Thurrock Council

Statement of Accounts

2017/18

(Draft)

INDEX

INDEX

INDEX

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 increasing 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 – masterplans are agreed with contractors on-site and work is beginning.

Our schools are getting better and better with significant investment in our schools including building two new secondary schools and improving Treetops Special Free School. We are working towards a future where every resident has a job – 24,500 new jobs are planned for over the next 20 years - with better educated children and skilled residents who can access employment opportunities.

Four Integrated Medical Centres opening in the borough are just one of a series of game-changing initiatives being delivered with our health and well-being partners.

Thurrock is a place with a rich cultural heritage, which is often overlooked. 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.

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

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 Office of National Statistics (ONS) estimates the population at 168,600 in 2016, and to 175,000 by the time of the next national census, in 2021.

Population estimates are produced by the ONS and are updated periodically. For the latest 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 mid-2015.

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

6. Homes and Houses

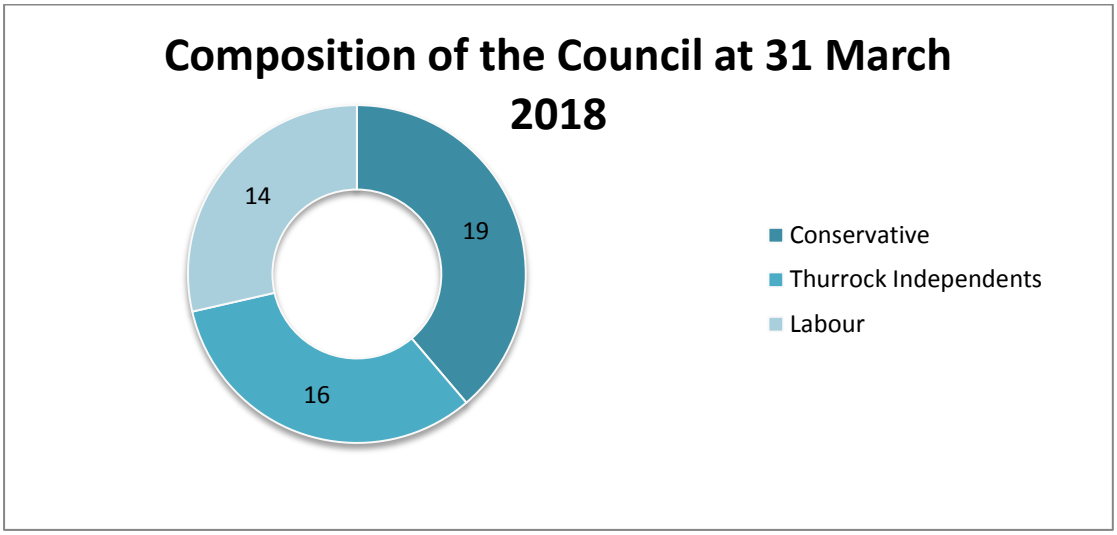
According to the Valuation Office, March 2016, there are 66,065 dwellings in Thurrock. The borough has a target to build 30,000 new homes by 2037 to meet the demand expected from people wanting to live here.

Thurrock has a stock of 10,000 council houses, including 1,200 sheltered and extra care homes.

House price information below is from the Land Registry Housing Price Index, March 2018. 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%
Average house prices	£268,143	£291,415	£240,949

7. Political Structure



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

8. The Cabinet

The Cabinet includes the Leader of the Council and 7 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 2018:

Cabinet Member	Role	Portfolio
Councillor Rob Gledhill	Leader of the Council	Housing
Councillor Shane Hebb	Deputy Leader of the Council	Finance
Councillor Mark Coxshall		Regeneration
Councillor James Halden		Education & Health
Councillor Brian Little		Transport
Councillor Susan Little		Social Services

Councillor Deborah Huelin	Performance and Central Services
Councillor Aaron Watkins	Environment

9. Risk Management

Risk management involves:

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

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

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

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

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

The Council also has a Corporate Risk Management Group, which considers the whole range of business risks facing the Council. For details of this service contact the Senior Risk Management Officer, Audit Department.

The Corporate Risks are set out below n priority (rating) and then reference number order.

- ***Adult Social Care, Cost & Quality Standards - Risk 1*** *(Rating: 12 Critical/Likely)*

The risk evaluates the impact of a combination of issues and pressures to balance the cost of care and to maintain the minimum quality standards. Thurrock Council has received additional funding for Adult Social Care. Associated conditions for how the funding is used include helping to deliver sustainability for care providers. Whist this will undoubtedly help to control the risk, it will not mitigate it and therefore the residual and forecast ratings have been evaluated as 12 (Critical/Likely).

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

Significant programme management capacity and expertise is required to deliver both the Adult Social Care Transformation Programme and the Health and Social Care Integration Programme (including the Better Care Fund). There are also challenges to overcome to progress integration with health. This includes current pressures on the Essex-wide health economy, a 'local' health agenda which is geographically broader than Thurrock, and how decisions made by non-Thurrock parts of the Essex-wide system will impact upon what Thurrock wants and needs to achieve. Thurrock is a very low spending authority per capita on Adult Social Care (ASC) and also faces significant on-going reductions to funding – although the department has received additional funding for ASC from 2017/18 which it needs to use to help provide stability and capacity, including within the ASC transformation programme. The pressures identified remain and will not be alleviated in the short term and therefore the residual and forecast ratings have been evaluated as 12 (Critical/Likely).

- ***Business Continuity Planning - Risk 4*** *(Rating: 12 Critical/Likely)*

The risk evaluates the position if business continuity plans are not coordinated and maintained, which would lead to business continuity planning arrangements across the Council becoming inconsistent, outdated and ineffective in times of a disruption affecting the authority. Oversight of Business Continuity Management is now being provided by Performance Board and an auditing/quality assurance programme of the Business Continuity Plans for the critical functions is a standing item on the Board agenda each quarter. List of current BCPs & critical functions has been updated and will form the basis of ongoing review process by Performance Board and service areas. A recent internal audit report on emergency planning, separately recommended a review of BCP arrangements at service level, and as such a briefing will be going to Directors Board in the autumn.

- ***ICT Disaster Recovery Planning - Risk 10*** *(Rating: 12 Critical/Likely)*

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

- ***Delivery of MTFS 2018/19 - 2020/21 - Risk 12*** *(Rating: 12 Critical/Likely)*

MTFS established. Balanced budget for 2017/18 set and forecast for the financial years 2018/19 through to 2020/21 reported to Cabinet and Council February 2017. Transformation and Service Review Programmes established to help address the budget position and support the council in achieving financial self-sustainability. Monthly monitoring of programmes undertaken by Transformation and Service Review Boards. Monthly budget monitoring reports considered by Directorate Management Teams and Directors Board. Full budget report scheduled to be reported to October 2017 Cabinet.

- ***CSC, Service Standards & Inspection Outcome - Risk 19*** *(Rating: 12 Critical/Likely*)

This risk evaluates the impact of increased demand and resource pressures on children's social care quality of service and provision. The pressures outlined throughout previous years remain acute. They include increased volumes, increased complexity and ongoing activity to review high cost placements. The implementation of the early help service model and the Thurrock MultiAgency Safeguarding Hub (MASH) has been successful although as anticipated it has led to an increase in the volume of work to children's social care, this is ongoing. The service continues to maximize the external investment and opportunities presented through the Troubled Families Programme and continuously measures impact of the MASH. Ongoing savings to be made across Children's Services including from the Children's Social care budget will be risk assessed to mitigate the impact on front line services. The service has to be demand led and cannot fail to respond to the needs of a child due to budget or resource constraints. Changes on a local, regional and national level can have a significant impact on the demand for services. War and international factors can result in an unplanned increase in the number of unaccompanied asylum seeking children or families with no recourse to public funds. Geographical movement of families across the Eastern Region and London can see a rise in families needing services, including large sibling groups. An incident of civil disorder could result in more young people being placed in custody and a resulting increase in remand costs to the local authority. Caseloads are too high in some teams and this represents a pressing safeguarding concern. Areas for improvement have been identified within the recent Ofsted (SIF). The level and complexity of some children and young people's needs and the lack of available national resources (specialist placements) to meet those needs is driving up cost pressures. As the Council continues to improve practice regarding the identification and tackling of Child Sexual Exploitation there is an increase in demand for service provision in terms of intervention; prevention and victim support. Current and new duties in terms of radicalization also place pressures on the service in terms of workforce capacity. Trends can be predicted based on

previous levels of demand but these are subject to variance. Risk and action plan documentation refreshed and reviewed. The pressures outlined above will not be alleviated in the short term and the risk rating will remain at the higher (red) level for the period covered. A forecast date of 31/03/18 has been applied to the risk, which is the time when the risk will be fully refreshed and updated.

- ***CSC, Safeguarding & Protecting C&YP - Risk 20*** *(Rating: 12 Critical/Likely)*

The nature of the work in terms of safeguarding and supporting children at risk of harm means that this will always be a high risk area although through the application of the S.E.T (Southend, Essex & Thurrock) Child Protection procedures the department actively works to mitigate this risk and reduce the likelihood. The risk of children and young people coming to harm cannot be completely eliminated and the risk level needs to remain high and ensure clear vigilance across the council and partner agencies. New and emerging risk factors will arise and there is always a potential for agencies 'not knowing, what they don't know' that needs to be guarded against. Embedding the Multi Agency Safeguarding Hub and Early Offer of Help has supported earlier identification of risk through a multi-agency approach enabling the department to work to intervene at an earlier stage and reduce the risk of harm in some cases. The impact for individual children and families, particularly in cases of child death is significant and whilst actions to reduce the likelihood are implemented the impact will remain as critical. There is also a critical impact score in terms of reputational damage should a child death or serious injury occur. The ongoing nature of risk in child protection and safeguarding is such that despite effective mitigation the acknowledgement of the risk needs to remain high and will not reduce. This is not to say that the risks are unmanageable but for effective management the gravity and complexity of the risk needs to be acknowledged. Within the context of this work we have a high level and critical risk that is being proactively managed. The management of the risk across partner agencies is reducing the likelihood of such risk, where the potential for such risks are known but cannot reduce the potential magnitude for the child in incidents such as child death or permanent disability. The unknown element of risk for families not known to the service means that overall the likelihood remains high. Families are also not static and risk is a constant changing variable within known families. Managing this risk places inherent pressures on the Children's Social Care budget as a demand led budget. The current trend has seen increasing numbers of children requiring child protection plans, children in need plans and children who the council is required to look after (children in care). Effective demand and resource management remain a priority for the service within an overriding context of keeping children safe. Risk and action plan documentation reviewed and evaluated. Risk will remain constant throughout the period covered.

- ***Sickness Absence - Risk 14*** *(Rating: 12 Substantial/Very Likely)*

Sickness remains a concern with outturn for 2016/17 higher than previous year. Service level management of issues has improved significantly however and individual cases are dealt with on a case by case basis. Human Resources Advisors continue to support managers with their sickness absence reviews and there is a big push regarding compliance with Return to Work interviews, for which People Board is providing governance. The reduction of sickness is now linked the Council Spending Review with a target to reduce the cost of agency and overtime paid to cover for absent colleagues.

- ***Fire Safety Housing Stock - Risk 23*** *(Rating: 8 Critical/Unlikely)*

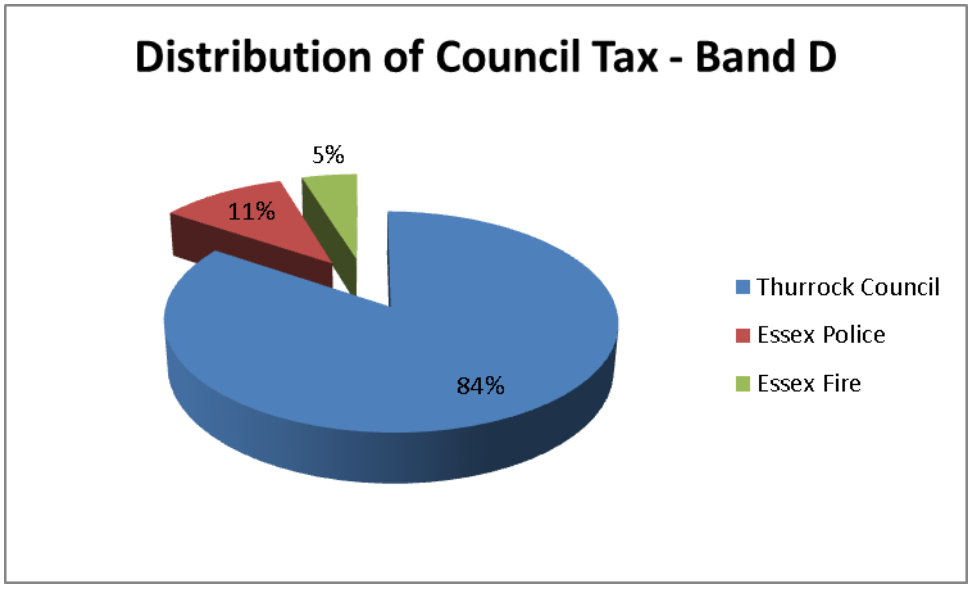
As a social landlord the Council has a responsibility to ensure the safety and security of all residents in our housing stock. The tower block fire at Grenfell Tower, Kensington on 14th June 2017 triggered an urgent review of fire safety arrangements for high rise tower blocks. Work is ongoing to provide full assurance to residents in all other property types including sheltered housing. The Council would be open to criticism and possible legal proceedings if non-compliant with regulations and/or any new requirements identified by the Government's enquiry into the Grenfell Tower fire. In addition to the full range of mitigating actions set out in the risk documentation any recommendations from the enquiry will be implemented as soon as the requirements are clear and budgetary provision has been made.

10. Council Tax 2017/18

The net budget requirement for a council is the amount needed to finance Council services after allowing for planned expenditure and income. For 2017/18, this was set by the Council at £113.139m. The amount met by Revenue Support Grant, other grants from Central Government, the projected surplus/deficit in the collection fund, transfers to and from reserves and Business Rates (under the retention arrangements) was £51.456m leaving £61.683m to be raised locally from Council Tax (the Council Tax Requirement).

The 2017/18 Band D council tax for Thurrock Council services, including the adult social care precept was £1,226.61 (an increase of 4.98% over the 2016/17 charge of £1,169.46). 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 £1,452.69 distributed amongst the preceptors as set out in the chart below.



11. Regeneration and Investment

Thurrock has a growth strategy to create 24,500 jobs. There are 6 major growth hubs in the borough:

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

Future proposed developments to transform Thurrock include:

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

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

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

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

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

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

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

STATEMENT OF ACCOUNTS & FINANCIAL PERFORMANCE

1. Statement of Accounts

The Statement of Accounts comprise of the following statements:

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

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

(iii) The ***Movement in Reserves Statement*** shows the movement in the year on the different reserves held by the Council, analysed into Usable Reserves and Unusable Reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account Balance for Council Tax setting and housing rent setting purposes.

(iv) The ***Balance Sheet*** shows the value of the assets and liabilities of the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories:

- Usable Reserves – those the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.
- Unusable Reserves – those the Council cannot use to provide services. These include reserves that hold unrealised gains and losses that would only become available to provide services if assets are sold; and reserves that hold adjustments between accounting and funding certain transactions which are permitted under regulations.

(v) The ***Cash Flow Statement*** shows the changes in cash and cash equivalents, net of bank overdrafts that are repayable on demand, during the reporting period. The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities.

(vi) The ***Housing Revenue Account (HRA) Income and Expenditure Statement*** shows the annual economic cost of providing housing services in accordance with generally accepted accounting practices, rather than simply the amount to be funded from rents and government grants.

(vii) The ***Collection Fund Statement*** records the council tax and business rates transactions in the financial year. Billing authorities are required by statute to maintain a separate Collection Fund Statement. The actual costs of administering collection are accounted for in the Council's General Fund; the amount is an allowance fixed in accordance with the relevant regulations.

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

2. The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

These accounts have been prepared in accordance with the Code of Practice 2017/18 (The Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA), which defines proper accounting practice for local authorities.

3. Financial Performance

Overall Position

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

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

These create significant charges and credits to the cost of the various services - these are then reversed out through the MIRS, have a zero impact on the Council's overall resources. The financial outturn will be reported to Cabinet on 13 June 2018 is set out in the section below.

The Financial Outturn

The table below summarises the outturn position:

Net Expenditure chargeable to the GF and HRA balances

2016/17 £'000	Directorate	2017/18 £'000
35,118	Adults; Housing and Health	35,351
37,687	Children's Services	37,471
644	Commercial Services	488
18,085	Environment and Highways	20,813
4,716	Place	4,680
9,333	Finance, IT and Legal	9,449
2,974	HR; OD and Transformation	3,446

3,664	Schools	3,751
2,034	Corporate Costs	1,723
2,311	Corporate Strategy & Communications	2,285
116,566	**Net Cost of General Fund Services**	**119,457**
(5,012)	Housing Revenue Account	(1,878)
111,554	**Net Cost of Services**	**117,816**
(111,997)	Other Income & Expenditure	(121,207)
(442)	**(Surplus)/Deficit**	**(3,391)**
(18,139)	Opening General Fund and HRA Balance	(18,581)
(442)	(Surplus)/Deficit in year (per table above)	(3,391)
(18,581)	Closing General Fund and HRA Balance	(21,971)

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

The Council has faced the following significant service pressures in 2017/18 as outlined below

Children’s Services:

The directorate continues to operate in a volatile demand led environment. Work has been ongoing to manage pressures within social care including the review and re-commissioning of placement provision, changes to accommodation in aftercare and the continued reduction of agency staff.

Overall, the number of children in care has reduced, and high cost placement numbers continue to show a reducing trend but the changing mix of placement type has impacted the position. In the second half of the year there were a small number of very high cost complex needs cases that added to the pressure on the budget.

Environment and Highways:

Pressures within Environment and Highways have been reported throughout the year. The most significant pressure was, and continues to be, within waste disposal due to additional contract extension costs and a higher cost of disposal due to increasing waste tonnages and reduced recycling, which is being reported nationally. This has been impacted by the Household Waste Recycling Centre (HWRC) moving back in house following no external interest in the contract. Actions to mitigate the ongoing impact continue with the redevelopment of the site, the introduction of a commercial trade waste service and the introduction of a permitting scheme to reduce trade waste entering the site.

Ageing vehicles working beyond their life expectancy led to pressure in year with increased vehicle hire costs, fuel costs and wear and tear. With the roll out of the new fleet it is expected that this will reduce in 2018/19. The winter gritting season saw demand for gritting increase on previous years and significant snow fall at the end of the financial year led to unbudgeted spend on grit, the first year in many when stocks have had to be replenished, and staff time.

Significant savings were applied to the Highways budget in respect of the street lighting LED replacement project. Whilst the majority of the savings were achieved, the service did incur budget pressures due to one-off maintenance requirements. There was also pressure within parking income and public transport services which are not expected to impact 2018/19.

Dedicated Schools Grant (DSG):

Nationally, all local authorities and the education system are struggling with meeting the additional demand for payments in support of children with Statements/Education and Health Care (EHC) plans; out of borough payments; independent special school residential payments and special educational needs and disabilities SEN(D) top up payments. Overspends and reduced payments to schools are common across the country.

The DSG outturn for 2017/18 is an overspend of £2.701m which equates to 2% of the total DSG budget. Within the Early Years block, there is a reported underspend on 2 year old funding and slight overspend on 3 and 4 year old expenditure in support of children's growth in numbers.

With the ongoing pressure within the DSG, a sub group of the schools forum was established to review expenditure and budget pressure areas, including statutory returns and statistical benchmarking data analysis to assist in the DSG Recovery Plan. The group has met 6 times during the year and agreed a recovery plan that will recover funds going forward already received by the schools in prior years. The 2016/17 deficit of £1.343m will be recovered via the 2018/19 allocation utilising underspends from the Early Years block for this financial year (2017/18). The 2018/19 deficit will be recovered through allocations in 2019/20 and 2020/21 as well as virements from other blocks. A model is being designed to control high needs expenditure through a "capping system" which has been developed in collaboration with schools and colleges.

In addition, Heads are working with the local authority to develop an innovative hub and spoke model of provision for children at risk of exclusion and in need of alternative provision. The model will ensure that children in need of additional support are contained within mainstream school provision. This collaborative approach will ensure better outcomes for the children concerned with fewer being moved out of the authority to high cost provision and increased transport costs. This will support the overall strategy to reduce the spend in this area.

These cost pressures have been offset by underspends in central services, additional treasury returns from the investment strategy of the Council, the reprofiling of the Minimum Revenue Provision, the capitalisation of project costs and the use of capital receipts to fund transformation activities.

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

31-Mar-17 £'000	Reserve Category	31-Mar-18 £'000
(1,430)	Education and Schools	2,193
(1,248)	Adults, Community and Health	(1,867)
(112)	Grant Carried Forward	(200)
(1,024)	General Fund Earmarked Reserves	(2,453)
(8,000)	General Fund Balance	(11,000)
(6,766)	HRA Related	(8,644)
(18,581)	**TOTAL**	**(21,971)**

- Education and Schools – Primarily individual schools balances and Dedicated Schools Grant which are ring-fenced for specific use
- Adults, Community and Health – Primarily Public Health grant and Better Care fund which are ring-fenced for specific use.
- The General Fund Balance – the balance maintained to protect the council from unmitigated budget pressures; and

- HRA Related – a balance of £2.175m to protect the council from unmitigated budget pressures, a Development Reserve of £4.351m, a Capital Reserve of £0.843m and £1.274m for Housing Zone funding

The Budget and Financial Forecast to 2019/20

The Council faced a number of challenges, risks and uncertainties during 2017/18, many of which could have medium or long-term financial implications. These were set out in the Section 151 Officer's report to the Council on the robustness of the budget calculations and adequacy of reserves that accompanied the 2017/18 Budget Report, a copy of which is available on the Council's website. Local government finances continue to experience unprecedented pressures and uncertainties as a result of the continued downward pressure on public sector spending.

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

Business Rates Retention

This scheme has a considerable degree of complexity and there is also a high degree of uncertainty as future income is dependent, at least in part, on the buoyancy of local businesses rate growth and the outcome of appeals against valuations and other changes to the rating list including applications for charitable relief. The provisions for rating appeals totals £12.99m of which the councils share is £6.36m. It is intended by 2020/21 local government will retain 75% of business rates revenue to fund local services. The details of this proposal are currently being worked through and their impact on the Council is, therefore, difficult to assess at this time.

Housing Revenue Account

Revenue Position – HRA	Full Year Budget	Full Year Spend	Variance from Budget	
	£000	£000	£000	%
Repairs and Maintenance	10,510	11,323	813	8%
Housing Operations	12,292	11,235	(1,057)	(9%)
Financing and Recharges	25,275	25,658	383	2%
Rent and Income	(48,430)	(48,577)	(147)	(0.3%)
Development	353	362	9	2%
Total	**0**	**0**	**0**	**0%**

The Housing Revenue Account (HRA) budget, agreed within the February 2017 Base Estimates report set a balanced budget. The year-end position as at 31st March 2018 is a breakeven position. A table setting out the HRA Reserves position is further below.

Repairs and Maintenance

The final outturn figure for Repairs and Maintenance is in line with the position that was reported throughout the year. The year-end overspend of £0.813m is slightly better than the forecast position of £0.805m reported. It was acknowledged throughout the year that there was a base budget deficiency in this area. The budgets for 2018/19 have been revised to reflect the need to invest in the council's HRA stock and funding has been released from Housing Operations to facilitate this.

Housing Operations

The Interim Structure that was in place during 2017/18 delivered significant savings and this underspend has mitigated the pressure on the Repairs and Maintenance budgets. In 2018/19 the budgets have been revised to reflect the new staffing structure and release funding for investment in the planned maintenance of the housing stock.

Financing and Recharges

The outturn figure reflects the available resources in the HRA to fund Capital in 2017/18 and beyond. Funding for the New Build Programme has been put into the Development Reserve and funding for Transforming Homes into the Major Repairs Reserve to ensure these work streams are fully funded over their life.

Rent and Income

There is a small positive variance in this area of £0.147m. This is as a result of Leaseholder Service Charges income achieving higher than forecast.

Development

This budget resources the support for the New Build Programme and Estate Regeneration work streams. The budget broke even in 2017/18

Capital Programme – Transforming Homes

	Full Year Budget	Spend Full Year	Variance from Budget	
	£000	£000	£000	%
Transforming Homes	**11,800**	**11,174**	**(626)**	**(0.05%)**

The allocated budget for Transforming Homes in 2017/18 was £11.8m. The underspend of £0.626m follows the recent re procurement exercise which has resulted in an existing contractor coming to the end of their programmed works. Some of the planned works have subsequently been reprogrammed into the next financial year (2018/19) and will be delivered under the new arrangements. The programme has achieved transformation works to 1,012 properties in 2017/18 against a target of 1,000.

Capital Programme – Development

	Full Year Budget	Spend Full Year	Variance from Budget	
	£000	£000	£000	%
Seabrooke Rise	0	23	23	0
Bracelet	0	27	27	0
Calcutta	610	390	(220)	(36%)
Claudian Way	640	674	34	5%
Tops Club	600	399	(201)	(34%)
Total	**1,850**	**1,513**	**(337)**	**(18%)**

The budgets for 2017/18 for HRA New Build Schemes are set out above. The Month 10 forecast was £1.4m against a budget of £1.85m. The outturn was slightly more than that at £1.513m. The profile of spend changed during the year due to delays in the tendering process as the Council sought to obtain best value for money. The overall budget remains the same across the life of the schemes.

The financing of this spend is set out below. By utilising the Right to Buy 1-4-1 receipts in 2017/18 no repayment from the council to the Treasury is required.

Development Schemes - Financing	
	£000
Borrowing	1,059
1-4-1 Receipts	454
Total	**1,513**

The status of the three on site schemes as at 31st March 2018 is detailed below:

Calcutta

This project was the subject of a tendering exercise in 2017 through a framework that failed to produce a bid within budget. The scheme has been the subject of a value engineering exercise and has been retendered. There have been a positive level of interest in the first stage of the tendering process and a limited number of constructers will be invited to submit a final bid during February/March 2018. Final contractor selection is in April 2018 and provisional start on site is in June 2018 with an anticipated eighteen month construction period.

Claudian Way

Stage 1 of the tender process has been completed and a contractor selected to agree a final price and programme. Enabling works to relocate utilities and undertake contractor services commenced during March 2018 with scheme completion estimated at October 2019.

Tops Club

As with Claudian Way Stage 1 of the tender process has been completed and a contractor selected to agree a final price and programme. An application has been made to discharge pre-commencement conditions which will enable demolition and utility diversion works to commence. Completion is anticipated in June 19.

HRA Reserves – 31st March 2018

The impact on Reserves is set out in the table below:

Reserve	Opening £000s	Movement In £000s	Movement Out £000s	Closing £000s
HRA General Reserves	(2,175)	0	0	(2,175)
Development Reserve	(3,150)	(1,201)	0	(4,351)
One for One Receipts	(12,438)	(10,089)	454	(22,073)
Capital Reserve	0	(12,018)	11,174	(843)
Non Ring-fenced Capital Receipts	(1,577)	(1,506)	398	(2,685)
Housing Zones/Capacity Reserve	(1,440)	0	166	(1,274)

- The HRA General Reserve remains at £2.175m and is forecast to increase to £3m over time once the rent policy changes to rent increases in 2020/21.
- A contribution to the Development Reserve has been made in order to ensure the current New Build Programme can be financed and completed in 2019/20. This contribution is equivalent to the difference between the budgeted interest charge and the actual charge. This contribution reflects the ongoing financing requirements of these schemes as build costs increase
- During 2017/18 there were 115 RTB Sales and which realised £10.089m in 1-4-1 Receipts. £0.454m was used to finance the New Build programme in 2017/18.
- Some of the Transforming Homes planned works have been reprogrammed into the next financial year 2018/19 and will be delivered under the new contract arrangements. The balance on the Major Repairs Reserve will be utilised in 2018/19
- £0.398m of additional Housing Capital Investment has been made to Fire Safety (£0.185m) and the upgrade of Careline (£0.213m) financed from the Non Ring-fenced Capital Receipts from RTB Sales. A further £0.815m is allocated during 2018/19 to be invested on continued Fire Safety works in 2018/19 and £0.137m on the completed of the Careline upgrade.
- During 2017/18 £0.166m has been spent on Estate Regeneration work. The remainder of the reserve will be utilised in line with the Funding Agreements

Capital Expenditure

Total capital expenditure for 2017/18 amounted to £377.258m. A summary of this expenditure analysed by service is set out below and also shows the source of financing:-

Service	Budget £000s	Total £000s	Variance £000s
Adults; Housing and Health	1,534	1,216	(318)
Children's Services	3,007	2,008	(999)
Environment and Highways	13,509	10,853	(2,656)
Finance and Information Technology	341,859	340,400	(1,459)
Housing General Fund	73	24	(49)
Housing Revenue Account	13,673	13,125	(548)
HR; OD & Transformation	2,741	1,181	(1,560)
Corporate Strategy & Communications	45	5	(40)
Place	26,642	23,446	(3,196)
Total	**403,083**	**392,258**	**(10,825)**

Source of Finance	Budget £000s	Total £000s	Variance £000s
Prudential Borrowing	361,084	351,773	(9,311)
Usable Capital Receipts	2,182	2,011	(172)
Earmarked Usable Capital Receipts	420	494	74
Major Repairs Reserve	11,800	11,174	(626)
Grants	6,835	5,283	(1,553)
Other Grants	18,490	20,114	1,624
Developers Contributions	2,164	1,379	(785)
Revenue Contribution to Capital	0	18	18
Reserves	107	12	(95)
Total	**403,083**	**392,258**	**(10,825)**

The capital outturn position includes the delivery of the following projects in 2017/18:

- £324.3m spent on long term investments which are classified as capital expenditure as the associated bonds purchased fund the acquisition of capital assets

- £11.6m spent on transforming council homes, with the replacement of kitchens, bathrooms, electrics, boilers, windows and roofs. In addition the alarm call monitoring system, based at Harty Close was replaced.

- Completion of the “Olive Academy” School in Tilbury, with a gross-spend of £4.8m over the period 2015/16 to 2017/18.

- Completion of expansion works to Somers Heath Primary School in South Ockendon, with a gross spend of £2.3m over the period 2015/16 to 2017/18.

- £23.3m spent on improvements to the highways infrastructure, including replacing street lighting with LED lighting, design, land acquisition, land clearance costs for the widening of the A13 between Orsett Cock and Manorway interchanges, further improvement works to Oliver Road in West Thurrock, completion of one way traffic on Towers Road (Globe estate), Lodge Lane safety improvements and works to the Thurrock cycle network.

- £1.2m spent on the improvements to Belhus Leisure Centre

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

As at 31 March 2018, the Council had authorised expenditure in future years of £11.2m. In addition a further £184.3m had been previously authorised for use in 2018/19 and 2019/20, giving a total future years' commitment of £195.5m. This includes £62.7m on widening of the A13, £29.3m on housing new build developments, £18.8m on school expansions, £17.3m on the Purfleet redevelopment, £10.7m on improvements to Grays South, £5.8m on improvements to SLH rail/bus interchange and £4.4m on improvement works to the Civic Offices ground floor.

Cash Management

The Council has cash management processes in place to ensure funds are available as required. This is supported by ready access to borrowings from the money markets to cover any day to day cash flow needs. While the PWLB provides access to longer term funds it also acts as a lender of last resort to local authorities. The Council is also required to produce a balanced budget each year under the Local Government Finance Act 1992, which ensures that sufficient monies are raised to cover annual expenditure. Hence the Council has processes in place to raise finance to meet its commitments as they fall due.

Corporate Performance

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

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

The Corporate KPI Framework in 2017/18 included approximately 50 pieces of performance data which were used to monitor activities and progress in key areas.

By the end of 2017/18, 67% of those KPIs had achieved their target and 33% had failed to reach their target. 69% of indicators had either improved on their performance the previous year or remained the same, including four indicators which had improved but failed to meet their target.

Some of the indicators that were significantly below target include recycling rates and staff sickness for which there are plans in place to improve in 2018/19.

Pensions

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

This liability is the estimate of future payments to retired employees against future income to the fund from contributions and investments. The liability has decreased by £49.2m to £170.3m between 31 March 2017 and 31 March 2018.

Material and Unusual charges/credits to the accounts

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

Further material items to note in 2017/18 are:

External Investments

The Council has approved an Investment Strategy to meet service pressures and support service improvements in the Borough. On this basis the Council has invested an additional £387m in 2017/18.

This includes further investments in the renewable energy sector and the Council has further increased its investment with the Local Authority Property Fund run by the Churches, Charities and Local Authorities (CCLA) Investment Management Ltd.

These investments are reflected in the appropriate Balance Sheet categories.

Significant changes in accounting policies

There are no significant changes in 2017/18.

4. Future Financial Issues

Economic Outlook

The outlook for Local Authority funding remains challenging and there are now clearly defined plans for further reductions in government funding over the next 3 year period. This enables Local Authorities to plan with more clarity but further increases the challenges faced. The main sources of income to fund general services remain government grants, business rates income and council tax. This is now supported by an investment strategy to generate returns to meet service pressures while delivering service improvements in the Borough. The continuing financial challenges combined with the continued increase in demands for services - especially in children's and adult social care means the organisation continues to identify and assess transformation opportunities to meet these challenges.

The localisation of business rates continues to increase uncertainty over the level of income retained from this source.. The Council retains approximately 27% of the total amount collected but continues to manage the risk arising from successful appeals against rateable value assessments. The current plans for the further localisation of business rates mean the Council's exposure to risk is likely to increase going forwards.

The Council continues to benefit from low interest rates as a result of the debt restructuring exercise carried out in 2010. Interest rates continue to be monitored in conjunction with advice from treasury management advisors and the debt profile will be considered going forward. The Council will review and reassess the benefit of a phased move to fixed rates in line with this advice and will provide cover against interest rate exposure.

General Fund

For the period 2018/19–2020/21, the Council continues to deal with a reduction in government related support, together with service pressures mainly due to demographic growth, requiring overall savings of £5.7m to be delivered.

The Council has currently set a budget that is balanced for the period 2018/19. The Council continues to monitor the implications of the medium term financial strategy to the delivery of services and the achievement of priorities going forward.

The Medium Term Financial Strategy assumes further grant reductions in line with government fiscal announcements as well as increases in business rate growth, annual council tax increases and the delivery of savings. The Council is pursuing an investment strategy to mitigate further service pressures while accepting there is additional interest rate risks to be monitored.

Capital and Treasury Issues

Councils continue to be reliant on a number of capital grants from central government towards building schools and highways works. The Council also continues to assess capital bids to support service areas and provides funding for those approved by the relevant boards.

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

The Council continues to access the South Essex Local Enterprise Partnership funding for regeneration projects and highways.

5. Specific Accounting Issues

Accounting for Group Companies

The Council continues to consolidate the financial statements of Thurrock Regeneration Ltd – the 100% Council owned subsidiary set up to support the delivery of regeneration in the borough.

At the end of 2016/17 Thurrock Regeneration Ltd set up a 100% owned subsidiary company, Gloriana Thurrock Homes Ltd. The company commenced trading in 2017/18 and has been consolidated into the group financial statements.

The group financial statements are included in this document.

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

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

The Council's senior Leadership Group continue to develop the approach to achieving the £5.7m savings required over the forthcoming three financial years. A number of Boards continue to work to either: increase income; do more or at least the same, for less; or reduce demand. In addition, all services continue to be subject to independent service reviews against set criteria, including demand, customers, process, people, digital and ICT as well as commercial and procurement opportunities, over the medium term.

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

7. Annual Governance Statement

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

8. Further Information

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

The Council's Responsibilities

The Council is required to:

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

The Director of Finance and IT's Responsibilities

The Director of Finance and IT is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

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

The Director of Finance and IT has also:

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

The Director of Finance and IT's Certificate

I certify that Statement of Accounts present a true and fair view of the financial position of the Council at the reporting date and of its income and expenditure for the year ended 31 March 2018.

Director of Finance and IT

Date:

Chair of the Standards and Audit Committee

Date:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THURROCK COUNCIL

Opinion on the Authority's financial statements

We have audited the financial statements of Thurrock Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

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

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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

Respective responsibilities of the Director of Finance and IT and auditor

As explained more fully in the Statement of Responsibilities set out on page 19, the Director of Finance and IT is responsible for the preparation of the Statement of Accounts 2017/18, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and IT; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2017/18 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Thurrock Council and Group as at 31 March 2018 and of its expenditure and income for the year then ended; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2017/18 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether Thurrock Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Controller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Thurrock Council put in place proper arrangements for

securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Thurrock Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Certificate

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

Suresh Patel
for and on behalf of Ernst & Young LLP, Appointed Auditor
London
July 2018

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

EXPENDITURE FUNDING ANALYSIS

2016/17				2017/18		
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**
35,118	865	**35,983**	Adults; Housing and Health	35,351	190	**35,540**
37,687	3,238	**40,925**	Children's Services	37,471	4,527	**41,998**
644	16	**661**	Commercial Services	488	6	**494**
2,000	(3,031)	**(1,031)**	Corporate Costs	1,723	(383)	**1,340**
2,311	171	**2,481**	Corporate Strategy & Communications	2,285	43	**2,328**
18,085	5,325	**23,410**	Environment and Highways	20,813	5,097	**25,910**
9,333	375	**9,708**	Finance, IT & Legal	9,449	68	**9,516**
2,974	147	**3,121**	HR; OD and Transformation	3,446	23	**3,469**
4,716	3,197	**7,913**	Place Directorate	4,681	3,255	**7,936**
3,664	699	**4,363**	Schools	3,751	40	**3,791**
116,532	**11,002**	**127,534**	**General Fund**	119,457	**12,864**	**132,321**
(10,759)	(1,116)	(11,875)	Housing Revenue Account	(1,641)	(31,854)	(33,495)
105,773	9,885	115,658	**Cost of Services**	117,816	**(18,989)**	**98,827**
(106,214)	2,722	**(103,492)**	Other Income and Expenditure	(121,207)	7,777	**(113,430)**
(441)	**12,607**	**12,166**	**Surplus or Deficit**	**(3,391)**	(11,212)	**(14,603)**
(18,140)			Opening General Fund and HRA Balance at 31 March 2017	**(18,581)**		
(441)			Less Deficit on General Fund and HRA	**(3,391)**		
(18,581)			**Closing General Fund and HRA Balance at 31 March 2018**	**(21,973)**		

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Primary Statement

2016/17					2017/18		
Gross Expenditure	Gross Income	Net Expenditure		Notes	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
75,751	(39,768)	**35,983**	Adults; Housing and Health		78,867	(43,327)	**35,540**
82,599	(41,674)	**40,925**	Children's Services		86,454	(44,456)	**41,998**
628	32	**660**	Commercial Services		601	(107)	**494**
55,051	(55,960)	**(909)**	Corporate Costs		55,583	(54,244)	**1,340**
3,650	(1,168)	**2,482**	Corporate Strategy & Communications		2,477	(149)	**2,328**
25,773	(2,450)	**23,323**	Environment and Highways		28,720	(2,810)	**25,910**
14,404	(4,697)	**9,707**	Finance, IT & Legal		11,565	(2,049)	**9,516**
51,570	(63,445)	**(11,875)**	Housing Revenue Account		21,019	(54,514)	**(33,495)**
3,752	(631)	**3,121**	HR; OD and Transformation		3,777	(308)	**3,469**
16,401	(8,488)	**7,913**	Place Directorate		15,505	(7,569)	**7,936**
35,012	(30,649)	**4,363**	Schools		27,758	(23,967)	**3,791**
364,591	**(248,898)**	**115,693**	**Cost of Services**		**332,325**	**(233,499)**	**98,827**
26,901	(11,151)	15,750	Other operating expenditure	10	41,993	(16,057)	25,936
14,802	(4,670)	**10,132**	Financing and investment income and expenditure	11	15,669	(12,082)	3,587
3,920	(133,329)	**(129,409)**	Taxation and non-specific grant income and expenditure	12	4,480	(147,433)	(142,954)
410,214	**(398,048)**	**12,166**	**(Surplus) or deficit on Provision of Services**		**394,468**	**(409,071)**	**(14,603)**
0	(7,410)	**(7,410)**	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	20/30/31	0	(111,084)	**(111,084)**
0	54,236	**54,236**	Remeaurement of the net defined benefit liability/(asset)	36	0	(47,141)	**(47,141)**
0	782	**782**	(Surplus) or deficit on revaluation of available for sale financial assets		0	(881)	**(881)**
0	**47,608**	**47,608**	**Other Comprehensive Income and Expenditure**		**0**	**(159,106)**	**(159,106)**
410,214	**(350,440)**	**59,774**	**Total Comprehensive Income and Expenditure**		**394,468**	**(568,177)**	**(173,709)**

MOVEMENT IN RESERVES STATEMENT

Primary Statement

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

MOVEMENT IN RESERVES STATEMENT

Primary Statement

		General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2017		**(11,815)**	**(6,766)**	**(15,608)**	**0**	**(14,576)**	**(48,765)**	**(369,470)**	**(418,235)**
Movement in reserves during 2017/18									
Total Comprehensive Income and Expenditure		6,499	(21,102)	0	0	0	(14,603)	(159,107)	(173,710)
Adjustments from income &expenditure charged under the accounting basis to the funding basis	7	(8,013)	19,225	(11,770)	0	(7,299)	(7,857)	7,857	0
Increase or (Decrease) in 2017/18		**(1,514)**	**(1,877)**	**(11,770)**	**0**	**(7,299)**	**(22,460)**	**(151,250)**	**(173,710)**
Balance at 31 March 2018 carried forward		**(13,329)**	**(8,643)**	**(27,378)**	**0**	**(21,875)**	**(71,225)**	**(520,720)**	**(591,945)**

BALANCE SHEET
Primary Statement

31 March 2017 £000		Notes	31 March 2018 £000
919,441	Property, Plant & Equipment	30	1,041,600
0	Investment Property		0
1,374	Intangible Assets		1,541
22,266	Heritage Assets	28	22,266
68,517	Long Term Investments	33	91,011
1,802	Long Term Debtors		342,570
1,013,400	**Long Term Assets**		**1,498,988**
22,948	Short Term Investments	33	77,658
1,890	Assets Held for Sale	29	1,770
512	Inventories		1,146
48,181	Short Term Debtors	20	23,009
7,935	Cash and Cash Equivalents	37	27,982
81,466	**Current Assets**		**131,565**
(205,290)	Short Term Borrowing	33	(554,337)
(38,131)	Short Term Creditors	21	(40,258)
0	Leasing Liability		0
(1,669)	Short Term Provisions	19	(3,636)
(245,090)	**Current Liabilities**		**(598,231)**
(4,788)	Long Term Provisions	19	(3,092)
(190,785)	Long Term Borrowing	33	(240,489)
0	Deferred Discounts		0
(219,534)	Pension Liability	36	(178,521)
0	Leasing Liability		0
(225)	Long Term Creditors		(271)
(16,209)	Capital Grants Receipts in Advance	24	(18,004)
(431,541)	**Long Term Liabilities**		**(440,377)**
418,235	**Net Assets**		**591,945**
(48,765)	Usable reserves	22	(71,225)
(369,470)	Unusable Reserves	23	(520,720)
(418,235)	**Total Reserves**		**(591,945)**

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

Director of Finance and IT

31 May 2018.

CASH FLOW
Primary Statement

2016/17 £'000		Notes	2017/18 £'000
(12,167)	Net surplus or (deficit) on the provision of services		14,603
28,636	Adjustment to surplus or deficit on the provision of services for non cash movements		65,513
(32,145)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(50,019)
(15,676)	**Net Cash flows from operating activities**	**41**	**30,097**
(27,042)	Investing Activities	39	(408,389)
42,956	Financing Activities	40	398,339
238	**Net increase or decrease in cash and cash equivalents**		**20,047**
7,697	Cash and cash equivalents at the beginning of the reporting period		7,935
7,935	**Cash and cash equivalents at the end of the reporting period**	**37**	**27,982**

Note 1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which are prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (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.

- ***Timeliness*** – The information is made available to key stakeholders of the Council in accordance with statutory timescales.

- ***Understandibility*** – the financial statements have been prepared clearly and concisely to ensure that they are as easy to understand as possible;

1.4 Accruals of Income and Expenditure (including revenue recognition)

Activity is accounted for in the financial year in which it takes place and when a right to consideration exists, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.5 Cash and Cash Equivalents

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

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

1.6 Contingent Liabilities

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

1.7 Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

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

Teachers' Pension Scheme

The arrangements for the teachers' scheme are such that the liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme in that no liability for the future payments of benefits is recognised in the Balance Sheet. The Comprehensive Income and Expenditure statement have been charged with the employer's contributions actually payable to the Department for Education in the year.

Local Government Pension Scheme

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

- The liabilities of the Essex pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 4.4% (based on the indicative rate of return on the Merrill Lynch AA rated high quality corporate bond curve).

- The assets of Essex pension fund attributable to the Council are included in the Balance Sheet at their fair value:

  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.

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

- ***Service cost comprising:***

  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure statement to the services for which the employees worked

  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure statement as part of Non Distributed Costs

  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- ***Re-measurements comprising:***

  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

  - contributions paid to the Essex pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to a member of staff (including teachers) are accrued in the year of the decision to make the award and are accounted for using the same policies as for the Local Government Scheme.

1.8 Events after the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

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

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

1.9 Financial Instruments

A financial instrument is defined as "any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another". The term "financial instrument" covers both financial assets and financial liabilities and includes both the most straightforward assets and liabilities such as trade receivables (short term debtors) or trade payables (short term creditors) and the most complex ones such as embedded derivatives. This note outlines how the Council has accounted for financial instruments.

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

Financial Assets

Financial assets are classified into four categories:

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

- ***Available for sale assets*** – these are financial assets that have a quoted market price and/or do not have fixed or determinable payments.

- ***Short-term debtors,*** where an allowance is made for the probability that some debt will ultimately prove impossible to collect; and

- ***At Fair Value through Profit and Loss*** – these are the Council's externally managed fund.

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

Annual credits to the Comprehensive Income and Expenditure statement for interest receivable are based on the carrying amount of the financial asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, the amount presented in the Balance Sheet is the outstanding principal receivable in the loan agreement. The amount credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year under the loan agreement.

The Council has surplus cash balances that are held in short term deposits with financial institutions and other public bodies. These investments are shown in the Balance Sheet at amortised cost using the effective interest rate method. Thus the carrying value of investments on the Balance Sheet is adjusted for accrued interest due at the end of the year.

Where assets are identified as impaired because of a likelihood arising on account of a past event that payments due under the contract will not be made, the financial asset is written down and a charge is made to the Comprehensive Income and Expenditure statement. In the case of debtors the carrying amount is adjusted for doubtful debts. Debts that cannot be collected (bad debts) are written off in accordance with the Council's Financial Regulations and are charged to the Comprehensive Income and Expenditure statement.

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

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

Financial Liabilities

Financial liabilities can be classified into:

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

Financial liabilities are initially measured at fair value, including any transaction costs if material, and are subsequently carried in the Balance Sheet at their amortised cost. Annual charges to the Comprehensive Income and Expenditure statement for interest payable are based on the carrying amount of the financial liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, the amount presented in the Balance Sheet is the outstanding principal repayable and that the interest charged to the Comprehensive Income and Expenditure statement is the amount payable for the year under the loan agreement. Any accrued interest payable is shown as part of the carrying value of the loan.

Gains or losses on the re-purchase or early settlement of borrowing are credited or debited to the Comprehensive Income and Expenditure statement in the year of repurchase or settlement. However where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing loan instruments, the premium or discount is respectively added to, or deducted from, the amortised cost of the new or modified loan and the write down of the premium or discount to the Comprehensive Income and Expenditure statement is spread over the life of the loan by means of an adjustment to the effective rate of interest.

Where premiums or discounts have been charged to the Comprehensive Income and Expenditure statement, the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2007 allow the impact on the General Fund balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or the discount was receivable when the loan was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves statement.

1.10 Grants and Contributions

Capital Grants

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

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

Revenue Grants

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

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

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

1.11 Intangible Assets

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

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

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

1.12 Investment Property

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

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

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

1.13 Leases

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

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

Finance Leases – the Council as Lessee

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

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

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

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

Finance Leases – the Council as Lessor

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

Operating Leases – the Council as Lessee

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

Operating Leases – the Council as Lessor

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

Recognition

De Minimis & Materiality Limits

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

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

1.14 Minimum Revenue Provision

In 2008 an amendment to the Capital Finance Regulations 2003 required the Council to approve a policy on the appropriate charge to the Comprehensive Income and Expenditure statement in respect of its outstanding loans and obligations of a similar nature. This charge is known as the Minimum Revenue Provision. It is also permissible for the Council to make additional voluntary repayments. The policy was reviewed and amended in February 2015 and was reassessed in the current year and is now stated as:

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

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

- For supported borrowing, the Council will set aside repayment of the total supported debt held by the Council calculated using the annuity method over a period of 50 years. This has been adopted in 2016/17 and backdated to the commencement date in 2007/08 and

amendments to the calculated amounts in prior years will be offset over the future periods until the profile is aligned with the revised method.

- For prudential (or unsupported) borrowing the asset life (annuity) method has been adopted. This method involves making provision by instalments over the estimated useful life of the asset in respect of which the borrowing was made. For assets purchased up to 2012/13 an equal instalment approach was taken over the asset life. For assets purchased from 2013/14 onwards an annuity approach has been taken which calculates the instalment due by reference to the relevant PWLB rates (which differ depending on the length of the loan taken out).

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

1.15 Overheads and Support Services

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

1.16 Prior Period Adjustments

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

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

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

1.17 Property, Plant and Equipment

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

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

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

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

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

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

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

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

For the financial year 2017/18, a revaluation of 20% of Land and Building assets and 100% of the housing stock was undertaken. In addition a desktop review of the Land and Building assets (including dwellings) was also undertaken at the 31 March 2018. For 2017/18 the valuations of the Council's land and property for accounting purposes have been conducted by the Council's own valuers. The valuers are members of the Royal Institution of Chartered Surveyors (RICS). The valuations have been prepared in accordance with the UK Practice Statements contained in the RICS Appraisal and Valuation Standards (the "Red Book").

Impairments and Revaluation Losses

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

- Where impairment losses are identified, they are accounted for as follows:

  where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

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

Depreciation
Depreciation is provided for on all Property, Plant and Equipment assets on a straight-line allocation of the depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

The estimated useful lives of each category of asset are in the following ranges:

Asset Category	Useful Life (years)
Council Dwellings	60
Other Land and Buildings	10 - 60
Vehicles, Plant and Equipment	1 - 10
Land Awaiting Development	No life estimated – non-depreciable
Commercial Properties	10 - 60
Community Assets	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	**£2,000,000**
The minimum value of a component as a proportion of total asset value	**10%**

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

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

Assets Held for Sale

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

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

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

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

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

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

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

Guidance from CIPFA states that, contrary to the conditions set out above, a tenant's initiation of their Right to Buy (RTB) their council house may trigger the transfer of that asset from Property, Plant and Equipment to Assets Held for Sale. In the Council's experience only some 20% of expressions of desire to buy these properties result in a disposal. It is therefore the policy of the Council to retain and dispose of these assets without transfer to the Assets Held for Sale category. However, in order to ensure that the Balance Sheet presents a true and fair view, any RTBs processed early in 2018/19 where the transaction was fully committed as at 31 March 2018 have been shown as Assets Held for Sale.

Disposals and De-recognitions

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

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

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

Where a property, plant or equipment asset is disposed of for other than a cash consideration, or the payment is deferred, an equivalent asset is recognised and included in the Balance Sheet at its fair value.

1.19 Fair Value Measurement

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

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

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

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

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

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:
Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the management date.
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – unobservable inputs for the asset or liability

1.20 Provisions

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

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

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

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

1.21 Reserves

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

- ***Unusable Reserves*** - Unusable reserves are not available for revenue purposes. The Revaluation Reserve can only be used when the gains are realised through asset disposal. The adjustment accounts, such as the Pension Reserve and Capital Adjustment Account, deal with situations where statute requires expenditure and income to be recognised on a different basis from that required by accounting standards. The adjustments between accounting basis and funding basis are shown in the Movement in Reserves Statement.

- ***Usable Reserves*** - Usable Reserves can be used to finance expenditure or to undertake capital investment and include the General Fund Balance, Earmarked Reserves, the Housing Revenue Account Balance, the Capital Receipts Reserve and the Major Repairs Reserve. All transactions involving expenditure financed by revenue reserves are charged to the Cost of Services in the Comprehensive Income and Expenditure statement. The Capital Receipts Reserve and Major Repairs Reserve can only be used to finance capital expenditure. All appropriations to and from reserves, including any interest payable, are accounted for in the Movement in Reserves statement.

1.22 Revenue Expenditure Funded from Capital under Statute

Legislation allows for specified expenditure to be classified as capital for funding purposes when it does not result in a non-current asset being carried in the Balance Sheet. The purpose of this is to enable such expenditure to be funded from capital resources rather than to be charged to the General Fund and impact upon Council Tax. These items comprise financial assistance towards capital expenditure incurred by third parties, expenditure on properties not owned by the Council, repayments of Government grant in respect of assets disposed of and amounts directed by the Secretary of State under section 16(2) of Part 1 of the Local Government Act 2003.

Where a statutory provision allows capital resources to meet such expenditure, that expenditure has been charged to the Cost of Services in the Comprehensive Income and Expenditure statement. It

has subsequently been accounted for by debiting the Capital Adjustment Account and crediting the General Fund Balance in the Movement in Reserves Statement. Any grants received in respect of revenue expenditure funded from capital resources are accounted for as revenue grants, even if described as capital grants by the grantor, and reversed in the Movement in Reserves Statement to the Capital Adjustment Account

1.23 Revenue Income Treated as Capital Receipts Under Statute

Normally capital receipts arise from disposals of interests in non-current assets. However, capital receipts are defined by statute and that statutory definition includes other categories of income, such as the repayment of a grant or a loan made by the Council to a third party for the acquisition of an asset. Such income is credited to the Comprehensive Income and Expenditure statement, since the receipt is revenue income under the general provisions of IFRS, but is then debited to the General Fund Balance in the Movement in Reserves Statement and credited to the Capital Receipts Reserve to effect the statutory requirement to treat such income as a capital receipt.

1.24 Schools

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

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

1.25 Value Added Tax (VAT)

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

1.26 Exceptional Items

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

1.27 Heritage Assets

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

Historic buildings – these were initially valued at cost as community assets and were then revalued on a restoration basis with any increases or decreases in value recognised in the revaluation reserve or Comprehensive Income and Expenditure statement as appropriate. The valuations are reviewed periodically (and at least every 5 years) as at 31 March by the Council's building surveyor – Geoffrey Bailey FRICS. It is noted the valuations are approximate and more accurate valuations by a specialist cost consultant are recommended but the Council is satisfied their valuations are materially accurate. Magazine No 5 at Purfleet and Coalhouse Fort at Tilbury are open to the public.

Artefacts – These are valued on the basis of insurance valuations with any increases or decreases in value recognised in the revaluation reserve. The valuations are reviewed periodically (and at least

every 5 years) as at 31 March by the Council's specialist valuer. These assets are held within the Grays museum and are accessible by the public.

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

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

1.28 Collection of Local Taxes

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

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

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

1.29 Interests in Companies and Other Entities

The Council is required to produce Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates and/or joint ventures. The Council has identified two group companies – Thurrock Regeneration Ltd and Gloriana Thurrock Homes Ltd. There has been a full consolidation of the companies into the group accounts.

1.30 Inventories

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issues but not yet adopted. This applies to the adoption of the following new or amended standards within the 2018/19 Code:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Lease Accounting

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

The Code required implementation from 1 April 2018 and there is therefore no impact on the 2017/18 Statement of Accounts.

Note 3 CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a degree of uncertainty about the future funding levels of local government. However the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council should be impaired as a result of a need to close facilities or to reduce levels of service provision. The Council has recently critically reviewed its portfolio of assets;

- Property, plant and equipment assets included in the balance sheet at fair value are revalued sufficiently regularly to ensure their carrying amount is not materially different from their fair value at the year-end. As a minimum this is at least once every five years. At the end of each year the valuer determines whether the carrying amount of the assets is consistent with their fair value.

- The Council has acquired the use of Property, Plant and Equipment by entering into either leases or arrangements that have a lease implicit within them. The Council considers the terms of the lease to determine whether the risks and rewards of ownership have passed to the Council and whether they should be reflected as a finance or operating lease.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The items in the Authority's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Effect
Property, Plant and Equipment	Assets are depreciated over their estimated useful lives. If in the current economic climate historic levels of repairs and maintenance expenditure cannot be sustained, the useful lives of assets may reduce.	If the useful life of an asset reduces, depreciation increases and the carrying value of the asset will reduce. For every year an asset life is reduced this will result in an annual increase depreciation charge of £0.833m.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgments and assumptions.	The Actuaries' sensitivity analysis indicates that an increase in the discount for liabilities of 0.1% would reduce the pension liability by £19.33m

Item	Uncertainty	Effect
Arrears	The Council's debtors and the overall provision for impairment are disclosed in Note 20. There is uncertainty in the current economic climate as to whether the impairment provision is sufficient.	The Council has a bad debt provision for general purposes of £1.03m. If a further 10% of debt over 180 days was provided for this would equate to an additional provision of £0.10m. The HRA bad debt provision is £0.329m. If a further 10% of debt over 180 days was provided for this would equate to an additional provision of £0.02m.
Provisions	The Council makes provision for liabilities of uncertain timing or amount. The provisions made by the Council are set out in Note 19 to these financial statements. This also includes the proportion of a provision made in the collection fund for appeals received from business rate payers against their assessed amount of non-domestic rates. This has been set at £12.99m following review by specialist valuers. The impact of this is shared between the Council (49%), Central Government (50%) and Essex Fire Authority (1%). These provisions are based on judgements by officers and by their nature may vary over time.	There is potential for provisions to be under or overstated as the uncertainty over the timing and amount of liabilities are resolved. The appeals against business rates assessments are considered to potentially vary by 5 per cent upwards or downwards which is equivalent to £0.65m.
Fair Value Measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example surplus assets, an external valuer is employed). Information about the valuation	The authority has relied on expert valuations to measure the fair value of surplus assets, assets held for sale and financial instruments. These are based on observable inputs used in the fair value measurement which for property assets include industrial land values, residential sales, and consideration of the lease status of these assets. For financial instruments the observable inputs are set out in detail in Note 33 to the financial statements.

Item	Uncertainty	Effect
	techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 30 and 34 below	

Note 5 MATERIAL ITEMS OF INCOME AND EXPENDITURE

There are some regular material items of income and expense worthy of note, due to their size and potential impact on the Council if there are significant fluctuations.

These include figures for sums collected through Council Tax - the Council's proportion is £61.7m (£73.1m across all preceptors). Similarly sums are collected for business rates – the Council's proportion is £54.0m (£110.3m across all preceptors). The Council's proportion is reduced by £21.1m in central government tariffs and levies.

Housing Benefits, whilst generally considered to be break-even to the Council, involves paying out sums in the region of £52.8m and claiming this back from Central Government.

The Council's debt portfolio currently incurs interest of £10.3m. Of this £5.6m relates to the additional debt the Council took on in 2011/12 as part of the Housing Revenue Account reform (£160.9m).

The Council also relies heavily on Government Grants. The revenue grants received from the Government totalled £249.6m. These are shown in Note 24 to the accounts.

Note 6 RECLASSIFICATION OF COMPARATIVE FIGURES

In line with 2017/18 Code, the following changes have been included which impact on the brought forward figures. These changes are:

The staff banding disclosure in Note 15 has been updated in line with updated source data.

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

ADJUSTMENTS FOR CAPITAL PURPOSES

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

- **Other operating expenditure-** adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure-** the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure-** capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions were satisfied in the year.

NET CHANGE FOR THE PENSIONS ADJUSTMENTS

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

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the CIES.

OTHER DIFFERENCES

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

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

Adjustment from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts 2017/18	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	98	75	16	190
Children's Services	4,466	87	(26)	4,527
Commercial Services	0	2	3	6
Corporate Costs	0	138	(521)	(383)
Corporate Strategy & Communications	30	15	(2)	43
HR; OD and Transformation	1	17	5	23
Schools	0	40	0	40
Place Directorate	3,227	33	(4)	3,255
Environment and Highways	5,046	44	8	5,097
Finance, IT & Legal	40	36	(9)	68
Net Cost of Services	**12,907**	**488**	**(531)**	**12,864**
Housing Revenue Account	**(15,212)**	**38**	**(11,022)**	**(26,196)**
Other Income and Expenditure	**(6,221)**	**5,602**	**2,738**	**2,119**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	**(8,526)**	**6,128**	**(8,814)**	**(11,212)**

Adjustment from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts 2016/17	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Adults, Housing and Health	190	650	24	865
Children's Services	2,462	777	(1)	3,238
Commercial Services	0	15	2	16
Corporate Costs	0	(3,414)	383	(3,031)
Corporate Strategy & Communications	30	132	9	171
HR; OD and Transformation	0	137	11	147
Schools	0	699	0	699
Place Directorate	2,863	304	30	3,197
Environment and Highways	4,890	328	107	5,325
Finance, IT & Legal	0	338	36	374
Net Cost of Services	**10,434**	**(34)**	**601**	**11,002**
Housing Revenue Account	**8,374**	**345**	**(9,835)**	**(1,116)**
Other Income and Expenditure	**(2,141)**	**5,521**	**(657)**	**2,724**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	**16,667**	**5,832**	**(9,890)**	**12,609**

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

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

	2016/17							
	Usable Reserves							
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:								
Reversal of items debited or credited to the CIES								
Amortisation of intangible assets	(494)	0	0	0	0	0	(494)	494
Charges for depreciation and impairment of non-current assets	(8,453)	(7,457)	0	0	0	0	(15,910)	15,910
Revaluation losses on property, plant and equipment	(752)	(12,959)	0	0	0	0	(13,711)	13,711
Revaluation gains reversing previous losses	894	12,611	0	0	0	0	13,505	(13,505)
Revaluation Depreciation Adjustments	(18)	(533)	0	0	0	0	(551)	551
Movement in the fair value of investment property	0	0	0	0	0	0	0	0
Movement in the value of held for sale assets	0	(36)	0	0	0	0	(36)	36
Capital Grants and contributions applied	12,148	0	0	0	0	0	12,148	(12,148)
Donations of assets to the CIES	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute (REFCUS)	(6,549)	0	0	0	0	0	(6,549)	6,549
Grant Funding for REFCUS	4,938	0	0	0	0	0	4,938	(4,938)
Amounts of assets written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES	(7,909)	(17,279)	0	0	0	0	(25,188)	25,188
Capital expenditure funded from revenue reserves	57	0	0	0	0	0	57	(57)
Insertion of items not debited or credited to the CIES								
Statutory provision for the financing of capital investment	0	0	0	0	0	0	0	0

	2016/17							
	Usable Reserves							
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Grants Unapplied Account:								
Application of grants to capital financing transferred to the capital adjustment account	0	0	0	0	0	1,347	1,347	(1,347)
Capital Grants and contributions unapplied credited to the CIES	4,030	0	0	0	0	(4,030)	0	0
Adjustments primarily involving the Capital Receipts Reserve:								
Use of the capital receipts reserve to finance new capital expenditure	0	0	0	1,963	0	0	1,963	(1,963)
Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES	850	10,301	0	(11,151)	0	0	0	0
Capital Receipts from the repayments of external loans	0	0	0	0	0	0	0	0
Statutory provision for the financing of capital investment	0	0	0	0	0	0	0	0
Contribution from the capital receipts reserve towards administration costs of non-current assets disposal	(122)	0	0	122	0	0	0	0
Contribution from the capital receipts reserve to finance the payments to the Government capital receipts pool	(1,041)	0	0	1,041	0	0	0	0
Use of capital receipts funding transformation expenditure	(440)	0	0	440	0	0	0	0
Adjustments primarily involving the Major Repairs Reserve:								
Reversal of notional major repairs allowance credited to the HRA	0	9,832	0	0	(9,832)	0	0	0
Use of major repairs reserve to finance new capital expenditure	0	0	0	0	9,832	0	9,832	(9,832)
Adjustments primarily involving the Financial Instrument Adjustment Account:								
Amounts by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements	31	0	0	0	0	0	31	(31)

	2016/17							
	Usable Reserves							
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Pension Reserve:								
Reversal of items relating to retirement benefits debited or credited to the CIES	(16,275)	(1,601)	0	0	0	0	(17,876)	17,876
Employer's pension contributions and direct payment to pensioners payable in year	11,282	762	0	0	0	0	12,044	(12,044)
Adjustments involving the Collection Fund Adjustment Account (Council Tax)								
Amount by which council tax credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(408)	0	0	0	0	0	(408)	408
Adjustments involving the Collection Fund Adjustment Account:								
Amount by which non-domestic rating income credited to the CIES is different from non-domestic rating income calculated for the year in accordance with statutory requirements	2,142	0	0	0	0	0	2,142	(2,142)
Adjustment involving the Accumulated Absences Account:								
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(164)	3	0	0	0	0	(161)	161
Total Adjustments	**(6,253)**	**(6,356)**	**0**	**(7,585)**	**0**	**(2,683)**	**(22,877)**	**22,877**

	2017/18							
	Usable Reserves							
	General Fund Balance £000	Housing Revenue Account Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves (total) £000	Movement in Unusable Reserves (total) £000
Adjustments primarily involving the Capital Adjustment Account:								
Reversal of items debited or credited to the CIES								
Amortisation of intangible assets	(688)	0	0	0	0	0	(688)	688
Charges for depreciation and impairment of non-current assets	(8,638)	(9,365)	0	0	0	0	(18,003)	18,003
Revaluation losses on property, plant and equipment	(749)	(3,331)	0	0	0	0	(4,080)	4,080
Revaluation gains reversing previous losses	497	28,785	0	0	0	0	29,282	(29,282)
Revaluation Depreciation Adjustments	(9)	(846)	0	0	0	0	(855)	855
Movement in the fair value of investment property	0	0	0	0	0	0	0	0
Movement in the value of held for sale assets	0	(30)	0	0	0	0	(30)	30
Capital Grants and contributions applied	22,945	0	0	0	0	0	22,945	(22,945)
Donations of assets to the CIES	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute (REFCUS)	(6,969)	0	0	0	0	0	(6,969)	6,969
Grant Funding for REFCUS	3,618	0	0	0	0	0	3,618	(3,618)
Amounts of assets written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES	(19,831)	(20,463)	0	0	0	0	(40,294)	40,294
Capital expenditure funded from revenue reserves	29	0	0	0	0	0	29	(29)
Insertion of items not debited or credited to the CIES								
Statutory provision for the financing of capital investment	0	0	0	0	0	0	0	0

	2017/18							
	Usable Reserves							
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Grants Unapplied Account:								
Application of grants to capital financing transferred to the capital adjustment account	0	0	0	0	0	213	213	(213)
Capital Grants and contributions unapplied credited to the CIES	7,512	0	0	0	0	(7,512)	0	0
Adjustments primarily involving the Capital Receipts Reserve:								
Use of the capital receipts reserve to finance new capital expenditure	0	0	0	2,505	0	0	2,505	(2,505)
Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES	2,018	14,039	0	(16,057)	0	0	0	0
Capital Receipts from the repayments of external loans	0	0	0	(36)	0	0	(36)	36
Statutory provision for the financing of capital investment	0	0	0	0	0	0	0	0
Contribution from the capital receipts reserve towards administration costs of non-current assets disposal	0	(150)	0	150	0	0	0	0
Contribution from the capital receipts reserve to finance the payments to the Government capital receipts pool	(1,032)	0	0	1,032	0	0	0	0
Use of capital receipts funding transformation expenditure	(637)	0	0	637	0	0	0	0
Adjustments primarily involving the Major Repairs Reserve:								
Reversal of notional major repairs allowance credited to the HRA	0	11,174	0	0	(11,174)	0	0	0
Use of major repairs reserve to finance new capital expenditure	0	0	0	0	11,174	0	11,174	(11,174)
Adjustments primarily involving the Financial Instrument Adjustment Account:								
Amounts by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements	436	0	0	0	0	0	436	(436)

	2017/18							
	Usable Reserves							
	General Fund Balance £000	Housing Revenue Account Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves (total) £000	Movement in Unusable Reserves (total) £000
Adjustments primarily involving the Pension Reserve:								
Reversal of items relating to retirement benefits debited or credited to the CIES	(21,055)	(2,262)	0	0	0	0	(23,317)	23,317
Employer's pension contributions and direct payment to pensioners payable in year	15,512	1,677	0	0	0	0	17,189	(17,189)
Adjustments involving the Collection Fund Adjustment Account (Council Tax)								
Amount by which council tax credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(586)	0	0	0	0	0	(586)	586
Adjustments involving the Collection Fund Adjustment Account:								
Amount by which non-domestic rating income credited to the CIES is different from non-domestic rating income calculated for the year in accordance with statutory requirements	(483)	0	0	0	0	0	(483)	483
Adjustment involving the Accumulated Absences Account:								
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	97	(4)	0	0	0	0	93	(93)
Total Adjustments	**(8,013)**	**19,224**	**0**	**(11,769)**	**0**	**(7,299)**	**(7,857)**	**7,857**

Note 8 EXPENDITURE AND INCOME ANALYSED BY NATURE

31 March 2017 Carrying amount £000		31 March 2018 Carrying amount £000
	Expenditure/Income	
	Expenditure	
104,197	Third Party Payments	135,793
101,289	Employee expenses	101,505
80,783	Housing Benefits Payments	52,038
54,198	Other operating expenses	47,086
34,305	Depreciation, Amortisation and Impairment	24,753
12,008	Gains on disposals of assets and impairments	15,092
9,281	Interest payments	10,392
5,522	Pen Int Cost & Expect ret on Pension Asset	5,602
1,041	NNDR Pooling Expenses	2,679
670	Payments to housing capital receipts pool	1,032
0	Precepts and Levies	668
(3,883)	Support Services Rechrges	(2,169)
399,411	**Total Expenditure**	**394,468**
	Income	
(94,389)	Revenue Grants and Contributions	(86,716)
(57,735)	Income from Council Tax	(61,655)
(54,355)	HRA rent and service charge income	(53,265)
(53,513)	Fees, charges and other service income	(52,257)
(46,396)	Dedicated Schools Grant	(51,255)
(34,253)	Income from business rates	(36,448)
(16,178)	Capital Grants and contributions	(30,458)
(15,715)	Better Care Fund	(18,875)
(5,103)	Investment income	(12,082)
(4,938)	Gains on disposals of assets and impairments	(3,618)
(4,670)	Third Party Receipts	(2,443)
(387,244)	**Total Income**	**(409,071)**
12,166	**Surplus or Deficit on the Provision of Services**	**(14,604)**

Note 9 DEPLOYMENT OF DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education (DfE) - the Dedicated Schools Grant (DSG). An element of DSG is recouped by the DfE to fund academy schools in the council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of the DSG receivable for 2017/18 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 2017/18 before Academy Recoupment	32,607	112,568	145,175
B	Academy figure recouped for 2017/18	(5,739)	(92,016)	(97,756)
C	Total DSG after Academy Recoupment for 2017/18	0	0	47,419
D	Brought Forward from 2016/17	0	0	1,343
E	Carry Forward agreed to 2018/19	0	0	(1,343)
F	Agreed budgeted distribution in 2017/18	26,868	20,552	47,420
G	In Year Budget Adjustments	0	0	0
H	Final Budget Distribution for 2018/19	26,868	20,552	47,420
I	Actual Central Expenditures	(29,620)	0	(29,620)
J	Actual ISB deployed to schools	0	(20,501)	(20,501)
K	Local authority contribution 2017/18	0	0	0
L	Carry Forward to 2018/19	**(2,752)**	**51**	**(4,044)**

Note 10 OTHER OPERATING EXPENDITURE

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

2016/17 £000		2017/18 £000
672	Levies	667
1,041	Payments to the Government Housing Capital Receipts Pool	1,032
14,037	Gains/losses on the disposal of non current assets	24,237
15,750	**Total**	**25,936**

Note 11 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2016/17 £000		2017/18 £000
9,281	Interest payable and similar charges	10,067
5,521	Net interest on the net defined benefit liability	5,602
(4,670)	Interest receivable and similar income	(12,082)
10,132	**Total**	**3,587**

Note 12 TAXATION AND NON-SPECIFIC GRANT INCOME

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

2016/17 £000		2017/18 £000
(57,735)	Council tax income	(61,655)
(31,363)	Non domestic rates	(31,968)
(24,133)	Non-ringfenced grants	(18,874)
(16,178)	Capital grants and contributions	(30,457)
(129,409)	**Total**	**(142,954)**

Note 13 MEMBERS' ALLOWANCES

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

2016/17 £000	Members' Allowances	2017/18 £000
630	Allowances	632
0	Expenses	0
630	**Total**	**632**

Note 14 REMUNERATION OF SENIOR STAFF

Senior officer remuneration for 2017/18 is set out in the table below:

Senior Staff Emoluments 2017/18	Note	Salary, Fees and Allowances	Performance Related bonus	Expense Allowance	Compensation for loss of office	Pension Contribution	Total
		£	£	£	£	£	£
Chief Executive – Lyn Carpenter		171,501	0	0	0	27,612	199,113
Corporate Director of Children's Services		133,719	0	0	0	21,494	155,212
Director of HR, OD & Transformation		96,543	0	0	0	15,537	112,080
Corporate Director of Adults, Housing and Health		126,501	0	0	0	20,367	146,868
Corporate Director of Place		133,500	0	0	0	21,494	154,994
Director of Corporate Finance & IT		96,527	0	0	0	15,537	112,064
Director of Public Health		109,113	0	0	0	17,549	126,662
Director of Strategy, Communication & Customer Services		96,501	0	0	0	15,537	112,038
Director of Commercial Services		92,800	0	0	0	15,537	108,336
Director of Environment and Highways	1	95,322	0	0	0	15,302	110,624

1) The Director of Environment and Highways was appointed on 1st November 2017. The amounts above include remuneration as Assistant Director of Environment and Place between 1 April 2017 and 31 October 2017. This new post of Director replaced two previous Assistant Director roles.

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

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

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.

Remuneration of Senior Staff	2016/17	2017/18
Pay Band	Numbers of Employees	Numbers of Employees
50,001 - 55,000	79	84
55,001 - 60,000	82	59
60,001 - 65,000	55	50
65,001 - 70,000	32	26
70,001 - 75,000	14	22
75,001 - 80,000	10	6
80,001 - 85,000	8	5
85,001 - 90,000	5	3
90,001 - 95,000	6	8
95,001 - 100,000	4	4
100,001 - 105,000	2	1
105,001 - 110,000	3	0
110,001 - 115,000	1	1
115,001 - 120,000	1	2
120,000+	3	2

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 redundancies 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.

	No of Compulsory Redundancies		Other Departures		Total number of Exit package by cost		Total Cost of Exit Packages	
Exit Package cost Band £	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
0 – 20,000	0	4	16	5	16	9	145,786	88,129
20,001- 160,000	0	2	5	3	5	5	168,969	319,815
Total	-	6	21	8	21	14	314,755	407,943

Note 15 RELATED PARTY TRANSACTIONS

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

Central Government

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

Members and Other Public Bodies

Members have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in Note 13.

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

The current councillors who have not provided a declaration return are Councillor John Allen, Councillor James Baker, Councillor Clare Baldwin, Councillor Victoria Holloway, Councillor Clifford Holloway and Councillor John Kent.

Officers

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

Entity	Income	Expenditure	Debtor	Creditor
	£	£	£	£
High House Production Park	34,895	25,835	0	0
Your Do It Yourself Centre	0	535	0	0
Thurrock CVS	480	725,050	0	0

Note 16 EXTERNAL AUDIT COSTS

In 2017/18 the Council incurred the following costs relating to the audit of the Statement of Accounts, certification of grant claims:

2016/17 £000	External Audit Costs	2017/18 £000
	Fees Payable to Ernst & Young:	
134	External Audit Services including Statutory Inspections	141
17	Certification of Grant Claims and Returns	37
19	Non-Audit Work	0
169	**Total**	**177**

Note 17 TRANSFERS TO/ FROM EARMARKED RESERVES

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

Balance at 1 April 2016 £000	Net Transfers (In)/Out £000	Balance at 31 March 2017 £000		Balance at 1 April 2017 £000	Net Transfers (In)/Out £000	Balance at 31 March 2018 £000
(3,753)	1,163	(2,590)	Balances held by Schools under a Scheme of Delegation	(2,590)	1,048	**(1,542)**
0	0	0	Revenue Grants Unapplied	0	0	**0**
0	(325)	(325)	Budget Management	(325)	(1,445)	**(1,770)**
0	(154)	(154)	Commuted Sums	(154)	0	**(154)**
0	0	0	DCLG DC Reserve	0	0	**0**
(524)	413	(111)	Grant Carried Forward	(111)	(89)	**(200)**
(452)	259	(193)	School Improvement Reserve	(193)	1	**(192)**
(1,149)	2,492	1,343	DSG	1,343	2,701	**4,044**
(367)	(58)	(425)	Public Health Grant	(425)	48	**(377)**
0	(3,150)	(3,150)	Development Reserve	(3,150)	(1,201)	**(4,351)**
0	(1,440)	(1,440)	Housing Zones	(1,440)	276	**(1,164)**
(2,140)	780	(1,360)	Other Earmarked Reserves	(1,360)	(1,730)	**(3,090)**
(8,385)	**(20)**	**(8,405)**	**Earmarked Reserves**	**(8,405)**	**(391)**	**(8,796)**

- The ***Balances held by Schools under a Scheme of Delegation*** comprise the working balances controlled by School Governors in the management of their annual share of DSG and other income;

- The ***Revenue Grants Unapplied Reserve*** has been set up from revenue grants received but the expenditure has yet to be incurred (i.e. the grants have no conditions or conditions have been met and have therefore been recognised in Comprehensive Income and Expenditure statement).The reserve will be drawn down once the associated expenditure has been incurred;

- The ***Budget Management Reserve*** was set up to provide a contingency to meet service demand over and above that budgeted for.

- The ***DCLG DC Reserve*** is the amount of funding remaining for the implementation of the Development Corporation staff into Thurrock Council.

- The ***Grant Carried Forward Reserve*** relates to grants where the conditions have been yet, but the expenditure is yet to be incurred.

- The ***School Improvement Reserve*** was identified as a requirement during the budget setting process.

- The ***Development Reserve*** was established to fund regeneration and new development works within the Housing Revenue Account.

- The ***Public Health Grant Reserve*** has been established to fund expenditure in relation to public health which is a Council responsibility from 1 April 2013.

- ***Other Reserves*** – all other earmarked reserves set up but with balances of less than £1m as at 31 March 2018.

Note 18 OPERATING LEASES

The Council as Lessor:

Operating Leases

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

- For the provision of community facilities such as sports facilities and community centres;

- For economic development purposes to provide suitable affordable accommodation to local businesses; and

- For the provision of services by other public bodies, charities and the third sector.

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

2016/17 £000		2017/18 £000
1,553	Not later than 1 year	1,504
2,097	Later than 1 year and not later than 5 years	1,935
64	Later than 5 years	49
3,714		**3,488**

Note 19 PROVISIONS

A provision has been made to reflect the likely financial impact of business rate appeals against the Council. This represents the Council's proportion of the overall provision of £12.9m.

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 £0.334m remains appropriate.

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

Short Term Provisions	MMI Insurance £'000	Business Rate Appeals £000	Pension Provision £000	Other Provision £000	Total £000
Balance at 01 April 2017	(106)	(1,563)	0	0	(1,669)
Additional Provision/Amount Used 2017/18	0	(1,937)	0	(30)	(1,967)
Balance at 31 March 2018	**(106)**	**(3,500)**	**0**	**(30)**	**(3,636)**
Balance at 01 April 2016	(106)	(2,607)	(3,500)	0	(6,213)
Additional Provision/Amount Used 2017/18	0	1,044	3,500	0	4,544
Balance at 31 March 2017	**(106)**	**(1,563)**	**0**	**0**	**(1,669)**

Long Term Provisions	MMI Insurance £'000	Business Rate Appeals £000	Other £000	Total £000
Balance at 01 April 2017	(274)	(4,447)	(67)	(4,788)
Additional Provision/Amount Used 2017/18	46	1,583	67	1,696
Balance at 31 March 2018	**(228)**	**(2,864)**	**0**	**(3,092)**
Balance at 01 April 2016	(404)	(3,060)	(126)	(3,590)
Additional Provision/Amount Used 2017/18	130	(1,387)	59	(1,198)
Balance at 31 March 2017	**(274)**	**(4,447)**	**(67)**	**(4,788)**

Note 20 SHORT-TERM DEBTORS

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

31 March 2017 £000		31 March 2018 £000
5,864	Central government bodies	4,533
471	Other local authorities	1,819
868	NHS bodies	0
0	Public corporations and trading funds	0
40,978	Other entities and individuals	16,657
48,181	**Total**	**23,009**

Note 21 SHORT-TERM CREDITORS

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

31 March 2017 £000		31 March 2018 £000
(9,907)	Central government bodies	(13,188)
(1,857)	Other local authorities	(2,063)
(689)	NHS bodies	(298)
0	Public corporations and trading funds	0
(25,678)	Other entities and individuals	(24,709)
(38,131)	**Total**	**(40,258)**

Note 22 USABLE RESERVES

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

31 March 2017 £000		Notes	31 March 2018 £000
(8,000)	General Fund Balance	(a)	(11,000)
(2,176)	Housing Revenue Account Balance	(b)	(2,175)
(3,815)	General Fund Earmarked Reserves	(c)	(2,327)
(4,590)	HRA Earmarked Reserves		(6,469)
(15,608)	Capital Receipts Reserve	(d)	(27,379)
0	Major Repairs Reserve	(e)	0
(14,576)	Capital Grants Unapplied	(f)	(21,876)
(48,765)	**Total Usable Reserves**		**(71,226)**

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

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

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

(c) Earmarked Reserves Balance
Resources earmarked for particular spending plans and contingencies. These are shown in more detail in Note 17.

(d) Capital Receipts Reserve
Proceeds of fixed asset sales available to finance capital expenditure or repay debt.

(e) Major Repairs Reserve
A resource provided from within HRA Subsidy to finance capital expenditure on dwellings and other property in the HRA.

(f) Capital Grants Unapplied
These are grants received for specific purposes but remain unspent at the end of each year.

Note 23 UNUSABLE RESERVES

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

31 March 2017 £000		Notes	31 March 2018 £000
(122,700)	Revaluation Reserve	(a)	(219,323)
(481,949)	Capital Adjustment Account	(b)	(495,223)
14,899	Financial Instruments Adjustment Account	(c)	14,463
219,534	Pensions Reserve	(d)	178,521
(915)	Collection Fund Adjustment Account - Council Tax		(329)
(123)	Collection Fund Adjustment Account - NNDR		360
772	Financial Instruments For Sale Account		(109)
1,012	Accumulated Absences Account		920
(369,470)	**Total Unusable Reserves**		**(520,720)**

(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 2017 £000		31 March 2018 £000
(119,254)	**Balance at 1 April**	**(122,700)**
(15,661)	Upward revaluation of assets	(114,906)
8,251	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	3,822
(7,410)	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**(111,084)**
1,233	Difference between fair value depreciation and historical cost depreciation	1,941
2,731	Accumulated gains on assets sold or scrapped	12,520
3,964	**Amount written off to the Capital Adjustment Account**	**14,461**
(122,700)	**Balance at 31 March**	**(219,323)**

(b) Capital Adjustment Account

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

31 March 2017 £000		31 March 2018 £000	
(496,633)	**Balance at 1 April**	**(481,948)**	
	Reversal of items relating to capital expenditure debited or credited to the CIES:		
16,461	Charges for depreciation of non current assets (PPE)	18,858	
13,711	Revaluation and Impairment losses on Property, Plant and Equipment	4,080	
(13,505)	Revaluation gains reversing previous losses (PPE)	(29,282)	
494	Amortisation of intangible assets	688	
6,549	Revenue expenditure funded from capital under statute (REFCUS) - net of Funding	6,969	
18,194	PPE written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	31,819	
6,994	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	8,475	
(2,731)	Accumulated gains on assets sold or scrapped	(12,520)	
46,167		**29,087**	
(1,233)	Adjusting amounts written out of the Revaluation Reserve		(1,941)
44,934	**Net written out amount of the cost of non current assets consumed in the year**		**27,146**
	Capital financing applied in the year:		
(1,963)	Use of the Capital Receipts Reserve to finance new capital expenditure	(2,469)	
(9,832)	Use of the Major Repairs Reserve to finance new capital expenditure	(11,174)	
(18,433)	Application of grants to capital financing from the Capital Grants Unapplied Account	(26,776)	
0	Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances (including finance lease liabilities)	0	
(57)	Capital expenditure charged against the General Fund and HRA balances (DRC)	(29)	
0	Other Adjustments	**0**	
(30,285)			**(40,448)**
36	Movements in assets held for sale debited or credited to the CIES		30
(481,948)	**Balance at 31 March**		**(495,220)**

(c) Financial Instruments Adjustment Account

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

31 March 2017 £000		31 March 2018 £000
14,930	**Balance at 1 April**	**14,899**
(31)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(436)
14,899	**Balance at 31 March**	**14,463**

(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 2017 £000		31 March 2018 £000
159,466	**Balance at 1 April**	**219,534**
54,236	Actuarial gains or losses on pensions assets and liabilities	(47,141)
17,876	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	23,317
(12,044)	Employer's pensions contributions and direct payments to pensioners payable in the year	(17,189)
219,534	**Balance at 31 March**	**178,521**

Note 24 ANALYSIS OF GOVERNMENT GRANTS

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

2016/17 £000		2017/18 £000
	Credited to Taxation and Non Specific Grant Income:	
	Revenue	
(58,143)	Council Tax	(61,655)
(29,289)	National Non Domestic Rates	(31,968)
(20,678)	Revenue Support Grant	(14,660)
(3,380)	New Homes Bonus	(3,604)
(870)	Education Services Grant	(590)
0	Other	(19)
	Capital	
(3,253)	Department for Transport	(4,046)
(5,836)	Department for Education	(6,259)
(331)	Homes and Communities Agency	0
0	South Essex Local Enterprise Partnership	(18,448)
(6,875)	Other	(1,704)
(128,655)	**Total**	**(142,953)**

2016/17 £000		2017/18 £000
	Credited to Services:	
	Revenue	
(53,182)	Housing Benefit	(51,433)
(11,619)	Public Health Grant	(11,333)
(49,758)	Dedicated Schools Grant	(47,080)
(242)	Music Education Grant	(277)
(32)	Adult Learning	0
(1,876)	Unaccompanied Asylum Seekers Grant	(1,055)
(858)	Housing Benefit Admin Grant	(781)
(15,714)	Health Authority Social Care Funding (now better care fund)	0
	Better Care Fund - Reablement	(878)
	Better Care Fund - Section 256	(3,105)
	Better Care Fund - Main Stream	(11,939)
	Better Care Fund - Improved BCF	(132)
	Better Care Fund - Improved BCF £2bn	(2,821)
	Adult social care support grant	(718)
	LOCASM	(1,334)
(1,054)	Other	(931)
	Capital	
(3,347)	DOE	(910)
0	South Essex Local Enterprise Partnership	(1,422)
(1,591)	Other	(1,286)
(139,274)	**Total**	**(137,435)**

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

31 March 2017 £000		31 March 2018 £000
	Capital Grants & Contributions - Receipts in Advance	
(9,115)	Section 106	(12,040)
0	Department for Education	(6)
(133)	Department of Communities and Local Government	(137)
0	South Essex Local Enterprise Partnership	0
(6,275)	Other Contributions	(5,133)
(686)	Port of London Authority	(688)
(16,209)	**Total**	**(18,004)**

Note 25 CONTINGENT LIABILITIES

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

Note 26 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue on 31 May 2018. There have been no events arising between the 31 March 2018 and 31 May 2018 that provides information about conditions existing at 31 March 2018 which need to be reflected in the financial statements.

Note 27 EXCEPTIONAL ITEMS

There were no exceptional items in 2017/18.

Note 28 HERITAGE ASSETS SUMMARY OF TRANSACTIONS

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

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

There have been no additions or disposals of heritage assets between 2014/15 and 2017/18 with the only changes in asset values relating to revaluations.

	2014/15 Buildings £'000	2014/15 Artefacts £'000	2015/16 Buildings £'000	2015/16 Artefacts £'000	2016/17 Buildings £'000	2016/17 Artefacts £'000	2017/18 Buildings £'000	2017/18 Artefacts £'000
Opening Carrying Value	21,166	122	22,144	122	22,144	122	22,144	122
Revaluations	978	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0
Closing Carrying Value	**22,144**	**122**	**22,144**	**122**	**22,144**	**122**	**22,144**	**122**

Note 29 ASSETS HELD FOR SALE

2016/17 £000		2017/18 £000
2,399	**Balance outstanding at start of year**	**1,890**
	Assets newly classified as held for sale:	
6,607	Property, Plant and Equipment	8,501
	Revaluations and Impairments:	
(122)	Revaluation losses	(146)
0	Revaluation gains	0
	Assets declassified as held for sale:	
0	Property, Plant and Equipment	0
(6,994)	Assets sold	(8,475)
1,890	**Balance outstanding at year-end**	**1,770**

Note 30 PROPERTY, PLANT AND EQUIPMENT

Movement 2017/18	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation								
At 1 April 2017	604,450	153,951	26,673	18,866	107,037	3,507	60,718	**975,202**
Adjustment - Note 1	0	0	0	0	0	(3,055)	0	**(3,055)**
Additions / Donations	11,988	4,487	5,891	434	23,712	1,476	0	**47,988**
Derecognition - Disposals	0	(35)	(712)	0	0	0	(1,795)	**(2,542)**
Derecognition - Other	(11,990)	(18,250)	0	0	0	0	0	**(30,240)**
Revaluations Recognised in Revaluation Reserve	107,100	1,533	0	0	0	0	1,062	**109,695**
Revaluations Recognised in Surplus/Deficit on Provision of Services	25,166	(71)	0	0	0	0	0	**25,095**
								0
Assets reclassified (to)/from Held for Sale	(8,501)	0	0	0	0	0	0	**(8,501)**
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	**0**
Other movements in Cost or Valuation	0	0	0	0	0	0	0	**0**
At 31 March 2018	**728,213**	**141,615**	**31,852**	**19,300**	**130,749**	**1,928**	**59,985**	**1,113,642**

Note 1 – The adjustment relates to the reclassification of capital expenditure to revenue expenditure funded from capital under statute.

Movement 2017-18	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Accumulated Depreciation and Impairment								
At 1 April 2017	0	(7,350)	(15,318)	(6,824)	(26,116)	0	(153)	**(55,761)**
Depreciation charge	(9,149)	(2,716)	(2,472)	(674)	(2,920)	0	(72)	**(18,003)**
Depreciation written back to the Revaluation Reserve	42	512	0	0	0	0	99	**653**
Depreciation written back to Surplus/Deficit on Provision of Services	3	104	0	0	0	0	0	**107**
Derecognition - Disposals	0	1	595	0	0	0	0	**596**
Derecognition - Other	0	366	0	0	0	0	0	**366**
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	**0**
At 31 March 2018	**(9,104)**	**(9,083)**	**(17,195)**	**(7,498)**	**(29,036)**	**0**	**(126)**	**(72,042)**
NBV At 31 March 2017	**604,450**	**146,601**	**11,355**	**12,042**	**80,921**	**3,507**	**60,565**	**919,441**
NBV At 31 March 2018	**719,109**	**132,532**	**14,657**	**11,802**	**101,713**	**1,928**	**59,859**	**1,041,600**

Comparative 2016/17	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation:								
At 1 April 2016	633,357	155,481	29,349	18,411	94,385	3,393	61,336	**995,712**
Additions / Donations	10,805	5,000	2,224	456	12,693	5,469	715	**37,362**
Additions - Other	0	0	0	0	0	0	0	**0**
Derecognition - Disposals	0	0	(420)	0	(41)	0	(312)	**(773)**
Derecognition - Other	(10,805)	(6,361)	(4,479)	0	0	0	(625)	**(22,270)**
Revaluations Recognised in Revaluation Reserve	(11,591)	(677)	0	0	0	0	24	**(12,244)**
Revaluations Recognised in Surplus/Deficit on Provision of Services	(16,064)	504	0	0	0	0	(419)	**(15,979)**
Assets reclassified (to)/from Held for Sale	(6,607)	0	0	0	0	0	0	**(6,607)**
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	**0**
Other movements in Cost or Valuation	5,354	0	0	0	0	(5,354)	0	**0**
At 31 March 2017	**604,449**	**153,947**	**26,674**	**18,867**	**107,037**	**3,508**	**60,719**	**975,201**

Comparative 2016/17	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Accumulated Depreciation and Impairment								
At 1 April 2016	(25,174)	(7,277)	(17,433)	(6,165)	(23,539)	0	(74)	**(79,662)**
Depreciation charge	(7,273)	(2,910)	(2,393)	(660)	(2,594)	0	(80)	**(15,910)**
Depreciation written back to the Revaluation Reserve	16,739	2,450	0	0	0	0	0	**19,189**
Depreciation written back to Surplus/Deficit on Provision of Services	15,707	66	0	0	0	0	0	**15,773**
Derecognition - Disposals	0	0	324	0	17	0	0	**341**
Derecognition - Other	0	323	4,184	0	0	0	0	**4,507**
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	**0**
At 31 March 2017	**(1)**	**(7,348)**	**(15,318)**	**(6,825)**	**(26,116)**	**0**	**(154)**	**(55,762)**
NBV At 31 March 2016	**608,183**	**148,204**	**11,916**	**12,246**	**70,846**	**3,393**	**61,262**	**916,050**
NBV At 31 March 2017	**604,448**	**146,599**	**11,356**	**12,042**	**80,921**	**3,508**	**60,565**	**919,439**

Note 30 PROPERTY, PLANT AND EQUIPMENT (cont.)

Valuation of Property, Plant and Equipment

The freehold and leasehold properties which comprise the Council's property portfolio have been valued at 31 March 2018 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 Department for Communities and Local Government.

A 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 31 March 2018. Three indices (Halifax, Land Registry and The Communities and Local Government House Price Index) were referenced in order to reach a decision. The consensus from the evidence gathered is that there has been no discernible movement in the local housing market and in house prices over the period under review. Based on the information no increase was applied. 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 2018. 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 2018 and based on the evidence obtained, no increase was applied.

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

SURPLUS ASSETS

Fair Value Hierarchy

Details of the Council's surplus properties and information about the fair value hierarchy as at 31 March 2017 and 31 March 2018 are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2017
	£'000	£'000	£'000	£'000
Recurring Fair Value Measurements Using:				
Land	0	9,659	367	10,026
Industrial properties	0	46,903	0	46,903
Other properties	0	3,340	296	3,636
Total	**0**	**59,902**	**663**	**60,565**

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2018
	£'000	£'000	£'000	£'000
Recurring Fair Value Measurements Using:				
Land	0	9,659	367	10,026
Industrial properties	0	46,203	0	46,203
Other properties	0	3,335	295	3,630
Total	**0**	**59,197**	**662**	**59,859**

Transfers between Levels of the Fair Value Hierarchy

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

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

Significant Observable Inputs – Level 2

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

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

Note 31 CAPITAL EXPENDITURE AND FINANCING

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

2016/17 £000		2017/18 £000
327,736	**Opening Capital Financing Requirement**	**341,748**
	Capital investment	
37,362	Property, Plant and Equipment	47,988
387	Intangible Assets	854
6,549	Revenue Expenditure Funded from Capital under Statute	3,913
0	Long Term Debtors	339,503

2016/17 £000		2017/18 £000
	Sources of finance	
(1,963)	Capital receipts	(2,505)
(28,323)	Government grants and other contributions (includes REFCUS & MRA)	(37,980)
	Sums set aside from revenue:	
0	• MRP (including finance leases liabilities)	0
341,748	**Closing Capital Financing Requirement**	**693,521**
	Explanation of movements in year	
0	Decrease in underlying need to borrowing (supported by government financial assistance)	0
14,012	Increase in underlying need to borrowing (unsupported by government financial assistance)	351,773
0	Assets acquired / adjusted under finance leases	0
14,012	**Increase/(Decrease) in Capital Financing Requirement**	**351,773**

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

2016/17 £000	Balance Sheet Item	2017/18 £000
919,441	Property Plant & Equipment	1,041,600
0	Investment Property	0
1,890	Assets Held for Sale	1,770
1,375	Intangible Assets	1,541
22,266	Heritage Assets	22,266
1,425	Long Term Debtors	340,892
(122,701)	Revaluation Reserve	(219,325)
(481,948)	Capital Adjustment Account	(495,222)
341,748	**Total Capital Financing Requirement**	**693,522**

Note 32 CAPITAL COMMITMENTS

As at 31 March 2018, the Council had authorised expenditure in future years of £11.2m. In addition a further £184.3m had been previously authorised for use in 2018/19 and 2019/20, giving a total future years' commitment of £195.5m. These commitments included contractual commitments of £34.347m

Note 33 FINANCIAL INSTRUMENTS

a. Categories of Financial Instrument

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

31 March 2017 Carrying amount £000	Fair Value £000		31 March 2018 Carrying amount £000	Fair Value £000
(205,020)	(205,020)	Temporary Market Debt	(553,861)	(554,861)
(270)	(270)	Long Term Loans maturing in less than 1 year	(476)	(476)
(205,290)	**(205,290)**	**Short Term Borrowing**	**(554,337)**	**(555,337)**
(160,889)	(221,921)	PWLB Debt	(160,889)	(214,127)
(29,893)	(63,301)	Long Term Market Debt	(79,597)	(110,694)
(3)	(3)	Bonds/Annuities	(3)	(3)
(190,785)	**(285,225)**	**Long Term Borrowing**	**(240,489)**	**(324,824)**
(7,684)	(7,684)	Other Creditors at Contract Amounts	(7,763)	(7,763)
0	**0**	**Total Leasing Liability**	**0**	**0**
(403,759)	**(498,199)**	**Total Financial Liabilities**	**(802,588)**	**(887,923)**
69,289	**68,517**	**CCLA Property Fund/Gloriana**	**91,011**	**91,100**
69,289	**68,517**	**Long Term Investments**	**91,011**	**91,100**
22,948	22,948	Tempoarary Investments	77,658	77,658
0	0	Fund Managers Investments	0	0
22,948	**22,948**	**Short Term Investments**	**77,658**	**77,658**
88	88	Cash held by the Council	276	276
6,248	6,248	Bank Current Accounts	4,657	4,657
1,599	1,599	Short term deposits with Financial	23,049	23,049
7,935	**7,935**	**Cash and Cash Equivalents**	**27,982**	**27,982**
41,317	41,317	Other Debtors at Contract Amounts	14,079	14,079
141,489	**140,717**	**Total Financial Assets**	**210,730**	**210,819**

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

	31st March 2017			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£000	£000	£000	£000
Financial Liabilities				
Financial Liabilities held at Amortised Cost:				
Long-term loans from PWLB	0	(221,991)	0	(221,991)
Long-term LOBO loans	0	(61,673)	0	(61,673)
Other Loans	0	(878)	0	(878)
Total Financial Liabilities	**0**	**(284,542)**	**0**	**(284,542)**
Financial Assets				
Gloriana Equity		19,289		19,289
Available for Sale Financial Instruments:				
CCLA Property Fund		49,228	0	49,228
Total Financial Assets	**0**	**68,517**	**0**	**68,517**

	31st March 2018			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£000	£000	£000	£000
Financial Liabilities				
Financial Liabilities held at Amortised Cost:				
Long-term loans from PWLB		(214,127)		(214,127)
Long-term LOBO loans		(109,360)		(109,360)
Other Loans		(584)		(584)
Total Financial Liabilities	**0**	**(324,071)**	**0**	**(324,071)**
Financial Assets				
Gloriana Equity/Bonds		15,991		15,991
Available for Sale Financial Instruments:				
CCLA Property Fund		75,109		75,109
Total Financial Assets	**0**	**91,100**	**0**	**91,100**

b. Financial Instruments Income, Expense, Gains and Losses

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

	2017/18			
	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost	Loans and receivables	Available for Sale Financial Assets	Total
	£000	£000	£000	£000
Interest expense	10,037	0	0	**10,037**
Total expense in Surplus or Deficit on the Provision of Services	**10,037**	**0**	**0**	**10,037**
Interest income	0	(9,338)	(2,744)	**(12,082)**
Total income in Surplus or Deficit on the Provision of Services	**0**	**(9,338)**	**(2,744)**	**(12,082)**
Net gain/(loss) for the year	**10,037**	**(9,338)**	**(2,744)**	**(2,045)**

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

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

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

31 March 2017 £000	Maturity Profile of Financial Liabilities	31 March 2018 £000
(213,184)	Less than 1 year	(561,513)
(900)	Between 2 and 5 years	(50,600)
(18,000)	Between 25 and 30 years	(18,000)
0	Between 30 and 35 years	0
(11,000)	Between 35 and 40 years	(61,000)
(160,889)	Between 40 and 45 years	(110,889)
0	Over 45 years	0
(403,973)	**Total Financial Liabilities**	**(802,602)**

31 March 2017 £000	Maturity Profile of Financial Assets	31 March 2018 £000
113,917	Less than 1 year	187,629
0	Between 1 and 2 years	10,000
0	Between 2 and 5 years	0
15,000	Between 5 and 10 years	0
4,289	Between 10 and 15 years	5,629
0	Between 15 and 20 years	0
0	Between 25 and 30 years	0
0	Between 30 and 35 years	0
0	Between 35 and 40 years	0
0	Between 40 and 45 years	0
0	Over 45 years	0
133,206	**Total Financial Assets**	**203,258**

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

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of LOBO loans have been increased by the value of the embedded options. Lenders options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrowers contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate;
- No early repayment or impairment is recognised;
- The fair values of other long term loans and investments have been discounted at the market rates of similar instruments with similar remaining terms to maturity on 31 March 2018;
- The fair value of short term investments/loans, including trade payables and receivables is assumed to approximate the carrying amount;

The fair value of financial liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount the Council would have to pay if the lender requested or agreed to early repayment of the loan.

Note 34 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- ***Credit Risk*** – the possibility that other parties might fail to pay amounts due to the Council;
- ***Liquidity Risk*** – the possibility that the Council might not have funds available to meet its commitments to make payments as they fall due;
- ***Re-Financing Risk*** – the possibility that the Council might need to renew a financial instrument on maturity at disadvantageous interest rates or terms; and
- ***Market Risk*** – the possibility that financial loss might arise for the Council as a result of market changes in, for example, interest rate movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework contained in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued under the Act. Overall these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice;
- By approving annually in advance at the start of the financial year a set of prudential indicators for the following three years limiting:

    1. The Council's overall borrowing. For 2017/18 the Operational Limit was £453.7m and the Authorised Limit was £483.7m;
    2. Its maximum and minimum exposures to fixed and variable rates. For 2017/18 the Upper Limit on Fixed Interest Rates was 100% and the Upper Limit of Variable Interest rates was 50%;
    3. The maturity structure of its debt. For 2017/18 the Upper Limit for less than 12 months was 100%; 12 months to 40 years was 60% and for 40 years to 50 years and above was 100% while the Lower Limit in all periods was 0%.
    4. Its maximum annual exposure to investments maturing beyond a year. For 2017/18 this limit was set at £65m, and by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counter-parties in compliance with Government guidance.

The Prudential Indicators and Investment Strategy are required to be reported and approved at or before the Council's annual Council Tax and budget setting meeting. They are reported with the annual Treasury Management Strategy that outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

It is the responsibility of the Capital, Taxation and Treasury Team in the Corporate Finance Service to implement the approved strategies and policies.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The Council's current credit policy is not solely based on credit ratings. The minimum credit rating for institutions is A- and for countries is AA+; this is based on the ratings from all three rating agencies with the lowest rating of all three being used. Assessments are also made of Credit Default Swaps (when quoted), Public Debt as a percentage of GDP (for Countries), levels of sovereign support, share prices, macro-economic indicators and corporate developments/news articles/market sentiment. For foreign countries the Council may not invest more than £12.5m in each country, except for the UK where all the Council's funds can be invested. For single institutions the maximum level of investment is £5m. The assessments are all made by the Council's Treasury Management Advisors, Arling close.

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

Deposits with Banks and Financial Institutions	Amount at 31 March 2017	Amount at 31 March 2018	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2018	Estimated maximum exposure
	£000	£000	%	%	£000
Gloriana Equity	4,289	5,629	0	0	0
CCLA	50,000	76,000	0	0	0
Banks Rates AAA Long Term	0	0	0	0	0
Banks Rates AA Long Term	0	0	0	0	0
Banks Rates A Long Term	2,600	1,000	0	0	0
Solar Deal	34,000	50,000	0	0	0
Un-rated Building Societies	1,000	34,050	0	0	0
Local Authorities	0	12,500	0	0	0
Cash	0	0	0	0	0
Bonds	0	10,000	0	0	0
	91,889	**189,179**	**0**	**0**	**0**

The analysis in the above table is based on the nominal values of investments outstanding as at 31 March 2018 and therefore not comparable to the balance sheet.

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

The Council does not generally allow credit for its trade debtors, and effectively £2.2m of the total balance was past its due date for payment at 31st March 2018. Therefore the provision for bad debts of £1.03m has been calculated with reference to estimated default rates.

Liquidity Risk

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need and whilst the PWLB provides access to longer term funds it also acts as a lender of last resort to local authorities (although it will not provide funding to an authority whose actions are unlawful). The Council is also required to produce a balanced budget each year under the Local Government Finance Act 1992, which ensures that sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures set out above (Prudential Indicators and its Treasury and Investment Strategy), as well as through prudent cash flow management as required by the Code of Practice. Cash is managed to ensure that funds are available when required.

All creditors are due to be paid in less than one year and are therefore shown in the less than one-year total in the financial liabilities table in Note 33c. The total of debtors outstanding at the end of the financial year is shown in the table for financial assets in the Less Than 1 Year.

Refinancing Risk

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

The Prudential Indicator limits for the maturity structure of debt and the limits placed on investments made for greater than one year in duration are the key parameters used to address this risk. The Council's Treasury and Investment Strategies address the main risks and the Capital, Taxation and Treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt; and

- Monitoring the maturity profile of investments to ensure that sufficient liquidity is available for the Council's day to day cash flow needs and that the spread of longer term investments provides stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities and financial assets is set out in note 33c.

The maturity analysis of both financial assets and liabilities are based on the nominal value of the assets outstanding at 31st March 2018 and therefore not comparable to the balance sheet.

Market Risk

Interest Rate Risk
The Council is exposed to interest rate movements on its borrowing and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings do not impact on the Comprehensive Income and Expenditure statement.
However, changes in interest payable and receivable on variable rate borrowings and investments

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposures. The Capital, Taxation and Treasury team monitor market and forecast interest rates within the year and adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

If all interest rates had been 1% higher with all other variables held constant then the financial effect at 31 March 2018 would have been:

2016/17 £000	Sensitivity Analysis	2017/18 £000
(47,476)	Decrease in fair value of fixed rate borrowings liabilities	(45,591)

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

Price Risk

The Council, with the exception of its' attributable share of the Essex Pension Fund, does not invest in equity shares or have any holdings in joint ventures or local industry.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rate.

Note 35 PENSION SCHEME ACCOUNTED FOR AS A DEFINED CONTRIBUTION SCHEME

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

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

In 2017/18 the Council paid a total of £ £2.131m, including £0.737m actual teachers' contributions, (£1.019m in 2016/17) in respect of teachers' retirement benefits. The employer's contribution rate remained at 16.48%.

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

Note 36 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme administered by Essex County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a Fund, calculated at a level intended to balance the pension liabilities with investment assets.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. 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 2016/17 £000	Local Government Pension Scheme 2017/18 £000	Unfunded Benefits 2016/17 £000	Unfunded Benefits 2017/18 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Service cost comprising:				
• current service costs	12,219	17,577	0	0
• administration costs	136	156	0	0
Financing and Investment Income and Expenditure:				
• Net interest cost	5,521	5,602	320	244
Total Post-Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**17,876**	**23,335**	**320**	**244**
Other Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
• return on plan assets (excluding the amount included in the net interest expense)	51,819	18,086	0	0
• actuarial (gains) and losses arising on changes in demographic assumptions	9,186	0	453	0
• actuarial (gains) and losses arising on changes in financial assumptions	(122,943)	29,091	(1,017)	197
• experience loss (gain) on defined benefit obligation	691	0	0	0
• other	7,011	0	(107)	0
Total Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(36,360)**	**70,512**	**(351)**	**441**

	Local Government Pension Scheme 2016/17 £000	Local Government Pension Scheme 2017/18 £000	Unfunded Benefits 2016/17 £000	Unfunded Benefits 2017/18 £000
Movement in Reserves Statement				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(17,876)	(23,335)	(320)	(244)
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employers' contributions payable to scheme	12,044	17,189		
• Retirement benefits payable to pensioners			640	626

The cumulative amount of actuarial gains and losses, since 1 April 2005 recognised in the Comprehensive Income and Expenditure statement to 31 March 2018 is a £9.067m loss.

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme 2016/17 £000	Local Government Pension Scheme 2017/18 £000	Unfunded Benefits 2016/17 £000	Unfunded Benefits 2017/18 £000
Present value of defined benefit obligation	605,235	597,572	9,347	8,768
Fair Value of plan assets	(395,048)	(427,819)	0	0
Sub-total	210,187	169,753	9,347	8,768
Net liability arising from defined benefit obligation	210,187	169,753	9,347	8,768

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

	Local Government Pension Scheme 2016/17 £000	Local Government Pension Scheme 2017/18 £000	Discretionary Benefits Arrangements 2016/17 £000	Discretionary Benefits Arrangements 2017/18 £000
Opening fair value of scheme assets	**324,100**	**395,048**	**0**	**0**
Opening adjustment			-	-
Interest income	11,712	10,694	0	0
Remeasurement gain/(loss)	7,011	0	0	0
- The return on plan assets, excluding the amount included in the net interest expense	51,819	18,068	0	0
- Other	(136)	(156)	0	0
Contributions from employer	12,044	17,189	0	0
Contributions from employees into the scheme	3,665	3,742	0	0
Benefits paid	(14,481)	(14,358)	0	0
Settlements Received/(Paid)	(686)	(2,408)	0	0
Closing fair value of scheme assets	**395,048**	**427,819**	**0**	**0**

The expected return on scheme assets is determined by considering the expected returns available on assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the relevant markets.

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

	Local Government Pension Scheme (all benefits)	Local Government Pension Scheme (all benefits)	Unfunded Liabilities: Discretionary Benefits	Unfunded Liabilities: Discretionary Benefits
	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000
Opening balance at 1 April	483,566	614,582	(9,210)	(9,347)
Current service cost	13,407	21,295	0	0
Interest cost	17,233	16,296	(320)	(244)
Contributions by scheme participants	3,665	3,742	0	0
Liabilities assumed/(extinguished) on settlements	(1,903)	(6,340)	0	0
Remeasurement (gains) and losses:			107	0
- Actuarial (gains) and losses arising from changes in demographic assumptions	(9,186)	0	453	0
- Experience loss/(gain) on defined benefit obligation	(691)	0		
- Actuarial (gains) and losses arising from in financial assumptions	122,943	(29,091)	(1,017)	197
Estimated Benefits Paid Net of Transfers In	(13,841)	(13,732)	0	0
Curtailments & Settlements	29	214	0	0
Unfunded Pension Payments	(640)	(626)	640	626
Closing balance at 31 March	614,582	606,340	(9,347)	(8,768)

Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets 2016/17	Fair Value of Scheme Assets 2017/18
	%	%
Cash and Cash Equivalents	**4**	**4**
Equity	**68**	**65**
Bonds		
- Corporate	4	4
- Government	3	7
Sub-total Bonds	**7**	**11**
Property	**10**	**9**
Alternative Assets	**7**	**7**
Other Managed Funds	**4**	**4**
Total assets	**100**	**100**

	Fair Value of Scheme Assets 2016/17	Fair Value of Scheme Assets 2017/18
	%	%
Equity instruments:	**68**	**65**

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 2018.

The principal assumptions used by the actuary are as follows:

	Local Government Pension Scheme 31-Mar-17	Local Government Pension Scheme 31-Mar-18
Mortality assumptions:		
Longevity at 65 for current pensioners:		
* Men	22.1 yrs	22.2 yrs
* Women	24.6 yrs	24.7 yrs
Longevity at 65 for future pensioners:		
* Men	24.3 yrs	24.4 yrs
* Women	26.9 yrs	27.0 yrs
Rate of inflation	2.70%	2.30%
Rate of increase in salaries	4.20%	3.80%
Rate of increase in pensions	2.70%	2.30%
Rate for discounting scheme liabilities	2.70%	2.55%
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 £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	629,347	584,201
Rate of increase in salaries (increase or decrease by 0.1%)	607,249	605,436
Rate of increase in pensions (increase or decrease by 0.1%)	616,720	596,150
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	595,284	617,612
	2,448,600	2,403,399

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 2018.

The expected employer contribution to the plan for the year to 31 March 2018 is £12.63m.

Note 37 CASH AND CASH EQUIVALENTS

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

31 March 2017 £000		31 March 2018 £000
88	Cash held by the Council and in transit	275
6,248	Bank current accounts	4,657
1,599	Short-term deposits in UK banks & investments in money market funds	23,050
7,935	**Total Cash and Cash Equivalents**	**27,982**

Note 38 OPERATING ACTIVITIES CASH FLOW STATEMENT

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

2016/17 £'000		2017/18 £'000
3,635	Interest Received	3,767
(4)	Interest Received Opening Debtor	(948)
948	Interest Received Closing Debtor	9,263
(3,419)	Interest paid	(3,791)
0	Adjustments for differences between EIR and actual interest payable	0
562	Interest Paid Opening Creditor	586
(586)	Interest Paid Closing Creditor	(1,386)
1,136	Total Operating Acivities	7,491

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

Note 39 INVESTING ACTIVITIES CASH FLOW STATEMENT

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

2016/17 £'000		2017/18 £'000
(36,748)	Purchase of property, plant and equipment, investment property and intangible assets	(47,856)
(354,506)	Purchase of short-term and long-term investments	(371,191)
(2,167)	Other payments for investing activities	(338,906)
11,029	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	15,943
325,000	Proceeds from short-term and long-term investments	296,350
30,350	Other receipts from investing activities (including capital grants)	37,271
(27,042)	**Net cash flows from investing activities**	**(408,389)**

Note 40 FINANCING ACTIVITIES CASH FLOW STATEMENT

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

2016/17 £'000		2017/18 £'000
207,980	Cash receipts of short and long-term borrowing	1,143,750
0	Other receipts from financing activities	0
(267)	Cash payments for the reduction of the outstanding liabilities (finance leases)	0
(167,380)	Repayments of short- and long-term borrowing	(745,800)
2,623	Other payments for financing activities	389
42,956	**Net cash flows from financing activities**	**398,339**

Note 41 NON CASH MOVEMENT CASH FLOW STATEMENT

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

2016/17 £'000		2017/18 £'000
(12,167)	**Net Surplus or (Deficit) on the Provision of Services**	**14,603**
	Adjust net surplus or deficit on the provision of services for non cash movements:	
16,461	Depreciation	18,857
242	Impairment and dow nw ard valuation	(25,172)
494	Amortisation	688
0	Increase/decrease in provision for Impairments/doubtful debts re: Loans & Advances	0
0	Financial Guarantee Adjustments	0
0	Increase/Decrease in Interest Creditors	0
4,875	Increase/Decrease in Creditors	2,979
0	Increase/Decrease in Interest and Dividend Debtors	0
(20,863)	Increase/Decrease in Debtors	22,102
(245)	Increase/Decrease in Inventories	(634)
5,832	Movement in Pension Liability	6,128
(3,348)	Contributions to/(from) Provisions	271
25,188	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	40,294
0	Movement in Investment Property Values	0
28,636		**65,513**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(21,116)	Capital Grants credited to surplus or deficit on the provision of services	(34,076)
0	Net adjustment from the sale of short and long term investments	0
(11,029)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(15,943)
(32,145)		**(50,019)**
(15,676)	**Net Cash Flows for Operating Activities**	**30,097**

NOTE 42 BETTER CARE FUND

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

The total value of the pool was £40.4m which includes the Council contribution of £21.5m and the Improved Better Care funding (iBCF) of £3.0m. At the end of 2017/18 the pool had an underspend of £1.1m which is held in an earmarked reserve by the Council.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2016/17 £'000		Notes	2017/18 £'000
	EXPENDITURE		
12,158	Repairs and Maintenance		12,630
21,340	Supervision and Management		22,782
143	Rents, rates, Taxes and Other Charges		159
8,374	Depreciation and Impairment of Non Current Assets	2	(15,213)
140	Debt Management Costs	8	237
206	Movement in the Allowance for Bad Debts		202
42,361	**Total Expenditure**		**20,797**
	INCOME		
(44,696)	Gross Rent from Dwellings	1	(43,916)
0	Less Voids		0
(44,696)	**Net Rent from Dwellings (sub total)**		**(43,916)**
	Non Dwelling Rents:		
(21)	Shop Rents		(9)
(795)	Garage Rents		(784)
(200)	Premises Income		(97)
(1,016)	**Non Dwelling Rents (sub-total)**		**(890)**
	Charges for Services and Facilities:		
(5,433)	Water Charges		(5,705)
(41)	Central Heating Charges		(42)
(5,474)	**Charges for Services and Facilities (sub total)**		**(5,747)**
	Contributions Towards Expenditure:		
(683)	Leaseholder Charges		(983)
(2,368)	Tenants Service Charges		(2,755)
(3,051)	**Contributions Towards Expenditure (sub total)**		**(3,738)**
0	Micellaneous Income		0
(54,237)	**Total Income**		**(54,291)**
(11,876)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**(33,494)**
(11,876)	**Net Expenditure for HRA Services**		**(33,494)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
6,978	(Gain) or loss on sale of HRA non-current assets		6,424
5,760	Interest payable and similar charges (Deferred Purchase Interest)		5,477
0	Amortisation of Premiums and Discounts (Premium on Debt Restructuring)		0
(13)	Interest and Investment Income		(56)
495	Pensions interest cost and expected return on Pension Assets	3	547
0	Capital Grants and Contributions Receivable		0
1,344	**(Surplus)/ Deficit for the Year on HRA Services**		**(21,102)**

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

MOVEMENT ON HRA BALANCE

2016/17 £'000		2017/18 £'000
(1,754)	**Balance on HRA at 1 April**	**(2,176)**
1,344	(Surplus)/Deficit for the Year on HRA Services	(21,102)
(6,356)	Adjustments Between Accounting Basis and Funding Basis under Statute:	19,224
(6,766)	**Total**	**(4,054)**
4,590	**Transfer to/(from) Reserves:**	**1,878**
(2,176)	**Balance on HRA at 31 March**	**(2,176)**

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2016/17 £'000		2017/18 £'000
	Reversal of Items debited or credited to the HRA Income and Expenditure Account	
(7,990)	Depreciation of non-current assets	(10,211)
(12,959)	Revaluation and Impairment losses on Property, Plant and Equipment	(3,331)
12,611	Revaluation gains reversing previous losses	28,785
0	Movement in Market Value on Investment Property	0
(36)	Movement in value of Held for Sale Assets	(30)
0	Revenue expenditure funded from capital under statute (REFCUS)	0
(17,279)	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	(20,463)
10,301	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	14,039
0	Contribution from the capital receipts reserve towards administration costs of non-current assets disposal	(150)
(15,352)		**8,639**
	Insertion of items not debited or credited to the HRA Income and Expenditure Account	
9,832	Reversal of Major Repairs Allowance credited to the HRA	11,174
(1,601)	Reversal of items relating to requirement benefits debited or credited to the CIES	(2,262)
762	Employer's pension contributions and direct payment to pensioners payable in year	1,677
3	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	(4)
8,996		**10,585**
(6,356)	**Total**	**19,224**

NOTES TO THE HOUSING REVENUE ACCOUNT

Note 1 GROSS RENT INCOME

The level of rent arrears was as follows:

2016/17 £'000	Rent Arrears	2017/18 £'000
1,462	Gross Current Arrears at 31 March	1,310
2.74%	As a Proportion of Gross Rent Income Collectable in the Year	2.42%

There have been no amounts written off in 2017/18. There is a provision of £0.329m for the potential write-off of irrecoverable debts.

Note 2 DEPRECIATION

Depreciation of £9.37m was charged to the HRA in relation to operational assets comprising dwellings, other land and buildings. There were further charges in respect of reversal of impairments of (£24.58m).

2016/17 £'000	Analysis of Depreciation and Impairment Charges	2017/18 £'000
	Depreciation:	
7,273	Dwellings	9,148
138	Other Land and Buildings	160
0	Plant and Equipment	33
46	Non-Operational Property, Plant and Equipment	24
917	Impairment of Property, Plant and Equipment	(24,578)
8,374	**Total for Year**	(15,213)

Note 3 PENSION RESERVE MOVEMENT

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

Note 4 HOUSING STOCK

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

31 March 2017	Number and Types of Properties at 31 March	31 March 2018
5,282	Number of Houses and Bungalows	5,217
3,510	Number of Flats and Maisonettes	3,468
1,222	Number of Aged Person Dwellings	1,214
10,014	**Total**	**9,899**

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

2016/17	Change in Stock of Properties	2017/18
10,096	Stock at 1 April	10,014
(94)	Less Sales	(115)
12	Additions	0
10,014	**Total**	**9,899**

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

31 March 2017 £'000	Balance Sheet Value of HRA Properties	31 March 2018 £'000
	Operational Non-Current Assets:	
616,879	Dwellings and other land and buildings	731,557
12,604	Non-Operational Non-Current Assets	13,885
629,483	**Total**	**745,442**

The vacant possession value of dwellings within the HRA as at 1st April 2015 was £1.56bn. The vacant possession value compared with the Balance Sheet value of the dwellings show the economic cost to the Government of providing Council housing at less than open market rents.

Note 5 MAJOR REPAIRS RESERVE

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

2016/17 £'000	Major Repair Reserve	2017/18 £'000
0	Balance as at 1 April	0
(9,832)	Transfer to HRA	(11,174)
9,832	Financing of Capital Expenditure	11,174
0	**Total**	0

Note 6 CAPITAL EXPENDITURE

Capital expenditure on land, houses and other properties within the HRA in 2017/18 was financed as follows:

2016/17 £'000	Financing of Capital Expenditure	2017/18 £'000
9,832	Major Repairs Reserve	11,174
406	Grants	0
1,085	Capital Receipts	852
2,026	Prudential Borrowing	1,059
0	Development Reserve	0
13,349	**Total**	13,085

Note 7 CAPITAL RECEIPTS

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

2016/17 £'000	Capital Receipts	2017/18 £'000
(10,301)	Sales of Dwellings	(14,039)
(10,301)	**Total**	(14,039)

Note 8 DEBT MANAGEMENT COSTS

Debt management costs charged to the HRA were as follows:

2016/17 £'000	Debt Management Cost	2017/18 £'000
140	Debt Management Costs	237

THE COLLECTION FUND STATEMENT
COUNCIL TAX

Notes		2016/17 £'000	2017/18 £'000	£'000
	INCOME			
2	Council Tax	(68,985)	(73,449)	
	Total Income	**(68,985)**		**(73,449)**
	EXPENDITURE			
	Precepts and Demands:			
	Essex Police Authority	7,431	7,898	
	Essex Fire Authority	3,307	3,471	
	Thurrock Borough Council	57,135	61,683	
	Precepts and Demands (sub-total)	**67,873**		**73,051**
	Provision for Bad Debts:			
	Change in Provision	(16)	(229)	
	Write offs	416	657	
	Provision for Bad Debts (sub-total)	**400**		**428**
	CONTRIBUTIONS			
	Essex Police Authority	132	73	
	Essex Fire Authority	60	32	
	Thurrock Borough Council	1,008	558	
	Contributions (sub-total)	**1,199**		**663**
	Total Expenditure	**69,472**		**74,143**
	(Surplus)/ Deficit for Year	**487**		**694**
	Fund Balance Brought Forward	**(1,096)**		**(609)**
	Fund Balance Carried Forward	**(609)**		**85**

Share of Collection Fund (Council Tax) Balance:		
Thurrock Council	**(514)**	**72**
Essex Police Authority	**(66)**	**9**
Essex Fire Authority	**(29)**	**4**
Total	**(609)**	**85**

THE COLLECTION FUND STATEMENT
NATIONAL NON-DOMESTIC RATES

Notes		2016/17 £'000	2017/18 £'000	£'000
	INCOME			
3	Income Collectable from Non-Domestic Ratepayers	(112,184)	(111,325)	
	Transitional Protection Payments	443	4,530	
	Cost of Collection	0	230	
	Total Income	**(111,741)**		**(106,566)**
	EXPENDITURE			
	Share of Business Rates:			
	Essex Fire Authority	1,118	1,103	
	Thurrock Borough Council	54,783	54,038	
	Share of Non-Domestic Rates (sub-total)	**55,901**		**55,141**
	Payment of the Central Share of the Non-Domestic Rating Income to Central Government	**55,901**		**55,141**
	Provision for Bad Debts:			
	Change in Provision	181	(198)	
	Write Offs	216	335	
	Provision for Bad Debts (sub-total)	**397**		**137**
	Provision for Appeals:			
	Change in Provision	700	721	**721**
	Interest	234	30	**30**
	CONTRIBUTIONS			
	Essex Fire Authority	(58)	(36)	
	Thurrock Borough Council	(2,823)	(1,773)	
	Central Government	(2,881)	(1,809)	
	Contributions (sub-total)	**(5,761)**		**(3,618)**
	Total Expenditure	**107,372**		**107,552**
	(Surplus)/ Deficit for Year	**(4,369)**		**986**
	Fund Balance Brought Forward	**4,120**		**(249)**
	Fund Balance Carried Forward	**(249)**		**737**
	Share of Collection Fund (NDR) Balance:			
	Thurrock Council	**(122)**		**361**
	Essex Fire Authority	**(2)**		**7**
	Central Government	**(125)**		**369**
	Total	**(249)**		**737**

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 2017/18 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*	4	5:9	4
A	2,987	6:9	2,957
B	7,802	7:9	7,724
C	19,887	8:9	19,688
D	10,687	9:9	10,580
E	5,161	11:9	5,109
F	2,949	13:9	2,919
G	1,263	15:9	1,250
H	55	18:9	54
	50,795		**50,287**
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
Council Tax Base			**50,287**

Note 3 INCOME FROM BUSINESS RATE PAYERS

Non-Domestic Rates are organised on a national basis. Local businesses pay rates calculated by multiplying their rateable value by an amount specified by the Government. In 2017/18 46.6p was the small business multiplier and 47.9p the large business multiplier (48.4p small business multiplier and 49.7p large business multiplier in 2016/17). The Council is responsible for collecting rates due from the ratepayers in its area. The total amount, less certain reliefs and other deductions, is collected by the Council and then redistributed to the major preceptors - The Government (50%) and Essex Fire Authority (1%) The remainder of £54.8m was paid into the Council's General Fund, and this amount has been credited to the Comprehensive Income and Expenditure statement. Overall amount collected from NNDR Rate payers was £111.8m.

The total Non-Domestic rateable value at the 31 March 2018 was £267,852,537 (£252,586,303 as at 31 March 2017).

Group Accounts

2017/18

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 Gloriana 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.

GROUP EXPENDITURE FUNDING ANALYSIS

2016/17				2017/18		
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**
34,095	1,001	**35,096**	Adults; Housing and Health	35,981	190	**36,171**
37,687	3,281	**40,968**	Children's Services	37,471	4,527	**41,998**
644	16	**660**	Commercial Services	488	6	**494**
2,000	(9,726)	**(7,726)**	Corporate Costs	1,723	(383)	**1,340**
2,311	171	**2,481**	Corporate Strategy & Communications	2,285	43	**2,328**
23,814	8,386	**32,200**	Environment & Highw ays	20,813	5,097	**25,910**
7,687	313	**8,000**	Finance, Information Technology & Legal	9,449	68	**9,517**
2,974	147	**3,121**	HR; OD and Transformation	3,446	23	**3,469**
1,646	62	**1,708**	Place Directorate	4,681	3,255	**7,936**
3,664	699	**4,364**	Schools	3,751	40	**3,791**
116,522	**4,349**	**120,871**	**General Fund**	120,088	**12,865**	**132,953**
(10,759)	(1,116)	(11,875)	Housing Revenue Account	(1,641)	(31,853)	(33,494)
105,763	3,233	108,995	**Cost of Services**	118,447	**(18,989)**	**99,459**
0	0	0	Taxation	78	**0**	**78**
(105,337)	9,376	**(95,961)**	Other Income and Expenditure	(119,173)	7,777	**(111,396)**
426	**12,609**	**13,035**	**Surplus or Deficit**	**(648)**	(11,212)	**(11,860)**
(17,275)			Opening General Fund and HRA Balance at 31 March 2017	**(16,849)**		
426			Less Deficit on General Fund and HRA Balance in Year	**(648)**		
(16,849)			**Closing General Fund and HRA Balance at 31 March 2018**	**(17,497)**		

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Core Statement

2016/17				2017/18		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
74,339	(39,243)	**35,096**	Adults; Housing and Health	85,199	(49,029)	**36,170**
82,642	(41,674)	**40,968**	Children's Services	86,454	(44,456)	**41,998**
628	32	**660**	Commercial Services	601	(107)	**494**
54,922	(55,960)	**(1,038)**	Corporate Costs	55,583	(54,244)	**1,339**
3,650	(1,168)	**2,481**	Corporate Strategy & Communications	2,477	(149)	**2,328**
43,543	(11,343)	**32,200**	Environment & Highw ays	28,720	(2,810)	**25,910**
11,286	(3,286)	**8,000**	Finance, Information Technology & Legal	11,565	(2,049)	**9,516**
51,570	(63,445)	**(11,875)**	Housing Revenue Account	21,019	(54,514)	**(33,495)**
3,752	(631)	**3,121**	HR; OD and Transformation	3,777	(308)	**3,469**
3,118	(1,411)	**1,708**	Place Directorate	15,505	(7,569)	**7,936**
35,012	(30,649)	**4,364**	Schools	27,758	(23,967)	**3,791**
364,462	**(248,777)**	**115,684**	**Cost of Services**	**338,658**	**(239,202)**	**99,456**
26,901	(11,151)	15,750	Other operating expenditure	41,993	(16,057)	25,936
14,802	(3,792)	**11,010**	Financing and investment income and expenditure	15,669	(10,547)	5,122
3,920	(133,328)	**(129,408)**	Taxation and non-specific grant income and expenditure	5,363	(147,738)	(142,375)
410,085	**(397,049)**	**13,037**	**(Surplus) or deficit on Provision of Services**	**401,683**	**(413,545)**	**(11,861)**
0	(7,410)	**(7,410)**	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	0	(111,084)	**(111,084)**
0	54,236	**54,236**	Actuarial gains/ losses on pension assets/ liabilities	0	(47,141)	**(47,141)**
0	782	**782**	(Surplus) or deficit on revaluation of available for sale financial assets	0	(881)	**(881)**
0	**47,608**	**47,608**	**Other Comprehensive Income and Expenditure**	**0**	**(159,106)**	**(159,106)**
410,085	**(349,441)**	**60,645**	**Total Comprehensive Income and Expenditure**	**401,683**	**(572,651)**	**(170,967)**

GROUP MOVEMENT IN RESERVES STATEMENT

Core Statement

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

GROUP MOVEMENT IN RESERVES STATEMENT

Core Statement

		General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2017		**(10,082)**	**(6,766)**	**(15,608)**	**0**	**(14,576)**	**(47,032)**	**(369,470)**	**(416,502)**
Movement in reserves during 2017/18									
Total Comprehensive Income and Expenditure		9,200	(21,102)	0	0	0	(11,902)	(159,107)	(171,009)
Adjustments from income &expenditure charged under the accounting basis to the funding basis	7	(8,012)	19,225	(11,770)	0	(7,299)	(7,856)	7,857	1
Increase or (Decrease) in 2017/18		**1,188**	**(1,877)**	**(11,770)**	**0**	**(7,299)**	**(19,758)**	**(151,250)**	**(171,008)**
Balance at 31 March 2018 carried forward		**(8,894)**	**(8,643)**	**(27,378)**	**0**	**(21,875)**	**(66,790)**	**(520,720)**	**(587,510)**

GROUP BALANCE SHEET

Core Statement

31 March 2017 £000		Notes	31 March 2018 £000
941,108	Property, Plant & Equipment	9	1,041,600
0	Investment Property		0
1,375	Intangible Assets		1,541
22,266	Heritage Assets		22,266
63,718	Long Term Investments		85,381
1,834	Long Term Debtors		314,926
1,030,301	**Long Term Assets**		**1,465,714**
22,948	Short Term Investments		77,658
1,890	Assets Held for Sale		1,770
10,923	Inventories	5	30,747
20,091	Short Term Debtors	6	24,068
8,396	Cash and Cash Equivalents		28,125
64,248	**Current Assets**		**162,367**
(205,290)	Short Term Borrowing		(554,337)
(39,505)	Short Term Creditors	7	(40,323)
0	Leasing Liability		0
(1,669)	Short Term Provisions		(3,636)
(246,464)	**Current Liabilities**		**(598,296)**
(4,788)	Long Term Provisions		(3,092)
(190,785)	Long Term Borrowing		(242,388)
0	Deferred Discounts		0
(219,534)	Pension Liability		(178,521)
0	Leasing Liability		0
(225)	Long Term Creditors		(272)
(16,209)	Capital Grants Receipts in Advance		(18,004)
(431,541)	**Long Term Liabilities**		**(442,277)**
416,544	**Net Assets**		**587,510**
0	Share Capital		**0**
648	Profit and Loss		**4,434**
(47,722)	Usable reserves	8	(71,225)
(369,470)	Unusable Reserves		(520,719)
(416,544)	**Total Reserves**		**(587,510)**

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

Director of Finance and IT

31 May 2018

GROUP CASH FLOW

Core Statement

2016/17 £'000		Notes	2017/18 £'000
(12,131)	Net surplus or (deficit) on the provision of services		19,410
28,198	Adjustment to surplus or deficit on the provision of services for non cash movements		65,514
(31,282)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(50,019)
(15,215)	**Net Cash flows from operating activities**		**34,905**
(27,042)	Investing Activities		(414,697)
42,956	Financing Activities		399,521
699	**Net increase or decrease in cash and cash equivalents**		**19,729**
7,697	Cash and cash equivalents at the beginning of the reporting period		8,396
8,396	**Cash and cash equivalents at the end of the reporting period**		**28,125**

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 – Gloriana Thurrock (Homes) Ltd. Both Thurrock Regeneration Ltd and Gloriana Thurrock (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.

Note 3 EXPENDITURE AND INCOME ANALYSED BY NATURE

31 March 2017 Carrying amount £000		31 March 2018 Carrying amount £000
	Expenditure/Income	
	Expenditure	
104,199	Employee Expenses	101,505
94,942	Third Party Payments	139,381
73,814	Other operating expenses	47,394
54,198	Housing Benefits	52,038
36,927	Depreciation, Amortisation and Impairment	24,753
25,188	Gains/Losses on disposal Non-Current Asset	15,092
9,281	Interest Payments	10,392
5,522	Pen Int Cost & Expect ret on Pension Asset	5,602
4,263	Transfer Payments	0
0	NNDR Pooling Expenses	2,679
1,041	Payments to the Housing Capital Receipts Pool	1,032
670	Precepts and Levies	668
117	Support Costs	(2,169)
0	Taxation	883
410,163	**Total Expenditure**	**399,248**
	Income	
(3,792)	Investment Income	(10,547)
(1,617)	Support Services Recharges	0
(18,444)	Revaluations	0
(15,715)	Better Care Fund	(18,875)
(16,178)	Capital Grants and contributions	(29,959)
(34,253)	Income from business rates	(36,448)
0	Gains on disposals of assets and impairments	(3,618)
0	Third Pary Receipts	(8,145)
0	Taxation	(804)
(43,135)	Fees, Charges and Other Service Income	(52,257)
(54,868)	Dedicated Schools Grant	(51,255)
(54,195)	HRA rent and service charge income	(53,265)
(57,735)	Income from Council Tax	(61,655)
(97,195)	Revenue Grants and Contributions	(86,716)
(397,127)	**Total Income**	**(413,544)**
13,036	**Surplus or Deficit on the Provision of Services**	**(14,296)**

GROUP STATEMENTS

Notes to the Accounts

Note 4 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2016/17 £000		2017/18 £000
9,203	Interest payable and similar charges	10,067
5,521	Net interest on the net defined benefit liability	5,602
(3,714)	Interest receivable and similar income	(10,547)
11,010	**Total**	**5,122**

Note 5 INVENTORIES

31 March 2017 £000		31 March 2018 £000
512	Materials	1,146
9,292	Residential Property	29,601
9,804	**Total**	**30,747**

Note 6 SHORT-TERM DEBTORS

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

31 March 2017 £000		31 March 2018 £000
6,195	Central government bodies	4,946
471	Other local authorities	1,819
868	NHS bodies	0
0	Public corporations and trading funds	0
13,522	Other entities and individuals	17,303
21,056	**Total**	**24,068**

Notes to the Accounts

Note 7 SHORT-TERM CREDITORS

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

31 March 2017 £000		31 March 2018 £000
(9,907)	Central government bodies	(13,188)
(1,857)	Other local authorities	(2,063)
(689)	NHS bodies	(298)
0	Public corporations and trading funds	0
(28,051)	Other entities and individuals	(24,774)
(40,504)	**Total**	**(40,323)**

Note 8 USABLE RESERVES

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

31 March 2017 £000		Notes	31 March 2018 £000
(6,267)	General Fund Balance	(a)	(11,000)
(2,176)	Housing Revenue Account Balance	(b)	(2,175)
(8,405)	Earmarked Reserves	(c)	(8,796)
(15,608)	Capital Receipts Reserve	(d)	(27,379)
(14,576)	Capital Grants Unapplied	(f)	(21,875)
(47,032)	**Total Usable Reserves**		**(71,225)**

Notes to the Accounts

Note 9 PROPERTY, PLANT AND EQUIPMENT

Movement in 2017/18	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation								
At 1 April 2017	604,450	153,951	26,673	18,866	107,037	26,360	60,718	**998,055**
Adjustment - Note 1	0	338	0	0	0	(4,537)	0	**(4,199)**
Additions / Donations	11,988	4,487	5,891	434	23,712	4,048	0	**50,560**
Additions - Other	0	0	0	0	0	1,476	0	**1,476**
Derecognition - Disposals	0	(35)	(712)	0	0	0	(1,795)	**(2,542)**
Derecognition - Other	(11,990)	(18,250)	0	0	0	0	0	**(30,240)**
Revaluations Recognised in Revaluation Reserve	107,100	1,533	0	0	0	0	1,062	**109,695**
Revaluations Recognised in Surplus/Deficit on Provision of Services	25,166	(71)	0	0	0	0	0	**25,095**
								0
Assets reclassified (to)/from Held for Sale	(8,501)	0	0	0	0	0	0	**(8,501)**
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	**0**
Assets reclassified (to)/from Stock	0	(338)	0	0	0	(25,419)	0	**(25,757)**
Other movements in Cost or Valuation	0	0	0	0	0	0	0	**0**
At 31 March 2018	**728,213**	**141,615**	**31,852**	**19,300**	**130,749**	**1,928**	**59,985**	**1,113,642**

Note 1 – The adjustment relates to the reclassification of capital expenditure to revenue expenditure funded from capital under statute.

Notes to the Accounts

Movement in 2017-18	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Accumulated Depreciation and Impairment								
At 1 April 2017	0	(7,350)	(15,318)	(6,824)	(26,116)	0	(153)	**(55,761)**
Depreciation charge	(9,149)	(2,716)	(2,472)	(674)	(2,920)	0	(72)	**(18,003)**
Depreciation written back to the Revaluation Reserve	42	512	0	0	0	0	99	**653**
Depreciation written back to Surplus/Deficit on Provision of Services	3	104	0	0	0	0	0	**107**
Derecognition - Disposals	0	1	595	0	0	0	0	**596**
Derecognition - Other	0	366	0	0	0	0	0	**366**
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	**0**
At 31 March 2018	**(9,104)**	**(9,083)**	**(17,195)**	**(7,498)**	**(29,036)**	**0**	**(126)**	**(72,042)**
NBV At 31 March 2017	**604,450**	**146,601**	**11,355**	**12,042**	**80,921**	**26,360**	**60,565**	**942,294**
NBV At 31 March 2018	**719,109**	**132,532**	**14,657**	**11,802**	**101,713**	**1,928**	**59,859**	**1,041,600**

Notes to the Accounts

Movement in 2016/17	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation:								
At 1 April 2016	633,358	155,485	29,348	18,410	94,385	3,392	61,335	**995,713**
Additions / Donations	10,805	5,000	2,224	456	12,693	37,572	715	**69,465**
Additions - Other	0	0	0	0	0	0	0	**0**
Derecognition - Disposals	0	0	(420)	0	(41)	0	(312)	**(773)**
Derecognition - Other	(10,805)	(6,361)	(4,479)	0	0	0	(625)	**(22,270)**
Revaluations Recognised in Revaluation Reserve	(11,591)	(677)	0	0	0	0	24	**(12,244)**
Revaluations Recognised in Surplus/Deficit on Provision of Services	(16,064)	504	0	0	0	0	(419)	**(15,979)**
Assets reclassified (to)/from Held for Sale	(6,607)	0	0	0	0	0	0	**(6,607)**
Assets reclassified (to)/from Stock	0	0	0	0	0	(9,292)	0	**(9,292)**
Other movements in Cost or Valuation	5,354	0	0	0	0	(5,354)	0	**0**
At 31 March 2017	**604,450**	**153,951**	**26,673**	**18,866**	**107,037**	**26,318**	**60,718**	**998,013**

Notes to the Accounts

Movement in 2016/17	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Accumulated Depreciation and Impairment								
At 1 April 2016	(25,173)	(7,279)	(17,433)	(6,164)	(23,539)	0	(73)	**(79,661)**
Depreciation charge	(7,273)	(2,910)	(2,393)	(660)	(2,594)	0	(80)	**(15,910)**
Depreciation written back to the Revaluation Reserve	16,739	2,450	0	0	0	0	0	**19,189**
Depreciation written back to Surplus/Deficit on Provision of Services	15,707	66	0	0	0	0	0	**15,773**
Derecognition - Disposals	0	0	324	0	17	0	0	**341**
Derecognition - Other	0	323	4,184	0	0	0	0	**4,507**
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	**0**
At 31 March 2017	**0**	**(7,350)**	**(15,318)**	**(6,824)**	**(26,116)**	**0**	**(153)**	**(55,761)**
NBV At 31 March 2016	**608,185**	**148,206**	**11,915**	**12,246**	**70,846**	**3,392**	**61,262**	**916,052**
NBV At 31 March 2017	**604,450**	**146,601**	**11,355**	**12,042**	**80,921**	**26,318**	**60,565**	**942,252**

Note 10 NOTE TO THE EXPENDITURE FUNDING ANALYSIS

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

Notes to the Accounts

Note 10b NOTE TO THE EXPENDITURE FUNDING ANALYSIS

Adjustment from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts 2017/18	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	98	75	16	190
Children's Services	4,466	87	(26)	4,527
Commercial Services	0	2	3	6
Corporate Costs	0	138	(521)	(383)
Corporate Strategy & Communications	30	15	(2)	43
HR; OD and Transformation	1	17	5	23
Schools	0	40	0	40
Place Directorate	3,227	33	(4)	3,255
Environment and Highways	5,046	44	8	5,098
Finance, IT & Legal	40	36	(9)	68
Net Cost of Services	**12,907**	**488**	**(531)**	**12,865**
Housing Revenue Account	**(15,212)**	**38**	**(11,022)**	**(26,196)**
Other Income and Expenditure	**(6,221)**	**5,602**	**2,738**	**2,119**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	**(8,526)**	**6,128**	**(8,814)**	**(11,212)**

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

Contingent Assets and Liabilities

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

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

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

Finance Lease
A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to a lessee.

Financial Instrument
A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability in another. In practice, this covers both financial assets and financial liabilities and includes bank deposits, investments, debtors, loans, creditors and borrowings.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Support Services
These are services, such as finance and legal, that are not statutory local authority services but which give support to authorities' statutory (and discretionary) services.

Supported Capital Expenditure
This is the term for central government support for local authority capital expenditure financed from borrowing with effect from 1 April 2004. Under this "Prudential system" local authorities receive funding through the revenue support grant to meet the costs of specified borrowing.

Unsupported Borrowing
This is borrowing permitted to authorities under the "Prudential Code" framework but which does not receive revenue support through the grant system.

Useful Life
This is the period over which a local authority derives benefit from the use of a Non-current asset.