to monitor. Should the DCA identify cases where they believe the likelihood of recovery has improved then they will commence collection action.

	31.3.2021 Trade receivables	31.3.2020 Trade receivables
Current	4,935	1,384
Past due < 3 months	611	2,036
Past due 3-6 months	524	300
Past due 6-12 months	741	741
Past due 12+ months	3,221	1,903
Unapplied receipts	(1,027)	0
<b>TOTAL RECEIVABLES</b>	<b>9,004</b>	<b>6,364</b>

Lifetime expected credit losses					
	Stage 1	Stage 2	Stage 3	Simplified approach for receivables	Total loss allowance
	£000	£000	£000	£000	£000
Receivables	0	0	0	2,562	2,562
<b>Closing allowance 31.3.21</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,562</b>	<b>2,562</b>

## NOTES TO THE CORE STATEMENTS

### Financial Instruments Notes

#### Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates.

The maturity analysis of financial instruments is as follows:

Time to maturity (years)	31.3.2021			31.3.2020		
	Liabilities £000	Assets £000	Net £000	Liabilities £000	Assets £000	Net £000
Not over 1	(995,797)	189,202	(806,595)	(1,096,051)	253,535	(842,516)
Over 1 but not over 2	(191,525)	19,550	(171,975)	(166,317)	69,203	(97,114)
Over 2 but not over 5	(24,318)	103,019	78,701	(22,286)	48,455	26,169
Over 5 but not over 10	(37,144)	655,000	617,856	(37,144)	667,000	629,856
Over 10 but not over 20	(74,287)	0	(74,287)	(74,288)	0	(74,288)
Over 20 but not over 40	(277,677)	0	(277,677)	(257,718)	0	(257,718)
Over 40	(45,490)	74,227	28,737	(72,784)	74,506	1,722
<b>Total</b>	<b>(1,646,240)</b>	<b>1,040,998</b>	<b>(605,242)</b>	<b>(1,726,588)</b>	<b>1,112,700</b>	<b>(613,888)</b>

#### Market Risks: Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The risk at the Council is immaterial as all borrowings are fixed.

#### Market Risks: Price Risk

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk. However, price risk is low as the Council intends to hold all bonds until maturity.

The Council's investment in the CCLA property fund is subject to the risk of falling commercial property prices. A 5% fall in property prices could affect the capital value of the fund by up to £5.15m. This risk is limited by the terms of the Council's Treasury Management Strategy and that any investment requires approval by the Director of Finance & IT following appropriate due diligence.

**Note 30      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 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. 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:

## NOTES TO THE CORE STATEMENTS

### Pensions Notes

	Local Government Pension Scheme	Local Government Pension Scheme	Unfunded Benefits	Unfunded Benefits
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
<b>Comprehensive Income and Expenditure Statement</b>				
Cost of Services:				
Service cost comprising:				
• current service costs	21,769	22,953	0	0
• past service costs/gains	3,979	20	0	0
• administration costs	142	327	0	0
Financing and Investment Income and Expenditure:				
• Net interest cost	3,735	3,538	187	168
<b>Total Post-Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>29,625</b>	<b>26,838</b>	<b>187</b>	<b>168</b>
<b>Other Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>				
<b>Remeasurement of the net defined benefit liability comprising:</b>				
• return on plan assets (excluding the amount included in the net interest expense)	(34,421)	119,790	0	0
• actuarial (gains) and losses arising on changes in demographic assumptions	5,395	6,871	0	0
• actuarial (gains) and losses arising on changes in financial assumptions	58,656	(161,206)	289	(625)
• experience loss (gain) on defined benefit obligation	(12,641)	8,231	0	0
• other	5,319	0	0	0
<b>Total Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>51,933</b>	<b>524</b>	<b>476</b>	<b>(457)</b>
	Local Government Pension Scheme	Local Government Pension Scheme	Unfunded Benefits	Unfunded Benefits
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
<b>Movement in Reserves Statement</b>				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(29,625)	(26,838)	(187)	(168)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
• Employers' contributions payable to scheme	11,032	16,105		
• Retirement benefits payable to pensioners			624	609



## NOTES TO THE CORE STATEMENTS

### Pensions Notes

The cumulative amount of actuarial gains and losses, since 1 April 2005 recognised in the Comprehensive Income and Expenditure statement to 31 March 2021 is a £53.365m 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	Local Government Pension Scheme	Unfunded Benefits	Unfunded Benefits
	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000
<b>Present value of defined benefit obligation</b>	585,520	763,643	7,436	7,413
Fair Value of plan assets	(434,062)	(575,115)	0	0
<b>Sub-total</b>	151,458	188,528	7,436	7,413
<b>Net liability arising from defined benefit obligation</b>	151,458	188,528	7,436	7,413

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

	Local Government Pension Scheme	Local Government Pension Scheme
	2019/20	2020/21
	£'000	£'000
<b>Opening fair value of scheme assets</b>	<b>459,512</b>	<b>434,062</b>
Opening adjustment		
Interest income	10,921	10,441
Remeasurement gain/(loss)	5,319	0
Return on plan assets less interest	(34,421)	119,790
Administrative Expenses	(142)	(327)
Contributions from employer	11,032	16,105
Contributions from employees into the scheme	4,415	4,831
Benefits paid	(19,563)	(15,483)
Settlements Received/(Paid)	(3,011)	5,696
<b>Closing fair value of scheme assets</b>	<b>434,062</b>	<b>575,115</b>

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.

## NOTES TO THE CORE STATEMENTS

### Pensions Notes

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

	Local Government Pension Scheme (all benefits)	Local Government Pension Scheme (all benefits)	Unfunded Liabilities: Discretionary Benefits	Unfunded Liabilities: Discretionary Benefits
	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000
Opening balance at 1 April	622,121	592,956	(8,106)	(7,436)
Current service cost	23,591	23,882	0	0
Interest cost	14,656	13,979	(187)	(168)
Contributions by scheme participants	4,415	4,831	0	0
Liabilities assumed/(extinguished) on settlements	(4,833)	4,767	0	0
Actuarial (gains) and losses arising from changes in demographic assumptions	(5,395)	(6,871)	(22)	97
Experience loss/(gain) on defined benefit obligation	12,641	(8,231)	(34)	110
Actuarial (gains) and losses arising from in financial assumptions	(58,656)	161,206	289	(625)
Estimated Benefits Paid Net of Transfers In	(18,939)	(14,874)	0	0
Curtailments & Settlements	3,979	20	0	0
Unfunded Pension Payments	(624)	(609)	624	609
Closing balance at 31 March	592,956	771,056	(7,436)	(7,413)

#### Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets 2019/20	Fair Value of Scheme Assets 2020/21
	%	%
<b>Cash and Cash Equivalents</b>	<b>4</b>	<b>3</b>
<b>Equity</b>	<b>59</b>	<b>63</b>
<b>Bonds</b>		
- Corporate	6	5
- Government	4	3
<b>Sub-total Bonds</b>	<b>10</b>	<b>8</b>
<b>Property</b>	<b>9</b>	<b>7</b>
Alternative Assets	12	11
Other Managed Funds	6	8
Total assets	100	100

#### 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 2019 which has been rolled forward using financial assumptions.

## NOTES TO THE CORE STATEMENTS

### Pensions Notes

The principal assumptions used by the actuary are as follows:

	Local Government Pension Scheme	Local Government Pension Scheme
	31 March 2020	31 March 2021
Mortality assumptions:		
Longevity at 65 for current pensioners:		
* Men	21.8	21.6
* Women	23.7	23.6
Longevity at 65 for future pensioners:		
* Men	23.2	22.9
* Women	25.2	25.1
Rate of inflation	1.90%	2.80%
Rate of increase in salaries	2.90%	3.80%
Rate of increase in pensions	1.90%	2.80%
Rate for discounting scheme liabilities	2.35%	2.00%
Take-up of option to convert annual pension into retirement lump sum	n/a	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	Decrease in Assumption
	£'000	£'000
Longevity (increase or decrease in 1 year)	808,139	735,753
Rate of increase in salaries (increase or decrease by 0.1%)	772,278	769,844
Rate of increase in pensions (increase or decrease by 0.1%)	785,030	757,351
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	756,038	786,388

### 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 2022.

The expected employer contribution to the plan for the year to 31 March 2022 is £14.049m.

## NOTES TO THE CORE STATEMENTS

### Cash Flow Notes

#### Note 31 CASH AND CASH EQUIVALENTS

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

31 March 2020 £'000		31 March 2021 £'000
50	Cash held by the Council and in transit	46
43,434	Bank current accounts	10,375
19,999	Short-term deposits in UK banks & investments in money market funds	19,999
<b>63,483</b>	<b>Total Cash and Cash Equivalents</b>	<b>30,420</b>

#### Note 32 OPERATING ACTIVITIES CASH FLOW STATEMENT

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

2019/20 £'000		2020/21 £'000
49,036	Interest Received	46,843
(13,508)	Interest paid	(15,678)
<b>35,528</b>	<b>Total Operating Activities</b>	<b>31,165</b>

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.

## NOTES TO THE CORE STATEMENTS

### Cash Flow Notes

#### Note 33 INVESTING ACTIVITIES CASH FLOW STATEMENT

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

2019/20 £'000		2020/21 £'000
(82,397)	Purchase of property, plant and equipment, investment property and intangible assets	(79,606)
(861,802)	Purchase of short-term and long-term investments	(31,168)
(101,090)	Other payments for investing activities	(27,867)
7,960	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	6,874
773,500	Proceeds from short-term and long-term investments	73,000
39,606	Other receipts from investing activities (including capital grants)	51,111
<b>(224,223)</b>	<b>Net cash flows from investing activities</b>	<b>(7,656)</b>

#### Note 34 FINANCING ACTIVITIES CASH FLOW STATEMENT

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

2019/20 £'000		2020/21 £'000
2,345,600	Cash receipts of short and long-term borrowing	2,859,500
(2,092,800)	Repayments of short- and long-term borrowing	(2,922,300)
(1,451)	Other payments for financing activities	(25,192)
<b>251,349</b>	<b>Net cash flows from financing activities</b>	<b>(87,992)</b>

	2020/21 1 April £000s	Financing Cashflows £000s	Reclassification/ Movements £000s	2020/21 31 March £000s
Long Term borrowings	347,902	26,405	0	374,307
Short Term borrowings	1,073,010	(89,205)	(547)	983,258
Other payments for financing activities	8,233	(25,192)	0	(16,959)
<b>Total Liabilities from Financing activities</b>	<b>1,429,145</b>	<b>(87,992)</b>	<b>(547)</b>	<b>1,340,606</b>

## NOTES TO THE CORE STATEMENTS

### Cash Flow Notes

#### Note 35 NON CASH MOVEMENT CASH FLOW STATEMENT

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

2019/20 £'000		2020/21 £'000
<b>(10,086)</b>	<b>Net Surplus or (Deficit) on the Provision of Services</b>	<b>(543)</b>
	Adjust net surplus or deficit on the provision of services for non cash movements:	
19,033	Depreciation	20,544
10,557	Impairment and downward valuation	14,435
681	Amortisation	1,659
354	Increase/Decrease in Creditors	37,823
4,588	Increase/Decrease in Debtors	(1,396)
(30)	Increase/Decrease in Inventories	69
18,593	Movement in Pension Liability	10,733
8,869	Other non-cash items charged to the net surplus or deficit on the provision of services	16,720
21,111	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	21,606
<b>83,756</b>		<b>122,193</b>
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>	
(44,661)	Any other items for which the cash effects are investing or financing cash flows	(52,191)
0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0
(7,960)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,874)
<b>(52,621)</b>		<b>(59,065)</b>
<b>21,049</b>	<b>Net Cash Flows for Operating Activities</b>	<b>62,585</b>

## NOTES TO THE CORE STATEMENTS

### NOTE 36 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 “host “ organisation and responsible for accounting and audit of the pooled budget. 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 £50.20m which included the Council contribution of £27.76m, the Improved Better Care funding (iBCF) of £5.41m. At the end of 2020/21 the pool had an underspend of £0.66m which is held in an earmarked reserve by the Council.

### NOTE 37 PRIOR PERIOD ADJUSTMENT

The Council has undertaken a review of its investments to ensure investments have been correctly classified as revenue and capital and also between Investments and Long Term debtors. As part of this review the Council has identified that the CCLA property fund of £103m is a capital investment meeting the definition of Long Term Debtor. This investment is intended to fund the third party's capital expenditure so therefore is treated as capital expenditure for financing purposes. In order to amend for this reclassification the below prior year adjustments have been made to the 2019/20 opening and closing balances and notes to the accounts.

#### Balance sheet

	01-Apr-19 Original £'000	Adjustment £'000	Restated £'000
Long Term Debtors	746,715	102,420	849,135
Long Term Investments	130,466	(102,420)	28,046

	31-Mar-20 Original £'000	Adjustment £'000	Restated £'000
Long Term Debtors	817,918	99,008	916,926
Long Term Investments	153,841	(99,008)	54,833

#### Note 5(ii)

	31-Mar-20 Original £'000	Adjustment £'000	Restated £'000
<b>General Fund</b>			
Movement in the fair value of long term debtors	0	(3,412)	(3,412)
<b>Movement in Unusable Reserves (total)</b>			
Movement in the fair value of long term debtors	0	3,412	3,412
<b>General Fund</b>			
Movement in the fair value of pooled investments	(3,412)	3,412	0
<b>Movement in Unusable Reserves (total)</b>			
Movement in the fair value of pooled investments	3,412	(3,412)	0

## NOTES TO THE CORE STATEMENTS

### Note 20

	31-Mar-20 Original £'000	Adjustment £'000	Restated £'000
Pooled Investment Fund Adjustment Account	3,735	(3,735)	0
CAA	(525,456)	3,735	(521,721)

### Note 20b

	31-Mar-20 Original £'000	Adjustment £'000	Restated £'000
Balance at 1 April 2019	(506,127)	322	(505,805)
Fair value (increase)/decrease of long term capital debtors	0	3,412	3,412

### Note 27

	31-Mar-20 Original £'000	Adjustment £'000	Restated £'000
Opening Capital Financing Requirement	1,106,573	103,000	1,209,573
Long Term Debtors	847,921	99,008	946,929
Capital Adjustment Account	(525,456)	3,992	(521,464)

### Note 29b

	31-Mar-20 Original £'000	Adjustment £'000	Restated £'000
Investment - At fair value through profit & loss	99,008	(99,008)	0
Long Term Capital Debtors - At fair value through profit & loss	273,517	99,008	372,525

	31-Mar-20 Original £'000	Adjustment £'000	Restated £'000
Long Term Capital Debtors - Fair Value	273,517	99,008	372,525
Pooled Investments - Fair Value	99,008	(99,008)	(0)
Long Term Capital Debtors - Returns	12,891	4,746	17,637
Pooled Investments - Returns	4,746	(4,746)	0

### Note 29d

	31-Mar-20 Original £'000	Adjustment £'000	Restated £'000
Financial assets held at fair value: Bond, equity and property funds	99,008	(99,008)	0
Financial assets held at fair value: Long term capital debtors - property funds	0	99,008	99,008
Long-term debtors	817,917	99,008	916,925
Long-term investments	148,217	(99,008)	49,209



## HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2019/20		2020/21
£'000	Notes	£'000
<b>EXPENDITURE</b>		
13,684	Repairs and Maintenance	13,106
24,429	Supervision and Management	24,058
30	Rents, rates, Taxes and Other Charges	26
8,956	Depreciation and Impairment of Non Current Assets	24,203
211	Debt Management Costs	211
203	Movement in the Allowance for Bad Debts	177
<b>47,513</b>	<b>Total Expenditure</b>	<b>61,781</b>
<b>INCOME</b>		
(42,788)	Gross Rent from Dwellings	(43,828)
<b>(42,788)</b>	<b>Net Rent from Dwellings (sub total)</b>	<b>(43,828)</b>
	Non Dwelling Rents:	
(3)	Shop Rents	0
(784)	Garage Rents	(864)
(84)	Premises Income	(44)
<b>(871)</b>	<b>Non Dwelling Rents (sub-total)</b>	<b>(908)</b>
	Charges for Services and Facilities:	
(5,645)	Water Charges	(5,250)
(44)	Central Heating Charges	(45)
<b>(5,689)</b>	<b>Charges for Services and Facilities (sub total)</b>	<b>(5,295)</b>
	Contributions Towards Expenditure:	
(831)	Leaseholder Charges	(808)
(3,984)	Tenants Service Charges	(4,042)
<b>(4,815)</b>	<b>Contributions Towards Expenditure (sub total)</b>	<b>(4,850)</b>
(632)	Micellaneous Income	(567)
<b>(54,795)</b>	<b>Total Income</b>	<b>(55,448)</b>
<b>(7,282)</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b>6,333</b>
<b>(7,282)</b>	<b>Net Expenditure for HRA Services</b>	<b>6,333</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>	
9,630	(Gain) or loss on sale of HRA non-current assets	10,637
5,714	Interest payable and similar charges (Deferred Purchase Interest)	5,698
(240)	Interest and Investment Income	0
350	Pensions interest cost and expected return on Pension Assets	346
<b>8,172</b>	<b>(Surplus)/ Deficit for the Year on HRA Services</b>	<b>23,014</b>

## MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

### MOVEMENT ON THE HRA STATEMENT

2019/20		2020/21
£'000		£'000
(2,175)	<b>Balance on HRA at 1 April</b>	<b>(3,834)</b>
8,169	(Surplus)/Deficit for the Year on HRA Services	23,014
(2,648)	Adjustments Between Accounting Basis and Funding Basis under Statute:	(25,603)
<b>3,346</b>	<b>Total</b>	<b>(6,423)</b>
<b>(7,180)</b>	<b>Transfer to/(from) Reserves:</b>	<b>2,589</b>
<b>(3,834)</b>	<b>Balance on HRA at 31 March</b>	<b>(3,834)</b>

### ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2019/20		2020/21
£'000		£'000
	<b>Reversal of Items debited or credited to the HRA Income and Expenditure Account</b>	
(9,222)	Depreciation of non-current assets	(9,053)
(2)	Revaluation and Impairment losses on Property, Plant and Equipment	(17,610)
271	Revaluation gains reversing previous losses	2,463
(2)	Movement in value of Held for Sale Assets	(3)
(17,375)	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	(16,863)
7,819	Amounts of Property, Plant and Equipment written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES	6,283
(74)	Contribution from the capital receipts reserve towards administration costs of non-current assets disposal	(57)
<b>(18,585)</b>		<b>(34,840)</b>
	<b>Insertion of items not debited or credited to the HRA Income and Expenditure Account</b>	
7,180	Use of HRA Earmarked Reserves	0
10,540	Reversal of Major Repairs Allowance credited to the HRA	10,540
(2,763)	Reversal of items relating to requirement benefits debited or credited to the CIES	(2,623)
1,034	Employer's pension contributions and direct payment to pensioners payable in year	1,333
(55)	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	(13)
<b>15,936</b>		<b>9,237</b>
<b>(2,649)</b>	<b>Total</b>	<b>(25,603)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### Note 1 DEPRECIATION

Depreciation of £9.05m 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 £15.15m.

2019/20 £'000	Analysis of Depreciation and Impairment Charges	2020/21 £'000
	Depreciation:	
9,023	Dwellings	8,863
135	Other Land and Buildings	142
34	Plant and Equipment	34
24	Non-Operational Property, Plant and Equipment	14
(261)	Impairment of Property, Plant and Equipment	15,151
8,955	<b>Total for Year</b>	24,203

### Note 2 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 3 HOUSING STOCK

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

31 March 2020	Number and Types of Properties	31 March 2021
5,154	Number of Houses and Bungalows	5,161
3,431	Number of Flats and Maisonettes	3,465
1,214	Number of Aged Person Dwellings	1,214
<b>9,799</b>	<b>Total</b>	<b>9,840</b>

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

2019/20	Change in Stock of Properties	2020/21
9,855	Stock at 1 April	9,799
(57)	Less Sales	(44)
1	Additions	85
<b>9,799</b>	<b>Total</b>	<b>9,840</b>

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

31 March 2020 £'000	Balance Sheet Value of HRA Properties	31 March 2021 £'000
	Operational Non-Current Assets:	
732,295	Dwellings and other land and buildings	753,438
37,146	Non-Operational Non-Current Assets	20,682
<b>769,441</b>	<b>Total</b>	<b>774,120</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

The vacant possession value of dwellings within the HRA as at 1st April 2020 was £1.95bn. 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 4 MAJOR REPAIRS RESERVE

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

2019/20 £'000	Major Repair Reserve	2020/21 £'000
(10,540)	Transfer to HRA	(10,540)
10,540	Financing of Capital Expenditure	10,540
0	<b>Total</b>	0

### Note 5 CAPITAL EXPENDITURE

Capital expenditure on land, houses and other properties within the HRA in 2020/21 was financed as follows:

2019/20 £'000	Financing of Capital Expenditure	2020/21 £'000
10,540	Major Repairs Reserve	10,540
1,104	Grants / Section 106	0
5,800	Capital Receipts	4,422
4,032	Prudential Borrowing	3,971
7,180	Reserves	0
28,656	<b>Total</b>	18,933

### Note 6 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:

2019/20 £'000	Capital Receipts	2020/21 £'000
(7,819)	Sales of Dwellings	(6,283)

## THE COLLECTION FUND STATEMENT COUNCIL TAX

Notes		2019/20	2020/21	
		£'000	£'000	£'000
	<b>INCOME</b>			
2	Council Tax	(80,804)	(82,286)	
	Transfer from General Fund	0	(1,195)	
	<b>Total Income</b>	<b>(80,804)</b>		<b>(83,481)</b>
	<b>EXPENDITURE</b>			
	Precepts and Demands:			
	Essex Police Authority	9,898	10,308	
	Essex Fire Authority	3,717	3,835	
	Thurrock Borough Council	66,062	69,169	
	<b>Precepts and Demands (sub-total)</b>	<b>79,677</b>		<b>83,312</b>
	Provision for Bad Debts:			
	Change in Provision	385	984	
	Write offs	411	94	
	<b>Provision for Bad Debts (sub-total)</b>	<b>797</b>		<b>1,078</b>
	<b>CONTRIBUTIONS</b>			
	Essex Police Authority	24	100	
	Essex Fire Authority	9	38	
	Thurrock Borough Council	158	670	
	<b>Contributions (sub-total)</b>	<b>190</b>		<b>808</b>
	<b>Total Expenditure</b>	<b>80,664</b>		<b>85,198</b>
	<b>(Surplus)/ Deficit for Year</b>	<b>(140)</b>		<b>1,717</b>
	<b>Fund Balance Brought Forward</b>	<b>(253)</b>		<b>(393)</b>
	<b>Fund Balance Carried Forward</b>	<b>(393)</b>		<b>1,324</b>
<b>Share of Collection Fund (Council Tax) Balance:</b>				
	Thurrock Council	(326)		1,098
	Essex Police Authority	(49)		164
	Essex Fire Authority	(18)		62
	<b>Total</b>	<b>(393)</b>		<b>1,324</b>

## THE COLLECTION FUND STATEMENT NATIONAL NON-DOMESTIC RATES

		2019/20	2020/21	
Notes		£'000	£'000	£'000
<b>INCOME</b>				
3a	Income Collectable from Non-Domestic Ratepayers	(123,729)	(79,427)	
	Transitional Protection Payments	1,327	1,421	
	Cost of Collection	230	229	
	<b>Total Income</b>	<b>(122,172)</b>		<b>(77,777)</b>
<b>EXPENDITURE</b>				
	Share of Business Rates:			
	Essex Fire Authority	1,178	1,201	
	Thurrock Borough Council	57,740	58,829	
3b	<b>Share of Non-Domestic Rates (sub-total)</b>	<b>58,918</b>		<b>60,030</b>
	<b>Payment of the Central Share of the Non-Domestic Rating Income to Central Government</b>	<b>58,918</b>		<b>60,030</b>
	Provision for Bad Debts:			
	Change in Provision	943	1,204	
	Write Offs	1,197	(365)	
	<b>Provision for Bad Debts (sub-total)</b>	<b>2,140</b>		<b>839</b>
	Provision for Appeals:			
	Change in Provision	3,294	5,285	<b>5,285</b>
	Interest	0	0	<b>0</b>
<b>CONTRIBUTIONS</b>				
	Essex Fire Authority	2	15	
	Thurrock Borough Council	106	719	
	Central Government	109	733	
	<b>Contributions (sub-total)</b>	<b>217</b>		<b>1,467</b>
	<b>Total Expenditure</b>	<b>123,487</b>		<b>127,651</b>
	<b>(Surplus)/ Deficit for Year</b>	<b>1,315</b>		<b>49,874</b>
	<b>Fund Balance Brought Forward</b>	<b>(4,036)</b>		<b>(2,721)</b>
	<b>Fund Balance Carried Forward</b>	<b>(2,721)</b>		<b>47,153</b>
<b>Share of Collection Fund (NDR) Balance:</b>				
	Thurrock Council	(1,333)		<b>23,105</b>
	Essex Fire Authority	(27)		<b>472</b>
	Central Government	(1,360)		<b>23,576</b>
	<b>Total</b>	<b>(2,721)</b>		<b>47,153</b>

## 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 2020/21 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*	5	5:9	5
A	2,992	6:9	3,022
B	7,983	7:9	8,064
C	20,179	8:9	20,383
D	11,043	9:9	11,155
E	5,301	11:9	5,354
F	3,026	13:9	3,056
G	1,301	15:9	1,314
H	67	18:9	68
	<b>51,897</b>		<b>52,421</b>
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.			0
<b>Council Tax Base</b>			<b>52,421</b>

## Notes to the Collection Fund

### Note 3 INCOME FROM BUSINESS RATE PAYERS

- a) 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 2020/21 49.9p was the small business multiplier and 51.2p the large business multiplier (49.1p small business multiplier and 50.4p large business multiplier in 2019/20). 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%) and the remainder of £58.8m was paid into the Council's General Fund. This amount has been credited to the Comprehensive Income and Expenditure statement. Overall amount collected from NNDR Rate payers was £78m.

The total Non-Domestic rateable value at the 31 March 2021 was £283,253,517 (£282,088,120 as at 31 March 2020).

- b) The Council precept of £58.829m is transferred to the Comprehensive Income and Expenditure Statement as part of Taxation and Non-Specific Grant Income. As the Council is deemed to have received more funding from this source then it needs a tariff of £22.554m which is chargeable to the Comprehensive Income and Expenditure Statement. Hence the net funding from business rates is £36.275m in 2020/21.
- c) The Non-Domestic Rate Collection Fund deficit of £47.153m is largely due to 100% business rates relief being offered to businesses in the hospitality, leisure and retail sectors. This has been reimbursed by central government and totals circa £52.9m. This funding will be applied to clear the associated element of the deficit in 2021/22.



# **Group Accounts**

## **2020/21**

## 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 has been consolidated with the group companies - Thurrock Regeneration Ltd and Thurrock Homes Ltd. 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.

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Group Expenditure Funding Analysis	119
Group Comprehensive Income and Expenditure Statement	120
Group Movement in Reserves Statement	121
Group Balance Sheet	123
Group Cash Flow Statement	124
Notes to the Group Accounts	125

## GROUP EXPENDITURE FUNDING ANALYSIS

2019/20			2020/21			
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	
42,874	3,751	46,626	Adults; Housing and Health	44,726	2,384	47,110
41,021	14,278	55,299	Children's Services	40,955	9,261	50,216
769	125	894	Commercial Services	602	0	602
(2,952)	(130)	(3,082)	Corporate Costs	(4,983)	277	(4,706)
			Strategy, Communications and Customer			
2,985	619	3,604	Services	2,554	403	2,957
22,724	9,073	31,796	Environment & Highways	24,177	10,264	34,442
18,144	10,941	29,085	Finance, Governance & Property	13,048	(1,061)	11,987
3,927	887	4,814	HR; OD and Transformation	3,797	298	4,095
3,665	6,218	9,883	Place Directorate	2,942	6,308	9,251
347	0	347	Schools	0	0	0
133,504	45,761	179,266	General Fund	127,819	28,134	155,953
5,521	2,649	8,170	Housing Revenue Account	(2,589)	25,603	23,014
139,025	48,410	187,435	Cost of Services	125,230	53,737	178,967
(140,967)	(35,320)	(176,287)	Other Income and Expenditure	(164,406)	(12,880)	(177,285)
(1,942)	13,091	11,148	Surplus or Deficit	(39,175)	40,857	1,682
(30,083)			Opening General Fund and HRA Balance at 01 April	(33,220)		
(1,195)			Adjustment to 01 April balance	(1,978)		
(31,278)			Revised General Fund and HRA Balance at 01 April	(35,198)		
(1,942)			Add Surplus on General Fund and HRA Balance in Year	(39,175)		
0			In year DSG deficit/surplus	95		
(33,220)			Closing General Fund and HRA Balance at 31 March	(74,279)		

# GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## Core Statement

2019/20			2020/21			
Gross Expenditure	Gross Income	Net Expenditure	Notes	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
96,451	(49,825)	46,625	Adults; Housing and Health	101,019	(53,908)	47,111
105,073	(49,774)	55,299	Children's Services	108,640	(58,424)	50,216
890	4	894	Commercial Services	602	0	602
39,899	(42,982)	(3,082)	Corporate Costs	43,795	(48,501)	(4,706)
4,033	(429)	3,604	Strategy, Communications and Customer Services	3,316	(359)	2,957
35,439	(3,643)	31,796	Environment & Highways	38,517	(4,075)	34,442
30,252	(1,167)	29,085	Finance, Governance & Property	15,793	(3,806)	11,987
47,512	(54,796)	(7,284)	Housing Revenue Account	61,781	(55,448)	6,333
5,155	(341)	4,814	HR; OD and Transformation	4,299	(205)	4,095
20,478	(10,595)	9,883	Place Directorate	21,648	(12,397)	9,251
9,527	(9,180)	347	Schools	0	0	0
394,709	(222,728)	171,981	Cost of Services	399,410	(237,123)	162,287
22,853	(7,960)	14,893	Other operating expenditure	26,927	(6,874)	20,053
27,778	(48,654)	(20,876)	Financing and investment income and expenditure	2	42,294	(2,676)
1,389	(156,241)	(154,851)	Taxation and non-specific grant income and expenditure	4,101	(182,082)	(177,981)
446,730	(435,583)	11,148	(Surplus) or deficit on Provision of Services	472,732	(471,049)	1,683
0	(15,301)	(15,301)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	0	(37,408)	(37,408)
0	(22,308)	(22,308)	Actuarial gains/ losses on pension assets/ liabilities	26,314	0	26,314
0	(37,609)	(37,609)	Other Comprehensive Income and Expenditure	26,314	(37,408)	(11,094)
446,730	(473,192)	(26,461)	Total Comprehensive Income and Expenditure	499,046	(508,457)	(9,411)

## GROUP MOVEMENT IN RESERVES STATEMENT

### Core Statement

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Group's share of Reserves of Subsidiaries - Usable	Group's share of Reserves of Subsidiaries - Unusable	Group Reserves
Balance at 31 March 2019 carried forward	(23,842)	(11,374)	(28,057)	(30,966)	(94,239)	(570,420)	(664,659)	5,093	0	(659,566)
Adjustment to Subsidiary reserve opening balance								(1,155)		(1,155)
Revised Balance as at 1 April 2019 carried forward	(23,842)	(11,374)	(28,057)	(30,966)	(94,239)	(570,420)	(664,659)	3,938	0	(660,721)
Movement in reserves during 2019/20										
Total Comprehensive Income and Expenditure	1,917	8,169	0	0	10,086	(34,464)	(24,378)	1,062	(3,145)	(26,461)
Adjustments from income & expenditure charged under the accounting basis to the funding basis	(10,441)	(2,649)	(929)	7,147	(6,872)	6,872	0	0	0	0
Increase or (Decrease) in 2019/20	(8,524)	5,520	(929)	7,147	3,214	(27,592)	(24,378)	1,062	(3,145)	(26,461)
Balance at 31 March 2020 carried forward	(32,366)	(5,854)	(28,986)	(23,819)	(91,025)	(598,012)	(689,037)	5,000	(3,145)	(687,182)

## GROUP MOVEMENT IN RESERVES STATEMENT

### Core Statement

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Group's share of Reserves of Subsidiaries - Usable	Group's share of Reserves of Subsidiaries - Unusable	Group Reserves
Balance at 1 April 2020	(32,366)	(5,854)	(28,986)	(23,819)	(91,025)	(598,012)	(689,037)	5,000	(3,145)	(687,182)
Reporting of schools budget deficit to new adjustment account at 1 April 2020	(1,978)	0	0	0	(1,978)	1,978	0	0	0	0
Restated Balance at 1 April 2020	(34,344)	(5,854)	(28,986)	(23,819)	(93,003)	(596,034)	(689,037)	5,000	(3,145)	(687,182)
<b>Movement in reserves during 2020/21</b>										
Total Comprehensive Income and Expenditure	(22,471)	23,014	0	0	543	(10,020)	(9,477)	1,139	(1,074)	(9,412)
Adjustments from income & expenditure charged under the accounting basis to the funding basis	(15,172)	(25,603)	3,719	2,599	(34,457)	34,457	0	0	0	0
<b>Increase or (Decrease) in 2020/21</b>	<b>(37,643)</b>	<b>(2,589)</b>	<b>3,719</b>	<b>2,599</b>	<b>(33,914)</b>	<b>24,437</b>	<b>(9,477)</b>	<b>1,139</b>	<b>(1,074)</b>	<b>(9,412)</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>(71,987)</b>	<b>(8,443)</b>	<b>(25,267)</b>	<b>(21,220)</b>	<b>(126,917)</b>	<b>(571,597)</b>	<b>(698,514)</b>	<b>6,139</b>	<b>(4,219)</b>	<b>(696,594)</b>

## GROUP BALANCE SHEET

### Core Statement

1st April 2019	31 March 2020		Notes	31 March 2021
Restated £000	Restated £000			£000
1,112,016	1,157,844	Property, Plant & Equipment	8	1,202,483
1,115	6,162	Intangible Assets		9,686
22,616	22,851	Heritage Assets		32,370
22,417	49,203	Long Term Investments		60,000
817,745	886,735	Long Term Debtors		894,296
<b>1,975,909</b>	<b>2,122,796</b>	<b>Long Term Assets</b>		<b>2,198,835</b>
27,508	88,995	Short Term Investments		46,162
1,605	1,605	Assets Held for Sale		2,294
282	311	Inventories		242
47,520	76,436	Short Term Debtors	4	76,257
16,312	64,261	Cash and Cash Equivalents		31,013
<b>93,227</b>	<b>231,609</b>	<b>Current Assets</b>		<b>155,968</b>
(971,266)	(1,073,010)	Short Term Borrowing		(983,258)
(50,586)	(51,351)	Short Term Creditors	5	(80,915)
(4,631)	(6,466)	Short Term Provisions		(2,760)
<b>(1,026,483)</b>	<b>(1,130,827)</b>	<b>Current Liabilities</b>		<b>(1,066,933)</b>
(660)	(4,284)	Long Term Provisions		(7,404)
(195,196)	(347,902)	Long Term Borrowing		(374,307)
(162,609)	(158,894)	Pension Liability		(195,941)
62	(185)	Long Term Creditors		(262)
(24,683)	(25,131)	Capital Grants Receipts in Advance		(13,363)
<b>(383,086)</b>	<b>(536,396)</b>	<b>Long Term Liabilities</b>		<b>(591,277)</b>
<b>659,567</b>	<b>687,182</b>	<b>Net Assets</b>		<b>696,593</b>
89,147	(86,025)	Usable reserves	6	(120,777)
570,420	(601,157)	Unusable Reserves	7	(575,816)
<b>659,567</b>	<b>(687,182)</b>	<b>Total Reserves</b>		<b>(696,593)</b>

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Corporate Director of Resources and Place Delivery  
Date: 30 July 2021

## GROUP CASH FLOW

### Core Statement

2019/20	Notes	2020/21 £'000
(11,148)	Net surplus or (deficit) on the provision of services	(1,682)
85,667	Adjustment to surplus or deficit on the provision of services for non cash movements	124,167
(52,621)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(59,065)
<b>21,898</b>	<b>Net Cash flows from operating activities</b>	<b>63,420</b>
(224,588)	Investing Activities	(8,676)
250,639	Financing Activities	(87,992)
<b>47,949</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>(33,248)</b>
16,312	Cash and cash equivalents at the beginning of the reporting period	64,261
<b>64,261</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>31,013</b>



## **GROUP STATEMENTS**

### **Notes to the Accounts**

#### **Notes to the Group Accounts**

Notes to the Group accounts have been completed where consolidation of the group companies has a specific impact. Where this is not the case then please refer to the equivalent note in the Council accounts.

#### **Note 1 GROUP BOUNDARY**

The Council owns 100% of the share capital of Thurrock Regeneration Ltd. Thurrock Regeneration Ltd is the owner of 100% of the share capital of the subsidiary company – Thurrock Regeneration Homes Ltd. Both Thurrock Regeneration Ltd and Thurrock Regeneration Homes Ltd have been consolidated into the group financial statements.

#### **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.

## GROUP STATEMENTS

### Notes to the Accounts

#### Note 3 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2019/20		2020/21
Restated		
£000		£000
20,632	Interest payable and similar charges	20,944
3,735	Net interest on the net defined benefit liability	3,538
(48,654)	Interest receivable and similar income	(44,970)
3,412	Adjustments to and movement in fair value of Long Term Debtors	17,299
0	Movement in Impairment Allowance	513
<b>(20,875)</b>	<b>Total</b>	<b>(2,676)</b>

#### Note 4 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		31 March
2020		2021
£000		£000
27,383	Trade receivables	19,550
3,759	Prepayments	637
45,294	Other receivable amounts	56,070
<b>76,436</b>	<b>Total</b>	<b>76,257</b>

## GROUP STATEMENTS

### Notes to the Accounts

#### Note 5 SHORT-TERM CREDITORS

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

31 March 2020 £000		31 March 2021 £000
(22,048)	Trade payables	(41,868)
(29,305)	Other payables	(39,047)
<b>(51,353)</b>	<b>Total</b>	<b>(80,915)</b>

#### Note 6 USABLE RESERVES

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

31 March 2020 £000		Notes	31 March 2021 £000
(11,000)	General Fund Balance		(11,000)
(3,834)	Housing Revenue Account Balance		(3,834)
(23,386)	Earmarked Reserves		(65,595)
(28,986)	Capital Receipts Reserve		(25,267)
(23,818)	Capital Grants Unapplied		(21,220)
5,000	Group's share of Reserves of Subsidiaries - Usable		6,139
<b>(86,024)</b>	<b>Total Usable Reserves</b>		<b>(120,777)</b>

## GROUP STATEMENTS

### Notes to the Accounts

#### Note 7      UNUSABLE RESERVES

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

31 March 2020 <i>Restated</i> £000	Notes	31 March 2021 £000
(251,091)	Revaluation Reserve	(285,187)
(521,721)	Capital Adjustment Account	(526,711)
13,619	Financial Instruments Adjustment Account	13,197
158,894	Pensions Reserve	195,941
(727)	Collection Fund Adjustment Account - Council Ta	699
(1,365)	Collection Fund Adjustment Account - NNDR	23,104
1,234	Accumulated Absences Account	1,258
0	Dedicated Schools Grant Adjustment Account	1,883
<b>(601,157)</b>	<b>Total Unusable Reserves</b>	<b>(575,816)</b>

## GROUP STATEMENTS

### Notes to the Accounts

#### Note 8 PROPERTY, PLANT AND EQUIPMENT

Movement in 2019/20	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
<b>Cost or Valuation</b>								
At 1 April 2019	730,211	164,451	34,926	19,438	156,685	13,824	59,277	<b>1,178,812</b>
Adjustment	0	0	(3,856)	0	0	0	0	<b>(3,856)</b>
Additions / Donations	13,055	5,065	4,173	95	41,723	19,654	64	<b>83,829</b>
Additions - Other	0	0	0	0	0	0	0	<b>0</b>
Derecognition - Disposals	0	(54)	(367)	0	0	0	0	<b>(421)</b>
Derecognition - Other	(12,768)	(4,731)	0	0	0	0	0	<b>(17,499)</b>
Revaluations Recognised in Revaluation Reserve	(5,840)	9,317	0	0	0	0	1,045	<b>4,522</b>
Revaluations Recognised in Surplus/Deficit on Provision of Services	(205)	(15,440)	0	0	0	0	1,735	<b>(13,910)</b>
								<b>0</b>
Assets reclassified (to)/from Held for Sale	(4,681)	0	0	0	0	0	0	<b>(4,681)</b>
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	<b>0</b>
Assets reclassified (to)/from Stock	0	0	0	0	0	0	0	<b>0</b>
Other movements in Cost or Valuation	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2020</b>	<b>719,772</b>	<b>158,608</b>	<b>34,876</b>	<b>19,533</b>	<b>198,408</b>	<b>33,478</b>	<b>62,121</b>	<b>1,226,796</b>

## GROUP STATEMENTS

### Notes to the Accounts

Movement in 2019-20	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
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2019	0	(9,481)	(16,137)	(8,209)	(32,541)	0	(178)	<b>(66,546)</b>
Adjustment	0	0	1,559	0	0	0	0	<b>1,559</b>
Depreciation charge	(9,023)	(2,192)	(3,332)	(734)	(4,169)	0	(69)	<b>(19,519)</b>
Depreciation written back to the Revaluation Reserve	8,606	2,171	0	0	0	0	4	<b>10,781</b>
Depreciation written back to Surplus/Deficit on Provision of Services	417	2,939	0	0	0	0	0	<b>3,356</b>
Derecognition - Disposals	0	3	346	0	0	0	0	<b>349</b>
Derecognition - Other	0	1,068	0	0	0	0	0	<b>1,068</b>
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2020</b>	<b>0</b>	<b>(5,492)</b>	<b>(17,564)</b>	<b>(8,943)</b>	<b>(36,710)</b>	<b>0</b>	<b>(243)</b>	<b>(68,952)</b>
<b>NBV At 31 March 2019</b>	<b>730,211</b>	<b>154,970</b>	<b>18,789</b>	<b>11,229</b>	<b>124,144</b>	<b>13,824</b>	<b>59,099</b>	<b>1,112,266</b>
<b>NBV At 31 March 2020</b>	<b>719,772</b>	<b>153,116</b>	<b>17,312</b>	<b>10,590</b>	<b>161,698</b>	<b>33,478</b>	<b>61,878</b>	<b>1,157,844</b>

## GROUP STATEMENTS

### Notes to the Accounts

Movement in 2020/21	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
<b>Cost or Valuation</b>								
At 1 April 2020	719,773	158,608	34,876	19,534	198,408	33,478	62,121	<b>1,226,798</b>
Adjustment to opening balance	0	228	0	0	0	0	(228)	<b>0</b>
Additions / Donations	14,316	2,045	2,189	323	45,842	9,186	573	<b>74,474</b>
Additions - Other	0		0	0	0		0	<b>0</b>
	0		0	0	0		0	<b>0</b>
	0	0	(326)	0	0	0	0	<b>(326)</b>
Derecognition - Disposals	(13,198)	(4,468)	0	0	0	(429)	0	<b>(18,095)</b>
Derecognition - Other	16,617	663	0	0	0	0	64	<b>17,344</b>
Revaluations Recognised in Revaluation Reserve	(15,700)	243	0	0	0	0	1	<b>(15,456)</b>
Revaluations Recognised in Surplus/Deficit on Provision of Services	0		0	0	0		0	<b>0</b>
	(3,722)	(691)	0	0	0	0	0	<b>(4,413)</b>
Assets reclassified (to)/from Held for Sale	0		0	0	0	0	0	<b>0</b>
Assets reclassified (to)/from Investment Property	22,084	2,166	0	0	0	(24,250)	0	<b>0</b>
Assets reclassified (to)/from Stock	0	0	0	0	0	0	0	<b>0</b>
Other movements in Cost or Valuation	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2021</b>	<b>740,170</b>	<b>158,794</b>	<b>36,739</b>	<b>19,857</b>	<b>244,250</b>	<b>17,985</b>	<b>62,531</b>	<b>1,280,326</b>

## GROUP STATEMENTS

### Notes to the Accounts

Movement in 2020-21	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
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2020	0	(5,492)	(17,565)	(8,943)	(36,710)	0	(243)	<b>(68,953)</b>
Depreciation charge	(8,863)	(2,289)	(3,817)	(749)	(5,212)	0	(69)	<b>(20,999)</b>
Depreciation written back to the Revaluation Reserve	8,455	2,149	0	0	0	0	0	<b>10,604</b>
Depreciation written back to Surplus/Deficit on Provision of Services	408	616	0	0	0	0	0	<b>1,024</b>
Derecognition - Disposals	0	0	317	0	0	0	0	<b>317</b>
Derecognition - Other	0	162	0	0	0	0	0	<b>162</b>
Other movements in Depreciation and Impairment	0	2	0	0	0	0	0	<b>2</b>
<b>At 31 March 2021</b>	<b>0</b>	<b>(4,852)</b>	<b>(21,065)</b>	<b>(9,692)</b>	<b>(41,922)</b>	<b>0</b>	<b>(312)</b>	<b>(77,843)</b>
<b>NBV At 31 March 2020</b>	<b>719,773</b>	<b>153,116</b>	<b>17,311</b>	<b>10,591</b>	<b>161,698</b>	<b>33,478</b>	<b>61,878</b>	<b>1,157,845</b>
<b>NBV At 31 March 2021</b>	<b>740,170</b>	<b>153,942</b>	<b>15,674</b>	<b>10,165</b>	<b>202,328</b>	<b>17,985</b>	<b>62,219</b>	<b>1,202,483</b>



## GROUP STATEMENTS

### Notes to the Accounts

#### Note 9 PRIOR PERIOD ADJUSTMENTS

Details of Prior Period Adjustments are under note 37 of the single entity's accounts. The impact on Group account balances and notes are as below.

##### Group Balance sheet

	01-Apr-19		
	Original	Adjustment	Restated
	£'000	£'000	£'000
Long Term Debtors	715,325	102,420	817,745
Long Term Investments	124,837	(102,420)	22,417
	31-Mar-20		
	Original	Adjustment	Restated
	£'000	£'000	£'000
Long Term Debtors	787,727	99,008	886,735
Long Term Investments	148,211	(99,008)	49,203

##### Note 7

	31-Mar-20		
	Original	Adjustment	Restated
	£'000	£'000	£'000
Pooled Investment Fund Adjustment Account	3,735	(3,735)	0
CAA	(525,456)	3,735	(521,721)

## GLOSSARY OF TERMS

### **Accruals**

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

### **Actuarial Gains and Losses**

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

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

### **Assets Held for Sale**

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

### **Balances**

Balances are maintained to meet expenditure pending the receipt of income and to provide a cushion against expenditure being higher or income lower than expected or budgeted for. Contributions to balances can be financed by either a planned contribution from the revenue budget or by a transfer of any fortuitous revenue surplus at the year end. The maintenance of an appropriate level of balances is a fundamental aim of prudent financial management.

### **Capital Adjustment Account (CAA)**

This is a reserve set up in 2007 in accordance the then new accounting standards. The opening balance comprised the sum of the balances on the Capital Finance Account (CFA) and on the Fixed Asset Restatement Account (FARA). It is a store of the capital resources that have been deployed to finance past capital expenditure. It is classified as an Unusable Reserve.

### **Capital Receipts**

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

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

This is the UK accounting Institute that produces the standards and Codes of Practice that must be followed in preparing a local authority's financial accounts and statements.

### **Contingent Assets and Liabilities**

- A contingent asset is a possible receipt of economic benefit that may arise in the future if certain events take place;
- A contingent liability is a loss, charge or obligation that may arise in the future if certain events take place; and
- In both cases, these events may not be wholly within the control of the Council. Contingent assets and liabilities are not recognised in the accounts but must be disclosed in a note.

### **Corporate and Democratic Core**

The corporate and democratic core comprises all activities in which local authorities engage specifically because they are elected democratic multi-purpose authorities. It has two elements – corporate management and democratic representation and management. The activities within the corporate and democratic core are in addition to those which would be carried out by a series of independent, single purpose bodies managing the same services.

## GLOSSARY OF TERMS

### Corporate Governance

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

### Current Service Cost (Pensions)

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

### Curtailment Costs (Pensions)

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

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

### Defined Benefit Scheme (Pensions)

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

### Depreciation

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

### Discretionary Benefits

These are retirement benefits which an employer has no legal or contractual obligation to award, such as unfunded compensatory added years. They are awarded under discretionary powers, such as the Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011.

### 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.

## GLOSSARY OF TERMS

### **Housing Revenue Account (HRA)**

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

### **Impairment**

This is the loss in value of a fixed asset arising from physical damage and/or deterioration in the quality of service provided by the asset or from a general fall in prices. Impairments also occur where further capital is invested in an asset which does not produce a fully matching increase in the fair value of an asset.

### **Infrastructure Assets**

These are non-current assets that have no realistic expectation of being sold and are held to deliver mostly transport services, such as roads, traffic management and road safety assets and drainage works. They are recorded at historic cost and are not re-valued.

### **Intangible Assets**

Intangible assets are defined in as 'non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody and legal rights'. The only example relevant to local authorities is computer software.

### **Interest Cost (Pensions)**

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

### **International Financial Reporting Standards (IFRS)**

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

### **Investments (Pensions)**

This comprises the share of pension scheme assets in Essex County Pension Fund attributable to the Council and associated with its underlying obligations, as calculated by the Actuary to the Fund.

### **Investments (Non - Pension)**

A long-term investment is one that is held for in excess of 12 months for its yield and/or capital appreciation. Most local authority investments, however, are short term and are held for cash management purposes.

### **Levies**

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

### **Minimum Revenue Provision (MRP)**

This is the minimum amount which must be charged to a local authority's revenue account each year as a provision for the repayment of debt.

### **Net Worth**

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

### **Non-Current Assets**

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

## GLOSSARY OF TERMS

### **Non-Distributed Costs**

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

### **Non-Domestic Rate (NNDR)**

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

### **Past Service Costs (Pensions)**

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

### **Post Balance Sheet Events**

These are events which arise after the end of an accounting period. They comprise:

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

### **Precept**

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

### **Property, Plant and Equipment**

These are assets which yield economic benefits to a local authority and the services it provides for a period of more than one year. They are assets which are held and occupied, used or consumed by the local authority in the delivery of those services for which it has either a statutory or discretionary responsibility.

### **Provisions**

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

### **Reserves**

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

### **Revaluation Reserve**

This reserve was introduced in 2007 for all local authorities and started off with a nil balance at 1 April 2007. Revaluation gains and losses are calculated on an asset by asset basis and subsequent losses can be offset against accumulated revaluation gains after which they must be charged to the Comprehensive Income and Expenditure Statement. It is classified as an Unusable Reserve

### **Scheme Liabilities (Pensions)**

These are the liabilities of a defined benefit scheme for 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.

## GLOSSARY OF TERMS

### **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.